

Etalon Group PLC

Consolidated Financial Statements

For the year ended 31 December 2022

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Gennadii Shcherbina (appointed on 30 April 2021)
Alexander Voloshin (appointed on 30 April 2021)
Sergey Egorov (appointed on 19 February 2019)
Marina Ogloblina (appointed on 19 February 2019)
Ganna Khomenko (appointed on 19 February 2019)
Denis Vinokurov (appointed on 9 November 2018)
Vitaly Pyltsov (appointed on 4 April 2022)
Boris Svetlichny (appointed on 15 April 2013)
Charalampos Avgousti (appointed on 10 November 2016)
Martin Robert Cocker (appointed on 12 November 2010 and resigned on 4 March 2022)
Oleg Mubarakshin (appointed on 19 February 2019 and resigned on 16 February 2023)
Maksim Berlovich (appointed on 27 April 2018 and resigned on 16 February 2023)

Secretary

G.T. Globaltrust Services Limited
Themistokli Dervi, 15
Margarita House, 5th floor, flat/office 502
1066 Nicosia
Cyprus

Registered Office

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

Independent auditors

AO BST, Saint Petersburg Branch
Lit. K, bld. 1, 38 Sredniy Prospect
199004, Saint Petersburg
Russia

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors of Etalon Group PLC (the “Company”) presents its Consolidated Management Report together with the audited Consolidated Financial Statements of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2022. The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Review of the development and performance of the Group’s business and its position

The results of the Group for the year ended 31 December 2022 are set out on page 18 of the consolidated financial statements.

(a) Revenue

The Group’s total revenue for the year ended 31 December 2022 amounted to RUB 80 556 million compared to RUB 87 138 million for the year ended 31 December 2021, a decrease of RUB 6 582 million or 8%.

Revenue of the reportable segment “Residential development” decreased by RUB 6 161 million or 8%, due to a decrease in the revenues recognised from the sales of flats by RUB 5 548 million or 8%, decrease in the revenues recognised from the sales of parking places by RUB 541 million or 13%, and a decrease in the revenues recognised from the sale of built-in commercial premises by RUB 72 million or 2%.

External revenues of the reportable segment “Construction services” decreased by RUB 263 million or 11% mainly due to completion of long-term construction contracts entered into in previous periods and not entering into new ones, aiming to reduce the Group’s presence in the segment.

External revenues of the reportable segment “Other” decreased by RUB 158 million or 2% due to a decrease in other revenue transferred at a point in time by RUB 2 184 million, a decrease in the sales of construction materials by RUB 545 million or 16%, a decrease in the sales of stand-alone commercial premises transferred at a point in time by RUB 252 million or 70%, partially offset by an increase in other revenue related to servicing of premises by RUB 2 609 million or 118%, an increase in the sales of stand-alone commercial premises transferred over time by RUB 206 million or 29% and an increase in rental revenue by RUB 8 million or 1%.

(b) Gross profit

Gross profit for the year ended 31 December 2022 amounted to RUB 28 203 million compared to RUB 27 782 million for the year ended 31 December 2021, an increase of RUB 421 million or 2%, which was mainly driven by the increase in gross profit of the reportable segment “Other” by RUB 497 million or 23%.

(c) Results from operating activities

Profit from operating activities during the year ended 31 December 2022 amounted to RUB 25 055 million compared to RUB 13 246 million for the year ended 31 December 2021, an increase of RUB 11 809 million or 89%, which was mainly driven by the gain from bargain purchase of Russian business of YIT Corporation (“YIT Russia”) of RUB 12 038 million.

During the year ended 31 December 2022, general and administrative expenses increased by RUB 1 475 million or 26%, selling expenses increased by RUB 362 million or 8%, other income decreased by RUB 380 million or 53%, while other expenses decreased by RUB 2 310 million or 50%, as compared to the year ended 31 December 2021.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

(d) General and administrative expenses

The increase in general and administrative expenses was mainly caused by the increase in payroll and related taxes by RUB 1 205 million or 34%. YIT Russia contributed RUB 470 million to general and administrative expenses.

(e) Other income and other expenses

During the year ended 31 December 2022, other income decreased by RUB 380 million or 53% due to a decrease in the gain on disposal of property, plant and equipment and investment property by RUB 390 million.

Other expenses decreased by RUB 2 310 million or 50% mainly due to a decrease in the impairment loss on inventories by RUB 1 060 million or 52% and a decrease in the cost of social infrastructure for completed projects by RUB 346 million or 62%.

(f) Net finance costs

Net finance costs for the year ended 31 December 2022 increased by RUB 1 750 million or 24% as compared to the year ended 31 December 2021.

Finance income increased by RUB 1 461 million or 58% mainly due to an increase in interest income on cash and cash equivalents and bank deposits by RUB 1 458 million or 81%.

Finance costs increased by RUB 3 211 million or 32% due to an increase in borrowing costs by RUB 2 919 million or 48% due to the transition from the scheme of customer financing to the bank project financing scheme, an increase in interest expense on leases by RUB 234 million or 47%, an increase in the effect of the unwinding of the discount on other payables by RUB 709 million or 29%, which was mainly caused by unwinding of the discount on long-term accounts payable for the acquisition of land plot (88% share in LLC “Specialized Developer “ZIL-YUG”) and unwinding of the discount on payables for construction of objects of social infrastructure, partially offset by a decrease in financing component under IFRS 15 by RUB 297 million or 80% and a decrease in net foreign exchange loss by RUB 247 million or 83%.

(g) Income tax expense

Income tax expense for the year ended 31 December 2022 amounted to RUB 2 886 million compared to an income tax expense of RUB 2 842 million for the year ended 31 December 2021, an increase of RUB 44 million or 2%, despite the growth of profit before income tax in 2022 by RUB 10 038 million or 172%, which was mainly caused by non-taxable gain from bargain purchase YIT Russia.

(h) Profit for the year

The profit for the year ended 31 December 2022 amounted to RUB 13 001 million, compared to a profit of RUB 3 007 million for the year ended 31 December 2021.

(i) Adjusted net debt/adjusted EBITDA and net corporate debt/adjusted EBITDA ratios

As described in note 24 and in the Supplementary Information section, certain bank loans are subject to restrictive covenants which are calculated based on the consolidated financial statements of the Group. The loans used to finance the acquisition of JSC Etalon Finance (JSC Leader-Invest prior to 2022) require the Group to maintain adjusted net debt/adjusted EBITDA ratio below 4. The Group's adjusted net debt is negative (specified assets exceed borrowings), which results in adjusted net debt/adjusted EBITDA ratio being minus 2.21 - well below the required minimal ratio.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

The Group also monitors the ratio of net corporate debt (total loans and borrowings less secured project financing less cash and cash equivalents less bank deposits over 3 months) to adjusted EBITDA. Following the transition to settlements with customers through escrow accounts and to financing of construction by means of project financing, the classical net debt/EBITDA indicator distorts the actual debt burden. At the appropriate level of coverage of project loan with cash on escrow accounts, nominal interest rates on such debt are reduced to near-zero values, well below the market rates. As of 31 December 2022, the ratio amounted to 0.78 which is in line with the Group's target for the ratio being less than 2-3x.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the notes 1(b), 2(d) and 27 of the Consolidated Financial Statements.

Future developments of the Group

The Board of Directors acknowledges that the current geopolitical situation and the resulting economic developments in Russia may have an adverse impact on operations and financial results of the Group in the future. Still, the Group continues to adhere to its strategy, including regional expansion, and to sustain the scale of its operations, and overall will be able to continue its business for the foreseeable future.

Activities related to research and development

The Group has not undertaken any material activities in the field of research and development during the year ended 31 December 2022.

Branches

The Group operated through branches in Moscow and Saint Petersburg and 15 representative (sales) offices across the Russian Federation during the year ended 31 December 2022. The Company did not operate through any branches other than in Moscow and Saint Petersburg.

Use of financial instruments by the Group

The classes of financial instruments used by the Group, the Group's financial risk management objectives and policies as well as the Group's exposure to credit risk, liquidity risk and market risk are disclosed in the note 27 of the consolidated financial statements.

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 22 December 2022 neither considered nor approved any dividend payments for the financial year ended 31 December 2021.

Changes in the Company's share capital

There were no changes in the Company's share capital during 2022.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

Changes in the composition, allocation of responsibilities or compensation of the Board of Directors

The changes in the composition and allocation of responsibilities of the Board of Directors during 2022 and until the date these consolidated financial statements have been authorised for issue, are disclosed in the Board of Directors and other Officers section of these consolidated financial statements.

Nonrecurring or unusual activities and other significant events

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.

Acquisition of YIT Russia

On 30 May 2022, the Company acquired from YIT Corporation a certain number of Finnish and Russian legal entities representing the Russian business of YIT Corporation (“YIT Russia”) for the consideration of RUB 1 923 million.

YIT Russia focused on mid-market residential real estate with a portfolio of 19 projects in five Russian regions, including the Moscow metropolitan area, Saint Petersburg, the Ekaterinburg region, Kazan and Tyumen with a total unsold net sellable area (NSA) of 0.6 million sqm. It also operated several housing servicing companies.

Independent Auditors

The Company appointed AO BST, Saint Petersburg Branch as the auditor of the Group’s consolidated financial statements for the year ended 31 December 2022.

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, such as the Management Policy and Committee terms of reference, to ensure that a proper system of corporate governance is in place.

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s and the Company’s ability to continue as a going concern, considering all available information about the future and for disclosing any material uncertainties related to events or conditions that may cast significant doubt upon the Group’s and the Company’s ability to continue as a going concern.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT (CONTINUED)

Those charged with governance are responsible for the 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 Group's risk management policies and procedures, the effectiveness of the Group'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.

Each of the subsidiaries of the Group keeps accounting records for statutory purposes. The preparation of consolidated financial statements involves the transformation of the statutory accounting records into IFRS and the consolidation of financial statements. The Group continues the process of implementing a single Group-wide information system featuring automated consolidation of the accounts that will strengthen internal control and risk management in relation to the preparation of the consolidated financial statements.

The Group 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 requirement of Cyprus Companies Law, Cap. 113.

Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings)

The authorised and issued share capital of the Company is GBP 39,172 divided into 383 445 362 Ordinary Shares of GBP 0,00005 each and 20,000 redeemable preference shares of GBP 1 each. 294 251 042 ordinary shares (76,7%) are deposited for the issuance of Global Depositary Receipts (GDRs) pursuant to the Deposit Agreement between the Company and the Bank of New York Mellon. The GDRs represent one ordinary share each and at the reporting date have been listed and traded on the Main Market of the London Stock Exchange (LSE). Since the beginning of March 2022, LSE suspended trading in Etalon's GDRs.

The Company's GDRs are traded on the Moscow Stock Exchange Starting from 3 February 2020.

As at 31 December 2022, the Company was 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%
Total	100%

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.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

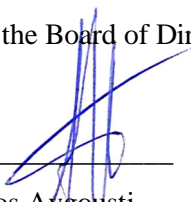
The office of a director shall be vacated if the director:

- (a) 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 their detention or for the appointment of a receiver, curator or other person to exercise powers with respect to their property or affairs; or
- (b) 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 their creditors generally or otherwise has any judgment executed on any of their assets; or
- (d) dies; or
- (e) resigns their office by written notice to the Company; or
- (f) the Company removes them from their 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,



Charalampos Avgousti

Director



Sergey Egorov

Director

Nicosia

28 March 2023

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 consolidated 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 consolidated annual financial statements for year ended 31 December 2022:
- (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 and the undertakings included in the consolidated financial account as a whole, and
- (b) 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	
MARINA OGLOBLINA, Member of the Board of Directors	
GANNA KHOMENKO, Member of the Board of Directors	
BORIS SVETLICHNY, Member of the Board of Directors	
CHARALAMPOS AVGOUSTI, Member of the Board of Directors	
DENIS VINOKUROV, 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	

28 March 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Etalon Group PLC

Opinion

We have audited the consolidated financial statements of Etalon Group PLC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Auditor's Independence Rules and the Auditor's Professional Ethics Code, that are relevant to our audit of the consolidated financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), 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.

Key Audit Matters

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

Why the matter was determined to be a key audit matter **How the matter was addressed in the audit**

Revenue recognition

In accordance with IFRS 15 Revenue from Contracts with Customers, the Group recognizes revenue from sale of real estate inventories as performance obligations are satisfied (i.e. over time) or when performance obligations are satisfied (i.e. at a point in time) depending on the type of contract and the date of its registration with the state authorities.

We consider revenue recognition under IFRS 15 to be a key audit matter due to significance of judgments applied when determining at the reporting date percentage of construction completion and the progress toward satisfying the Group's performance obligations under share participation agreements giving rise to over-time revenue recognition.

The accounting policies on revenue under share participation agreements are disclosed in Note 3(i). For other disclosures on revenue refer to Note 6.

Our audit procedures included amongst others:

We analyzed the Group's contracts with customers to identify the rights and obligations of the parties, challenged the appropriateness of revenue recognition method used by the Group, taking into account current legal practices in respect of such contracts.

We obtained an understanding, assessed design and implementation of controls over the construction costs budgeting process and assessed the appropriateness of assumptions related to estimating the planned costs and expected construction timeline, which are used by the Group's management in measuring the progress toward completion when revenue is recognized over time. In addition, we performed a retrospective analysis of the Group's fulfilment of the budgets and construction milestones in the past.

We challenged the per-unit budgets and their structure and dynamics by benchmarking them across the Group's portfolio and versus market trends, and by assessing their effect on gross margins of individual projects.

On a sample basis, we verified the costs of particular construction stages in accordance with the agreements with contractors signed by the reporting date to the costs in the respective stages of the construction budgets. In addition, we inspected a sample of primary documentation supporting the cost of construction incurred by contractors by the reporting date.

We also verified the Group's calculations of recognized revenue by performing the following:

- on a sample basis, we traced input data in the calculations to the respective share participation agreements;
- we checked the arithmetical accuracy of the Group's calculations.

We reviewed the disclosures in the consolidated financial statements for compliance with the requirements of IFRS 15.

Accounting for business combination

As disclosed in Note 28 during the year-ended 31 December 2022 the Group acquired 100% of the Russian business of YIT Corporation.

We consider accounting for this transaction to be a key audit matter because it requires a significant degree of judgment and involves estimations which are uncertain in nature in relation to:

- adjustments made to align accounting policies;
- future expected cash flows for construction projects and the discount rate used to arrive to their present value.

The key sources of estimation uncertainty and accounting policies are disclosed in Note 3(a) and Note 28.

