

Welvart Group

**IFRS® Accounting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2023

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Independent Auditor's Report

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Independent Auditor's Report

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

Report on the audit of the consolidated financial statements

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 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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 material accounting policy information 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 Accounting Standards, 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.



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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

15 March 2024

Moscow, Russian Federation



Solovyev Vyacheslav Vladimirovich 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)



<i>In thousands of Russian Roubles</i>	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	7	3 466 257	1 910 068
Right-of-use assets	8	6 868 179	6 300 016
Intangible assets		28 477	30 659
Deferred income tax assets	26	631 863	627 073
Loans issued	9	98 686	75 543
Prepayments	11	1 214 468	55 157
Total non-current assets		12 307 930	8 998 516
Current assets			
Inventories	10	13 908 089	7 840 000
Return assets	18	201 420	153 892
Trade and other receivables	11	4 863 182	2 521 652
Loans issued	9	2 317	697 287
Other tax receivables	11	357 340	39 892
Current income tax prepayments		27 256	-
Investments in corporate shares of public companies		10	10
Cash and cash equivalents	13	4 830 335	5 797 120
Total current assets		24 189 949	17 049 853
TOTAL ASSETS		36 497 879	26 048 369
EQUITY			
Share capital	14	9 569	9 569
Currency translation reserve		29 962	-
Additional capital	14	688 010	688 010
Retained earnings		7 535 995	3 070 881
Equity attributable to the Company's owners		8 263 536	3 768 460
Non-controlling interest		1 049	267
TOTAL EQUITY		8 264 585	3 768 727

Welvart Group
Consolidated Statement of Financial Position



<i>In thousands of Russian Roubles</i>	Note	31 December 2023	31 December 2022
LIABILITIES			
Non-current liabilities			
Borrowings	15	7 871 872	3 556 618
Loans from related parties	6,15	-	1 374 738
Lease liabilities	8	5 980 229	5 489 507
Deferred income tax liabilities	26	213 906	11 527
Total non-current liabilities		14 066 007	10 432 390
Current liabilities			
Borrowings	15	2 221 178	4 996 948
Loans from related parties	6,15	16 604	240 991
Lease liabilities	8	2 004 267	1 525 414
Trade and other payables	19	7 174 996	2 797 230
Contract liabilities	12	1 130 350	687 528
Current income tax payable		121 197	363 190
Other taxes payable	17	1 089 555	949 535
Provisions for returns	18	409 140	286 416
Total current liabilities		14 167 287	11 847 252
Total liabilities		28 233 294	22 279 642
TOTAL EQUITY AND LIABILITIES		36 497 879	26 048 369

Approved for issue and signed on 15 March 2024.


Vladimir Dyakonov
Economics Director



Welvart Group
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Russian Roubles</i>	Note	2023	2022
Revenue	20	42 853 567	26 890 978
Cost of sales	21	(20 762 618)	(13 150 254)
Gross profit		22 090 949	13 740 724
Distribution expense	22	(12 506 735)	(9 602 027)
General and administrative expenses	23	(1 726 375)	(1 048 084)
Reversal for expected credit losses on financial assets		33 420	14 516
Other gains / (losses), net	24	129 116	(41 148)
Operating profit		8 020 375	3 063 981
Finance income		290 940	134 565
Finance costs	25	(2 254 508)	(1 472 073)
Foreign exchange (losses) / gains, net		(72 993)	658 213
Profit before income tax		5 983 814	2 384 686
Income tax expense	26	(1 517 917)	(599 019)
PROFIT FOR THE YEAR		4 465 897	1 785 667
Profit / (Loss) is attributable to:			
– Owners of the Company		4 465 114	1 786 058
– Non-controlling interest		783	(391)
Other comprehensive income/ (loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation of financial information of foreign operations to presentation currency		29 961	-
Other comprehensive income for the year		29 961	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4 495 858	1 785 667
Total comprehensive income / (loss) is attributable to:			
– Owners of the Company		4 495 076	1 786 058
– Non-controlling interest		782	(391)

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.



