Welvart Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2022

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Technologies of Trust

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Independent Auditor's Report

To the Shareholders and Board of Directors of WELVART HOLDING AG:

Opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Technologies of Trust

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

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

31 March 2023

Moscow, Russian Federation

V.V. Solovyev is authorised to sign on behalf of the general director of Joint-Stock Company "Technologies of Trust – Audit" (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906105041)

In thousands of Russian Roubles	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	7	1 910 068	2 282 446
Right-of-use assets	8	6 300 016	7 679 660
Intangible assets		30 659	27 343
Deferred income tax assets	26	627 073	532 970
Loans issued	9	75 543	3 255
Prepayments	11	55 157	31 917
Total non-current assets		**8 998 516**	**10 557 591**
Current assets			
Inventories	10	7 840 000	8 170 785
Return assets	18	153 892	199 328
Trade and other receivables	11	2 521 652	2 887 079
Loans issued	9	697 287	48
Other tax receivables	11	39 892	900 353
Current income tax prepayments		-	68 885
Investments in corporate shares of public companies		10	10
Derivatives	28	-	5 182
Cash and cash equivalents	13	5 797 120	1 157 045
Total current assets		**17 049 853**	**13 388 715**
TOTAL ASSETS		**26 048 369**	**23 946 306**
EQUITY			
Share capital	14	9 569	6 328
Additional capital	14	688 010	688 010
Retained earnings		3 070 881	1 288 064
Equity attributable to the Company's owners		**3 768 460**	**1 982 402**
Non-controlling interest		267	658
TOTAL EQUITY		**3 768 727**	**1 983 060**

In thousands of Russian Roubles	Note	31 December 2022	31 December 2021
LIABILITIES			
Non-current liabilities			
Borrowings	15	3 556 618	-
Loans from related parties	6,15	1 374 738	1 824 500
Lease liabilities	8	5 489 507	6 549 824
Deferred income tax liabilities	26	11 527	7 349
Total non-current liabilities		**10 432 390**	**8 381 673**
Current liabilities			
Borrowings	15	4 996 948	5 918 908
Loans from related parties	6,15	240 991	1 769 699
Lease liabilities	8	1 525 414	1 534 504
Trade and other payables	19	2 797 230	3 222 425
Contract liabilities	12	687 528	100 192
Current income tax payable		363 190	-
Other taxes payable	17	949 535	757 349
Provisions for returns	18	286 416	278 496
Total current liabilities		**11 847 252**	**13 581 573**
Total liabilities		**22 279 642**	**21 963 246**
TOTAL EQUITY AND LIABILITIES		**26 048 369**	**23 946 306**

Approved for issue and signed on 31 March 2023.

Vladimir Dyakonov
Economics and Development Director

In thousands of Russian Roubles	Note	2022	2021
Revenue	20	26 890 978	21 984 338
Cost of sales	21	(13 150 254)	(12 274 278)
Gross profit		**13 740 724**	**9 710 060**
Distribution expense	22	(9 602 027)	(7 803 872)
General and administrative expenses	23	(1 048 084)	(982 827)
Reversal / (net charge) for expected credit losses on financial assets		14 516	(288 990)
Other (losses) / gains, net	24	(41 148)	37 424
Operating profit		**3 063 981**	**671 795**
Finance income		134 565	20 397
Finance costs	25	(1 472 073)	(744 876)
Foreign exchange gains, net		658 213	56 612
Profit before income tax		**2 384 686**	**3 928**
Income tax (expense) / benefit	26	(599 019)	83 162
PROFIT FOR THE YEAR		**1 785 667**	**87 090**
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 785 667**	**87 090**
Total profit / (loss) / total comprehensive income / (loss) is attributable to:			
– Owners of the Company		1 786 058	87 222
– Non-controlling interest		(391)	(132)

In thousands of Russian Roubles	Note	Attributable to owners of the Company Share capital	Additional capital	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2020		**6 328**	**-**	**1 256 398**	**1 262 726**	**(49 521**	**1 213 205**
Profit / (Loss) for the year		-	-	87 221	87 221	(131	87 090
Total comprehensive income / (loss) for 2021		**-**	**-**	**87 221**	**87 221**	**(131**	**87 090**
Contribution from the shareholders	14	-	688 010	-	688 010	-	688 010
Disposal of non-controlling interests		-	-	(55 555)	(55 555)	50 310	(5 245
Balance at 31 December 2021		**6 328**	**688 010**	**1 288 064**	**1 982 402**	**658**	**1 983 060**
Profit / (Loss) for the year		-	-	1 786 058	1 786 058	(391	1 785 667
Total comprehensive income / (loss) for 2022		**-**	**-**	**1 786 058**	**1 786 058**	**(391**	**1 785 667**
Share capital increase	1, 14	3 241	-	(3 241)	-	-	-
Balance at 31 December 2022		**9 569**	**688 010**	**3 070 881**	**3 768 460**	**267**	**3 768 727**

In thousands of Russian Roubles	Note	2022	2021
Cash flows from operating activities			
Profit before income tax		2 384 686	3 928
Adjustments for:			
Depreciation of property, plant and equipment	7	817 625	388 534
Amortization of intangible assets		5 846	2 902
Depreciation of right-of-use assets	8	1 802 270	1 219 345
(Reversal) / net charge for expected credit losses on financial assets		(14 516)	288 990
Gains less losses on disposals of property, plant and equipment	24	(6 830)	(6 268)
Finance income		(134 565)	(14 903)
Finance costs	25	1 472 073	744 876
Change in inventory write-down	24	1 113	(6 063)
Change in provision for returns	18	114 759	30 124
Reflection of surpluses and shortages of gold in production process		(112 023)	(395 063)
Foreign exchange translation differences, net		(623 024)	(199 926)
Change in provision for loyalty program	12, 20	253 967	-
Change in provision for options to exchange	12, 20	262 360	-
Vacation reserves accruals		358 819	388 660
Employee bonuses accruals		251 231	72 012
Other individually insignificant non-cash operations		1 162	(85 777)
Operating cash flows before working capital changes		**6 834 953**	**2 431 371**
Increase in trade and other receivables	11	(618 075)	(481 216)
Decrease / (increase) in inventories	10	441 695	(3 248 442)
Decrease / (increase) in taxes receivable	11	860 461	(442 612)
Increase in trade and other payables	19	49 840	1 722 935
Increase in taxes payable	17	177 931	179 030
Decrease in provisions and other liabilities and charges	18	(61 403)	(362 621)
Increase in contract liability	12	71 013	50 601
Changes in working capital		**7 756 415**	**(150 954)**
Income taxes paid		(242 546)	(195 252)
Interest income received		134 473	3 409
Interest paid	16	(1 466 401)	(717 035)
Net cash from / (used in) operating activities		**6 181 941**	**(1 059 832)**
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(550 570)	(1 763 162)
Loans granted to related parties	9	(619 377)	-
Transactions with corporate shares of public companies		(18 423)	53 600
Proceeds from the sale of property, plant and equipment		11 870	12 129
Net cash used in investing activities		**(1 176 500)**	**(1 697 433)**
Cash flows from financing activities			
Proceeds from borrowings	16	5 069 284	7 200 000
Proceeds from loans from related parties	16	-	291
Proceeds from bonds	16	3 000 000	-
Repayment of borrowings	16	(5 423 563)	(3 173 275)
Repayment of loans from related parties	16	(1 472 332)	(10 421)
Repayment of lease liabilities – principal	16	(1 460 681)	(969 191)
Other		-	(11 650)
Net cash (used in) / from financing activities		**(287 292)**	**3 035 754**
Effect of exchange rate changes on cash and cash equivalents		(78 074)	15 221
Cash and cash equivalents at the beginning of the year	13	**1 157 045**	**863 335**
Cash and cash equivalents at the end of the year	13	**5 797 120**	**1 157 045**

1 Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2022 for WELVART HOLDING AG (the "Company") and its subsidiaries (the "Group", "Welvart Group").

The Company was incorporated and is domiciled in Switzerland. The Company is company limited by shares and was set up in accordance with Switzerland regulations. There are no group entities that issues financial report available for public use.

As of 31 December 2022 and 31 December 2021, the Company does not have immediate and ultimate parent company, and was ultimately controlled by Alexey Sokolov and Elena Sokolova.

Principal activity. WELVART HOLDING AG is a holding company for the group of subsidiaries which are engaged in production, wholesale and retail distribution of jewelry through physical retail outlets and online store in Russia and CIS countries, and provide manufacturing services. The Group's manufacturing facilities are primarily based in Kostroma Region, Russia.

			Total controlling share by the Company	
Subsidiaries of the Company	**Type of activity**	**Country of registration**	**31 December 2022**	**31 December 2021**
JSC Yuvelit	Manufacturing	Russia	99,95%	99,95%
JSC Kvart	Manufacturing	Russia	99,95%	99,95%
LLC SV Retail	Retail sales	Russia	99,99%	99,99%
JSC Lucksa Trading	Wholesale	Russia	100,00%	100,00%
LLC Avtolyuks	Transportation	Russia	99,95%	99,95%
Sokolov Jewelry Schweiz AG	Other	Switzerland	100%	100%
Sokolov Jewelry International AG	Other	Switzerland	100%	100%
Sokolov Jewelry Holding AG	Trademark owner	Switzerland	100%	100%
LLP SVR Azija	Retail sales	Kazakhstan	100%	100%

In 2021, there was transfer of ownership in Sokolov Jewelry Holding AG to WELVART HOLDING AG. In addition, during second half of year 2021 WELVART HOLDING AG got a controlling share in JSC Yuvelit. The transfers of ownership to the Company are transactions under common control as entities involved are controlled by Mr. Alexey Sokolov and Mrs. Elena Sokolova. As a result, the share capital of WELVART HOLDING AG has increased by 100 ordinary shares with par value of 1 000 CHF (see Note 14).