Our audit procedures included amongst others:

We challenged assumptions and management's judgements applied in respect of the acquisitions of interests in YIT Corporation entities and performed the following:

- inquiries of the Group's management and analysis of the supporting documentation to obtain understanding of the key details of transactions;
- obtaining an understanding of the Group's processes, procedures and controls for developing assumptions used;
- assessing experience, professional qualifications and objectivity of the independent valuation specialists;
- assessing the appropriateness of the discount rate used;
- evaluating and critically assessing the reasonableness of the assumptions used in calculation of fair values of the net identifiable assets:
 - historical turnover and prices of sales in these and/or similar projects;
 - price growth rates for future sales;
 - budgeted costs to complete construction;
 - budgeted general, administrative and selling expenses;
- analyzing adjustments made to align the accounting policies of the acquired business with the accounting policies adopted by the Group. We also assessed whether the disclosure in the consolidated financial statements in respect of this acquisition is in compliance with IFRS requirement.

Net realizable value of inventories

The Group has significant inventory balance (refer to Note 18 in the consolidated financial statements), which comprises real estate under construction and development, as well as completed properties, construction materials and other inventories. The Group measures its inventories at the lower of cost and net realizable value.

We consider this area to be a key audit matter because it requires use of observable and unobservable inputs and application of a significant degree of judgment when developing assumptions, in particular in relation to:

- the cost to complete construction;
- expected timing and prices of sale;
- the level of overhead expenses as a percentage of revenue;
- the discount rate used to arrive to the present value of the future expected cash flows.

The key sources of estimation uncertainty and accounting policies are disclosed in Note 2(d) and Note 3(h).

Our audit procedures included amongst others:

We evaluated the appropriateness of management's assumptions applied in calculating the carrying value of inventories including:

- obtaining an understanding of the Group's processes and procedures for developing assumptions used;
- assessing the appropriateness of the discount rate used;
- reviewing, recalculating and critically assessing the reasonableness of the assumptions used in calculation of allowance for inventories considering:
 - historical turnover and prices of sales in these and/or similar projects;
 - price growth rates for future sales;
 - budgeted costs to complete construction;
 - budgeted general, administrative and selling expenses.

We also assessed whether the disclosure in the consolidated financial statements in respect of the inventory allowances is in compliance with IFRS requirement.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information that is included in the Consolidated Management Report and the Responsibility Statement of the Directors and management of the Group and will be included in the supplementary information to be Group's Annual Report for 2022 for the purpose of additional analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Other matter – Supplementary Financial Information

Management is responsible for the preparation of information accompanying the consolidated financial statements, which is presented as supplementary financial information on pages 89-91. This information is provided for the purposes of additional analysis and is not a required part of the consolidated financial statements for year ended 31 December 2022 prepared in accordance with IFRS.

Such information has not been subjected to the audit procedures applied in our audit of the consolidated financial statements for the year ended 31 December 2022 and, accordingly, we do not express opinion on it.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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, related safeguards.

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



Turushev Sergey
(ORNZ № 21906101428),
Engagement partner

Acting based on the power of attorney issued by the General Director on 24.08.2022 authorizing to sign off the audit report on behalf of AO “Business Solutions and Technologies” (ORNZ № 12006020384)

28 March 2023

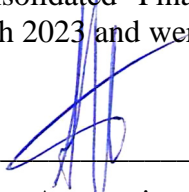
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022

mln RUB	Note	2022	2021
Revenue	6	80 556	87 138
Cost of sales	7	<u>(52 353)</u>	<u>(59 356)</u>
Gross profit		<u>28 203</u>	<u>27 782</u>
General and administrative expenses	8	(7 259)	(5 784)
Selling expenses		(5 001)	(4 639)
Impairment loss on trade and other receivables	27 (b)(ii)	(912)	(169)
Gain from bargain purchase	28	12 038	-
Other income	9	331	711
Other expenses, net	9	<u>(2 345)</u>	<u>(4 655)</u>
Results from operating activities		<u>25 055</u>	<u>13 246</u>
Finance income – interest revenue	11	3 914	2 392
Finance income – other	11	75	136
Finance costs	11	<u>(13 120)</u>	<u>(9 909)</u>
Net finance costs		<u>(9 131)</u>	<u>(7 381)</u>
Share of loss of equity accounted investees		(37)	(16)
Profit before income tax		<u>15 887</u>	<u>5 849</u>
Income tax expense	12	<u>(2 886)</u>	<u>(2 842)</u>
Profit for the year		<u>13 001</u>	<u>3 007</u>
Total comprehensive income for the year		<u>13 001</u>	<u>3 007</u>
Profit attributable to:			
Owners of the Company		12 948	3 007
Non-controlling interest		<u>53</u>	<u>-</u>
Profit for the year		<u>13 001</u>	<u>3 007</u>
Total comprehensive income attributable to:			
Owners of the Company		12 948	3 007
Non-controlling interest		<u>53</u>	<u>-</u>
Total comprehensive income for the year		<u>13 001</u>	<u>3 007</u>
Earnings per share			
Basic and diluted earnings per share (RUB)	23	<u>33,77</u>	<u>8,59</u>


mln RUB	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	4 531	4 050
Intangible assets	14	2 652	-
Investment property	15	396	416
Other long-term investments	16	583	1 489
Trade and other receivables	19	1 569	3 345
Deferred tax assets	17	11 373	7 347
Total non-current assets		21 104	16 647
Current assets			
Inventories under construction and development	18	119 600	95 431
Inventories - finished goods	18	16 872	13 023
Other inventories	18	6 047	1 699
Advances paid to suppliers	19	12 469	10 857
Costs to obtain contracts		1 197	892
Contract assets	19	28 733	25 332
Trade receivables	19	6 638	6 308
Other receivables	19	9 945	6 243
Income tax receivable		1 607	953
Short-term investments	20	22	126
Cash and cash equivalents	21	23 811	44 587
Total current assets		226 941	205 451
Total assets		248 045	222 098
EQUITY AND LIABILITIES			
Equity			
Share capital	22	2	2
Share premium	22	26 367	26 367
Reserve for own shares	22	(1)	(1)
Retained earnings		47 821	34 992
Total equity attributable to equity holders of the Company		74 189	61 360
Total equity		74 189	61 360

mln RUB	Note	2022	2021
Non-current liabilities			
Loans and borrowings	24	73 970	67 132
Trade and other payables	26	22 978	31 230
Provisions	25	406	117
Deferred tax liabilities	17	7 513	7 428
Total non-current liabilities		104 867	105 907
Current liabilities			
Loans and borrowings	24	19 118	16 306
Trade and other payables	26	36 946	23 692
Contract liabilities	26	12 045	14 157
Income tax payable		241	158
Provisions	25	639	518
Total current liabilities		68 989	54 831
Total equity and liabilities		248 045	222 098

These Consolidated Financial Statements were approved by the Board of Directors on 28 March 2023 and were signed on its behalf by:



 Charalampos Avgousti
 Director



 Sergey Egorov
 Director

mln RUB	Attributable to equity holders of the Company				Non-controlling interest	Total equity	
	Share capital	Share premium	Reserve for own shares	Retained earnings			Total
Balance as at 1 January 2021	2	15 486	(1)	35 586	51 073	-	51 073
Total comprehensive income for the year							
Profit for the year	-	-	-	3 007	3 007	-	3 007
Total comprehensive income for the year	-	-	-	3 007	3 007	-	3 007
Transactions with owners, recorded directly in equity							
Shares issued	-	11 120	-	-	11 120	-	11 120
Transaction costs directly attributable to the issue	-	(239)	-	-	(239)	-	(239)
Dividends to equity holders	-	-	-	(3 601)	(3 601)	-	(3 601)
Total transactions with owners	-	10 881	-	(3 601)	7 280	-	7 280
Balance as at 31 December 2021	2	26 367	(1)	34 992	61 360	-	61 360

mln RUB	Attributable to equity holders of the Company				Non-controlling interest	Total equity	
	Share capital	Share premium	Reserve for own shares	Retained earnings			Total
Balance as at 1 January 2022	2	26 367	(1)	34 992	61 360	-	61 360
Total comprehensive income for the year							
Profit for the year	-	-	-	12 948	12 948	53	13 001
Total comprehensive income for the year	-	-	-	12 948	12 948	53	13 001
Transactions with owners, recorded directly in equity							
Acquisition of subsidiaries with NCI, note 28	-	-	-	-	-	195	195
Result of acquisition and disposal of NCI in subsidiaries with NCI, note 22(e)	-	-	-	(119)	(119)	(248)	(367)
Total transactions with owners	-	-	-	(119)	(119)	(53)	(172)
Balance as at 31 December 2022	2	26 367	(1)	47 821	74 189	-	74 189

mln RUB	Notes	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES:			
Profit for the year		13 001	3 007
<i>Adjustments for:</i>			
Depreciation, including right-of-use assets	13, 14	541	521
Loss/(gain) on disposal of property, plant and equipment	9	90	(162)
Loss/(gain) on disposal of investment property	9	3	(279)
(Gain)/loss on disposal of inventories under construction and development	9	(51)	205
Impairment loss on inventories	18	994	2 054
Impairment loss on trade and other receivables, advances paid to suppliers and investments	27 (b)(ii)	898	327
Share of loss of equity accounted investees		37	16
Loss on disposal of subsidiary	9	2	7
Gain on disposal of associate	9	(135)	-
Gain from bargain purchase	28	(12 038)	-
Significant financing component from contracts with customers recognised in revenue		(324)	(3 003)
Savings on escrow-backed loans recognised in revenue		(2 715)	(1 197)
Finance costs, net	11	9 131	7 381
Income tax expense	12	2 886	2 842
Cash from operating activities before changes in working capital and provisions		12 320	11 719
Change in inventories		(24 897)	3 211
Change in accounts receivable		(2 212)	(2 386)
Change in accounts payable		2 424	5 937
Change in provisions	25	(28)	108
Change in contract assets	19	(24 029)	(18 194)
Change in contract liabilities	26	(3 577)	(14 194)
Cash used in operating activities		(39 999)	(13 799)
Income tax paid		(5 553)	(3 543)
Interest paid		(5 263)	(4 461)
Net cash used in operating activities *		(50 815)	(21 803)

mln RUB	Notes	2022	2021
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		10	266
Proceeds from disposal of investment property		12	474
Interest received		1 211	1 763
Acquisition of property, plant and equipment and intangible assets		(1 201)	(560)
Loans given		(13)	(823)
Loans repaid		64	7
Proceeds from disposal of subsidiaries, net of cash disposed of		-	32
Acquisition of investment in associates and joint ventures		(247)	(389)
Acquisition of subsidiary, net of cash acquired	28	536	-
Acquisition of other investments	16, 20	(1)	(4)
Disposal of other investments	16, 20	45	149
Net cash from investing activities		416	915
FINANCING ACTIVITIES:			
Proceeds from borrowings	24	43 008	49 071
Repayments of borrowings *	24	(11 166)	(14 635)
Payments for lease liabilities, excluding interest	24	(2 144)	(1 775)
Proceeds from issue of share capital, net		-	10 881
Dividends paid		-	(3 613)
Net cash from financing activities		29 698	39 929
Net (decrease)/increase in cash and cash equivalents		(20 701)	19 041
Cash and cash equivalents at the beginning of the year		44 587	25 830
Effect of exchange rate fluctuations		(75)	(284)
Cash and cash equivalents at the end of the year	21	23 811	44 587

* Repayments of borrowings during the year ended 31 December 2022 do not include repayment of project financing of RUB 27 162 million that was made by means of offset against funds released from escrow accounts. Similarly, the offset is also reflected within operating activities as part of changes in contract assets.

1 Background

a) Organisation and operations

Etalon Group PLC (Etalon Group Public Company Limited before 27 July 2017 and Etalon Group Limited before 5 April 2017) (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian joint stock companies and limited liability companies, as defined in the Civil Code of the Russian Federation, and companies located abroad.

The Company was incorporated on 8 November 2007 in the Bailiwick of Guernsey.

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.

On 27 July 2017, the Annual General Meeting of Shareholders 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.

The Company’s registered office is located at:

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

The Group’s principal activity is residential development in the Saint Petersburg metropolitan area and the Moscow metropolitan area. Since 2022, the Group started residential development in other regions of the Russian Federation.

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.

Starting from 4 May 2022, as a result of acquisition of an additional 19% stake in the Company, PJSC AFK Sistema became the controlling shareholder of the Group with ownership share of 48,8% as of 31 December 2022. Prior to 4 May 2022, PJSC AFK Sistema had significant influence over the Group with ownership share of 29,8%.

As of 31 December 2022, Vladimir Petrovich Yevtushenkov owns a 49.2% stake in PJSC AFK Sistema (as of 31 December 2021 – 59.2%). In 2022, Vladimir Petrovich Yevtushenkov transferred his 10% stake, thereby ceasing to be the holder of the majority of shares. 50.8% of the shares belong to a significant number of shareholders (as of 31 December 2021 – 40.8%). The shares of PJSC AFK Sistema are traded on the London Stock Exchange in the form of global depository receipts (“GDRs”) and on the Moscow and Saint Petersburg Exchanges.

b) Business environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal

and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from 2014, sanctions have been imposed in several packages by the US, UK, EU and others on certain Russian officials, businessmen and companies. On 21 February 2022, the President of the Russian Federation signed executive orders on the recognition of the Donetsk People's Republic and the Lugansk People's Republic. On 30 September 2022, Donetsk People's Republic, Lugansk People's Republic, as well as Zaporozhye and Kherson regions were recognised as the regions of the Russian Federation in the Constitution of the Russian Federation. Since the outbreak of the conflict 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 have resulted in reduced access of Russian businesses to international capital and export markets, reduction in consumer demand, increase in inflation rates, decline in capitals markets and other negative economic consequences.

The impact of these and further developments on future operations and financial position of the Group at this stage is difficult to determine. For the assessment of the Group's ability to continue as a going concern please refer to note 2(b).

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

2 Basis of preparation

a) Statement of compliance

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

b) Basis of measurement and going concern principle

The consolidated financial statements are prepared on the historical cost basis. Management prepared these consolidated financial statements on a going concern basis.

In assessing its going concern status, the Group has taken account of its principal risks and uncertainties including inflation risks for construction materials and labour costs, sharp reduction of the Company's market capitalisation and suspension of trading in the Company's GDRs on the London Stock Exchange, available undrawn credit facilities as at the date of analysis, and its forecast compliance with covenants on project financing and corporate borrowings, anticipated future continuity in demand, and major instalments in relation to acquisition of land plots.

When assessing the Group's ability to continue as a going concern over the next 12 months, the management considered all available information about the future, including events described below, noting that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group'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. In response to the sanctions, the Russian government introduced certain currency control measures and the Central Bank of the Russian Federation increased the key rate to 20% in March 2022 which was reduced to 17% starting from 11 April 2022 and subsequently reduced to 7,5% during May –

December 2022. All the above led to significant market volatility, disruption in the supply chains and significantly increased the level of economic uncertainty.

The Group developed a cash flow projection for the year 2023 considering 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.

The Group considered the following factors when assessing the impact on the current operating environment.