Welvart Group
Consolidated Statement of Changes in Equity

<i>In thousands of Russian Roubles</i>	Note	Attributable to owners of the Company					Non- controlling interest	Total equity
		Share capital	Additional capital	Currency translation reserve	Retained earnings	Total		
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	14	3 241	-	-	(3 241)	-	-	-
Balance at 31 December 2022		9 569	688 010	-	3 070 881	3 768 460	267	3 768 727
Profit for the year		-	-	-	4 465 114	4 465 114	783	4 465 897
Other comprehensive income / (loss) for the year		-	-	29 962	-	29 962	(1)	29 961
Total comprehensive income for 2023		-	-	29 962	4 465 114	4 495 076	782	4 495 858
Balance at 31 December 2023		9 569	688 010	29 962	7 535 995	8 263 536	1 049	8 264 585

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.

Welvart Group
Consolidated Statement of Cash Flows



<i>In thousands of Russian Roubles</i>	Note	2023	2022
Cash flows from operating activities			
Profit before income tax		5 983 814	2 384 686
Adjustments for:			
Depreciation of property, plant and equipment	7	860 286	817 625
Amortization of intangible assets		11 657	5 846
Depreciation of right-of-use assets	8	2 113 914	1 802 270
Reversal of expected credit losses on financial assets		(33 420)	(14 516)
Losses less gains / (gains less losses) on disposals of property, plant and equipment	24	17 877	(6 830)
Gains less losses on disposals of inventory	24	(16 682)	-
Finance income		(290 940)	(134 565)
Finance costs	25	2 254 508	1 472 073
Change in inventory write-down	24	(2 619)	1 113
Change in provision for returns	18	194 335	114 759
Reflection of surpluses and shortages of gold in production process		(75 525)	(112 023)
Foreign exchange translation differences, net		(107 678)	(623 024)
Change in provision for loyalty program	12, 20	21 082	253 967
Change in provision for options to exchange	12, 20	213 328	262 360
Vacation reserves accruals		602 704	358 819
Employee bonuses accruals		442 319	251 231
Other individually insignificant non-cash operations		14 456	1 162
Operating cash flows before working capital changes		12 203 416	6 834 953
Increase in trade and other receivables	11	(3 871 634)	(618 075)
(Increase) / decrease in inventories	10	(5 973 263)	441 695
(Increase) / decrease in taxes receivable	11	(317 448)	860 461
Increase in trade and other payables	19	4 722 946	49 840
Increase in taxes payable	17	147 316	177 931
Decrease in provisions and other liabilities and charges	18	(119 139)	(61 403)
Increase in contract liability	12	208 412	71 013
Changes in working capital		7 000 606	7 756 415
Income taxes paid		(1 619 373)	(242 546)
Interest income received		281 590	134 473
Interest paid	16	(2 147 472)	(1 466 401)
Net cash from operating activities		3 515 351	6 181 941
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(3 402 258)	(550 570)
Loans granted to related parties	9	-	(619 377)
Proceeds from repayment of loans issued	9	545 850	-
Transactions with corporate shares of public companies		795	(18 423)
Repayment of /proceeds from the sale of property, plant and equipment		(10 935)	11 870
Net cash used in investing activities		(2 866 548)	(1 176 500)
Cash flows from financing activities			
Proceeds from borrowings	16	10 781 403	5 069 284
Proceeds from bonds	16	-	3 000 000
Repayment of borrowings	16	(9 348 723)	(5 423 563)
Repayment of loans from related parties	16	(1 327 300)	(1 472 332)
Repayment of lease liabilities – principal	16	(1 767 647)	(1 460 681)
Net cash used in financing activities		(1 662 267)	(287 292)
Effect of exchange rate changes on cash and cash equivalents		46 679	(78 074)
Cash and cash equivalents at the beginning of the year	13	5 797 120	1 157 045
Cash and cash equivalents at the end of the year	13	4 830 335	5 797 120

The accompanying notes on pages 6 to 43 are an integral part of these consolidated financial statements.



1 Group and its Operations

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards for the year ended 31 December 2023 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.

As of 31 December 2023 and 31 December 2022, 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, Yaroslavl and Ivanovo Region, Russia.