Business combination under common control was accounted for using the predecessor method. Refer to Note 3.

Registered address and place of business. The Company's registered address is Ebni 6, 9053 Teufen, Switzerland. The Group's principal place of business is Russian Federation.

Presentation currency. These consolidated financial statements are presented in Russian Roubles ("RR"), unless otherwise stated.

2 Operating Environment of the Group

Switzerland. The effects of the tension rise between Russia and Ukraine have emerged. Like its neighbouring countries, Switzerland has imposed various sanctions on Russia. Swiss companies of the group were also affected by this. Incoming payments from Russian companies were temporarily no longer possible or were restricted. Nevertheless, major constraints on economic life were largely lifted in the course of 2022, boosting economic activity. Switzerland stays being one of the largest financial hubs with considerably lower sensitivity to global market fluctuations. At the same time, adequate capital and liquidity buffers in the Swiss financial system have contributed to stability. The Swiss franc continues to be a strong currency. The Swiss franc has appreciated strongly against the euro. As a small proportion of turnover is in euros, the impact on the Group is manageable.

2 Operating Environment of the Group (Continued)

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 27). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

In 2022, ongoing geopolitical tension in the region significantly escalated as a result of further developments of the situation with Ukraine which has been deteriorating since February 2022 and remains highly unstable. The escalation of the geopolitical situation led to a sharp increase in foreign exchange rates compared to year-end exchange rates, oil and gas prices, an increase in the key rate of the Bank of Russia, which subsequently reduced, and to a decline in the Russian equity market. There is increased volatility in the financial and commodity markets. Sanctions and restrictions for multiple Russian entities, including removing access from the Euro and US$ markets, the international SWIFT system, and many other, have been imposed and continue being introduced. There is an expectation of further sanctions and limitations on business activity affecting companies operating in the region, as well as further negative consequences for the Russian economy in general, but the full extent and scale of possible effects of these are unknown. It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out.

The Group was influenced by the sharp rise of gold price in the first quarter of 2022 due to increased foreign currency rate. By the end of the year the gold prices returned to the values at the beginning of the year. The Management of the Group took timely measures to manage the impact of external factors. Among them were temporary increase of sales prices with simultaneous optimization of production that helped to safe margin at targeted levels. Revenue and cost of sale of the Group are not affected by sanctions of imposed by other countries, because majority of sales of Group's products and purchases of core resources are done domestically in Russia, or imported from Asia.

Management has considered the unique circumstances and the risk exposures of the Group and has concluded that there is no significant impact in the Group's profitability position. The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment. There is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern (Note 3).

The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results.

Management is closely monitoring the situation and is ready to act depending on the developments.

3 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Going concern. Management prepared these consolidated financial statements on a going concern basis.

3 Significant Accounting Policies (Continued)

Consolidated financial statements. Subsidiaries are those investees, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of its returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquire.

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

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is Russian Rouble. The assumptions applied are disclosed in Note 4. The consolidated financial statements are presented in Russian Roubles ("RR"), which is the Group's presentation currency.

Transactions and balances. Monetary assets and liabilities are translated into entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss as foreign exchange gain or loss on a net basis. Gains and losses related to operational transactions in consolidated statement of profit or loss and other comprehensive income are included in 'Other losses and gains, net'. Foreign exchange gains and losses that are generated from financial activity are disclosed separately below operating profit.

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

At 31 December 2022, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 70,3375, EUR 1 = RR 75,6553, CHF 1 = 76,1805 (31 December 2021: USD 1 = RR 74.2926, EUR 1 = RR 84.0695, CHF 1 = RR 80.9376). The principal average rate of exchange used for translating income and expenses was USD 1 = RR 68.5494, EUR 1 = RR 72.5259, CHF 1 = RR 72,1245 (2021: USD 1 = RR 73.6685, EUR 1 = RR 87.0861, CHF 1 = RR 80.5177).

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, where required. Property, plant and equipment includes assets under construction for future use as property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred.

3 Significant Accounting Policies (Continued)

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within 'Other losses and gains, net'.

Depreciation. Depreciation of property, plant and equipment except for land and construction in progress is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The table below represents remaining useful lives that were initially determined at the recognition of the assets.

	Useful lives in years
Buildings and constructions	Less than 1 year to 28
Plant and equipment	Less than 1 year to 22
Transport	Less than 1 year to 5
Leasehold improvements	Less than 1 year to 10

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

Right-of-use assets. The Group leases various commercial and production premises, and equipment.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs.

Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	6 to 8
Buildings	3 to 10
Equipment	4 to 9

Intangible assets. The Group's intangible assets have definite useful lives and primarily include capitalised computer software.

Acquired computer software licences is capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Software licences	1-5 years

3 Significant Accounting Policies (Continued)

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Impairment of non-financial assets. Intangible assets not ready for use are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

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

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

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

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

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

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

3 Significant Accounting Policies (Continued)

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC, resulting in an immediate accounting loss.

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

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL and AC.

Debt financial assets

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Group classifies its debt instruments at amortised cost measurement category. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'Other losses and gains, net'. Change in allowance for expected credit losses are presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income. The Group includes trade and other accounts receivable, loans issued, and cash and cash equivalents in this category of debt instruments.

Equity financial assets

The Group subsequently measures all equity investments at fair value.

Changes in the fair value of financial assets at FVTPL are recognised in *Finance income or Finance costs* in the consolidated statement of profit or loss and other comprehensive income as applicable. The Group includes corporate shares of public companies in this category of financial instruments.

3 Significant Accounting Policies (Continued)

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio, as a whole, changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – expected credit loss (ECL). The Group assesses the ECL on historical loss rates, as for short-term receivables the determination of forward-looking economic scenarios may be less significant. The Group assesses the ECL for loans issued, and cash and cash equivalents on a forward-looking basis. The Group measures ECL and recognises net impairment losses on financial assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Trade and other receivables, loans issued, and cash and cash equivalents are presented in the consolidated statement of financial position net of the allowance for ECL.

The Group applies simplified approach for impairment of trade receivable. For other financial assets the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 29 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 29. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

3 Significant Accounting Policies (Continued)

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for any financial liabilities designated at initial recognition at FVTPL. The financial liabilities of the Group represented by loans and borrowings, lease liabilities, trade and other payables and are measured at AC. The financial liabilities measured at FVTPL include derivatives.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. 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% 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.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

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

Cash and cash equivalents. Cash and cash equivalents include cash on hand, cash at bank, cash in transit. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Return assets. The Group recognizes an asset for the right to recover products from customers on settling a refund liability. A return asset is measured by reference to the former carrying amount of the product and subsequently assessed for impairment. Return asset is updated at the end of each reporting period for changes in expectations about the products to be returned. Any corresponding adjustments are recognized as cost of sales or reduction of cost of sales.

3 Significant Accounting Policies (Continued)

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Refund liabilities. In some contracts, the Group transfers control of a product and also grants the right to return the product with a certain period from 6 months to three years and receive a refund of paid amount. The Group recognizes refund liability for the amounts expected to be refunded.

Refund liability is measured at the amount of consideration received or receivable to which the Group does not expect to be entitled. Refund liability is updated at the end of each reporting period for changes in expectations about the amount of refunds, based on estimated return rates. Return rate is the average weighted ratio of the amount of returned goods relative to the corresponding revenue for 3 consecutive periods prior to reporting date. Refund liability and any further corresponding adjustments are recognized against revenue.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases (premises and equipment) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3 Significant Accounting Policies (Continued)

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

Current tax is the amount expected to be paid, or recovered, in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains/(losses), net, respectively.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis, aside from gemstones, which are accounted at actual cost. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

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

3 Significant Accounting Policies (Continued)

Additional capital. Contribution from the controlling shareholders in form of cash or monetary assets not related to issuance of shares are shown in equity as additional capital.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense within finance costs.

Where there are a number of similar obligations, the probability that an outflow will be required in the settlement is determined by considering the class of obligations as a whole. The Group recognises the estimated liability to repair or replace products sold which are still under warranty at the end of each reporting period. This provision is calculated based on past history of the level of repairs and replacements.

Revenue recognition. Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes.

The Group has the following main revenue streams: sales of jewelry, manufacturing services and sales of other goods. Sales of jewelry include wholesale and retail distribution via Sokolov-branded physical retail outlets and online store.

Sales of jewelry

Wholesale and third party distribution. The Group mostly sells goods of its own production. Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. According to some contracts the control is transferred at the Group's warehouse. In this case the delivery is recognised as a separate contract obligation. In most cases delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sales through commissionaires is recognized monthly based on commissioners' reports.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of any discounts.

When a customer pays consideration, before the Group transfers a goods or services, the Group recognise a contract liability (see Note 12).

3 Significant Accounting Policies (Continued)

Refund liability (included in provisions for other liabilities and charges) is recognised for the products expected to be returned. The estimate for returned products is based on historical experience and expectations. Based on knowledge of the nature of returns in the wholesale and distributor channels, it is considered highly probable that a significant reversal of cumulative revenue recognised will not occur.

No element of financing is deemed present as the sales are mostly made either on terms of advance payment, or with a credit term of 30 days but never exceeding 12 months, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Retail sales – through physical stores and online. Revenue from the sale of products through owned stores is recognized when a customer picks up the product in the store. Revenue from the online sale of products is recognized when a customer either picks up the product in the store or the product is delivered to a customer store.