Continuity in demand

The demand for real estate is largely dependent on the availability of mortgage loans and the level of mortgage rates. Effective from 20 June 2022, the Government of the Russian Federation introduced special mortgage rates of 7% (8% starting from 1 January 2023) for newly constructed real estate and increased the price limit up to RUB 12 million per apartment in Moscow and Saint Petersburg (RUB 6 million in other Russian cities). At the same time, special mortgage programs including a family mortgage program of 6% continued to be in place.

Availability and cost of finance

As reported in the note 27(d)(ii), loans with a carrying amount of RUB 31 196 million or 34% of the total outstanding loans as at 31 December 2022 are linked to the key rate of the Central Bank of the Russian Federation (are variable rate instruments). The Group's loan contracts either include limitation on the maximum interest rate or bear preferential interest rates to debt covered by escrow account balances. These factors will limit the effect of any potential increase in the Central Bank's key rate on the cost of borrowings.

The Group does not have any borrowings denominated in foreign currencies.

The Group has secured project financing for all construction project in place that will enable it to continue financing its construction projects. For the new projects the Group aims to balance the ratio of borrowed funds to cash collected on escrow accounts to reduce borrowing costs.

The Group has sufficient liquidity to repay borrowings and does not expect any breaches of financial covenants during 2022.

Despite the fact that the Group's parent company is registered in Cyprus, the Group's place of operation is the Russian Federation, and the Group is not subject to any restrictions on receipt from customers of any proceeds from sale of real estate which have been introduced by the Russian Government with respect to foreign construction companies operating in Russia.

Availability and cost of construction materials

The Group mainly uses domestically produced construction materials and equipment and expects to be able to replace any shortages or breakages in its supply chain caused by foreign sanctions with supplies from other jurisdictions. The prices for construction materials are not linked to foreign currencies and the Group does not expect that the high volatility of foreign currency exchange rates will result in a significant increase in its production costs during 2022. Although constructions costs will continue to increase in line with higher inflation rates the Group expects that it will be able to pass increased constructions costs on to its customers.

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

c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Company’s functional currency and the currency in which these Consolidated financial statements are presented. The functional currency of most of the most Group’s subsidiaries, including foreign operations, is the RUB, as the activities of foreign operations are carried out as an extension of the activities of the Group in the Russian Federation.

All financial information presented in RUB has been rounded to the nearest million.

d) Use of estimates and judgments

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

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

Critical accounting judgments

The following are the critical accounting judgements (apart from judgements involving estimation which are dealt with separately below), made during the year that had the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of assets and liabilities as current or non-current:

- Inventories under construction and development and finished goods, contract assets and contract liabilities arisen from the sale of real estate, being part of the working capital used in the Group’s normal operating cycle are classified as current, even if they are due to be settled more than twelve months after the reporting period;
- Financial assets and financial liabilities are classified as current or non-current based on their contractual maturities.

Key sources of estimation uncertainty

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

- Note 6 – revenue: measurement of the progress towards complete satisfaction of the performance obligation, including estimation of the total costs to satisfy the performance obligation;
- Note 14 – intangible assets: expected pattern of consumption of the expected future economic benefits embodied in the future savings on connection to networks;
- Note 18 – inventories – impairment provisions: the discount rate and the years of turnover of parking places; recognition of obligations for the construction of social infrastructure: construction budgets and timing of construction, impairment;
- Note 28 – acquisition of subsidiary: fair value of the assets acquired and liabilities assumed.

e) Changes in accounting policies

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

i) New Standards and Interpretations

The following amendments to the standards and interpretations are effective for annual periods beginning on or after 1 January 2023.

- IFRS 17 *Insurance Contracts*, including Amendments, insurance contracts;
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IAS 1 *Presentation of Financial Statements*, classification of liabilities as current or non-current; non-current liabilities with covenants;
- Amendments to IAS 12 *Income Taxes*, deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2, disclosure of accounting policies;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, definition of accounting estimates.
- Amendments to IFRS 16 *Leases*, lease liability in a sale and leaseback.

The Group does not expect any significant impact on the Group's financial position or performance from the application of these amendments to the standards and interpretations.

3 Significant accounting policies**a) Basis of consolidation****(i) Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The identifiable assets acquired and the liabilities assumed, as well as the consideration transferred in the acquisition are measured at their acquisition-date fair values.

The Group recognises goodwill as acquisition-date fair value consideration transferred plus the amount of any non-controlling interest in the acquiree plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree (in a business combination achieved in stages) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group's significant subsidiaries are disclosed in note 33.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

b) Foreign currency

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

c) Financial instruments

(i) Recognition and initial measurement

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

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to the fair value of the financial assets and deducted from financial liabilities on initial recognition

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL - fair value through profit or loss.

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

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

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

principal and interest on the principal amount outstanding.

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

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

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

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

Financial assets – Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

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

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group

recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

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

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

Changes in cash flows on existing financial liabilities are not considered as modification if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments of IFRS 9. This means that the effective interest rate is adjusted prospectively.

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

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

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

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred

or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

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

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

(v) Offsetting

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

(vi) Impairment

Financial instruments and contract assets

The Group recognises loss allowances for expected credit losses (ECLs) on:

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

The Group uses a simplified approach to measure loss allowance at an amount equal to lifetime ECLs for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

For measuring of loss allowance for trade receivables and contract assets, the Group allocates those financial assets into the following two categories based on shared credit risk characteristics that are determined by existence of a collateral:

- Trade receivables and contract assets arising from sales of real estate;
- Trade receivables and contract assets arising from provision of construction services and other operations.

The Group does not transfer title for sold properties to customers until they settle their accounts in full. In case a customer fails to settle obligations in a reasonable time as determined in their sales contract, the Group initiates termination of the sales contract, the properties are returned to the Group and in addition, the Group withholds a penalty from the amount of consideration it returns to the customer. The properties are subsequently sold to other customers, and the cash flows from sale of collateral are included into the cash flows that the Group expects to receive under the initial contract. The Group estimates and recognises ECLs on trade receivables based on its own statistics about contract termination and credit losses incurred.

For the second category of receivables and contract assets, the Group calculates ECL based on individual credit risk ratings of each debtor and the remaining terms to maturity. The Group

determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group defines default event when a financial asset is more than 90 days past due or it is unlikely that the debtor's obligations to the Group will be repaid in full without the Group taking such actions as the sale of the collateral (if any).

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

d) Advances paid and contract liabilities

Due to the nature of its activities, the Group receives significant advances from customers (designated as contract liabilities), and makes significant prepayments to sub-contractors and other suppliers. Advances paid are recognised on an undiscounted basis. The Group adjusts contract liabilities for the significant financing component if the timing of payments agreed to by the parties provides the Group with a significant benefit of financing.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and call deposits with original maturities of three months or less. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost. Bank balances kept in escrow accounts, which represent funds received by authorized banks from escrow-account holders - participants of share participation agreements for construction of real estate, are not included in the balance of cash and cash equivalents. The funds, in the excess of the amounts borrowed from the banks, will be transferred to the Group's bank

accounts upon completion of construction of respective real estate and on such time will be recognised within cash and cash equivalents.

f) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 January 2008, the date of transition to IFRSs.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

- Buildings and constructions 7-30 years;
- Machinery and equipment 5-15 years;
- Vehicles 5-10 years;
- Other assets 3-7 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. No estimates in respect of plant and equipment were revised during the year ended 31 December 2022.

g) Investment property

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

h) Inventories

Inventories comprise real estate properties under construction and development (including residential premises, stand-alone and built-in commercial premises) when the Group acts in the capacity of a developer, finished goods, and construction and other materials.

The Group accounts for stand-alone and built-in commercial properties within inventories because it does not intend to engage in renting-out those assets and keeping those as investment properties to generate rental income and benefit from appreciation. Properties classified as inventory may be rented out on a temporary basis while the Group is searching for a buyer, while rental earnings are not significant compared to the sales price of the property. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of real estate properties under construction and development is determined on the basis of specific identification of their individual costs. The costs of individual residential units and built-in commercial premises are arrived at by allocating the costs of a particular development project to individual apartments and built-in premises on a pro rata basis relative to their size.

Since 1 January 2017, for items on which revenue is recognized over time, real estate property under construction and development is treated as an asset ready for sale in its current condition and is not a qualifying asset for the capitalization of borrowing costs.

The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project.

The cost of inventories, other than construction work in progress intended for sale, is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity. Transfer from real estate properties under construction and development to the stock of finished goods occurs when the respective building is approved by the State commission established by the local regulating authorities for acceptance of finished buildings and the building is ready for housing.

The Group's inventory is not limited to 12 months and may be of longer term since the development cycle exceeds 12 months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date.

i) Revenue**(i) *Revenue from sale of real estate properties (including flats, commercial premises and parking places)***

Revenue is measured based on the consideration specified in a contract with a customer adjusted for the effect of the time value of money (significant financing component) if the timing of payments agreed to by the parties provides the customer or the Group with a significant benefit of financing. The timing of satisfaction of the Group's performance obligations does not necessarily correspond

to the typical payment terms, as the Group either accepts full down payments at the inception of construction, or provides instalment plans for the whole period of construction or beyond it.

The Group recognises revenue when (or as) it transfers control over an asset to a customer. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Transfer of control may vary depending on the individual terms of the sales contracts.

For contracts for the sale of finished goods, the Group generally considers that control have been transferred on the date when a buyer signs the act of acceptance of property.

For each performance obligation satisfied over time (promise to transfer an apartment specified in the contract with a customer in a multicompartment building under construction), the Group recognises revenue over time by measuring the progress towards satisfaction of that performance obligation using the input method. The Group starts recognising revenue after state registration of respective share participation agreements.

The Group applies the input method because it believes that there is a direct relationship between the Group's inputs and the transfer of control of goods or services to a customer. The measurement of the value to the customer of the goods or services transferred to date, applied under the output method, is not available for the Group without undue cost. The Group excludes from the input method the effects of any inputs that do not contribute to the Group's progress in satisfying the performance obligation.

Under the input method, revenue is recognised on the basis of costs incurred relative to the total expected costs to the satisfaction of that performance obligation that is the proportion of costs incurred to date to construct a multicompartment building to the total costs to construct the building in accordance with a business plan.

The progress is considered to be the same for all apartments within a building, irrespective of their floors, and revenue is recognised with respect to apartments that are contracted under share participation agreements. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multicompartment building and exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognised in cost of sales consistently with the transfer to the customers of the apartments to which the land plot relates.

In relation to sales via housing cooperatives, revenue is recognized on the date when sold real estate property is transferred to, and accepted by, the cooperative. Before that date, the respective building has to be approved by the State commission for acceptance of finished buildings.

When adjusting the promised amount of consideration (monetary or non-monetary) for a significant financing component, the Group applies discount rates that would be reflected in a separate financing transaction between the entity and its customer at contract inception that is typically the average mortgage rate for contract assets and the Group's incremental borrowing rate for contract liabilities.

When the Group finances construction of residential buildings using project financing backed by balances on escrow accounts, it adjusts transaction price for the difference between interest expense on borrowings calculated using the base interest rate and the preferential interest rate. Interest rate on project financing depends on the proportion of balances on escrow accounts to the balance of project loan and varies from base interest rate (no balances on escrow accounts) to preferential interest rates (balances on escrow accounts exceed or equal balance of project loan), while specific formula is used to calculate interest rates when balances on escrow accounts are lower than balances of project loan. The range of interest rates for the Group's project financing portfolio is disclosed in note 24 as nominal interest rates for each loan, where the lower rate is preferential rate and the higher is base rate.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between the transfer of a promised good to a customer and the customer's payment for that good will be one year or less.

Costs to obtain contracts

The Group recognises as an asset the incremental costs of obtaining a contract with a customer. These costs usually include sales commissions and insurance payments for share participation agreements. Such assets are amortised on the basis of the progress towards complete satisfaction of respective performance obligations and are included into selling expenses.

(ii) Revenue from construction services

For accounting purposes, the Group distinguishes two types of construction contracts:

- Contracts for provision of construction services;
- Contracts for construction of an asset.

For the first type of contracts, revenue from construction services rendered is recognized in the consolidated statement of Profit or Loss and Other Comprehensive Income when the Group transfers control of a service to customer. These contracts are normally short-term, therefore revenue is recognised when the customer signs the act of acceptance of the construction service.

For the second type of contracts revenue is recognized over time by measuring progress towards complete satisfaction of the performance obligation at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, using the input method. Contract costs are recognised as expenses in the period in which they are incurred except when the costs are the costs that generate or enhance resources of the entity that will be used in satisfying a performance obligation in future.

Some or all of an amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when that uncertainty associated with the variable consideration is subsequently resolved.

The Group accounts for a contract modification (change in the scope or price (or both)) when that is approved by the parties to the contract.

Where the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognised to the extent of costs incurred in satisfying the performance obligation that is expected to be recovered.

When it becomes probable that total contract costs will exceed total contract revenue, the Group recognises expected losses from onerous contract as an expense immediately.

(iii) Revenue from sale of construction materials

Revenue from the sale of construction materials is recognised in the consolidated statement of profit or loss and other comprehensive income when the Customer obtains control of a promised asset.

j) Leases

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises right-of-use assets and lease liabilities primarily for its leases of land plots for development purposes.

The Group does not present right-of-use assets for land plots separately in the statement of financial position but includes such assets within inventories under construction and development. The depreciated part of right-of-use asset arising from lease of land plots is recognised within cost of sales on the same basis as the cost of acquisition of land plots, see note 3i)(i).

The Group presents lease liabilities in “Trade and other payables” (note 26) in the statement of financial position.

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

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

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

Lease modifications

A lessee accounts for a lease modification as a separate lease if both:

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modifications that are not accounted for as separate leases, lease liabilities are remeasured by discounting the revised lease payments using revised discount rates and making corresponding adjustments to the right-of-use assets.

k) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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

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

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

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

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

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

IFRIC 23 *Uncertainty over Income Tax Treatments* clarified how to account for a tax liability or a tax asset when there is an uncertainty over income tax treatments by the taxation authorities. The tax amounts recorded in these consolidated financial statements are consistent with the tax returns of the Group's subsidiaries and therefore no uncertainty is reflected in measurement of current and deferred taxes, as the Group believes that it is probable that the taxation authorities will accept the treatment in tax returns. The Group will reassess its judgements and estimates whenever there is a change in facts and circumstances – e.g. examinations of taxation authorities, changes in tax legislation or expiration of rights to examine tax amounts.

4 Determination of fair values

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

a) Non-derivative financial assets

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

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- *Residential development.* Includes construction of residential real estate including flats, built-in commercial premises and parking places.
- *Construction services.* Includes construction services for third parties and for internal purpose.
- *Other operations.* Include selling of construction materials, construction and sale of stand-alone commercial premises, sale of land plots and various services related to sale and servicing of premises. None of these meets any of the quantitative thresholds for determining reportable segments during the year ended 31 December 2022 and 2021.