Subsidiaries of the Company	Type of activity	Country of registration	Total controlling share by the Company	
			31 December 2023	31 December 2022
JSC Yuvelit	Manufacturing	Russia	99,95%	99,95%
JSC Kwart	Manufacturing	Russia	99,95%	99,95%
LLC SV Retail	Retail sales	Russia	99,99%	99,99%
JSC Lucksa Trading	Wholesale	Russia	100%	100%
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%
Shanghai Sokolov Jewelry Co., Ltd.	Retail sales	China	99,95%	-
LLP SVR Azija	Retail sales	Kazakhstan	100%	100%

Since January 2023, Shanghai Sokolov Jewelry Co. has entered into the Group. Shanghai Sokolov Jewelry Co. was incorporated in China as a retail company and is fully owned by JSC Yuvelit.

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 and 2023, 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.

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.



2 Operating Environment of the Group (Continued)

In 2023, there remains significant geopolitical tension that started in 2022 due to the situation with Ukraine. Sanctions and restrictions for multiple Russian entities, including removing access to the Euro and USD markets, the international SWIFT system, and many other, have been imposed and continue being introduced. In February 2023, a price ceiling for supplies of Russian gas and an embargo on Russian oil products was introduced. Despite recovery in trading volumes the financial and commodity markets continue to demonstrate instability. In 2023, foreign currency exchange rates against the rouble significantly increased compared to the rates as at 31 December 2022. On 24 July 2023, the Bank of Russia raised the key rate from 7.5% to 8.5%, on 15 August 2023 – from 8.5% to 12%, on 18 September 2023 – from 12% to 13%, on 18 October 2023 - from 13% to 15% and on 18 December 2023 - from 15% to 16%. There is an expectation of further sanctions and limitations on foreign business activity affecting companies operating in the Russian Federation, 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 second quarter and December of 2023 due to increased foreign currency rate and expected reduction in interest rates at international markets. The Management of the Group took timely measures to manage the impact of external factors. 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 Material Accounting Policy Information

Basis of preparation. These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards 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 Accounting Standards 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.

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.

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.



3 Material Accounting Policy Information (Continued)

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

Foreign currency translation. The functional currency of all Group's subsidiaries is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries established in the Russian Federation and Switzerland is Russian Rouble. The functional currency of subsidiary established in China is Chinese Yuan. The effect of translation of financial information of foreign operations to presentation currency is presented in other comprehensive income. 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 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 gains / (losses), 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.

At 31 December 2023, the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 89.6883, EUR 1 = RR 99.1919, CHF 1 = 106.7591, CNY 1 = RR 12.5762 (31 December 2022: USD 1 = RR 70.3375, EUR 1 = RR 75.6553, CHF 1 = RR 76.1805, CNY 1 = 9.8949). The principal average rate of exchange used for translating income and expenses was USD 1 = RR 85.2466, EUR 1 = RR 92.2406, CHF 1 = RR 95.0622, CNY 1 = RR 11.9847 (2022: USD 1 = RR 68.5494, EUR 1 = RR 72.5259, CHF 1 = RR 72.1245).

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.

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 gains / (losses), 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 27
Production equipment	Less than 1 year to 17
Plant and equipment	Less than 1 year to 20
Transport	Less than 1 year to 7
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.



3 Material Accounting Policy Information (Continued)

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.

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
Office	3 to 10
Production facilities	3 to 10
Outlets	3 to 9
Equipment	4 to 10

Impairment of non-financial assets. 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 – 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.

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.

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 gains / (losses), 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 Material Accounting Policy Information (Continued)

Financial assets impairment – expected credit loss (ECL). 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). 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.

ECL measurement. 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 provide trade finance arrangement or financing.

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 for impairment of trade receivables which uses a lifetime expected loss allowance for all trade receivables. For other financial assets the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition.

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

- 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

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 90 days 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.



3 Material Accounting Policy Information (Continued)

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.

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

For loans issued to legal entities:

- 30 days past due;
- award of risk grade "Special monitoring";

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 debtor 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 debtor 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 calculate 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.

3 Material Accounting Policy Information (Continued)

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.

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.

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 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).

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.

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.



3 Material Accounting Policy Information (Continued)

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.

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 Group's incremental borrowing rate which is 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.

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.



3 Material Accounting Policy Information (Continued)

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.

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.

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.



3 Material Accounting Policy Information (Continued)

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

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).

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.

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

Sales of jewelry - retail

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.

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.