In case if the collection or delivery are delayed, and the consideration from the customer is received a contract liability is recognized.

A refund liability and a right-of-return asset are recognized for products expected to be returned. The estimate for returned products is based on historical experience and expectations. Based on knowledge of the nature of returns, it is considered highly probable that a significant reversal of cumulative revenue recognized will not occur. Rebates and discounts granted to customers are recognized as a reduction in revenue.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision (see Note 18).

Customer loyalty program. Since 2022, the Group operates a loyalty program for individuals where customers accumulate award points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire. The transaction price is allocated to the goods sold and the award points on the basis of their relative stand-alone selling prices. A contract liability for the award points is recognised at the time of the sale.

Sales of options to exchange. Starting from 2022, the Group sells to individual customers options to exchange a jewelry. The option guarantees to its holder a right to exchange once the linked jewelry to another one at a similar price at any moment during a period of time defined in the option. Therefore the Group recognizes the revenue from sale of options evenly over the period of validity in accordance with paragraph 35 (a) of IFRS 15. The price of the option is calculated as a percentage of a purchased product linked to it, and constitutes a separate performance obligation. In case the customer uses its right under the option before its expiration, the Group recognizes the remaining part of revenue in profit or loss at once.

Sales of manufacturing services. The Group provides services under fixed-price contracts. These services are divided into two separate types: services related to production of jewelry from toll metal and delivery of goods.

Production of jewelry from toll metal is a unique service, as goods are manufactured in accordance with sketches developed by Group companies from tolling metal. There is no possibility of production of goods by substitute supplier, but the Group does not have legally enforceable right to payment for the performance completed to date at each stage of the contract and revenue under such agreements is recognized at the point of time when the service is accepted by customer.

A number of Group's contracts include provision of delivery services. Within the framework of these agreements, two performance obligations arise, thus Group allocates transaction price based on relative expected cost. Revenue from delivery services is recognised over time in the accounting period in which the services are rendered.

Sales of other goods. Aside from jewelry, the Group sells dinnerware and souvenirs of its own production to third parties. Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

3 Significant Accounting Policies (Continued)

Revenue from the sale of dinnerware and souvenirs through owned stores is recognized in the same way as for revenue from sales of jewelry, when a customer picks up the product in the store.

Interest income. Interest income is recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the social contribution.

Changes in classification and presentation.

Changes in consolidated statement of financial position. Starting from 1 January 2022, the Group has changed presentation of VAT from prepayments and advances given and classification of certain advances related non-current assets. The previous reporting period balances were adjusted accordingly to comply with the principle of comparability. The Group believes that such presentation will improve the fairness and truthfulness of presentation for the users of consolidated financial statements. The following changes were made:

- VAT receivable and payable related to prepayments given and received has been netted with corresponding balances
- Prepayments for retail equipment disclosed within trade and other receivables has been reclassified to the property, plant and equipment.

The changes in the balances at 31 December 2021 are presented in the table below:

In thousands of Russian Roubles	**As originally presented**	**Reclassification**	**As reclassified at 31 December 2021**
Non-current assets			
Property, plant and equipment	2 278 107	4 339	2 282 446
Prepayments	33 137	(1 220)	31 917
Current assets			
Trade and other receivables	2 859 806	27 273	2 887 079
Other tax receivables	970 154	(69 801)	900 353
Current liabilities			
Contract liabilities	119 501	(19 309)	100 192
Other taxes payable	777 449	(20 100)	757 349

Changes in consolidated statement of cash flow. In 2022, the Group has changed its classification of particular operational movements in consolidated statement of cash flows for the presentation purposes:

- Reclassification within Operating cash flows:
  - gains less losses on disposals of inventory are shown as change in working capital not profit before income tax adjustment;
  - recognition of accrual for return asset for the period is presented as profit before income tax adjustment not change in working capital;
  - the amount of vacation reserves related to cost of sales and distribution expenses were reclassified to 'Vacation reserves accruals' as profit before income tax adjustment instead of changes in Trade and other account payables;
  - the amount of annual employee bonuses was represented as profit before income tax adjustment instead of changes in Trade and other account payables;
  - VAT receivable and payable related to prepayments given and received has been netted with corresponding balances movements;

3 Significant Accounting Policies (Continued)

- Reclassification between Investing and Financing cash flows:
  - the operations with corporate shares of public companies were split out from other financing activity and reclassified to investing activities.

The effect of reclassifications in consolidated statement of cash flows for the year ended 31 December 2021 is presented in the table below:

In thousands of Russian Roubles	As originally presented	Reclassification	As reclassified for 2021
Adjustments for profit before income tax			
Gains less losses on disposals of inventory	(10 478)	10 478	-
Change in provision for returns	229 452	(199 328)	30 124
Vacation reserves accruals	47 877	340 783	388 660
Employee bonuses accruals	-	72 012	72 012
Other individually insignificant non-cash operations	(170 442)	84 665	(85 777)
Changes in working capital			
Increase in trade and other receivables	(455 163)	(26 053)	(481 216)
Decrease / (increase) in inventories	(3 237 964)	(10 478)	(3 248 442)
Decrease / (increase) in taxes receivable	(512 413)	69 801	(442 612)
Increase in trade and other payables	1 961 925	(238 990)	1 722 935
Increase in taxes payable	199 062	(20 032)	179 030
Decrease in provisions and other liabilities and charges	(299 070)	(63 551)	(362 621)
Increase in contract liability	69 908	(19 307)	50 601
Cash flows from investing activities			
Transactions with corporate shares of public companies	-	53 600	53 600
Cash flows from financing activities			
Other	41 950	(53 600)	(11 650)

Changes in accounting policies.

Starting from January 2022 the Group has changed its accounting policy in relation to reflection of foreign exchange gains/(losses) related to operational transactions within 'Other losses and gains, net' of the consolidated statement of profit or loss and other comprehensive income. Before 1 January 2022 all gains/(losses) were included in 'Foreign exchange gains/ (losses), net' below operating profit. The Group believes that the change provides reliable and more relevant information. In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly.

The effect of reclassifications for presentation purposes in consolidated statement of profit and loss and other comprehensive income was as follows on amounts for the year ended at 31 December 2021:

In thousands of Russian Roubles	As originally presented	Reclassification	Year ended at 31 December 2021
Other gains/(losses), net	(105 890)	143 314	37 424
Foreign exchange gains/(losses), net	199 926	(143 314)	56 612

Amendment of the consolidated financial statements after issue. Any changes to these consolidated financial statements after issue require approval of responsible signatory, represented by Economics and Development Director.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2022 would be to increase or decrease it by RR 46 154 thousand (2021: increase or decrease by RR 38 844 thousand).

Depreciation of right-of-use assets. In determining the lease term for outlets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

For leases of outlets the following factors are normally the most relevant:

- If there is reasonable assurance that the Group will receive future economic benefits from trading at the leased outlet.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend the lease.

Were the estimated lease term to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2022 would be to increase or decrease it by RR 179 047 thousand (2021: increase or decrease by RR 121 325 thousand).

Functional currency of Swiss entities of the Group. Russian Rouble (RR) was determined as a functional currency of the Swiss entities of the Group, because the Swiss entities in substance own intellectual property which is used primarily on the Russian market, and amounts received by them depend on the sales in Russia.

Refund liability. A number of contracts include conditions for returns of goods sold. Therefore, refund liability is recognized upon sale of goods. Estimation of refund liability at the reporting date is based on historical rates of returns from customers in subsequent to reporting date periods to corresponding revenue. Historical rates show stable ratio of returns in subsequent years to the reporting period revenue. The approach to calculation of historical rates is described in Note 3. Sensitivity analysis is provided in Note 18.

Customer loyalty program. The Group recognises the loyalty program liability. The amount of liability depends on estimates of redemption rate. The redemption rate is estimated as a ratio of amount of bonuses used as sales price discount to the total of bonuses existed at the beginning of reporting period and accrued during the reporting period.

5 New Accounting Pronouncements

Covid-19-Related Rent Concessions – Amendments to IFRS 16 issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021. The amendment extended the date of the practical expedient provided by Amendments to IFRS 16 issued on 28 May 2020 from 30 June 2021 to 30 June 2022.

The application of the amendment did not have any impact on the right-of-use asset.

Certain new standards and interpretations have become effective for the annual periods beginning on 1 January 2022, but did not have a material impact on the Group:

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Group has not early adopted.

- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022, the effective date subsequently modified to 1 January 2024 by the Amendments to IAS 1).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023, the effective date subsequently modified to 1 January 2024 by the Amendments to IAS 1).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Lease Liability in a Sale and Leaseback Amendments to IFRS 16 – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Non-current Liabilities with Covenants – Amendments to IAS 1 (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).

The Group is currently assessing the impact of the amendments on its consolidated financial statements.

No other standards and amendments to IFRSs are relevant for the Group's operations or are expected to have any effect on the consolidated financial statements of the Group.