Performance of the reportable segments is measured by the management based on gross profits, on the way in which the management organises the segments within the entity for making operating decisions and in assessing performance.

The performance of the reportable segment "Residential development" is additionally assessed on the basis of gross profit adjusted for purchase price allocation from the acquisition of JSC "Etalon-Finance" (JSC "Leader-Invest" before 4 April 2022).

General and administrative expenses, selling expenses, finance income and finance costs are treated as equally attributable to all reporting segments and are not analysed by the Group on a segment-by-segment basis and therefore not reported for each individual segment.

The transition from the scheme of customer financing to bank project financing backed by escrow accounts led to the emergence of significant assets and liabilities that are attributable only to the reportable segment *Residential development* and are not attributable to other segments. Under the circumstances, the Board of Directors focuses on the measures of profit or loss of each reportable segment. The information about reportable segments' assets and liabilities is not disclosed.

a) Information about reportable segments

mln RUB	Residential development		Construction services		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
External revenues	69 108	75 269	2 138	2 401	9 310	9 468	80 556	87 138
<i>Including:</i>								
St. Petersburg metropolitan area	30 552	31 946						
Moscow metropolitan area	35 088	43 323						
Other regions	3 468	-						
Inter-segment revenue	-	-	26 493	18 573	614	595	27 107	19 168
Total segment revenue	69 108	75 269	28 631	20 974	9 924	10 063	107 663	106 306
Gross profit adjusted for purchase price allocation from acquisition of Etalon Finance (Leader-Invest prior to 2022)	27 612	28 948	(43)	(60)	2 945	2 153	30 514	31 041
Gross profit adjusted for purchase price allocation, %	40%	38%						
Gross profit	25 596	25 689	(43)	(60)	2 650	2 153	28 203	27 782
<i>Including:</i>								
St. Petersburg metropolitan area	12 761	12 883						
Moscow metropolitan area	11 361	12 806						
Other regions	1 474	-						
Gross profit, %	37%	34%						
<i>Including:</i>								
St. Petersburg metropolitan area	42%	40%						
Moscow metropolitan area	32%	30%						
Other regions	43%	-						

b) Geographical information

In presenting information on the basis of geographical information, revenue is based on the geographical location of properties. Non-current assets exclude financial instruments and deferred tax assets.

mln RUB	Revenues		Non-current assets	
	2022	2021	2022	2021
St. Petersburg metropolitan area	36 852	40 076	3 343	3 094
Moscow metropolitan area	37 744	47 062	1 293	1 372
Other regions	5 960	-	2 943	-
	80 556	87 138	7 579	4 466

c) Reconciliations of reportable segment revenues and gross profit

mln RUB	2022	2021
Reconciliation of revenue		
Total revenue for reportable segments	107 663	106 306
Elimination of inter-segment revenue	(27 107)	(19 168)
Consolidated revenue	80 556	87 138

Reconciliation of gross profit adjusted for purchase price allocation from acquisition of Etalon Finance (Leader-Invest prior to 2022) to profit before tax

Total gross profit for reportable segments adjusted for purchase price allocation from acquisition of Etalon Finance	30 514	31 041
Purchase price allocation from acquisition of Etalon Finance included in cost of sales	(2 311)	(3 259)
Consolidated gross profit	28 203	27 782

Unallocated amounts

General and administrative expenses	(7 259)	(5 784)
Selling expenses	(5 001)	(4 639)
Impairment loss on trade and other receivables	(912)	(169)
Other income	331	711
Other expenses	(2 345)	(4 655)
Gain from bargain purchase	12 038	-
Finance income and interest revenue	3 989	2 528
Finance costs	(13 120)	(9 909)
Share of loss of equity accounted investees	(37)	(16)
Consolidated profit before income tax	15 887	5 849

6 Revenue

mln RUB	2022	2021
Sale of flats - transferred at a point in time	12 131	13 351
Sale of flats - transferred over time	49 448	53 776
Sale of built-in commercial premises - transferred at a point in time	1 580	1 487
Sale of built-in commercial premises - transferred over time	2 265	2 430
Sale of parking places - transferred at a point in time	2 231	2 006
Sale of parking places - transferred over time	1 453	2 219
<i>Total revenue - segment Residential development (note 5 (a))</i>	69 108	75 269
Long term construction contracts - transferred over time	1 194	1 459
Short term construction services - transferred at a point in time	944	942
<i>Total revenue - segment Construction services (note 5 (a))</i>	2 138	2 401
Sale of construction materials - transferred at a point in time	2 867	3 412
Sale of stand-alone commercial premises - transferred over time	914	708
Sale of stand-alone commercial premises - transferred at a point in time	107	359
Other revenue - transferred over time	4 812	2 203
Other revenue - transferred at a point in time	-	2 184
<i>Total other revenue (note 5 (a))</i>	8 700	8 866
Total revenues from contracts with customers	79 946	86 536
Rental revenue (note 5 (a))	610	602
Total revenues	80 556	87 138

Other revenue is mainly represented by the revenue of housing servicing companies.

Contract balances

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

mln RUB	2022	2021
Trade receivables	8 174	9 429
Contract assets	28 733	25 332
Contract liabilities	(12 045)	(14 157)

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on sale of flats and built-in commercial premises under share participation agreements and for long-term construction contracts. Contract assets are transferred to trade receivables when the rights become unconditional.

Payment terms for contracts on the sale of flats and built-in commercial premises under share participation agreements usually include advance payments, payments in installments until the date

of completion of construction and payment in arrears of 2 to 5 years after the date of completion of construction for specific projects.

Contract liabilities include advance consideration received from customers.

The explanation of significant changes in contract asset and contract liability balances during the reporting period is presented in the table below.

mln RUB	2022		2021	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at 1 January	25 332	(14 157)	7 138	(28 351)
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	-	10 451	-	24 150
Other revenue - transferred at a point in time	-	-	-	2 184
Increases due to cash received, excluding amounts recognized as revenue during the period	-	(6 799)	-	(11 768)
Acquisition through business combination	6 534	(1 465)	-	-
Transfers from contract assets recognised at the beginning of the period to receivables	(22 422)	-	(1 568)	-
Increase as a result of changes in the measure of progress	18 937	-	19 474	-
Financing component under IFRS 15	352	(75)	288	(372)
Balance at 31 December	28 733	(12 045)	25 332	(14 157)
Change during the period	3 401	2 112	18 194	14 194

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

31 December 2022	2023	2024	2025	2026	Total
mln RUB					
Residential development	43 701	15 337	1 043	163	60 244
Construction services	1	-	-	-	1
Total	43 702	15 337	1 043	163	60 245
31 December 2021	2022	2023	2024	2025	Total
mln RUB					
Residential development	35 475	10 355	1 720	78	47 628
Construction services	58	-	-	-	58
Construction of stand-alone commercial premises	3 665	74	51	-	3 790
Total	39 198	10 429	1 771	78	51 476

As at 31 December 2022, capitalised costs to obtain contracts with customers of RUB 604 million will be recognised within selling expenses after more than 12 months from the reporting date (31 December 2021: RUB 259 million).

The Group applies a practical expedient included in par. 121 of IFRS 15 and does not disclose information about its remaining performance obligations for contracts that have an original expected duration of one year or less.

During the year ended 31 December 2022, the Group revised construction budgets for development projects due to the significant increase in prices of construction materials. The effect of revision of budgets on contract asset as of 31 December 2022 is RUB 2 815 million.

7 Cost of sales

mln RUB	<u>2022</u>	<u>2021</u>
Cost of design and construction works and engineering infrastructure	32 329	33 204
Cost of land plots	6 825	11 425
Cost of construction of social infrastructure	2 470	2 511
Other costs	1 888	2 440
<i>Total cost of sales - segment Residential development</i>	<u>43 512</u>	<u>49 580</u>
Cost of sales for segment Construction services	2 181	2 461
Cost of sales for segment Other	6 660	7 315
Total cost of sales	<u>52 353</u>	<u>59 356</u>

Cost of design and construction works and engineering infrastructure, among other, includes costs of raw materials and consumables used in construction, production employees' benefits expenses, and depreciation expense of construction machinery and equipment.

8 General and administrative expenses

mln RUB	<u>2022</u>	<u>2021</u>
Payroll and related taxes	4 779	3 574
Services	686	716
Depreciation	384	292
Audit and consulting services	276	242
Bank fees and commissions	102	117
Materials	119	130
Repair and maintenance	102	81
Other taxes	73	61
Other	738	571
Total	<u>7 259</u>	<u>5 784</u>

Remuneration of the statutory audit firm for the year ended 31 December 2022 amounted to RUB 3.8 million for audit services (2021: RUB 7.5 million) and RUB 0.2 million for other assurance services (2021: RUB 7.2 million). Remuneration of another audit firm for the year ended 31 December 2022 amounted to RUB 13.2 million for audit services (2021: RUB 5 million) and RUB 1.5 million for other assurance services (2021: RUB 17.6 million).

9 Other income and other expenses

mln RUB	<u>2022</u>	<u>2021</u>
<i>Other income</i>		
Fees and penalties received	145	142
Gain on disposal of associate	135	-
Gain on disposal of inventories under construction and development	51	-
Other income	-	128
Gain on disposal of property, plant and equipment	-	162
Gain on disposal of investment property	-	279
Other income	<u>331</u>	<u>711</u>
<i>Other expenses</i>		
Impairment loss on inventories (note 18)	(994)	(2 054)
Fees and penalties incurred	(245)	(323)
Other taxes	(277)	(382)
Cost of social infrastructure for completed projects	(209)	(555)
Charity	(152)	(60)
Loss on disposal of property, plant and equipment	(93)	-
Loss on disposal of subsidiary	(2)	(7)
Other expenses	(373)	(1 069)
Loss on disposal of inventories under construction and development	-	(205)
Other expenses	<u>(2 345)</u>	<u>(4 655)</u>
Other expenses, net	<u>(2 014)</u>	<u>(3 944)</u>

10 Personnel costs

mln RUB	<u>2022</u>	<u>2021</u>
Wages and salaries	9 427	7 371
Social security contributions	2 175	1 765
	<u>11 602</u>	<u>9 136</u>

Remuneration to employees in respect of services rendered during the reporting period is recognised on an undiscounted basis as an expense in the consolidated statement of profit or loss and other comprehensive income as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or other profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group pays fixed contributions to Russia's State pension fund and has no legal or constructive obligation to pay further amounts.

During the year ended 31 December 2022, personnel costs and related taxes included in cost of production amounted to RUB 6 009 million (year ended 31 December 2021: RUB 4 631 million). The remaining part of personnel expenses was subsumed within general and administrative expenses

and selling expenses in the total amount of RUB 5 593 million (year ended 31 December 2021: RUB 4 505 million).

The average number of staff employed by the Group during the year ended 31 December 2022 was 5 486 employees (year ended 31 December 2021: 4 479 employees).

11 Finance income and finance costs

mln RUB	2022	2021
Recognised in profit or loss		
Finance income		
Interest income under the effective interest method on:		
- Bank deposits - at amortised cost	2 426	1 271
- Cash and cash equivalents (except bank deposits)	827	524
- Interest income - financing component under IFRS 15	352	288
- Unwinding of discount on trade receivables	309	309
Total interest income arising from financial assets measured at amortised cost	3 914	2 392
Reversal of impairment on investments and advances paid to suppliers	14	-
Gain on write-off of accounts payable	61	136
Finance income - other	75	136
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expenses - borrowing costs, including:	(8 997)	(6 078)
Cost of corporate debt	(4 474)	(3 513)
Cost of project debt - at preferential rate	(803)	(1 175)
Cost of project debt - adjustment to arrive at base rate	(3 720)	(1 390)
- Unwinding of discount on other payables	(3 133)	(2 424)
- Interest expense on leases	(732)	(498)
- Interest expenses- financing component under IFRS 15	(75)	(372)
Net foreign exchange loss	(50)	(297)
Impairment loss on advances paid to suppliers and financial investments	-	(158)
Other finance costs	(133)	(82)
Finance costs	(13 120)	(9 909)
Net finance costs recognised in profit or loss	(9 131)	(7 381)

In addition to interest expense recognised in the consolidated statement of profit or loss and other comprehensive income, the following amounts of borrowing costs and significant financing component have been capitalised into the cost of real estate properties under construction and development (revenue for which is not recognised over time):

mln RUB	2022	2021
Borrowing costs and significant financing component capitalised during the year	16	239
Weighted average capitalisation rate	10,63%	12,69%

12 Income tax expense

The Company's applicable tax rate under the Cyprus Income Tax Law is 12,5%. The Cypriot subsidiaries' applicable tax rate is 12,5%. For the Russian companies of the Group the applicable income tax rate is 20% (year ended 31 December 2021: 20%).

mln RUB	2022	2021
Current tax expense		
Current year	5 294	4 013
(Over-provided)/under-provided in prior year	17	(14)
	5 311	3 999
Deferred tax expense		
Origination and reversal of temporary differences	(2 425)	(1 157)
Income tax expense	2 886	2 842

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20% :

mln RUB	2022	2021
Profit before income tax	15 887	5 849
Theoretical income tax at statutory rate of 20%	3 177	1 170
<i>Adjustments due to:</i>		
(Over-provided)/under-provided in prior year	17	(14)
Tax losses for which no deferred tax asset was recognised	32	74
Expenses not deductible and income not taxable for tax purposes, net, including:	(340)	1 612
- Gain from bargain purchase arising from acquisition of YIT Russia	(2 407)	-
- Interest on loans used to finance the acquisition of JSC "Etalon-Finance"	566	549
- Unwinding of discount on payables for acquisition of 88% of share capital of LLC "Specialized Developer "ZIL-YUG"	309	398
- Other not deductible expenses	1 192	665
Income tax expense	2 886	2 842

The Group prepares reconciliation using the tax rate of 20% that is applicable in the Russian Federation and not the domestic tax rate of the Cyprus parent Company (12,5%) since substantially all taxable profit is generated in the Russian Federation.