3 Material Accounting Policy Information (Continued)

Sales of jewelry – e-commerce

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.

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.

Royalty. The Group enters into contracts with customers and promises to grant a franchise licence that provides the customer with the right to use the entity's trade name and sell the entity's products for a limited period. In exchange for granting the licence, the entity receives a sales-based royalty derived from the customer's monthly sales. The Group assesses that the nature of the Group's promise to grant the franchise licence is to provide access to the Group's intellectual property in its current form throughout the licence period. The Group concludes that the promise to transfer the licence is a performance obligation satisfied over time. The Group recognises revenue from sales-based royalty only when the sales of the franchisee occur.

Revenue from provision of computing power. The Group provides computing power in real time to its customers under variable price contracts. The Group transfers control of a service in real time and therefore satisfies a performance obligation at a point of time. The revenue from providing services is recognised in the accounting period in which the services are rendered. This is determined based on the actual number of calculations performed.

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.

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.



3 Material Accounting Policy Information (Continued)

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 Social Fund of Russia (before 1 January 2023 – to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) 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.

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 2023 would be to increase or decrease it by RR 86 029 thousand (2022: increase or decrease by RR 46 154 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 2023 would be to increase or decrease it by RR 211 391 thousand (2022: increase or decrease by RR 179 047 thousand).



4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

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. Sensitivity analysis is provided in Note 12.

5 New Accounting Pronouncements

Certain new standards and interpretations have become effective for the annual periods beginning on 1 January 2023, but did not have a material impact on the Group:

- 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).
- 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).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 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).
- 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).
- Supplier Finance Arrangements – amendments to IAS 7 and IFRS 7 (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).
- Lack of exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

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

No other standards and amendments to IFRS Accounting Standards 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.

At 31 December 2023, the outstanding balances with related parties were as follows:

<i>In thousands of Russian Roubles</i>	Note	Ultimate controlling party	Entities under common control	Other related parties	Total
Trade and other receivables – gross		150	83 190	2 940	86 280
Trade receivables – ECL		-	(1 898)	-	(1 898)
Prepayments		26 791	210 605	-	237 396
Loans issued – gross (effective interest rate: 0,5 – 1%)	9	-	101 509	10 167	111 676
Loans issued – ECL	9	-	(506)	(10 167)	(10 673)
Investments in equity securities - gross		-	43 134	-	43 134
Investments in equity securities - ECL		-	(43 134)	-	(43 134)
Loans received (effective interest rate: 1%)	15	(16 604)	-	-	(16 604)
Lease liabilities (effective interest rate: 10,79%)		(2 573 144)	(7 232)	(679 410)	(3 259 786)
Trade and other payables		-	(21 208)	(205 624)	(226 832)

The income and expense items with related parties for the year ended 31 December 2023 were as follows:

<i>In thousands of Russian Roubles</i>	Ultimate controlling party	Entities under common control	Other related parties	Total
Sales of goods	-	54	-	54
Revenue from services rendered	-	366	-	366
Interest income	7 470	1 981	634	10 085
IT expenses	-	-	(1 081 787)	(1 081 787)
Lease liability interest expense	(259 105)	(1 128)	(77 333)	(337 566)
Security services	-	(77 368)	-	(77 368)
Utilities costs	-	(30 669)	-	(30 669)
Repairs and maintenance services	-	(196 777)	-	(196 777)
Compensation of business trip expenses	-	(5 666)	-	(5 666)
Expenses relating to short-term leases	(2)	(1 343)	-	(1 345)
Net charge for expected credit losses on financial assets	(3 446)	132	(198)	(3 512)
Other gains	2 339	1 135	-	3 474

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

<i>In thousands of Russian Roubles</i>	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%)	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%)	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)



6 Balances and Transactions with Related Parties (Continued)

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

<i>In thousands of Russian Roubles</i>	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)

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.