6 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

6 Balances and Transactions with Related Parties (Continued)

At 31 December 2022, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Note	Ultimate controlling party	Entities under common control	Other related parties	Total
Trade and other receivables – gross		279	75 113	1 667	77 059
Trade receivables – ECL		-	(1 710)	-	(1 710)
Prepayments		8 171	93 134	4 573	105 878
Loans issued – gross (effective interest rate: 0,25 – 1%)[1]	9	700 861	223 653	7 453	931 967
Loans issued – ECL	9	-	(152 278)	(7 255)	(159 533)
Loans received (effective interest rate: 0-1%)[1]	15	(1 615 424)	-	(305)	(1 615 729)
Lease liabilities (effective interest rate: 10,03%)		(2 002 597)	(21 189)	(267 504)	(2 291 290)
Trade and other payables		-	(294 532)	(305)	(294 837)
Contract liabilities		-	(428)	-	(428)

The income and expense items with related parties for the year ended 31 December 2022 were as follows:

In thousands of Russian Roubles	Ultimate controlling party	Entities under common control	Other related parties	Total
Sales of goods	-	41 568	-	41 568
Revenue from services rendered	-	485	-	485
Interest income	353	1 416	481	2 250
Lease liability interest expense	(258 391)	(19 492)	(42 777)	(320 660)
Security services	-	(73 005)	-	(73 005)
Utilities costs	-	(29 105)	-	(29 105)
Repairs and maintenance services	-	(13 813)	-	(13 813)
Compensation of business trip expenses	-	(5 316)	-	(5 316)
Expenses relating to short-term leases	-	(1 643)	-	(1 643)
Net charge for expected credit losses on financial assets	(150)	(67)	-	(217)
Royalty	-	(204)	-	(204)
Other expenses	(133)	(9 164)	-	(9 297)

At 31 December 2021, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Note	Ultimate controlling party	Entities under common control	Other related parties	Total
Trade and other receivables – gross		-	93 237	1 072	94 309
Trade receivables – ECL		-	(1 640)	-	(1 640)
Prepayments		-	46 674	534	47 208
Loans issued – gross (effective interest rate: 1%)[2]	9	-	163 813	2 254	166 067
Loans issued – ECL	9	-	(163 615)	(2 254)	(165 869)
Borrowings – Loans (effective interest rate: 0-1%)[2]	15	(3 594 199)	-	-	(3 594 199)
Lease liabilities (effective interest rate: 8,16%)		(2 137 597)	-	(393 603)	(2 531 200)
Trade and other payables		(30 884)	(301 438)	(631)	(332 953)
Contract liabilities		-	(430)	-	(430)

[1] Loans issued and loans received correspond to market conditions of Switzerland.
[2] Loans issued and loans received correspond to market conditions of Switzerland.

6 Balances and Transactions with Related Parties (Continued)

In 2021 the Group recognised contribution form shareholders in equity (Note 14).

The income and expense items with related parties for the year ended 31 December 2021 were as follows:

In thousands of Russian Roubles	Ultimate controlling party	Entities under common control	Other related parties	Total
Sales of goods	32	229 779	-	229 811
Revenue from services rendered	21	9 836	-	9 857
Royalty	-	1 370	-	1 370
Other finance income	157	-	-	157
Net reversal for expected credit losses on financial assets	28	55 692	-	55 720
Expenses relating to short-term leases	(163 250)	(22 043)	(102)	(185 395)
Lease liability interest expense	(141 901)	-	(26 305)	(168 206)
Security services	-	(63 917)	-	(63 917)
Utilities costs	-	(24 945)	-	(24 945)
Employee benefits expense	-	(3 625)	-	(3 625)
Interest expense	(552)	-	-	(552)

Other related parties include relatives of beneficiaries.

Effective interest rate for lease liabilities with related parties are at market terms and calculated as average rate for agreements valid at corresponding reporting date.

Operations with related party. During first quarter of 2022 share capital of WELVART HOLDING AG has been increased by 100 ordinary shares with nominal value of 1 000 CHF. The increase in share capital was made by the 100% of shares of Sokolov Jewelry Holding AG (Note 14).

Key management compensation. Key management includes executive and non-executive Directors.

Key management compensation is presented below:

	2022		2021	
In thousands of Russian Roubles	Expense	Accrued liability	Expense	Accrued liability
Short-term benefits:				
– Salaries	95 355	4 088	86 817	6 780
– Short-term bonuses	155 393	145 122	25 957	-
– Social contribution	26 562	9 960	19 405	1 237
Total key management compensation	**277 310**	**159 170**	**132 179**	**8 017**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

7 Property, Plant and Equipment

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

In thousands of Russian Roubles	**Buildings and constructions**	**Plant and equipment**	**Transport**	**Construction in progress**	**Leasehold improvements**	**Total**
Cost at 31 December 2020	7 480	788 080	255 634	56 317	224 446	1 331 957
Accumulated depreciation	(2 998)	(297 716)	(167 101)	-	(3 466)	(471 281)
Carrying amount at 31 December 2020	**4 482**	**490 364**	**88 533**	**56 317**	**220 980**	**860 676**
Additions	152 975	990 580	26 570	4 349	634 360	1 808 834
Transfers	-	7 004	-	(2 665)	-	4 339
Disposals	-	(332)	(5 793)	-	-	(6 125)
Depreciation charge	(17 909)	(258 611)	(35 762)	-	(76 397)	(388 679)
Disposals – depreciation	-	245	3 156	-	-	3 401
Carrying amount at 31 December 2021	**139 548**	**1 229 250**	**76 704**	**58 001**	**778 943**	**2 282 446**
Cost at 31 December 2021	160 455	1 785 332	276 411	58 001	858 806	3 139 005
Accumulated depreciation	(20 907)	(556 082)	(199 707)	-	(79 863)	(856 559)
Carrying amount at 31 December 2021	**139 548**	**1 229 250**	**76 704**	**58 001**	**778 943**	**2 282 446**
Additions	33 625	301 170	200	6 213	109 076	450 284
Transfers	-	31 646	-	(31 646)	-	-
Disposals	-	(6 560)	(4 254)	-	-	(10 814)
Depreciation charge	(55 970)	(495 118)	(30 509)	-	(236 028)	(817 625)
Disposals – depreciation	-	1 523	4 254	-	-	5 777
Carrying amount at 31 December 2022	**117 203**	**1 061 911**	**46 395**	**32 568**	**651 991**	**1 910 068**
Cost at 31 December 2022	194 080	2 111 588	272 357	32 568	967 882	3 578 475
Accumulated depreciation	(76 877)	(1 049 677)	(225 962)	-	(315 891)	(1 668 407)
Carrying amount at 31 December 2022	**117 203**	**1 061 911**	**46 395**	**32 568**	**651 991**	**1 910 068**

Additions of plant and equipment and leasehold improvements in 2022 and 2021 mainly refer to the opening of new stores. Most of additions relate to previous reporting period as majority of stores opened during 2021.

At 31 December 2022, net book value equipment carried at RR 68 thousand (31 December 2021: RR 111 thousand) was pledged to third parties as collateral for borrowings. Refer to Note 27.

Construction in progress mainly consist of improvements and repair of stores and include advances for equipment at 31 December 2022 amounted RR 10 694 thousand (31 December 2021: RR 4 478 thousand). Upon completion, these assets are transferred to leasehold improvements.

8 Right-of-use assets and lease liabilities

The Group leases various commercial and production premises and equipment. Rental contracts are typically made for periods of 3 years to 10 years and may include extension options as described in Note 4.

In thousands of Russian Roubles	Land	Buildings and outlets	Equipment	Total
Carrying amount at 31 December 2020	**161**	**4 455 111**	**47 609**	**4 502 881**
Additions	-	4 619 561	-	4 619 561
Depreciation charge	(18)	(1 213 248)	(6 078)	(1 219 344)
Modification of lease contracts	-	(222 696)	-	(222 696)
Other	-	(742)	-	(742)
Carrying amount at 31 December 2021	**143**	**7 637 986**	**41 531**	**7 679 660**
Additions	974	814 474	1 023	816 471
Depreciation charge	(123)	(1 798 088)	(4 059)	(1 802 270)
Modification of lease contracts	-	(385 831)	(2 839)	(388 670)
Disposal of right-of-use assets	-	(36 758)	-	(36 758)
Disposal of depreciation	-	31 583	-	31 583
Carrying amount at 31 December 2022	**994**	**6 263 366**	**35 656**	**6 300 016**

The additions of right-of-use assets in 2022 and 2021 mostly refer to the new lease of space for the retail stores.

The Group recognised lease liabilities as follows:

In thousands of Russian Roubles	31 December 2022	31 December 2021
Long-term lease liabilities	5 489 507	6 549 824
Short-term lease liabilities	1 525 414	1 534 504
Total lease liabilities	**7 014 921**	**8 084 328**

Lease interest expense included in finance costs of 2022 was RR 679 856 thousand (2021: RR 414 447 thousand).

Modifications are mostly related to the change of rental fees in lease agreements of the buildings.

Some property leases contain variable payment terms that are linked to sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. A 10% increase in sales across all properties in the group with such variable lease contracts would increase total lease payments by approximately RR 21 508 thousand (2021: RR 18 345 thousand).

Expense relating to variable lease payments which were not included in lease liabilities and were included in distribution expense was RR 215 079 in 2022 (2021: RR 183 347) thousand. For particular stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales.

8 Right-of-use assets and lease liabilities (Continued)

Expenses relating to short-term leases (included in cost of sales, distribution, general and administrative expenses) and variable lease payments:

In thousands of Russian Roubles	2022	2021
Variable lease payments (included in distribution expense)	215 079	183 347
Expense relating to short-term leases (included in administrative expenses)	7 377	19 525
Expense relating to short-term leases (included in distribution costs)	4 914	42 726
Expense relating to short-term leases (included in cost of sales)	36	3 796
Total	**227 406**	**249 394**

Total cash outflow for all leases in 2022 was RR 2 471 331 (2021: RR 1 675 587) thousand.