13 Property, plant and equipment

During the year ended 31 December 2022, depreciation expense of RUB 341 million (year ended 31 December 2021: RUB 249 million) was charged to cost of sales, RUB 85 million (year ended 31 December 2021: RUB 14 million) to cost of real estate properties under construction and development, RUB 10 million to other expenses, net (year ended 31 December 2021: RUB 11 million) and RUB 180 million (year ended 31 December 2021: RUB 242 million) to general and administrative expenses.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2021	2 927	2 459	111	448	117	273	6 335
Additions	812	169	11	112	-	240	1 344
Reclassification to inventories	(147)	-	-	-	-	-	(147)
Disposals	(311)	(371)	(14)	(200)	(4)	-	(900)
Transfers	40	6	-	4	-	(50)	-
Balance at 31 December 2021	3 321	2 263	108	364	113	463	6 632
Balance at 1 January 2022	3 321	2 263	108	364	113	463	6 632
Additions	531	147	34	97	52	93	954
Reclassification to inventories	-	(11)	(2)	-	-	-	(13)
Acquisition through business combination	292	54	-	2	23	-	371
Disposals	(178)	(150)	(36)	(106)	(22)	-	(492)
Transfers	28	5	-	16	-	(49)	-
Balance at 31 December 2022	3 994	2 308	104	373	166	507	7 452
Accumulated depreciation							
Balance at 1 January 2021	(610)	(1 892)	(79)	(246)	-	-	(2 827)
Depreciation for the year	(256)	(161)	(16)	(83)	-	-	(516)
Disposals	284	329	13	135	-	-	761
Balance at 31 December 2021	(582)	(1 724)	(82)	(194)	-	-	(2 582)
Balance at 1 January 2022	(581)	(1 724)	(82)	(194)	(1)	-	(2 582)
Depreciation for the year	(325)	(184)	(14)	(92)	(1)	-	(616)
Disposals	93	94	24	66	-	-	277
Balance at 31 December 2022	(813)	(1 814)	(72)	(220)	(2)	-	(2 921)
Carrying amounts							
Balance at 1 January 2021	2 317	567	32	202	117	273	3 508
Balance at 31 December 2021	2 739	539	26	170	113	463	4 050
Balance at 1 January 2022	2 740	539	26	170	112	463	4 050
Balance at 31 December 2022	3 181	494	32	153	164	507	4 531

14 Intangible assets

mln RUB	Future savings on connection to networks	Computer software	Customer relationships	Total
<i>Cost</i>				
Balance at 1 January 2022	-	-	-	-
Additions	2 600	21	-	2 621
Acquisition through business combination	-	49	143	192
Disposals	-	-	(100)	(100)
Reclassification to inventories	(53)	-	-	(53)
Balance at 31 December 2022	2 547	70	43	2 660
<i>Accumulated amortisation</i>				
Balance at 1 January 2022	-	-	-	-
Amortisation for the year	-	(5)	(3)	(8)
Balance at 31 December 2022	-	(5)	(3)	(8)
<i>Carrying amounts</i>				
Balance at 1 January 2022	-	-	-	-
Balance at 31 December 2022	2 547	65	40	2 652

Future savings on connection to networks

On 22 July 2022, the Group acquired 100% of the share capital of five limited liabilities companies owning infrastructure facilities that will enable to connect new “Lyceum Quarter” residential complex that the Group develops in the Solnechny neighborhood of Yekaterinburg to centralised heating, electricity, water supply and sewerage networks.

The Group performed an assessment of acquired set of activities and assets and concluded that substantially all of the fair value of the gross assets acquired concentrated in a single identifiable intangible asset - future savings on connection to networks, which will be consumed over the whole course of construction of residential complex, note 2(d). Basing on the results of the assessment, the Group determined that acquired assets did not constitute a business and the whole transaction was accounted for as an intangible asset acquisition.

The primary reason for the acquisition was to secure timing and lowering the costs of connection to the resource supply networks of residential complex undergoing construction.

Amortisation of future savings on connection to networks is recognised within cost of sales on the same basis as the cost of acquisition of land plots, see note 3i)(i). Future savings are reclassified to inventories in proportion to the progress towards satisfaction of performance obligation for construction of residential complex and the share of uncontracted net sellable are in that residential complex.

Customer relationships

Customer relationships represent present value of net cashflows of housing servicing companies over the 25 years since the date of acquisition of YIT. Respectively, customer relationships are amortised over the period of 25 years on a straight-line basis.

Computer software

Computer software represents Dispatcher 24 software. The estimated useful life of computer software is 6 years.

15 Investment property

mln RUB	2022	2021
<i>Cost</i>		
Balance at 1 January	688	1 017
Additions	5	6
Reclassification to inventories	-	(67)
Disposals	(16)	(268)
Balance at 31 December	677	688
<i>Accumulated depreciation and impairment losses</i>		
Balance at 1 January	(272)	(326)
Depreciation for the year	(10)	(19)
Disposals	1	73
Balance at 31 December	(281)	(272)
<i>Carrying amount at 1 January</i>	416	691
<i>Carrying amount at 31 December</i>	396	416

The Group's investment properties represent various commercial property. The Group accounts for investment properties at cost less accumulated depreciation and impairment losses.

As at 31 December 2022, the fair value of investment property amounted to RUB 637 million (31 December 2021: RUB 659 million), which was determined based on discounted cash flows from the use of the property. Fair value estimate represents level 3 of the fair value hierarchy, as defined in note 27. The Group did not identify any indicators of impairment as at 31 December 2022 and 2021, and did not recognise any impairment losses for investment property during the years ended 31 December 2022 and 2021.

16 Other long-term investments

mln RUB	2022	2021
Loans - at amortised cost	277	1 106
Investments in associates	118	500
Investments in joint ventures	210	-
Bank promissory notes - at amortised cost	-	3
	605	1 609
Loss allowance for loans given	(22)	(120)
	583	1 489

As at 31 December 2021, bank promissory note of RUB 3 million was pledged as security for a secured bank loan, see note 24.

As at 31 December 2021, investment in associate of RUB 380 million represented a 40,7% stake in QB Technology Ltd. The investment was sold during 2022 to an unrelated party for the consideration equivalent to RUB 480 million and recognised gain on disposal of RUB 135 million, note 9.

Investment in joint venture represents a 50% stake in LLC Strana-Etalon acquired in 2022. LLC Strana-Etalon is involved in real estate development projects in Tyumen.

Investments in associates and joint ventures are accounted for using the equity method.

As at 31 December 2021, loan at amortised cost of RUB 850 million represented a loan issued to an entity owning a land plot in the Saint Petersburg metropolitan area. The entity has been acquired by the Group during the year ended 31 December 2022 and the loan was offset against consideration payable for acquisition. The acquisition was accounted for as an acquisition of asset (land plot).

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 27.

17 Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

mln RUB	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Property, plant and equipment	543	223	(310)	(388)	233	(165)
Investments	99	68	(72)	(20)	27	48
Inventories	11 268	12 056	(2 199)	(2 307)	9 069	9 749
Contract assets and trade and other receivables	3 808	1 635	(6 508)	(7 722)	(2 700)	(6 087)
Deferred expenses	13	18	-	(7)	13	11
Loans and borrowings	681	492	(569)	(135)	112	357
Provisions	187	137	(388)	(168)	(201)	(31)
Contract liabilities and trade and other payables	6 395	6 019	(12 477)	(11 393)	(6 082)	(5 374)
Tax loss carry-forwards	3 677	1 626	-	-	3 677	1 626
Other	196	125	(484)	(340)	(288)	(215)
Tax assets/(liabilities)	26 867	22 399	(23 007)	(22 480)	3 860	(81)
Set off of tax	(15 494)	(15 052)	15 494	15 052	-	-
Net tax assets/(liabilities)	11 373	7 347	(7 513)	(7 428)	3 860	(81)

b) Unrecognised deferred tax liability

At 31 December 2022, a deferred tax liability arising on temporary differences of RUB 92 208 million (31 December 2021: RUB 81 287 million) related to investments in subsidiaries was not recognized because the Company controls the timing of reversal of the temporary differences and is satisfied that those differences will not be reversed in the foreseeable future.

c) Unused tax losses

A deferred tax asset of RUB 954 million (31 December 2021: RUB 923 million) was not recognised for the carry forward of unused tax losses to the extent that it is not probable that future taxable profit will be available against which these unused tax losses can be utilised.

d) Movement in temporary differences during the period

mln RUB	1 January 2022	Recognised in profit or loss	Acquisition through business combination	31 December 2022
Property, plant and equipment	(165)	162	236	233
Investments	48	(499)	478	27
Inventories	9 749	(3 168)	2 488	9 069
Contract assets and trade and other receivables	(6 087)	2 295	1 092	(2 700)
Deferred expenses	11	2	-	13
Loans and borrowings	357	484	(729)	112
Provisions	(31)	(96)	(74)	(201)
Contract liabilities and trade and other payables	(5 374)	1 869	(2 577)	(6 082)
Tax loss carry-forwards	1 626	1 678	373	3 677
Other	(215)	(302)	229	(288)
	(81)	2 425	1 516	3 860

mln RUB	1 January 2021	Recognised in profit or loss	31 December 2021
Property, plant and equipment	(77)	(88)	(165)
Investments	141	(93)	48
Inventories	5 747	4 002	9 749
Contract assets and trade and other receivables	(2 284)	(3 803)	(6 087)
Deferred expenses	19	(8)	11
Loans and borrowings	(78)	435	357
Provisions	46	(77)	(31)
Contract liabilities and trade and other payables	(5 861)	487	(5 374)
Tax loss carry-forwards	1 295	331	1 626
Other	(186)	(29)	(215)
	(1 238)	1 157	(81)

18 Inventories

mln RUB	2022	2021
<i>Inventories under construction and development</i>		
Own flats under construction and development	100 230	80 000
Built-in commercial premises under construction and development	13 304	11 023
Parking places under construction and development	9 988	8 243
	123 522	99 266
Less: Allowance for inventories under construction and development	(3 922)	(3 835)
<i>Total inventories under construction and development</i>	119 600	95 431
<i>Inventories - finished goods</i>		
Own flats	6 470	4 423
Built-in commercial premises	5 619	5 641
Parking places	8 437	6 480
	20 526	16 544
Less: Allowance for inventories - finished goods	(3 654)	(3 521)
<i>Total inventories - finished goods</i>	16 872	13 023
<i>Other inventories</i>		
Construction materials	2 079	1 423
Stand-alone commercial premises under construction and development	3 226	-
Land in industrial park	706	-
Other	39	278
	6 050	1 701
Less: Allowance for other inventories	(3)	(2)
<i>Total other inventories</i>	6 047	1 699
Total	142 519	110 153

As at 31 December 2022, inventories under construction and development of RUB 80 862 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2021: RUB 92 204 million).

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to city authorities. As at 31 December 2022, the cost of such social infrastructure amounts to RUB 1 566 million and is included into the balance of finished goods and inventories under construction and development (31 December 2021: RUB 1 086 million). These costs are recoverable as part of projects they relate to. The cost of social infrastructure is recognised in cost of sales consistently with the transfer to the customers of the apartments to which this social infrastructure relates.

a) Barter transactions

During 2013-2019, the Group entered into several transactions for the acquisition of investment rights for land plots in five construction projects, where certain parts of the acquisition price had to be paid by means of transfer of specified premises constructed on these land plots. The Group included the land component of these construction projects into inventories at fair value of the investment rights acquired, while the respective liabilities to the sellers of land plots (landlords) were recognised within contract liabilities. Such liabilities will be settled against revenue recognised from transfer of specified premises to these landlords.

The fair values of land plots were determined by independent appraisers based on discounted cash flows from the construction and sale of properties. The details of transactions are specified below.

Project 1, year ended 31 December 2015

The fair value of the investment rights acquired equal to RUB 4 522 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 4,5%-6,4% per annum;
- Discount rate – 23% per annum.

Project 2, year ended 31 December 2017

The fair value of the investment rights acquired equal to RUB 4 395 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 2,5%-4% per annum;
- Discount rate – 13% per annum.

Project 3, year ended 31 December 2019

The Group entered into a transaction for the acquisition of investment rights for two land plots where part of the acquisition price is to be paid by means of transfer of certain premises that were in the course of construction on the previously acquired land plots.

The fair value of the investment rights acquired equal to RUB 1 193 million was determined based on discounted cash flows from the construction and sale of properties in previously acquired land plots.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 0,9%-1% per annum;
- Discount rate – 12,78% per annum.

At 31 December 2022, the cost of land plots (Project 1) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2022 in the amount of RUB 4 126 million (year ended 31 December 2021: RUB 8 660 million), while the remaining balance of RUB 396 million is included in finished goods (31 December 2021: RUB 274 million in finished goods and RUB 90 million in inventories under construction and development).

At 31 December 2022, the cost of land plots (Project 2) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2022 in the amount of RUB 4 282 million (year ended 31 December 2021: RUB 4 014 million), while the remaining balance of RUB 41 million is included in finished goods (31 December 2021: RUB 435 million) and RUB 72 million in inventories under construction and development (31 December 2021: RUB 73 million in inventories under construction and development).

At 31 December 2022, the cost of land plots (Project 3) measured as described above and related to premises sold under share participation agreements, was recognised in cost of sales during the year ended 31 December 2022 in the amount of RUB 1 112 million (year ended 31 December 2021: 4 258 million), while the remaining balance of RUB 81 million is included in finished goods (31 December 2021: RUB 65 million in finished goods and RUB 72 million in inventories under construction and development).

b) Allowance for impairment of inventories

The following is movement in the allowance for impairment of inventories:

mln RUB	2022	2021
Balance at 1 January	7 357	4 532
Write down to net realisable value of inventories	3 495	4 896
Reversal of write down of inventories	(3 273)	(2 071)
Balance at 31 December	7 579	7 357

As at 31 December 2022, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 7 579 million (31 December 2021: RUB 7 357 million) and the respective allowance was recognised in other expenses, see note 9, and in cost of sales for segment Other, note 7. As at 31 December 2022, the allowance of RUB 5 967 million related to parking places (31 December 2021: RUB 4 686 million).

As at 31 December 2022, the balance of parking places is equal to RUB 18 425 million (31 December 2021: RUB 14 723 million). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rate – 9,35% per annum (weighted average mortgage rate on the secondary real estate market);
- Inflation rates – 4,00 – 5,00% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information in relation to similar parking places.

The determination of net realizable value for parking places is subject to significant estimation uncertainty and, as such, the impairment allowance is judgmental. Changes in the above assumptions - in particular the discount rate and the years of turnover of parking places - could have a significant impact on the impairment allowance amount.