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

Key management compensation is presented below:

<i>In thousands of Russian Roubles</i>	2023		2022	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>				
– Salaries	148 994	4 994	110 867	4 705
– Short-term bonuses	541 721	311 850	166 287	154 465
– Benefits in-kind	10	-	156	-
Total key management compensation	690 725	316 844	277 310	159 170

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:

<i>In thousands of Russian Roubles</i>	Buildings and constructions	Production equipment	Plant and equipment	Transport	Construc- tion in progress	Leasehold improve- ments	Total
Cost at 31 December 2021	160 455	629 478	1 155 854	276 411	58 001	858 806	3 139 005
Accumulated depreciation	(20 907)	(227 805)	(328 277)	(199 707)	-	(79 863)	(856 559)
Carrying amount at 31 December 2021	139 548	401 673	827 577	76 704	58 001	778 943	2 282 446
Additions	33 625	63 606	237 564	200	6 213	109 076	450 284
Transfers	-	-	31 646	-	(31 646)	-	-
Disposals	-	(1 268)	(5 292)	(4 254)	-	-	(10 814)
Depreciation charge	(55 970)	(92 611)	(402 507)	(30 509)	-	(236 028)	(817 625)
Disposals – depreciation	-	686	837	4 254	-	-	5 777
Carrying amount at 31 December 2022	117 203	372 086	689 825	46 395	32 568	651 991	1 910 068
Cost at 31 December 2022	194 080	691 816	1 419 772	272 357	32 568	967 882	3 578 475
Accumulated depreciation	(76 877)	(319 730)	(729 947)	(225 962)	-	(315 891)	(1 668 407)
Carrying amount at 31 December 2022	117 203	372 086	689 825	46 395	32 568	651 991	1 910 068
Additions	242	75 975	1 974 097	52 825	45 452	274 826	2 423 417
Transfers	-	-	7 132	-	(7 132)	-	-
Disposals	(4 094)	(5 241)	(23 769)	(6 455)	(6 325)	-	(45 884)
Depreciation charge	(59 451)	(96 179)	(460 447)	(23 899)	-	(220 310)	(860 286)
Disposals – depreciation	3 414	4 556	23 103	5 586	-	-	36 659
Translation reserve	-	-	2 283	-	-	-	2 283
Carrying amount at 31 December 2023	57 314	351 197	2 212 224	74 452	64 563	706 507	3 466 257
Cost at 31 December 2023	190 228	762 550	3 379 515	318 727	64 563	1 242 708	5 958 291
Accumulated depreciation	(132 914)	(411 353)	(1 167 291)	(244 275)	-	(536 201)	(2 492 034)
Carrying amount at 31 December 2023	57 314	351 197	2 212 224	74 452	64 563	706 507	3 466 257

Additions of plant and equipment and leasehold improvements in 2022 mainly refer to the opening of new stores. In 2023, additions are mostly related to purchases of IT equipment.

At 31 December 2023, no plant property and equipment (31 December 2022: RR 68 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 2023 amounted RR 14 937 thousand (31 December 2022: RR 10 694 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.

<i>In thousands of Russian Roubles</i>	Land	Outlets	Production facilities	Office	Equipment	Total
Carrying amount at 31 December 2021	143	5 206 920	2 312 894	118 172	41 531	7 679 660
Additions	974	611 071	196 225	7 178	1 023	816 471
Depreciation charge	(123)	(1 423 169)	(355 240)	(19 679)	(4 059)	(1 802 270)
Modification of lease contracts	-	(294 433)	(48 259)	(43 139)	(2 839)	(388 670)
Disposal of right-of-use assets	-	(21 432)	(5 239)	(10 087)	-	(36 758)
Disposal of depreciation	-	21 496	-	10 087	-	31 583
Carrying amount at 31 December 2022	994	4 100 453	2 100 381	62 532	35 656	6 300 016
Additions	-	1 253 537	47 944	123 517	700	1 425 698
Depreciation charge	(229)	(1 489 368)	(585 407)	(25 824)	(13 086)	(2 113 914)
Modification of lease contracts	526	34 274	1 193 366	3 104	42 023	1 273 293
Disposal of right-of-use assets	-	(111 274)	(15 598)	(8 076)	(2 193)	(137 141)
Disposal of depreciation	-	94 470	17 105	8 076	576	120 227
Carrying amount at 31 December 2023	1 291	3 882 092	2 757 791	163 329	63 676	6 868 179

The additions of right-of-use assets in 2023 and 2022 mostly refer to the new lease of space for the retail stores.