9 Loans Issued

In thousands of Russian Roubles	2022	2021
Corporate loans	22 024	22 024
Loans issued to related parties	931 967	166 067
Less: expected credit loss charge in profit or loss	(181 161)	(184 788)
Total carrying amount of loans at AC	**772 830**	**3 303**

The following table discloses the changes in the expected credit loss and gross carrying amount for loans carried at amortised cost between the beginning and the end of the reporting period:

		Gross carrying amount		
In thousands of Russian Roubles	Lifetime ECL for credit impaired	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
Corporate loans				
At 31 December 2021	**(18 919)**	**3 024**	**19 000**	**22 024**
Movements with impact on expected credit loss:				
ECL charge for the period	(2 709)	-	-	-
Total movements with impact on expected credit loss	**(2 709)**	-	-	-
At 31 December 2022	**(21 628)**	**3 024**	**19 000**	**22 024**

9 Loans Issued (Continued)

In thousands of Russian Roubles	Lifetime ECL for credit impaired	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 3 (lifetime ECL for credit impaired)	Total
Loans issued to related parties				
At 31 December 2021	**(165 869)**	**198**	**165 869**	**166 067**
Movements with impact on expected credit loss:				
ECL charge for the period	(8 961)	-	-	-
New originated	-	4 681	633 464	638 145
Total movements with impact on expected credit loss	**(8 961)**	**4 681**	**633 464**	**638 145**
Movements without impact on expected credit loss:				
Foreign exchange movements, net	15 297	-	127 755	127 755
At 31 December 2022	**(159 533)**	**4 879**	**927 088**	**931 967**

The following table discloses the changes in the expected credit loss and gross carrying amount for loans carried at amortised cost between the beginning and the end of the comparative period:

In thousands of Russian Roubles	Lifetime ECL for credit impaired	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 3 (lifetime ECL for credit im-paired)	Total
Corporate loans				
At 31 December 2020	**-**	**19 871**	**-**	**19 871**
Movements with impact on expected credit loss:				
Transfers from 12-months ECL to lifetime ECL	-	(19 000)	19 000	-
ECL charge for the period	(18 673)	-	-	-
New originated	-	4 000	-	**4 000**
Interest accrued	-	3 323	-	**3 323**
Interest received	-	(5 170)	-	**(5 170)**
Total movements with impact on expected credit loss	**(18 673)**	**(16 847)**	**19 000**	**2 153**
Movements without impact on credit loss allowance:				
Foreign exchange movements	(246)	-	-	-
At 31 December 2021	**(18 919)**	**3 024**	**19 000**	**22 024**

9 Loans Issued (Continued)

In thousands of Russian Roubles	Lifetime ECL for credit impaired	Gross carrying amount		
		Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans issued to related parties				
At 31 December 2020	**(145 460)**	**2 525**	**145 460**	**147 985**
Movements with impact on expected credit loss:				
Transfers from 12-months ECL to lifetime ECL	-	(2 254)	2 254	-
ECL charge for the period	(2 254)	-	-	-
Total movements with impact on expected credit loss	**(2 254)**	**(2 254)**	**2 254**	**-**
Movements without impact on expected credit loss:				
Foreign exchange movements	(18 155)	-	18 082	18 082
At 31 December 2021	**(165 869)**	**271**	**165 796**	**166 067**

The expected credit loss for loans recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 29. Below main movements in the table are described:

- Transfers between Stage 1 and 3 due to balances becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Foreign exchange translations of assets denominated in foreign currencies and other movements.

The following tables contain an analysis of the credit risk exposure of loans measured at AC and for which an ECL allowance is recognised. The carrying amount of loans below also represents the Group's maximum exposure to credit risk on these loans.

9 Loans Issued (Continued)

The credit quality of loans carried at amortised cost is as follows at 31 December 2022:

In thousands of Russian Roubles	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
Corporate loans			
– Default	3 024	19 000	22 024
Gross carrying amount	**3 024**	**19 000**	**22 024**
Expected credit loss	(3 024)	(18 604)	(21 628)
Carrying amount	**-**	**396**	**396**
Loans issued to related parties			
– Good	-	776 516	776 516
– Default	4 879	150 572	155 451
Gross carrying amount	**4 879**	**927 088**	**931 967**
Expected credit loss	(4 280)	(155 253)	(159 533)
Carrying amount	**599**	**771 835**	**772 434**

The credit quality of loans carried at amortised cost is as follows at 31 December 2021:

In thousands of Russian Roubles	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
Corporate loans			
– Good	3 024	-	3 024
– Default	-	19 000	19 000
Gross carrying amount	**3 024**	**19 000**	**22 024**
Expected credit loss	-	(18 919)	(18 919)
Carrying amount	**3 024**	**81**	**3 105**
Loans issued to related parties			
– Good	198	-	198
– Default	73	165 796	165 869
Gross carrying amount	**271**	**165 796**	**166 067**
Expected credit loss	(73)	(165 796)	(165 869)
Carrying amount	**198**	**-**	**198**

The fair value of loans issued approximates their net book value. Information on related party balances is disclosed in Note 6.

10 Inventories

In thousands of Russian Roubles	31 December 2022	31 December 2021
Finished products	4 282 003	5 374 266
Raw materials	1 730 221	2 191 655
Work in progress	1 667 100	501 032
Point of sale and marketing materials	216 500	282 766
Goods for resale	31 110	12 860
Inventory write-down	(86 934)	(191 794)
Total inventories	**7 840 000**	**8 170 785**

The cost of inventories recognized as an expense during the period of RR 10 699 746 thousand (2021: RR 9 879 179 thousand) is represented by usage of materials in production adjusted by change in carrying value of finished products and work in progress at the reporting dates. Refer to Note 21.

Inventories of RR 3 950 500 thousand (31 December 2021: RR 4 700 500 thousand) were pledged as collateral for borrowings. Refer to Note 27.

At 31 December 2022 raw materials of RR 72 516 thousand (31 December 2021: RR 165 884 thousand) and point of sale and marketing materials of RR 6 644 (31 December 2021: RR 15 967 thousand) are valued at net realisable value.

11 Trade and Other Receivables

In thousands of Russian Roubles	31 December 2022	31 December 2021
Non-current		
Prepayments	55 157	31 917
Total non-current trade and other receivables	**55 157**	**31 917**
Current		
Trade receivables	2 148 056	2 436 039
Other receivables	14 916	22 393
Expected credit loss	(97 305)	(162 937)
Total financial assets within trade and other receivables	**2 065 667**	**2 295 495**
Other receivables	4 568	3 720
Prepayments	503 655	608 884
Expected credit loss	(52 238)	(21 020)
Total current trade and other receivables	**2 521 652**	**2 887 079**
Total trade and other receivables	**2 576 809**	**2 918 996**

Trade receivables of RR 306 811 thousand (31 December 2021: RR 329 433 thousand) net of expected credit loss are denominated in foreign currency: 38% in EUR (31 December, 2021: 35%), 33% in CNY (31 December 2021: 0%), 17%in USD (31 December 2021: 37%) and 12% in CHF (31 December, 2021: 28%).

11 Trade and Other Receivables (Continued)

Non-cash settlements of trade accounts receivables with trade accounts payables during 2022 amounted to RR 960 994 thousand (2021: RR 443 206 thousand).

Other receivables almost entirely consist of remuneration for agency services, healthcare services, etc.

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

To measure the expected credit losses, trade receivables have been grouped based on the days past due.

The expected loss rates are based on the payment profiles of customers over a period of 12 month before each balance sheet date and the corresponding historical credit losses experienced within this period. The impact of forecasting information is assessed as immaterial.

The expected credit loss for trade receivables is determined according to provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due and calculated for each category based on actual receivables write off for the period.

In % of gross value *(in thousands of Russian Roubles)*	31 December 2022 Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade receivables				
– current	0,87%	1 749 857	15 311	1 734 546
– less than 30 days overdue	3,54%	161 216	5 703	155 513
– 30 to 60 days overdue	3,65%	143 694	5 244	138 450
– 61 to 90 days overdue	22,76%	18 340	4 175	14 165
– 91 to 180 days overdue	79,18%	23 758	18 812	4 946
– 181 to 360 days overdue	93,17%	45 842	42 711	3 131
– over 360 days overdue	100,00%	5 349	5 349	-
Total		**2 148 056**	**97 305**	**2 050 751**

In % of gross value *(in thousands of Russian Roubles)*	31 December 2021 Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade receivables				
– current	5,33%	2 059 966	109 715	1 950 251
– less than 30 days overdue	0,05%	123 781	64	123 717
– 30 to 60 days overdue	13,52%	94 590	12 790	81 800
– 61 to 90 days overdue	8,74%	79 444	6 941	72 503
– 91 to 180 days overdue	10,40%	48 526	5 049	43 477
– 181 to 360 days overdue	64,22%	3 784	2 430	1 354
– over 360 days overdue	100%	25 948	25 948	-
Total	-	**2 436 039**	**162 937**	**2 273 102**

11 Trade and Other Receivables (Continued)

Movements in prepayments are as follows:

In thousands of Russian Roubles	Prepayments for services	Security deposit for rent	Total
Carrying value at 31 December 2020	**300 492**	**27 524**	**328 016**
Additions	5 012 930	124 225	5 137 155
Prepayments derecognized on receipt of related goods or services	(4 797 744)	(26 626)	(4 824 370)
Carrying value at 31 December 2021	**515 678**	**125 123**	**640 801**
Additions	9 042 007	115 038	9 157 045
Prepayments derecognized on receipt of related goods or services	(9 123 126)	(115 908)	(9 239 034)
Carrying value at 31 December 2022	**434 559**	**124 253**	**558 812**

The carrying amount of other tax receivables is presented below:

In thousands of Russian Roubles	31 December 2022	31 December 2021
Short-term VAT receivables	39 584	891 031
Other tax receivables	308	9 322
Total other tax receivables	**39 892**	**900 353**

12 Liabilities arising from contracts with customers

The Group has recognised the following liabilities arising from contracts with customers:

In thousands of Russian Roubles	31 December 2022	31 December 2021
Contract liabilities – loyalty program	253 967	-
Contract liabilities – options for jewelry exchange	262 360	-
Contract liabilities – advances from customers	171 201	100 192
Total current contract liabilities	**687 528**	**100 192**

The increase in advances from customers relates to the growth of gift certificates sales during 2022.