The following table demonstrates changes in key inputs and sensitivity of measurement of allowance for impairment:

31 December 2022			
Change of parameter	Impact on allowance for impairment	In monetary terms (mln RUB)	
Growth of discount rate	2%	7%	263
Growth of inflation rates	2%	-10%	(403)
Reduction of turnover of finished goods, years	1	4%	143
Reduction of revenue from uncontracted parking places	2%	3%	139
31 December 2021			
Change of parameter	Impact on allowance for impairment	In monetary terms (mln RUB)	
Growth of discount rate	2%	10%	409
Growth of inflation rates	2%	-6%	(245)
Reduction of turnover of finished goods, years	1	6%	246
Reduction of revenue from uncontracted parking places	2%	2%	94

c) Rent out of property classified as inventories – finished goods

The Group has temporarily rented out a part of certain items of property classified as inventories – finished goods in these consolidated financial statements. As at 31 December 2022, the total carrying value of these items of property was RUB 2 million (31 December 2021: RUB 378 million).

d) Pledges

As at 31 December 2022, inventories with a carrying amount of RUB 113 259 million (31 December 2021: RUB 55 147 million) are pledged as security for borrowings, see note 24.

e) Cost of acquisition of construction projects (land plots)

The following table summarises cash spent on acquisition of construction projects (land plots) and related costs incurred during the reporting period.

mln RUB	2022	2021
Cost of acquisition of rights for land plots during the year	19 585	9 961
<i>Including fees for changing of the type of permitted use of land plots</i>	2 335	2 022
Capitalised lease payments for land plots	849	790
Total	20 434	10 751

19 Contract assets, trade and other receivables

mln RUB	2022	2021
<i>Long-term trade and other receivables</i>		
Trade receivables	1 544	3 131
Less: loss allowance for expected credit losses on trade accounts receivable	(8)	(10)
<i>Long-term trade receivables less allowance</i>	1 536	3 121
Other receivables	36	255
Less: loss allowance for expected credit losses on other accounts receivable	(3)	(31)
<i>Long-term other receivables less allowance</i>	33	224
Advances paid to suppliers	-	-
Total long-term trade and other receivables	1 569	3 345
<i>Short-term trade and other receivables</i>		
Contract assets	28 733	25 332
Trade receivables	7 447	6 837
Less: loss allowance for expected credit losses on trade accounts receivable	(809)	(529)
<i>Contract assets and short-term trade receivables less allowance</i>	35 371	31 640
Advances paid to suppliers	12 613	11 015
Less: loss allowance for expected credit losses on advances paid to suppliers	(144)	(158)
<i>Short-term advances paid to suppliers less allowance</i>	12 469	10 857
VAT recoverable	7 343	4 915
Financial asset arising from preferential rate on escrow-backed loans	336	496
Other taxes receivable	152	35
Other receivables due from related parties	142	91
Other receivables	3 243	1 509
	11 216	7 046
Less: loss allowance for expected credit losses on other accounts receivable	(1 271)	(803)
<i>Short-term other receivables less allowance</i>	9 945	6 243
Total short-term trade and other receivables	57 785	48 740
Total	59 354	52 085

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on sale of flats and built-in commercial premises under share participation agreements

and for long-term construction contracts. Contract assets are transferred to trade receivables when the rights become unconditional.

As at 31 December 2022, contract assets of RUB 8 594 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2021: RUB 10 560 million).

As at 31 December 2022, non-financial assets recognised within advances paid to suppliers, VAT and other taxes receivable amounted to RUB 19 938 million (31 December 2021: RUB 15 812 million).

The explanation of significant changes in contract asset balance during the reporting period is presented in note 6.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 27.

20 Short-term investments

mln RUB	2022	2021
Loans - at amortised cost	139	172
Bank deposits (over 3 months)	-	42
	139	214
Loss allowance for loans given	(117)	(88)
Total	22	126

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 27.

21 Cash and cash equivalents

mln RUB	2022	2021
Cash in banks, in RUB	1 162	7 740
Cash in banks, in EUR	270	5
Cash in banks, in USD	17	85
Petty cash	1	1
Cash in banks, in CHF	1	1
Cash in banks, in GBP	-	2
Short-term deposits (less than 3 months)	22 360	36 753
Total	23 811	44 587

The Group keeps significant bank balances in major Russian banks with credit ratings assigned by Russian rating agencies of ruAAA, ruAA+, ruAA, ruAA-, ruA+, ruA, ruA-.

At 31 December 2022, the most significant amount of cash and cash equivalents held with one bank totalled RUB 9 456 million (31 December 2021: RUB 19 018 million). At 31 December 2022, the Group had outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents of RUB 66 304 million (31 December 2021: RUB 59 733 million).

At 31 December 2022, short-term deposits bore interest rates ranging from 4,9% to 8,1% per annum (31 December 2021: 6,1% to 9,43% per annum).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 27.

Bank balances on escrow accounts – supplementary disclosure

mln RUB	2022	2021
Bank balances in escrow accounts	60 362	59 752

Bank balances kept in escrow accounts are not included in the balance of cash and cash equivalents in the Group's consolidated statement of financial position. They represent funds received by authorized banks from escrow-account holders - participants of share participation agreements for construction of real estate as a means of payment of consideration under such agreements. The funds will be transferred to the Group's bank accounts upon completion of construction of respective real estate.

The table below demonstrates the movement of funds on escrow accounts during the reporting period.

mln RUB	2022	2021
Balance at 1 January	59 752	23 572
Receipts of funds on escrow accounts	28 400	36 180
Acquired through business combination	12 130	-
Release of funds from escrow accounts	(39 920)	-
Balance at 31 December	60 362	59 752

22 Capital and reserves

a) Share capital

The table below summarizes the information about the issued share capital of the Company.

Number of shares unless otherwise stated

	2022		2021	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
<i>Issued shares</i>				
Par value	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
On issue at the beginning of the year	383 445 362	20 000	294 957 971	20 000
New shares issued during the year	-	-	88 487 391	-
On issue at the end of the year, fully paid	383 445 362	20 000	383 445 362	20 000

At 1 January 2021, the number of authorised and issued shares was 294 957 971. 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.

Preference shares bear neither voting rights nor rights to receive dividends.

All issued ordinary shares are fully paid.

The holders of ordinary shares are entitled to receive dividends and to one vote per share at meetings of the Company.

b) Share premium

The Company's share premium account originated from issuance of 117 647 ordinary £0,01 shares for a consideration of USD 82 352 900 in March 2008, from the initial public offering of 71 428 571 ordinary shares at a value USD 7 each in form of global depository receipts (GDRs) on the London Stock Exchange on 4 April 2011 and from a supplementary public offering of 88 487 391 ordinary shares at a value USD 1,7 in form of shares and global depository receipts on 14 May 2021.

c) Reserve for own shares

During 2011-2017, the Company acquired 8 216 378 GDRs for own shares under GDR repurchase programmes.

During the year ended 31 December 2018, the Group transferred 8 212 432 shares to certain members of its key management personnel as part of their remuneration, see note 10. As at 31 December 2022 and 31 December 2021, the total number of own shares acquired by the Group 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.

d) 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 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 22 December 2022 neither considered nor approved any dividend payments for the financial year ended 31 December 2021.

During the year ended 31 December 2021, the Company paid dividends in the amount of RUB 3 613 million.

e) Non-controlling interest

In the course of acquisition of YIT Russia, the Group acquired nine subsidiaries (housing servicing companies) with a non-controlling interest. In October 2022, the Group disposed its share in five of these subsidiaries in exchange for the non-controlling interest in the three other subsidiaries. The transaction was recorded directly in equity as a deduction from retained earnings and non-controlling interest.

As of the date of disposal, the total assets of the disposed subsidiaries amounted to RUB 572 million and the total liabilities amounted to RUB 205 million. From the date of acquisition to the date of disposal these subsidiaries contributed revenues of RUB 330 million and a profit of RUB 74 million.

23 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the reporting period, as shown below. The Company has no dilutive potential ordinary shares.

<i>Number of shares unless otherwise stated</i>	2022	2021
Issued shares at 1 January	383 441 416	294 954 025
Effect of shares issued in May 2021	-	55 031 884
Weighted average number of shares for the year ended 31 December	383 441 416	349 985 909

	2022	2021
Profit attributable to the owners of the Company, mln RUB	12 948	3 007
Basic and diluted earnings per share (RUB)	33,77	8,59

24 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 27.

mln RUB	2022	2021
<i>Non-current liabilities</i>		
Secured bank loans	12 423	20 676
Secured project financing	51 273	28 923
Unsecured bank and other loans	306	2 602
Unsecured bond issues	9 968	14 931
	73 970	67 132
<i>Current liabilities</i>		
Current portion of secured bank loans	7 751	5 345
Current portion of secured project financing	3 489	7 305
Current portion of unsecured bank and other loans	2 705	1 777
Current portion of unsecured bond issues	5 173	1 879
	19 118	16 306

The Group has credit line facilities used to finance construction of residential buildings with variable interest rates adjusted based on the volume of escrow accounts balances (designated as "Project financing" in these consolidated financial statements). The loans' rates have two components: the base rate and the preferential rate applied to debt covered by escrow account balances. In case of excess of balances on escrow accounts over outstanding loans, the rate is capped depending on the amount of the excess.

The reconciliation of movements of liabilities to cash flows arising from financing activities during the reporting period is presented in the table below.

mln RUB	Loans and borrowings	Lease liabilities	Total
Balance at 1 January 2022	83 438	9 370	92 808
Proceeds from loans and borrowing	43 008	-	43 008
Repayment of loans and borrowing	(11 166)	-	(11 166)
Payment of lease liabilities	-	(2 144)	(2 144)
Total changes from financing cash flows	31 842	(2 144)	29 698
Other changes			
Interest expense on loans and borrowings	8 997	-	8 997
Interest expense on lease liabilities	-	732	732
Additions/terminations to lease liabilities	-	289	289
Assumed through business combination	3 951	296	4 247
Interest paid on loans and borrowings	(4 531)	-	(4 531)
Interest paid on lease liabilities	-	(732)	(732)
Offset of funds released from escrow accounts against loans payable, note 3i)(i)	(27 162)	-	(27 162)
Discounting of loans	(3 447)	-	(3 447)
Total liability-related other changes	(22 192)	585	(21 607)
Balance at 31 December 2022	93 088	7 811	100 899

mln RUB	Loans and borrowings	Lease liabilities	Retained earnings	Share premium	Total
Balance at 1 January 2021	50 505	1 862	35 586	15 486	103 439
Changes from financing cash flows					
Proceeds from loans and borrowing	49 071	-	-	-	49 071
Repayment of loans and borrowing	(14 635)	-	-	-	(14 635)
Payment of lease liabilities	-	(1 775)	-	-	(1 775)
Payment of dividends	-	-	(3 613)	-	(3 613)
Proceeds from issue of share capital	-	-	-	10 881	10 881
Total changes from financing cash flows	34 436	(1 775)	(3 613)	10 881	39 929
Other changes					
Interest expense on loans and borrowings	6 078	-	-	-	6 078
Foreign exchange loss	-	-	12	-	12
Interest expense on lease liabilities	-	498	-	-	498
Additions/terminations to lease liabilities	-	9 346	-	-	9 346
Modifications of lease contracts	-	(63)	-	-	(63)
Interest paid on loans and borrowings	(3 963)	-	-	-	(3 963)
Interest paid on lease liabilities	-	(498)	-	-	(498)
Discounting of loans	(3 618)	-	-	-	(3 618)
Total liability-related other changes	(1 503)	9 283	12	-	7 792
Total equity-related other changes	-	-	3 007	-	3 007
Balance at 31 December 2021	83 438	9 370	34 992	26 367	154 167

Terms and debt repayment schedule

The table below shows the terms and conditions of outstanding loans.

mln RUB	Currency	Nominal interest rate as of 31 December	Year of maturity	2022		2021	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loans							
Secured project financing	RUB	0,01% - 8,00%	2024	14 463	13 793	7 329	6 614
Secured bank loan	RUB	CBR's key rate + 3%	2027	12 449	12 354	13 918	13 872
Secured project financing	RUB	0,01% - 15%	2025	12 308	12 131	4 402	3 965
Secured project financing	RUB	0,01% - 7,6%	2024	7 922	7 922	3 169	2 935
Secured bank loan	RUB	CBR's key rate + 2,35%	2024	7 835	7 820	12 188	12 149
Secured project financing	RUB	0,01% - CBR's key rate + 3,05%	2027	5 478	4 970	2 831	2 516
Secured project financing	RUB	0,01% - 8,85%	2025	3 876	3 667	1 526	1 317
Secured project financing	RUB	0,01% - CBR's key rate + 3%	2026	3 814	3 315	-	-
Secured project financing	RUB	0,01% - 15%	2025	2 171	2 066	2 799	2 482
Secured project financing	RUB	0,01% - 10,0%	2023	1 242	1 242	-	-
Secured project financing	RUB	0,01% - CBR's key rate + 2,70%	2027	1 298	1 189	-	-
Secured project financing	RUB	0,01% - 10,75%	2023	1 019	1 018	-	-
Secured project financing	RUB	0,01% - CBR's key rate + 2,65%	2026	1 016	1 000	-	-
Secured project financing	RUB	0,01% - 8,75%	2023	680	680	-	-
Secured project financing	RUB	0,01% - 10,75%	2024	442	442	-	-
Secured project financing	RUB	0,01% - 13,75%	2025	349	318	6 145	5 622
Secured project financing	RUB	0,01% - CBR's key rate + 3%	2026	329	253	-	-
Secured project financing	RUB	0,01% - 10,05%	2024	235	235	-	-
Secured project financing	RUB	0,01% - CBR's key rate + 4%	2027	197	168	-	-
Secured project financing	RUB	0,01% - 11,58%	2025	135	135	-	-
Secured project financing	RUB	0,01% - CBR's key rate + 4%	2026	162	111	-	-
Secured project financing	RUB	0,01% - 11,01%	2023	107	107	-	-
Secured project financing	RUB	0,01% - 7,1%	2024	-	-	4 098	3 979
Secured project financing	RUB	0,01% - 8,5%	2023	-	-	769	770
Secured project financing	RUB	0,01% - 7,15%	2024	-	-	5 154	5 133
Secured project financing	RUB	0,01% - 9%	2022	-	-	916	895
Total secured bank loans				77 527	74 936	65 244	62 249

Terms and conditions of outstanding loans, continued.

mln RUB	Currency	Nominal interest rate as of 31 December	Year of maturity	2022		2021	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured bank and other loans							
Unsecured bank and other loans	RUB	7,15%	2023	2 911	2 911	3 004	3 004
Unsecured bank and other loans	RUB	0,001%	2023	100	100	-	-
Unsecured bank and other loans	RUB	9,31%	2021	-	-	355	355
Unsecured bank and other loans	RUB	9,25%	2022	-	-	819	819
Unsecured bank and other loans	RUB	8,700%	2022	-	-	160	160
Unsecured bank and other loans	RUB	0,002%	2022	-	-	40	40
Total unsecured bank and other loans				3 011	3 011	4 378	4 378
Unsecured bond issues							
Unsecured bonds	RUB	9,10%	2026	10 027	9 995	10 025	9 976
Unsecured bonds	RUB	7,95%	2023	5 148	5 146	5 147	5 128
Unsecured bonds	RUB	8,95%	2022	-	-	1 709	1 707
Total unsecured bond issues				15 175	15 141	16 881	16 811
Total outstanding loans				95 713	93 088	86 503	83 438

As at 31 December 2022, the weighted average interest rate on current credit portfolio amounted to 5,22% p.a. (31 December 2021: 6,52% p.a.).