The Group recognised lease liabilities as follows:

<i>In thousands of Russian Roubles</i>	31 December 2023	31 December 2022
Long-term lease liabilities	5 980 229	5 489 507
Short-term lease liabilities	2 004 267	1 525 414
Total lease liabilities	7 984 496	7 014 921

Lease interest expense included in finance costs of 2023 was RR 798 480 thousand (2022: RR 679 856 thousand).

Modifications are mostly related to the extension of contracts duration and change of rental fees in lease agreements of production facilities.

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 23 700 thousand (2022: RR 21 508 thousand).

Expense relating to variable lease payments which were not included in lease liabilities and were included in distribution expense was RR 237 002 in 2023 (2022: RR 215 079) 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:

<i>In thousands of Russian Roubles</i>	Note	2023	2022
Variable lease payments (included in distribution expense)	22	237 002	215 079
Expense relating to short-term leases (included in distribution costs)	22	33 672	4 914
Expense relating to short-term leases (included in administrative expenses)	23	2 209	7 377
Expense relating to short-term leases (included in cost of sales)		699	36
Total		273 582	227 406

Total cash outflow for all leases in 2023 was RR 2 965 949 (2022: RR 2 471 331) thousand.

9 Loans Issued

<i>In thousands of Russian Roubles</i>	2023	2022
Corporate loans	19 000	22 024
Loans issued to related parties	111 676	931 967
Less: expected credit loss charge in profit or loss	(29 673)	(181 161)
Total carrying amount of loans at AC	101 003	772 830

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:

<i>In thousands of Russian Roubles</i>	Lifetime ECL for credit impaired	Gross carrying amount		Total
		Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	
Corporate loans				
At 31 December 2022	(21 628)	3 024	19 000	22 024
<i>Movements with impact on expected credit loss:</i>				
Derecognised during the period	2 704	(3 024)	-	(3 024)
Foreign exchange movements	(76)	-	-	-
Total movements with impact on expected credit loss	2 628	(3 024)	-	(3 024)
At 31 December 2023	(19 000)	-	19 000	19 000



9 Loans Issued (Continued)

<i>In thousands of Russian Roubles</i>	Lifetime ECL for credit impaired	Gross carrying amount		Total
		Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	
Loans issued to related parties				
At 31 December 2022	(159 533)	4 879	927 088	931 967
<i>Movements with impact on expected credit loss:</i>				
Derecognised during the period	151 892	-	(148 516)	(148 516)
ECL charge for the period	(120)	-	-	-
Repaid during the period	-	-	(545 850)	(545 850)
Non-cash settlements	-	-	(355 078)	(355 078)
Total movements with impact on expected credit loss	151 772	-	(1 049 444)	(1 049 444)
<i>Movements without impact on expected credit loss:</i>				
Interest accrued	-	-	23 809	23 809
Foreign exchange movements, net	(2 912)	5 288	200 056	205 344
At 31 December 2023	(10 673)	10 167	101 509	111 676

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:

<i>In thousands of Russian Roubles</i>	Lifetime ECL for credit impaired	Gross carrying amount		Total
		Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	
Corporate loans				
At 31 December 2021	(18 919)	3 024	19 000	22 024
<i>Movements with impact on expected credit loss:</i>				
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)

<i>In thousands of Russian Roubles</i>	Lifetime ECL for credit impaired	Gross carrying amount		Total
		Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	
Loans issued to related parties				
At 31 December 2021	(165 869)	198	165 869	166 067
<i>Movements with impact on expected credit loss:</i>				
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
<i>Movements without impact on expected credit loss:</i>				
Foreign exchange movements, net	15 297	-	127 755	127 755
At 31 December 2022	(159 533)	4 879	927 088	931 967

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 28. 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.

The credit quality of loans carried at amortised cost is as follows at 31 December 2023:

<i>In thousands of Russian Roubles</i>	Stage 1 (12-months ECL)	Stage 3 (lifetime ECL for credit impaired)	Total
Corporate loans			
– Default	-	19 000	19 000
Gross carrying amount	-	19 000	19 000
Expected credit loss	-	(19 000)	(19 000)
Carrying amount	-	-	-
Loans issued to related parties			
– Good	-	101 509	101 509
– Default	10 167	-	10 167
Gross carrying amount	10 167	101 509	111 676
Expected credit loss	(10 167)	(506)	(10 673)
Carrying amount	-	101 003	101 003



9 Loans Issued (Continued)

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

<i>In thousands of Russian Roubles</i>	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 fair value of loans issued approximates their net book value. Information on related party balances is disclosed in Note 6.