The amount of RR 90 781 thousand of revenue was recognised in the current reporting period related to the contract liabilities related to advances from customers in the contract liabilities as at 31 December 2021 (2021: RR 49 593 thousand).

13 Cash and Cash Equivalents

In thousands of Russian Roubles	31 December 2022	31 December 2021
Deposits at demand	4 317 625	-
Bank balances payable on demand	1 127 116	971 228
Cash in transit	312 061	166 199
Cash on hand	40 318	19 618
Total cash and cash equivalents at 31 December	**5 797 120**	**1 157 045**

13 Cash and Cash Equivalents (Continued)

The expected credit losses for cash and cash equivalent are immaterial.

The table below discloses the credit quality of bank balances payable on demand based on credit risk grades at 31 December 2022 and 31 December 2021. Refer to Note 29 for the description of the Group's credit risk grading system.

In thousands of Russian Roubles	31 December 2022	31 December 2021
– Excellent	2 046 980	1 023 214
– Good	3 709 822	114 213
Total cash and cash equivalents, excluding cash on hand	**5 756 802**	**1 137 427**

14 Share Capital

	31 December 2022		31 December 2021	
In thousands of Russian Roubles	Number of shares	Amount	Number of shares	Amount
Ordinary shares	200	9 569	100	6 328

The legal registration of ownership in Sokolov Jewelry Holding AG to WELVART HOLDING AG was completed in the first quarter of the year ended 31 December 2022. The increase in share capital of the Company is settled by ordinary shares of Sokolov Jewelry Holding AG (Note 1).

The total authorised number of ordinary shares is 200 shares (2021: 100 shares) with a par value of CHF 1'000 per share (2021: CHF 1'000 per share). All issued ordinary shares are fully paid. The value of share capital is recalculated into presentation currency based on rate on the date of share capital formation of the Company (13 June 2018: CHF 1 = RR 63.28). The increase in share capital during year ended 31 December 2022 is recalculated at the rate on the date of Sokolov Jewelry Holding AG share capital formation (10 August 2012: CHF 1 = RR 32.41).

Equity includes the additional contribution from shareholders. The contribution is made in 2021 in the form of non-cash accounts payables settlement with related parties.

15 Borrowings

In thousands of Russian Roubles	Note	31 December 2022	31 December 2021
Long-term borrowings			
Floating rate:			
Bank loans in RR		571 000	-
Fixed rate:			
Loans from related parties in RR	6	368 359	368 359
Loans from related parties in CHF	6	1 006 379	1 456 141
Bonds in RR		2 985 618	-
Total long-term borrowings		**4 931 356**	**1 824 500**
Short-term borrowings			
Floating rate:			
Bank loans in RR		4 782 522	5 918 908
Short-term part of long-term bank loans in RR		160 000	-
Fixed rate:			
Bank loans in RR		50 016	-
Loans from related parties in CHF	6	240 991	1 769 699
Bonds in RR		4 410	-
Total short-term borrowings		**5 237 939**	**7 688 607**
Total borrowings		**10 169 295**	**9 513 107**

The Group's borrowings at 31 December 2022 and 31 December 2021 are denominated in Russian Roubles and Swiss Francs.

On 27 December 2022, the Group issued RR 3 000 000 fixed coupon RR bonds to finance its expansion programme and working capital requirements. The total number of bonds issued is 3 000 000 with a par value of RR 1 000. The coupon value is 13.4%. Bond issuer is JSC Yuvelit and bonds are placed under public subscription at Moscow Exchange (MOEX). The bonds are repayable on 23 December 2025. There were no breaches of covenants related to bonds issued.

Part of bank loans mature until July 2024 according to contracts. A portion of long-term agreements with banks are presented as part of current liabilities according to information on compliance with the covenants (refer to Note 27 for details).

Information on effective interest rates for borrowings are described in Note 29.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are disclosed in Note 29.

A part of property, plant and equipment and inventories are pledged as collateral for borrowings. Refer to Notes 27.

Information on compliance with the covenants on loan agreements with banks for the reporting dates is indicated in Note 27.

The fair value of borrowings approximates their carrying amount as of 31 December 2022 and as of 31 December 2021.

16 Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the consolidated statement of cash flows:

In thousands or Russian Roubles	Borrowings	Lease liabilities	Total
Liabilities from financing activities at 31 December 2020	**5 549 096**	**4 803 472**	**10 352 568**
Cash flows			
Loan drawdowns	7 200 291	-	7 200 291
Repayments of principal	(3 183 696)	(969 191)	(4 152 887)
Interest payments	(307 492)	(409 543)	(717 035)
Non-cash changes			
Interest accrual	330 206	414 447	744 653
New leases	-	4 552 692	4 552 692
Foreign exchange	(56 613)	(46 124)	(102 737)
Modification of lease contracts	-	(222 696)	(222 696)
Other	(18 685)	(38 729)	(57 414)
Liabilities from financing activities at 31 December 2021	**9 513 107**	**8 084 328**	**17 597 435**
Cash flows			
Loan drawdowns	8 069 284	-	8 069 284
Repayments of principal	(6 895 895)	(1 460 681)	(8 356 576)
Interest payments	(786 545)	(679 856)	(1 466 401)
Non-cash changes			
Interest accrual	790 175	679 856	1 470 031
New leases	-	811 710	811 710
Modification of lease contracts	-	(388 670)	(388 670)
Foreign exchange	(506 873)	(21 404)	(528 277)
Disposal of lease contracts	-	(10 362)	(10 362)
Other	(13 958)	-	(13 958)
Liabilities from financing activities at 31 December 2022	**10 169 295**	**7 014 921**	**17 184 216**

17 Other Taxes Payable

In thousands of Russian Roubles	31 December 2022	31 December 2021
Other taxes payable within one year comprise:		
Value-added tax	513 663	579 388
Personal income tax and social contributions	433 575	175 431
Property and other taxes	2 297	2 530
Total other taxes payable	**949 535**	**757 349**

18 Provisions for Other Liabilities and Charges

Movements in provisions for liabilities and charges are as follows:

In thousands of Russian Roubles	Returns
Carrying amount at 31 December 2020	**762 621**
Additions charged to profit or loss	278 496
Unused amounts reversed	(49 044)
Utilisation of provision	(713 577)
Carrying amount at 31 December 2021	**278 496**
Additions charged to profit or loss	268 651
Utilisation of provision	(260 731)
Carrying amount at 31 December 2022	**286 416**

A 10% increase in return rates across the contracts with return condition would increase total provision charge by approximately RR 26 865 thousand (2021: RR 27 850 thousand).

The provision has been classified as current liability because the Group does not have an unconditional right to defer settlement beyond one year. Expected timing of the cash outflows is indicated below.

When a customer has a right to return the product within a given period, the Group recognises a return asset and refund liability. Refund liability adjusted revenue for expected value of returns in the amount of RR 268 651 thousand for the period ended at 31 December 2022 and RR 278 496 thousand for the period ended at 31 December 2021. The corresponding return asset amounted to RR 141 160 thousand for the period ended at 31 December 2022 and RR 199 328 thousand for the period ended at 31 December 2021 and adjusted the cost of sales for the cost of the corresponding goods to be returned.

19 Trade and Other Payables

In thousands of Russian Roubles	31 December 2022	31 December 2021
Trade payables	1 916 635	2 387 499
Other payables	82 435	244 105
Total financial payables within trade and other payables at AC	**1 999 070**	**2 631 604**
Accrued liabilities	3 591	186
Accrued employee benefit costs	794 569	590 635
Trade and other payables	**2 797 230**	**3 222 425**

20 Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

In thousands of Russian Roubles	2022	2021
At a point of time		
Revenue from sales of jewelry	24 895 050	20 616 372
Revenue from loyalty program	832 946	-
Revenue from manufacturing services	616 066	669 271
Revenue from sale of other goods	222 239	529 152
Other revenues	225 540	151 540
Over time		
Revenue from options to exchange	82 517	-
Revenue from delivery of jewelry	16 620	18 003
Total revenue from contracts with customers	**26 890 978**	**21 984 338**

21 Cost of sales

In thousands of Russian Roubles	Note	2022	2021
Materials and components used		10 342 832	11 819 795
Employee benefits expense and other personnel costs		1 782 295	2 122 178
Cost of goods sold		545 171	112 507
Depreciation of right-of-use assets	8	150 183	204 655
Depreciation and amortization	7	150 922	83 931
Fuels		35 724	35 942
Other		285 947	274 477
Change in goods returns		45 437	(326 084)
Changes in inventories of finished goods and work in progress		(188 257)	(2 053 123)
Total cost of sales		**13 150 254**	**12 274 278**

Included in employee benefits expense are statutory pension contributions of RR 273 141 thousand (2021: RR 274 559 thousand).

Total amount of depreciation and amortization in cost of sales, distribution and general and administrative expenses recognised during the period was RR 2 625 740 thousand (2021: RR 1 607 879 thousand).

Total amount of employee benefits expense and other personnel costs in cost of sales, distribution and general and administrative expenses recognised during the period was RR 5 996 325 thousand (2021: RR 5 573 309 thousand).