Bank loans are secured by:

- inventories with a carrying amount of RUB 113 259 million (31 December 2021: RUB 55 174 million), see note 18;
- pledge of 68% of shares in subsidiary company JSC “Zatonskoe” which represents RUB 2 873 million in its net assets* (31 December 2021: 68% of shares represents RUB 3 921 million in net assets);
- pledge of 100% shares of JSC “Etalon-Finance” and 100% of other subsidiary companies of JSC “Etalon-Finance” which collectively represent RUB 36 620 million in net assets* (31 December 2021: RUB 42 151 million in net assets);
- pledge of 100% shares of JSC “Etalon LenSpetsSMU”, LLC “Specialized “Developer Etalon Pushkin”, LLC “Zolotaya Zvezda”, JSC “Specialized Developer “Komplekt”, LLC “EtalonStroy” and LCC “Specialized Developer “Etalon” which collectively represent RUB 39 035 million in net assets* (31 December 2021: RUB 46 344 million in net assets);
- pledge of 99,99% shares of LLC “Specialized Developer “Serebryaniy Fontan” which represents RUB 10 086 million in its net assets (31 December 2021: RUB 3 667 million in net assets).

*net assets are based on individual IFRS accounts of the relevant companies.

As at 31 December 2022, the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments amount to RUB 154 964 million (31 December 2021: RUB 64 696 million).

The bank loans are subject to certain restrictive covenants. Financial covenants are based on the individual financial statements of certain entities of the Group, as well as on the consolidated financial statements of the Group. Operating covenants prescribe certain legal actions to be executed by the Group or the level of operations to be maintained with a bank.

Except as described further, there has been no breach of any of the financial covenants during the reporting period. However, at the end of the reporting period, the Group breached operating covenants on several loans. The Group obtained waivers from the banks before the reporting date, and the obligations were not transferred to current liabilities.

As at the reporting date, considering waivers obtained from the banks before the reporting date, the Group was in compliance with loans’ operating covenants.

25 Provisions

mln RUB	Warranty provision	Provision for deferred works	Provision for onerous contracts	Provision for litigations and claims	Total
Balance at 1 January 2021	129	369	25	4	527
Provisions made during the year	18	1 669	57	149	1 893
Provisions used during the year	(25)	(1 586)	-	(32)	(1 643)
Provision reversed during the year	(5)	(121)	(14)	(2)	(142)
Balance at 31 December 2021	117	331	68	119	635
Balance at 1 January 2022	117	331	68	124	640
Provisions made during the year	151	2 779	-	169	3 099
Assumed through business combination	285	137	-	16	438
Provisions used during the year	(65)	(2 835)	-	(64)	(2 964)
Provision reversed during the year	(82)	26	(67)	(45)	(168)
Balance at 31 December 2022	406	438	1	200	1 045
Non-current	406	-	-	-	406
Current	-	438	1	200	639
	406	438	1	200	1 045

a) Warranties

The provision for warranties relates mainly to the residential units sold during the reporting period. The provision is based on estimates made from historical experience from the sale of such units. The Group expects the expenses to be incurred over the next three years on average. The warranty provision relates to construction works done.

b) Provision for deferred works

The Group records provisions in respect of the Group's obligation to incur additional costs associated with landscaping and other works after finishing the construction of apartment buildings. The provision is estimated based on historical experience. The Group expects the expenses to be incurred over the next year.

c) Provision for litigations and claims

The Group records provision for litigations and claims when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

26 Contract liabilities, trade and other payables

mln RUB	2022	2021
<i>Long-term</i>		
Trade payables	16 933	24 257
Lease liabilities	4 596	6 859
Other payables	1 449	114
	22 978	31 230
<i>Short-term</i>		
Contract liabilities	12 045	14 157
Trade payables	11 977	5 000
VAT payable	5 531	4 234
Payroll liabilities	1 450	1 164
Other taxes payable	360	362
Lease liabilities	3 215	2 511
Other payables	14 413	10 421
	36 946	23 692
Total	71 969	69 079

Long-term trade payables mainly consist of an obligation equal to RUB 16 340 million (31 December 2021: RUB 23 168 million) for acquisition of 88% of share capital of LLC “Specialized Developer “ZIL-YUG” (an entity owning the land plot in the Moscow metropolitan area), payable in 2024. In addition, the current part of the obligation of RUB 6 828 million (31 December 2021: RUB 2 108 million) is included into short-term trade payables. The carrying amounts of these payable were calculated by discounting the consideration of RUB 32 200 million payable in 2021-2024 to reflect the time value of money.

Short-term other payables mainly consist of an obligation, including accrued interest, to construct social infrastructure objects of RUB 8 419 million (31 December 2021: RUB 8 042 million) and a liability of RUB 627 million (31 December 2021: RUB 622 million) to the City authorities for change of intended use of land plot recognised as part of inventories.

Contract liabilities include advance consideration received from customers.

As at 31 December 2022, non-financial liabilities recognised within contract liabilities, VAT, other taxes payable and short-term other payables amounted to RUB 26 355 million (31 December 2021: RUB 19 312 million).

The explanation of significant changes in contract liability balance during the reporting period is presented in note 6.

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

27 Financial instruments and risk management

a) Accounting classifications and fair values

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 inputs

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs

Level 3 inputs are unobservable inputs for the asset or liability.

mln RUB	Carrying amount		Fair value		
	At amortised cost	Total	Level 1	Level 2	Total
31 December 2022					
Financial assets not measured at fair value					
Trade receivables	8 174	8 174	-	8 014	8 014
Other receivables (excluding taxes receivable and advances paid to suppliers)	2 147	2 147	-	2 138	2 138
Loans given	277	277	-	139	139
Cash and cash equivalents	23 811	23 811	23 811	-	23 811
	34 409	34 409	23 811	10 291	34 102
Financial liabilities not measured at fair value					
Secured bank loans	(20 174)	(20 174)	-	(19 859)	(19 859)
Secured project financing	(54 762)	(54 762)	-	(44 529)	(44 529)
Unsecured bank loans	(3 011)	(3 011)	-	(2 946)	(2 946)
Unsecured bond issues	(15 141)	(15 141)	(14 129)	-	(14 129)
Trade and other payables	(45 615)	(45 615)	-	(42 392)	(42 392)
	(138 703)	(138 703)	(14 129)	(109 726)	(123 855)

mln RUB	Carrying amount		Fair value		
	At amortised cost	Total	Level 1	Level 2	Total
31 December 2021					
Financial assets not measured at fair value					
Trade receivables	9 429	9 429	-	9 220	9 220
Other receivables (excluding taxes receivable and advances paid to suppliers)	1 022	1 022	-	979	979
Loans given	1 070	1 070	-	647	647
Bank deposits (over 3 months)	42	42	-	42	42
Bank promissory notes	3	3	-	2	2
Cash and cash equivalents	44 587	44 587	44 587	-	44 587
	56 153	56 153	44 587	10 890	55 477
Financial liabilities not measured at fair value					
Secured bank loans	(26 020)	(26 020)	-	(27 368)	(27 368)
Secured project financing	(36 228)	(36 228)	-	(31 191)	(31 191)
Unsecured bank loans	(4 378)	(4 378)	-	(4 197)	(4 197)
Unsecured bond issues	(16 811)	(16 811)	(16 169)	-	(16 169)
Trade and other payables	(50 327)	(50 327)	-	(44 257)	(44 257)
	(133 764)	(133 764)	(16 169)	(107 013)	(123 182)

The fair value of financial asset arising from preferential rate on escrow-backed loans approximates its carrying amount.

Fair values of financial assets and financial liabilities were determined by quantitative maturity analysis of contractual cash flows according to remaining contractual maturities, discounted using the following rates:

	Discounting factor	2022	2021
Receivables (excluding taxes receivable and advances paid to suppliers)	Weighted average rate on mortgages issued during the year	9,35%	7,81%
Loans given, Unsecured loans and bond issued, and trade and other payables	Weighted average interest rates on bonds of Etalon-Finance	12,63%	8,57%

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

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

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

Risk management framework

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

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding trade and other receivables.

Credit risk with regards to cash and cash equivalents and deposits with banks is managed by placing funds primarily in the banks listed in note 21.

Credit risk connected with trade receivable arising from the sale of apartments to individuals is managed by securing those receivables against sold apartments. A significant share of such sales is made on a prepayment basis.

To manage the credit risk of trade receivables from legal entities the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are applied.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2022, receivables from one customer equalled to RUB 158 million or 1% of the Group's consolidated trade and other receivables (31 December 2021: RUB 414 million or 4%).

(ii) Exposure to credit risk

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

mln RUB	Carrying amount	
	2022	2021
Loans given	277	1 070
Receivables (excluding taxes receivable and advances paid to suppliers)*, including contract assets	33 698	28 995
Bank promissory notes	-	3
Bank deposits (over 3 months)	-	42
Cash and cash equivalents	23 811	44 587
	57 786	74 697

* presented net of receivables and contract assets arising from the sale of real estate that is secured by a pledge of the sold real estate (see 3(c)(vi)).

The amount of trade and other receivables including contract assets represents the maximum exposure to credit risk without taking account of trade receivables covered by collateral.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was concentrated in the Saint Petersburg region.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was concentrated on industrial customers – legal entities included in the segment “Construction services”.

Maturity analysis and impairment

The ageing of trade receivables and contract assets at the reporting date was as follows. Contract assets are not past due and not impaired.

mln RUB	Gross		Impairment	
	2022		2021	
Not past due	34 922	(20)	32 819	(4)
Past due 0-30 days	157	-	302	-
Past due 31-90 days	188	(2)	254	(1)
Past due 91-120 days	85	-	58	(1)
Past due more than 120 days	2 372	(795)	1 867	(533)
	37 724	(817)	35 300	(539)

The Group’s current credit risk grading framework for loans given at the reporting date comprises the following categories:

mln RUB	Gross		Impairment	
	2022		2021	
12 - month ECL	281	(22)	1 146	(120)
Lifetime ECL - credit-impaired	135	(117)	132	(88)
	416	(139)	1 278	(208)

Allowance for impairment in respect of trade receivables

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

mln RUB	2022	2021
Balance at 1 January	539	662
Amounts written off	(46)	(84)
Net remeasurement of loss allowance	324	(39)
Balance at 31 December	817	539

The Group calculates lifetime expected credit losses for trade receivables at an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used publicly available historical information about the probabilities of default (PD) and losses given default (LGD) for issuers with different credit ratings and financial instruments with different durations.

To assess the probability of default of individual debtors, the Group assigned to them credit ratings similar to those used in publicly available historical information. Speculative ratings (speculative-grade) were assigned to debtors that do not have official ratings and are not undergoing bankruptcy procedures. Such counterparties represent a major part of the Group debtors.

The Group defines a default event when a financial asset is more than 90 days past due.

The Group established an allowance for accounts receivable arising from the sale of real estate, in accordance with the methodology, described in the note 3(c)(vi).

During the reporting period, there were no changes in the quality of the collateral. There were no changes in the collateral policies of the Group during the year ended 31 December 2021.

Allowance for impairment in respect of other receivables

Expected credit loss allowance for other receivables is measured as an allowance equal to 12-month ECL for stage 1 assets. The movement in the allowance for impairment in respect of other receivables during the reporting period was as follows:

mln RUB	2022	2021
Balance at 1 January	834	964
Reversal of loss allowance	(126)	(359)
Increase in loss allowance	566	229
Balance at 31 December	1 274	834

Allowance for impairment in respect of financial investments (loans given and promissory notes)

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

mln RUB	2022	2021
Balance at 1 January	208	112
Net remeasurement of loss allowance	(69)	96
Balance at 31 December	139	208

As at 31 December 2022 and 31 December 2021, the credit risk on financial investments has not increased significantly since initial recognition, and the Group measures the loss allowance for those financial instruments at an amount equal to 12-month expected credit losses.

Allowance for impairment of cash and cash equivalents

The Group assessed impairment of cash and cash equivalents on the 12-month expected loss basis that reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of expected credit losses for cash and cash equivalents to those used for debt securities.

Allowance for impairment in respect of advances paid to suppliers

During the reporting period, the movement in the allowance for impairment in respect of advances paid to suppliers, which are outside the scope of IFRS 9, was as follows:

mln RUB	2022	2021
Balance at 1 January	158	247
Amounts written off	(69)	(151)
Increase during the year	55	62
Balance at 31 December	144	158

The Group includes a specific loss component that relates to individually significant exposures in its allowance for impairment of advances paid to suppliers.

c) Liquidity risk

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

Each year the Group 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 and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. However, repayment of secured project financing may occur prior to their contractual maturities – as soon as construction projects are completed and funds from escrow accounts are released.

Contractual maturities of financial liabilities were as follows:

mln RUB	Carrying amount	Contractual cash flows	0 - 12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Loans and borrowings	93 089	101 182	22 049	40 631	23 335	9 123	6 044	-
Trade and other payables (excluding taxes payable, contract liabilities and liabilities to construct social infrastructure)	37 804	39 100	20 238	18 419	64	-	377	2
Lease liabilities	7 811	9 301	2 869	2 881	1 743	946	174	688
	138 704	149 583	45 156	61 931	25 142	10 069	6 595	690

mln RUB	Carrying amount	Contractual cash flows	0 - 12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Loans and borrowings	83 437	97 766	19 980	23 317	30 754	19 645	3 298	772
Trade and other payables (excluding taxes payable and contract liabilities)	40 957	40 959	11 783	8 695	18 466	1 433	580	2
Lease liabilities	9 370	11 297	2 387	2 341	4 959	142	142	1 326
	133 764	150 022	34 150	34 353	54 179	21 220	4 020	2 100

d) Market risk

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

(i) Currency risk

The Group's exposure to foreign currency risk is limited. As at 31 December 2022 and 31 December 2021 the Group's net positions in foreign currency were as follows:

mln RUB	2022			2021		
	USD	GBP	EUR	USD	GBP	EUR
Cash and cash equivalents (see note 21)	17	-	270	85	2	5
Net exposure	17	-	270	85	2	5

The following significant exchange rates applied during the reporting period:

in RUB	Average rate		Reporting date spot rate	
	2022	2021	31 December 2022	31 December 2021
USD 1	68,35	73,67	70,34	74,29
EUR 1	72,15	87,09	75,66	84,07

(ii) Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivative instruments to manage interest rate risk exposure.

Profile

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

mln RUB	Carrying amount	
	2022	2021
Fixed rate instruments		
Financial assets	24 203	41 119
Financial liabilities	(69 719)	(64 271)
	(45 516)	(23 152)
Variable rate instruments		
Financial liabilities	(31 180)	(28 537)
	(31 180)	(28 537)

Cash flow sensitivity analysis for variable rate instruments

mln RUB	Profit or loss		Equity	
	200 bp increase	100 bp decrease	200 bp increase	100 bp decrease
31 December 2022				
Variable rate instruments	(624)	312	(624)	312
Cash flow sensitivity (net)	(624)	312	(624)	312
31 December 2021				
Variable rate instruments	(571)	285	(571)	285
Cash flow sensitivity (net)	(571)	285	(571)	285

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the reporting date. The analysis shows how profit or loss and equity would have been affected by a 2% increase or 1% decrease in the variable interest rates and represents management's assessment of the change in the interest rates that were reasonably possible at the reporting date.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

e) 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 Group 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 Group 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.