10 Inventories

<i>In thousands of Russian Roubles</i>	31 December 2023	31 December 2022
Finished products	8 974 380	4 282 003
Raw materials	2 695 833	1 730 221
Work in progress	1 942 082	1 667 100
Point of sale and marketing materials	355 791	216 500
Goods for resale	33 499	31 110
Inventory write-down	(93 496)	(86 934)
Total inventories	13 908 089	7 840 000

The cost of inventories recognized as an expense during the period of RR 17 181 053 thousand (2022: RR 10 699 746 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 3 500 036 thousand (31 December 2022: RR 3 950 500 thousand) were pledged as collateral for borrowings. Refer to Note 27.

At 31 December 2023, raw materials of RR 87 684 thousand (31 December 2022: RR 72 516 thousand) and no point of sale and marketing materials (31 December 2022: RR 6 644 thousand) are valued at net realisable value.



11 Trade and Other Receivables

<i>In thousands of Russian Roubles</i>	31 December 2023	31 December 2022
Non-current		
Prepayments	1 214 468	55 157
Total non-current trade and other receivables	1 214 468	55 157
Current		
Trade receivables	4 145 398	2 148 056
Other receivables	104 991	14 916
Expected credit loss – trade receivables	(107 255)	(97 305)
Expected credit loss – other receivables	(10 818)	-
Total financial assets within trade and other receivables	4 132 316	2 065 667
Other receivables	718	4 568
Prepayments	748 808	503 655
Less impairment provision	(18 660)	(52 238)
Total current trade and other receivables	4 863 182	2 521 652
Total trade and other receivables	6 077 650	2 576 809

The increase in non-current prepayments relates to purchases of computing power equipment in the amount of RR 1 138 265 thousand.

Trade receivables of RR 385 084 thousand (31 December 2022: RR 306 811 thousand) net of expected credit loss are denominated in foreign currency: 48% in CNY (31 December 2022: 33%), 23% in EUR (31 December, 2022: 38%), 17% in USD (31 December 2022: 17%), and 12% in CHF (31 December, 2022: 12%).

Non-cash settlements of trade accounts receivables with trade accounts payables during 2023 amounted to RR 1 708 258 thousand (2022: RR 960 994 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.



11 Trade and Other Receivables (Continued)

In % of gross value (in thousands of Russian Roubles)	31 December 2023			
	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade receivables				
– current	0,45%	3 582 191	16 214	3 565 977
– less than 30 days overdue	0,85%	334 489	2 839	331 650
– 30 to 60 days overdue	7,77%	66 722	5 181	61 541
– 61 to 90 days overdue	10,88%	48 050	5 227	42 823
– 91 to 180 days overdue	27,93%	40 359	11 272	29 087
– 181 to 360 days overdue	75,70%	29 070	22 005	7 065
– over 360 days overdue	100,00%	44 517	44 517	-
Total		4 145 398	107 255	4 038 143

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

Movements in prepayments are as follows:

In thousands of Russian Roubles	Prepayments for services and PP&E	Security deposit for rent	Total
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
Additions	21 896 082	122 220	22 018 302
Prepayments derecognized on receipt of related goods or services	(20 503 914)	(110 876)	(20 614 790)
Currency translation reserve	80	872	952
Carrying value at 31 December 2023	1 826 807	136 469	1 963 276



11 Trade and Other Receivables (Continued)

The carrying amount of other tax receivables is presented below:

<i>In thousands of Russian Roubles</i>	31 December 2023	31 December 2022
Short-term VAT receivables	352 433	39 584
Other tax receivables	4 907	308
Total other tax receivables	357 340	39 892

12 Liabilities Arising from Contracts with Customers

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

<i>In thousands of Russian Roubles</i>	31 December 2023	31 December 2022
Contract liabilities – options for jewelry exchange	475 688	262 360
Contract liabilities – advances from customers	379 613	171 201
Contract liabilities – loyalty program	275 049	253 967
Total current contract liabilities	1 130 350	687 528

The increase in advances from customers relates to the growth of gift certificates sales during 2023.