22 Distribution expenses

In thousands of Russian Roubles	Note	2022	2021
Employee benefits expense		3 497 472	2 833 335
Depreciation of right-of-use assets	8	1 587 127	998 915
Advertising and marketing services		1 405 243	1 828 879
Depreciation and amortization	7	658 246	252 283
IT services		535 465	402 958
Materials and components used		488 211	612 900
Transportation		298 352	255 556
Expenses relating to short-term leases		219 993	226 073
Agency fees		298 086	168 884
Utilities costs		126 232	89 677
Telecommunications expenses		109 359	78 183
Other		378 241	56 229
Total distribution expenses		**9 602 027**	**7 803 872**

Included in employee benefits expense are statutory pension contributions of RR 497 608 thousand (2021: RR 285 994 thousand).

23 General and administrative expenses

In thousands of Russian Roubles	Note	2022	2021
Employee benefits expense		716 558	617 796
IT services		101 126	83 229
Information, consulting and other professional services		83 445	82 408
Depreciation of right-of-use assets	8	64 960	15 775
Depreciation and amortization	7	14 302	52 320
Security services		11 693	60 948
Utilities costs		7 639	10 411
Expenses relating to short-term leases		7 377	19 525
Other		40 984	40 415
Total general and administrative expenses		**1 048 084**	**982 827**

Included in employee benefits expense are statutory pension contributions of RR 59 653 thousand (2021: RR 36 579 thousand).

24 Other losses and gains, net

Other gains and losses comprise:

In thousands of Russian Roubles	2022	2021
Bank commissions	(37 779)	(186 701)
Gains less losses on disposal of inventory	40 037	10 478
Foreign exchange (losses)/gains, net	(35 189)	143 314
Income from fines and penalties	8 419	34 269
Gains less losses on disposal of property, plant and equipment	6 830	6 268
Write-down of financial assets	(4 060)	19 466
Change in provision for inventory impairment	(1 113)	6 063
Other	(18 293)	4 267
Total other (losses) / gains, net	**(41 148)**	**37 424**

25 Finance Costs

In thousands of Russian Roubles	Note	2022	2021
Interest expense on lease liability	18	679 856	414 447
Interest expense on borrowings	18	790 175	330 206
Other finance costs		2 042	223
Total finance costs		**1 472 073**	**744 876**

26 Income Taxes

(a) Components of income tax (expense) / benefit

Income tax expense comprises the following:

In thousands of Russian Roubles	2022	2021
Current tax	(688 944)	(80 074)
Deferred tax	89 925	163 236
Income tax (expense) / benefit	**(599 019)**	**83 162**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's operations in 2022 and 2021 is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2022	2021
Profit before tax	2 384 686	3 928
Theoretical tax charge at statutory rate of 20%:	(476 937)	(786)
Tax effect of items which are not deductible or assessable for taxation purposes:		
– Income which is exempt from taxation	68 567	73 762
– Non-deductible expenses	(110 788)	(27 961)
– Unrecognised tax loss carry forwards for the year	-	(8 721)
– Utilisation of previously unrecognised tax loss carry forwards	-	1 776
– Effects of different tax rates in other countries	19 170	51 477
- Withholding taxes on intragroup dividends of subsidiaries	(107 344)	-
– Other	8 315	(6 385)
Income tax (expense) / benefit for the year	**(599 019)**	**83 162**

26 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In thousands of Russian Roubles	31 December 2021	Charged/ (credited) to profit or loss	31 December 2022
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	(67 270)	6 361	(60 909)
Financial assets	73 078	(43 170)	29 908
Accounts payable	78 972	28 960	107 932
Contract liabilities	-	103 265	103 265
Provisions for liabilities and charges	55 699	1 584	57 283
Accruals	1 514	3 459	4 973
Inventory	5 834	(18 656)	(12 822)
Return assets	(39 866)	9 088	(30 778)
Lease liabilities	1 618 180	(180 505)	1 437 675
Right-of-use assets	(1 541 699)	282 179	(1 259 520)
Tax loss carry-forwards	316 910	(101 702)	215 208
Bonds issued	-	(2 876)	(2 876)
Other intangible assets	25 305	885	26 190
Other	(1 036)	1 053	17
Net deferred tax asset	**525 621**	**89 925**	**615 546**
Recognised deferred tax asset	532 970	94 103	627 073
Recognised deferred tax liability	(7 349)	(4 178)	(11 527)
Net deferred tax asset	**525 621**	**89 925**	**615 546**

In thousands of Russian Roubles	1 January 2021	Charged/ (credited) to profit or loss	31 December 2021
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	(46 563)	(20 707)	(67 270)
Financial assets	117 929	(44 851)	73 078
Accounts payable	64 478	14 494	78 972
Provisions for liabilities and charges	152 524	(96 825)	55 699
Accruals	2 626	(1 112)	1 514
Inventory	13 290	(7 456)	5 834
Return assets	(96 968)	57 102	(39 866)
Lease liabilities	942 137	676 043	1 618 180
Right-of-use assets	(910 448)	(631 251)	(1 541 699)
Tax loss carry-forwards for the year	99 545	217 365	316 910
Other intangible assets	24 716	589	25 305
Other	(881)	(155)	(1 036)
Net deferred tax asset	**362 385**	**163 236**	**525 621**
Recognised deferred tax asset	377 776	155 194	532 970
Recognised deferred tax liability	(15 391)	8 042	(7 349)
Net deferred tax asset	**362 385**	**163 236**	**525 621**

26 Income Taxes (Continued)

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

27 Contingencies and Commitments

Tax contingencies. In Switzerland, there are clear regulations regarding taxes. The tax amounts are determined with the definitive assessments. In the final assessment procedure or in an audit by a tax commissioner, offsets can be made from the last five tax periods (financial years). Definitive assessments and offsets in the revision procedure can be contested within 30 days. However, the risk of offsets is considered to be low as there is small variance in interpretation of tax legislation.

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

Both, Swiss and Russian transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The management has implemented internal controls to comply with current TP legislation.

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

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

Environmental matters. The Swiss government is committed to maintaining high international environmental standards and has designed and implemented pollution abatement policies. The legislation regarding the environmental regulation is clearly established. On the other hand, the enforcement of environmental regulation in the Russian Federation is still evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations from perspective of both, Swiss and Russian, jurisdictions. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

27 Contingencies and Commitments (Continued)

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group. As of 31 December 2022, and 31 December 2021, the covenants under certain contracts with banks has been breached, which has resulted in reclassification to short-term loans balances in the amount of RR 300 000 thousand and RR 2 909 946 thousand correspondently. The breaches of loan agreement terms are not connected with timeless of principal and interest payment. After the reporting dates, all breaches of covenants were resolved by signing supplementary agreements with banks.

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims. No provisions have been made in these consolidated financial statements in relation to claims received.

Assets pledged and restricted. At 31 December 2022 and 2021, the Group has the following assets pledged as collateral:

		2022		2021	
In thousands of Russian Roubles	**Note**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Property, plant and equipment	7	68	50 016	111	2 213 617
Inventories	10	3 950 500	2 507 857	4 700 500	2 411 376
Total assets pledged and restricted at 31 December		**3 950 568**	**2 557 873**	**4 700 611**	**4 624 993**

28 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward contracts entered into by the Group. The table reflects the gross positions before the netting of any counterparty positions (and payments) and covers contracts with settlement dates after the respective end of the reporting period. The contracts are short term in nature.

In thousands of Russian Roubles	**31 December 2022** Contracts with positive fair value	**31 December 2021** Contracts with positive fair value
Foreign exchange forwards: fair values, at the end of the reporting period, of		
– USD payable on settlement (-)	-	(603 515)
– RR receivable on settlement (+)	-	608 697
Net fair value of foreign exchange forwards	**-**	**5 182**

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

29 Financial Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks. Correspondent departments, including financial, treasury, legal and others, are responsible for management of abovementioned risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position.

Group has no financial guarantees issued for third parties.

Credit risk management. Credit risk is the significant risk for the Group's business; management therefore carefully manages its exposure to credit risk.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 31 December 2022, the Group had 3 customers (31 December 2021: 4) that owed it more than RR 100 000 thousand each and accounted for approximately 27% (31 December 2021: 23%) of all the receivables outstanding.

Credit risk grading system. For measuring credit risk and grading financial instruments represented by cash and cash equivalents (Note 13) by the amount of credit risk, the Group applies an approach based on risk grades estimated by management, taking into account grades of external Russian and international rating agencies in 2022 (Expert RA, AKRA and Moody's), and international rating agencies in 2021 (Standard & Poor's – "S&P", Fitch, Moody's). External credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding PD interval
Excellent	0.01% – 0.27%
Good	0.28% – 0.7%
Satisfactory	0.71% – 18.3%
Special monitoring	18.31% – 99.9%
Default	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For measuring credit risk and grading other financial instruments by the amount of credit risk, the Group applies predictive models, which takes into account the market conditions, past experience of counteracting with the clients.

29 Financial Risk Management (Continued)

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Expected credit losses are modelled over instrument's *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments it is the contractual period over which the Group has a present contractual obligation to extend credit.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the loaner or debtor is more than 90 days past due on its contractual payments;
- international rating agencies have classified the loaner or debtor in the default rating class;
- the loaner or debtor meets the unlikeliness-to-pay criteria listed below:
  - the loaner or debtor is deceased;
  - the loaner or debtor is insolvent;
  - the loaner or debtor is in breach of financial covenant(s);
  - it is becoming likely that the loaner will enter bankruptcy; and

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of 90 days. This period of six month has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

29 Financial Risk Management (Continued)

The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria:

a) For loans issued to legal entities:
   - 30 days past due;
   - award of risk grade "Special monitoring";

b) For trade and other receivable and contract assets:
   - 30 days past due;
   - Relative threshold defined on the basis of a portfolio for products without existing scoring models: the Group regularly monitors debtors with increased credit risk and considers such portfolios to have a SICR.