The capital structure of the Group consists of net debt (total loans and borrowings offset by cash and bank balances and bank deposits over 3 months) and equity of the Group (comprising issued capital and retained earnings as detailed in note 22). Certain subsidiaries of the Group may be subject to externally imposed capital requirements in accordance with Russian law.

The Group's debt to capital ratio at the end of the reporting period was as follows:

mln RUB	2022	2021
Loans and borrowings, note 24	93 088	83 438
Less: cash and cash equivalents, note 21	(23 811)	(44 587)
Less: bank deposits over 3 months, note 20	-	(42)
Net debt	69 277	38 809
Total equity	74 189	61 360
Debt to capital ratio at end of year	0,93	0,63

At 31 December 2022, lease liabilities of RUB 7 811 million (31 December 2021: RUB 9 370 million) are included in trade and other payables (see notes 26 and 29) and are not included in the total amount of borrowings.

28 Acquisition of subsidiary

On 30 May 2022, the Company acquired from YIT Corporation 100% of voting equity interests in a certain number of Finnish and Russian legal entities representing the Russian business of YIT Corporation (“YIT Russia”) for the cash consideration of RUB 1 923 million.

YIT Russia focuses on mid-market residential real estate with a portfolio of 19 projects in five Russian regions, including the Moscow metropolitan area, Saint Petersburg, the Ekaterinburg region, Kazan and Tyumen with a total unsold net sellable area (NSA) of 0.6 million sqm. It also operates several housing servicing companies.

The primary reasons for the acquisition are to increase supply in the Group’s primary markets of Moscow and Saint Petersburg and to speed up the Group’s regional expansion, as well as to get access to the YIT Russia’s software and technological know-how, including Dispatcher 24 software for managing apartment buildings and residential areas.

Consideration transferred

The acquisition-date fair value of the total consideration transferred amounted to RUB 1 923 million. The consideration was settled in cash.

mln RUB

Cash consideration transferred	(1 920)
Cash acquired	2 456
Net cash inflow from acquisition of subsidiary	<u>536</u>

Acquisition-related costs

The Group incurred acquisition-related costs of RUB 0.4 million related to registration fees, which have been included in administrative expenses in the Group’s consolidated statement of profit or loss and other comprehensive income.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

mln RUB	Note	<u>Recognised fair values on acquisition</u>
Non-current assets		
Property, plant and equipment	13	371
Intangible assets		192
Deferred tax assets	17	1 619
Current assets		
Inventories		8 314
Trade and other receivables		1 666
Income tax receivable		332
Contract assets		6 534
Advances issued		1 367
Short-term investment		28
Cash and cash equivalents		2 456
Other current assets		553
Non-current liabilities		
Loans and borrowings		(2 034)
Long-term trade and other payables		(190)
Deferred tax liabilities	17	(103)
Provisions	25	(285)
Current liabilities		
Loans and borrowings		(1 917)
Trade and other payables		(4 594)
Provisions	25	(153)
Total identifiable net assets		<u>14 156</u>
Non-controlling interest		(195)
Consideration transferred		(1 923)
Gain from bargain purchase		<u>12 038</u>

Non-controlling interest in the acquiree recognised at the acquisition date of RUB 195 million was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Trade and other receivables (excluding contract assets) comprised gross contractual amounts due of RUB 1 997 million, of which none was expected to be uncollectable at the date of acquisition.

Recognised amounts of intangible assets include computer software of RUB 49 million (Dispatcher 24 software) and customer base of housing servicing companies of RUB 143 million.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Inventories

The acquiree's inventories are mainly represented by real estate development projects at different stages of development and by housing servicing companies.

The fair values of real estate development projects were determined by an independent appraiser based on discounted cash flows from the construction and sale of such real estate.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction and sale of real estate as well as estimated cash flows of housing servicing companies;
- Inflation rates – in the range 4%-11,1% per annum;
- Discount rates – 18,8% - 22,8% per annum, depending on the class of the project, stage of development of a particular project and the availability of construction permits. For housing servicing companies - 23,4% per annum.

Bargain purchase

The Group recognised the excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed over consideration transferred in the amount of RUB 12 038 million as a gain from bargain purchase in its consolidated statement of profit or loss and other comprehensive income. The main reason for recognising a bargain purchase gain was the fast track sale of the business by the seller that resulted in a lower transaction price.

From the date of acquisition to 31 December 2022 YIT Russia contributed revenues of RUB 7 137 million and a profit of RUB 1 106 million.

If the acquisition of the business had occurred on 1 January 2022, management estimates that consolidated revenue would have been RUB 87 066 million (unaudited), and consolidated profit for the year would have been RUB 14 233 million (unaudited). In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

29 Leases

The Group leases a number of land plots for the purpose of the construction of residential and commercial premises for sale, as well as land plots occupied by its own production and office facilities. The leases typically run for the years of construction of premises for sale.

The following table summarises the movement in the right-of-use assets and lease liabilities during the reporting period.

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2022	10 708	870	11 578
Additions to right-of-use assets	55	320	375
Acquired through business combination	77	242	319
Termination of lease contracts	(134)	(81)	(215)
Depreciation charge	(668)	(184)	(852)
Balance at 31 December 2022	10 038	1 167	11 205
Lease liabilities			
Balance at 1 January 2022	8 456	914	9 370
Settlement of lease liabilities, including interest	(2 568)	(308)	(2 876)
Interest expense on lease liabilities	619	113	732
Additions to lease liabilities	55	320	375
Assumed through business combination	37	259	296
Termination of lease contracts	(52)	(34)	(86)
Balance at 31 December 2022	6 547	1 264	7 811

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2021	2 395	312	2 707
Additions to right-of-use assets	8 573	784	9 357
Modifications of lease contracts	(38)	(25)	(63)
Depreciation charge	(221)	(200)	(421)
Balance at 31 December 2021	10 709	871	11 580
Lease liabilities			
Balance at 1 January 2021	1 587	275	1 862
Settlement of lease liabilities, including interest	(2 121)	(153)	(2 274)
Interest expense on lease liabilities	456	43	499
Additions to lease liabilities	8 573	773	9 346
Modifications of lease contracts	(38)	(25)	(63)
Balance at 31 December 2021	8 457	913	9 370

Future cash outflows to which the Group is exposed that are not reflected in the measurement of lease liabilities arising from variable lease payments amount to RUB 694 million (31 December 2021: RUB 1 294 million).

Lease payments associated with short-term leases and leases of low-value assets and recognised as an expense in the statement of profit or loss amounted to RUB 994 million for the year ended 31 December 2022 (year ended 31 December 2021: RUB 901 million).

30 Capital commitments

As at 31 December 2022, the Group had no capital commitments (31 December 2021: nil).

31 Contingencies

a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

b) Litigation

During the year ended 31 December 2022 and 2021, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

In the opinion of management, there are no current legal proceedings or claims outstanding which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

32 Related party transactions

a) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the year ended 31 December 2022, which is included in personnel costs (see note 10):

mln RUB	2022	2021
Short-term employee benefits - salaries and bonuses	704	652
	704	652

During the year ended 31 December 2022 and 2021, the Group did not grant any loans and pensions to its key management personnel.

During the year ended 31 December 2022, the remuneration of the members of the Board of Directors of the Company amounted to RUB 31 million (2021: RUB 33 million).

b) Transactions with related parties under control of PJSC AFK Sistema

The Group's transactions with other related parties are disclosed below.

(i) Revenue

	Transaction value		Outstanding balance	
	2022	2021	2022	2021
mln RUB				
Other related parties	715	882	280	408
	715	882	280	408

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(ii) Expenses (rent of premises and related expenses)

	Transaction value		Outstanding balance	
	2022	2021	2022	2021
mln RUB				
Other related parties	(706)	(680)	1 255	2 376
	(706)	(680)	1 255	2 376

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(iii) Loans

	Amount loaned/ received/ repaid		Outstanding balance	
	2022	2021	2022	2021
mln RUB				
Loans given	70	-	73	2
Loans received	(2 438)	(4 362)	(2 911)	(5 349)
	(2 368)	(4 362)	(2 838)	(5 347)

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(iv) Other transactions

	Transaction value		Outstanding balance	
	2022	2021	2022	2021
mln RUB				
Cash and cash equivalents in banks-related parties	35 978	102 256	261	9 312
Proceeds from investments in associates and other	-	40	(19)	(25)
Acquisition of land plot	(360)	-	(205)	-
Interest on deposits	619	201	-	-
Interest payable	(249)	(395)	(34)	(21)
	35 988	102 102	3	9 266

33 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	31 December 2022	31 December 2021
“Etalon Group company” AO	Russian Federation	100,00%	100,00%
JSC “Etalon-Finance” (JSC “Leader-Invest” before 4 April 2022)	Russian Federation	100,00%	100,00%
JSC “Etalon LenSpetsSMU”	Russian Federation	100,00%	100,00%
LLC “EtalonAktiv”	Russian Federation	100,00%	100,00%
JSC “Novator”	Russian Federation	100,00%	100,00%
JSC “LenSpetsSMU-Rekonstruktsiya”	Russian Federation	100,00%	100,00%
LLC “SPM-Zhilstroy”	Russian Federation	100,00%	100,00%
LLC “Etalon-Invest”	Russian Federation	100,00%	100,00%
JSC “Zatonskoe”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “Serebryaniy Fontan”	Russian Federation	99,97%	99,97%
LLC “Specialized Developer “Etalon Galaktika”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “Etalon Development”	Russian Federation	100,00%	100,00%
LLC “Razvitiye”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “ZIL-YUG”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “MBI”	Russian Federation	100,00%	100,00%
JSC “Lobachevskogo 120”	Russian Federation	100,00%	100,00%
JSC “YIT Saint Petersburg”	Russian Federation	100,00%	-
LLC “Specialized Developer “YIT Novoorlovskiy”	Russian Federation	100,00%	-
LLC “Specialized Developer “YIT Finskiy”	Russian Federation	100,00%	-

As at 31 December 2022, the Group controlled 132 legal entities (31 December 2021: 105). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries. Their principle activities are construction and development of residential and commercial properties.

The acquisition of YIT Russia disclosed in note 28 was the only change in the composition of the Group during the reporting period.

34 Events subsequent to the reporting date

Financing events

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 31 December 2022 for the total amount of RUB 8 328 million and unsecured bonds for the total amount of RUB 5 000 million.

Subsequent to the reporting date, the Group has obtained additional tranches of loans for the total amount of RUB 10 829 million with nominal interest rates of 0,01%-11,5% and repayable by 2025.

Subsequent to the reporting date, the Group placed unsecured bonds for the total amount of RUB 8 000 million with nominal interest rate of 13,7% per annum and repayable by 2026.

Supplementary information – non - IFRS measures (unaudited)

We believe that the adjusted net debt/adjusted EBITDA ratio, together with measures determined in accordance with IFRS, provides the readers with valuable information and a further understanding of the underlying performance of the business. This information should be considered and read in addition to, but not as a substitute for, the information contained in the consolidated financial statements.

The below non-IFRS measures should be considered and read in addition to, but not as a substitute for, the information contained in the consolidated financial statements. Non-IFRS measures are not uniformly defined by all companies, including those in the Group's industry. Therefore, the non-IFRS measures used by the Group may not be comparable to similar measures and disclosures made by other companies.

Adjusted net debt/Adjusted EBITDA ratio

mln RUB	2022	2021
Loans and borrowings	93 088	83 438
Less: cash and cash equivalents	(23 811)	(44 587)
Less: bank deposits over 3 months, note 20	-	(42)
Add: contract liabilities, reportable segment Residential development	8 944	10 528
Less: Inventories under construction, note 18	(119 600)	(95 431)
Adjusted net debt	(41 379)	(46 094)
	2022	2021
Gross profit	28 203	27 782
Less: General and administrative expenses	(7 259)	(5 784)
Less: Selling expenses	(5 001)	(4 639)
Adjusted operating profit	15 943	17 359
Add: Depreciation and amortisation	541	521
EBITDA	16 484	17 880
Add: Purchase price allocation from acquisition of Etalon Finance (Leader-Invest prior to 2022) included in cost of sales	2 311	3 259
Adjusted EBITDA	18 795	21 139
Adjusted net debt/Adjusted EBITDA	(2,20)	(2,18)

Adjusted net debt represents net total of loans and borrowings less cash and cash equivalents and bank deposits over 3 months adjusted for contract liabilities in the Residential development segment less balance of inventories under construction and development. Adjusted net debt measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

Adjusted EBITDA represents gross profit for the year adjusted by general and administrative expenses, selling expenses, depreciation and amortisation and effect of purchase price allocation from acquisition of subsidiary.

The result is the equivalent of profit (loss) for the period before income tax expense, net finance costs, depreciation and amortization and effect of purchase price allocation, impairment loss on trade and other receivables, gain from bargain purchase from acquisition of subsidiary and other operating expenses.

We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures and other investments and our ability to incur and service debt.

Adjusted net debt/adjusted EBITDA ratio is used by creditors, credit rating agencies and other stakeholders.

Net corporate debt/Adjusted EBITDA

Net corporate debt represents net debt as defined in the note 27(e) adjusted for the amount of project financing (borrowings backed by balances on escrow accounts).

mln RUB	2022	2021
Loans and borrowings	93 088	83 438
Less: secured project financing	(54 762)	(36 228)
Total corporate borrowings	38 326	47 210
Less: cash and cash equivalents	(23 811)	(44 587)
Less: bank deposits over 3 months, notes 16 and 20	-	(42)
Net corporate debt	14 515	2 581
Net corporate debt/Adjusted EBITDA	0,77	0,12

The movement of the purchase price allocation (PPA) from the acquisition of JSC “Etalon-Finance” (JSC “Leader-Invest” before 4 April 2022), recognised within Property, plant and equipment, Investment property, Inventories

PPA is a significant non-operational factor that significantly affects the Group's financial results and will continue to do so in the next few years. The disclosure increases the transparency of the reporting and enables financial statements' users to correctly assess the effect of PPA on the financial results.

mln RUB	2022	2021
Balance at 1 January	16 485	20 896
Included in Cost of sales	(2 520)	(3 259)
Reversal of impairment loss on inventory recognised in revenue upon termination of contract	209	-
Included in Other expenses, net	24	(1 152)
Balance at 31 December	14 198	16 485

Profit for the period adjusted for the effect of purchase price allocation (PPA) from the acquisition of JSC “Etalon-Finance” (JSC “Leader-Invest” before 4 April 2022) and gain from bargain purchase of YIT Russia

mln RUB	2022	2021
Profit for the year	13 001	3 007
Add: PPA included in Cost of sales	2 520	3 259
Add: Reversal of impairment loss on inventory recognised in revenue upon termination of contract	(209)	-
Add: PPA included in Other expenses, net	(24)	1 152
Less: tax effect of PPA	(457)	(882)
Less: Gain from bargain purchase	(12 038)	-
Profit for the year before PPA	2 793	6 536