The level of ECL that is recognised in these consolidated financial statements depend on whether the credit risk of the loaner has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has an expected credit loss based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

The Group has several approaches for ECL measurement: (i) assessment on an individual basis; and (ii) assessment based on external ratings.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month).

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile that varies by product type. EAD is based on the contractual repayments owed by the loaner over a 12-month or lifetime basis for amortising products.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support.

29 Financial Risk Management (Continued)

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency and (b) interest rates risks, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group's foreign exchange policy is aimed at managing its foreign currency exposure in order to protect profit margins by entering into forward exchange contracts and currency options, specifically against movements in the USD rate against the RUB. The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

In thousands of Russian Roubles	US Dollars	Euros	Swiss frank	Great Britain Pound	Chinese Yuan	Kazakh-stan Tenge	Total
Monetary financial assets	571 880	292 631	117 709	-	-	-	**982 220**
Monetary financial liabilities	(893 553)	(15 740)	(3 243 461)	(6 904)	-	-	**(4 159 658)**
Derivatives	(603 514)	-	-	-	-	-	**(603 514)**
Net position at 31 December 2021	**(925 187)**	**276 891**	**(3 125 752)**	**(6 904)**	**-**	**-**	**(3 780 952)**
Monetary financial assets	59 045	601 284	748 532	-	-	-	**1 408 861**
Monetary financial liabilities	(1 012 212)	(27 037)	(1 248 723)	(6)	(3 590)	(8 485)	**(2 300 053)**
Net position at 31 December 2022	**(953 167)**	**574 247**	**(500 191)**	**(6)**	**(3 590)**	**(8 485)**	**(891 192)**

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Group's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary foreign currency assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	Impact on profit or loss	
In thousands of Russian Roubles	**At 31 December 2022**	**At 31 December 2021**
US Dollar strengthening by 20%	(190 633)	(185 037)
US Dollar weakening by 20%	190 633	185 037
Euro strengthening by 20%	114 849	55 378
Euro weakening by 20%	(114 849)	(55 378)
Swiss franc strengthening by 20%	(100 038)	(625 150)
Swiss franc weakening by 20%	100 038	625 150
GBP strengthening by 20%	(1)	(1 381)
GBP weakening by 20%	1	1 381
CNY strengthening by 20%	(718)	-
CNY weakening by 20%	718	-
KZT strengthening by 20%	(1 697)	-
KZT weakening by 20%	1 697	-

29 Financial Risk Management (Continued)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise.

Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group's exposure to interest rate risk at the end of the reporting period is not representative of the typical exposure during the year. For the average exposure during 2022, if interest rates differ 200 basis points (2021: 200 basis points) with all other variables held constant, profit for the year would differ by RR 124 999 thousand (2021: RR 92 923 thousand).

The risk does not apply to fixed rate financial assets and liabilities, while variable interest liabilities are represented by certain credit contracts. At 31 December 2022 variable interest liabilities was RR 5 513 521 thousand (31 December 2021: RR 5 918 908 thousand) (Note 15)

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by Treasury Department of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings, trade and other payables. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group's liquidity portfolio comprises cash and cash equivalents (Note 13) and investments in corporate shares of public companies. Management estimates that the liquidity portfolio can be realised in cash within a day in order to meet unforeseen liquidity requirements.

The availability of open credit lines and long-term loans gives the Group the opportunity to balance the loan portfolio and reduce the risk of adverse fluctuations in financial markets. The repayment period of long-term loans reaches July 2024.

Unused credit limits as of 31 December 2022 amounted to RR 1 061 996 thousand (31 December 2021: RR 599 901 thousand).

The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The table below shows liabilities at 31 December 2022 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on discounted cash flows. The future payments include principal and interest.

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

29 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2022 is as follows:

In thousands of Russian Roubles	**Effective interest rate, %**	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities							
Trade payables (Note 19)	-	787 920	780 070	431 080	-	-	1 999 070
Loans from RP (Note 15)	0,25	280 811	-	-	1 334 918	-	1 615 729
Bank loans	10,44	371 506	144 398	4 652 832	761 285	-	5 930 021
Bonds	13,4	34 140	64 980	302 910	3 795 242	-	4 197 272
Lease liabilities (Note 8)	10,54	180 189	360 379	1 621 704	5 596 777	689 511	8 448 560
Total future payments		**1 654 566**	**1 349 827**	**7 008 526**	**11 488 222**	**689 511**	**22 190 652**

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

In thousands of Russian Roubles	**Effective interest rate**	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities							
Trade payables (Note 19)		1 429 063	459 495	743 046	-	-	2 631 604
Loans from RP (Note 15)	0,25	1 769 699	-	-	1 824 500	-	3 594 199
Bank loans	9,2	5 949 803	164 388	472 096	218 533	-	6 804 820
Lease liabilities (Note 8)	7,87	148 627	297 255	1 337 647	6 606 055	1 599 979	9 989 563
Total future payments		**9 297 192**	**921 138**	**2 552 789**	**8 649 088**	**1 599 979**	**23 020 186**

Certain bank loans has been classified under category of on demand and less than 1 month as there were breaches of covenants as of reporting dates (Note 15, 27). All violations were settled with banks after the reporting dates by signing supplementary agreements.

30 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders or sell assets to reduce debt. The amount of capital that the Group managed as of 31 December 2022 was RR 13 937 755 thousand (31 December 2021: RR 11 495 509 thousand). Capital refers to total equity and debt. The debt includes the amount of bank loans, bonds issued and loans from related parties.

30 Management of Capital (Continued)

The Group monitors the capital level using the debt to EBITDA ratio. Net debt is the sum of all Group bank loans, borrowings from related parties and bonds issued less cash and cash equivalents available on demand. EBITDA is calculated as operating profit plus depreciation, amortization and impairment of investment less lease expenses on accrual basis and contract liability for loyalty program and options to exchange recognized in the reporting period. EBITDA is not a standard IFRS measure and the Group's definition of EBITDA may differ from that of other companies. The Group's Management reviews the capital policy on an annual basis and sets the target level for the next period. As at 31 December 2022, the Group's strategy was to maintain this ratio not higher than 3 (at 31 December 2021: 7).

In thousands of Russian Roubles	Note	31 December 2022	31 December 2021
Bank loans	15	5 563 538	5 918 908
Bonds	15	2 990 028	-
Loans from related parties	15	1 615 729	3 594 199
Total Debt		**10 169 295**	**9 513 107**
Less cash and cash equivalents	13	(5 797 120)	(1 157 045)
Total Net Debt		**4 372 175**	**8 356 062**
EBITDA		**4 455 289**	**1 201 282**
Net Debt to EBITDA		0,98	6,96

The calculation of EBITDA for years ended 31 December 2022 and 31 December 2021 is in the table below.

In thousands of Russian Roubles	Note	2022	2021
Operating profit		**3 063 981**	**671 795**
Depreciation of right-of-use assets	8	1 802 270	1 219 345
Depreciation and amortization of fixed and intangible assets	7	823 470	388 534
Impairment of investment		-	45 389
Less			
Leasing expenses		(1 750 759)	(1 123 781)
Contract liabilities – loyalty program	12	253 967	-
Contract liabilities – options for jewelry exchange	12	262 360	-
EBITDA		**4 455 289**	**1 201 282**

31 Fair Value Disclosures

For the purposes of measurement under IFRS 9 "Financial Instruments" the Group classifies financial assets into the following categories: (a) financial assets at FVTPL and (b) financial assets at AC.

As of 31 December 2022 and 31 December 2021, all of the Group's financial liabilities were carried at AC.

31 Fair Value Disclosures (Continued)

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

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are Level 1 for financial assets at 31 December 2022 and 31 December 2021.

The fair value of financial assets and liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis using prices from observable current market transactions. The management believes that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Financial assets are all short-term and the effect of discounting is immaterial. The discounting rate used in the calculation of the fair value of financial liabilities approximates the market interest rate.

	31 December 2022				31 December 2021			
In thousands of Russian Roubles	**Level 1 fair value**	**Level 2 fair value**	**Level 3**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3**	**Carrying value**
ASSETS								
Financial assets at AC								
– Trade and other receivables	-	-	2 065 667	2 065 667	-	-	2 295 495	2 295 495
– Loans issued	-	-	772 830	772 830	-	-	3 303	3 303
– Cash and cash equivalents	-	5 797 120	-	5 797 120	-	1 157 045	-	1 157 045
Financial assets at FVTPL								
Derivatives	-	-	-	-	5 182	-	-	5 182
TOTAL ASSETS	**-**	**5 797 120**	**2 838 497**	**8 635 617**	**5 182**	**1 157 045**	**2 298 798**	**3 461 025**
LIABILITIES								
Borrowings								
– Borrowings	-	5 563 538	-	5 563 538	-	5 918 908	-	5 918 908
– Loans from related parties	-	-	1 615 729	1 615 729	-	-	3 594 199	3 594 199
– Bonds	3 045 000	-	-	3 045 000	-	-	-	-
Other financial liabilities								
– Trade payables	-	-	1 999 070	1 999 070	-		2 631 604	2 631 604
TOTAL LIABILITIES	**3 045 000**	**5 563 538**	**3 614 799**	**12 223 337**	**-**	**5 918 908**	**6 225 803**	**12 144 711**

As of 31 December 2022 and 31 December 2021, all of the Group's financial liabilities except for derivatives were carried at AC.