Were the redemption rate of bonuses under loyalty program to differ by 10%, the impact on loyalty program liability for the year ended 31 December 2023 would increase by RR 27 505 thousand (2022: increase by RR 25 397 thousand).

The amount of RR 145 199 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 2022 (2022: RR 90 781 thousand).

13 Cash and Cash Equivalents

<i>In thousands of Russian Roubles</i>	31 December 2023	31 December 2022
Bank balances payable on demand	3 021 156	1 127 116
Term deposits with original maturity of less than three months	1 143 048	4 317 625
Cash in transit	592 106	312 061
Cash on hand	74 025	40 318
Total cash and cash equivalents at 31 December	4 830 335	5 797 120

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



13 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of bank balances payable on demand based on credit risk grades at 31 December 2023 and 31 December 2022. Refer to Note 28 for the description of the Group's credit risk grading system.

<i>In thousands of Russian Roubles</i>	31 December 2023	31 December 2022
– Excellent	4 197 317	2 046 980
– Good	558 993	3 709 822
Total cash and cash equivalents, excluding cash on hand	4 756 310	5 756 802

14 Share Capital

<i>In thousands of Russian Roubles</i>	31 December 2023		31 December 2022	
	Number of shares	Amount	Number of shares	Amount
Ordinary shares	200	9 569	200	9 569

The total authorised number of ordinary shares is 200 shares (2022: 200 shares) with a par value of CHF 1'000 per share (2022: CHF 1'000 per share). One share is equivalent to one vote. 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).

15 Borrowings

<i>In thousands of Russian Roubles</i>	Note	31 December 2023	31 December 2022
Long-term borrowings			
<i>Floating rate:</i>			
Bank loans in RR		4 882 083	571 000
<i>Fixed rate:</i>			
Bonds in RR		2 989 789	2 985 618
Loans from related parties in CHF	6	-	1 006 379
Loans from related parties in RR	6	-	368 359
Total long-term borrowings		7 871 872	4 931 356
Short-term borrowings			
<i>Floating rate:</i>			
Bank loans in RR		1 600 273	4 782 522
Short-term part of long-term bank loans in RR		615 385	160 000
<i>Fixed rate:</i>			
Loans from related parties in CHF	6	16 604	240 991
Bonds in RR		5 520	4 410
Bank loans in RR		-	50 016
Total short-term borrowings		2 237 782	5 237 939
Total borrowings		10 109 654	10 169 295



15 Borrowings (Continued)

The Group's borrowings at 31 December 2023 and 31 December 2022 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.

Information on effective interest rates for borrowings are described in Note 28.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are disclosed in Note 28.

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 2023 and as of 31 December 2022.

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:

<i>In thousands or Russian Roubles</i>	Borrowings	Lease liabilities	Total
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
Cash flows			
Loan drawdowns	10 781 403	-	10 781 403
Repayments of principal	(10 676 023)	(1 767 647)	(12 443 670)
Interest payments	(1 348 992)	(798 480)	(2 147 472)
Non-cash changes			
Interest accrual	1 456 028	798 480	2 254 508
New leases	-	1 426 400	1 426 400
Non-cash settlements	(355 078)	-	(355 078)
Modification of lease contracts	-	1 273 293	1 273 293
Foreign exchange	83 021	44 713	127 734
Disposal of lease contracts	-	(7 184)	(7 184)
Liabilities from financing activities at 31 December 2023	10 109 654	7 984 496	18 094 150



17 Other Taxes Payable

<i>In thousands of Russian Roubles</i>	31 December 2023	31 December 2022
<i>Other taxes payable within one year comprise:</i>		
Value-added tax	765 671	513 663
Personal income tax and social contributions	304 325	433 575
Property and other taxes	19 559	2 297
Total other taxes payable	1 089 555	949 535

18 Provisions for Other Liabilities and Charges

Movements in provisions for liabilities and charges are as follows:

<i>In thousands of Russian Roubles</i>	Returns
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
Additions charged to profit or loss	395 755
Unused amounts reversed	(88 377)
Utilisation of provision	(184 654)
Carrying amount at 31 December 2023	409 140

A 10% increase in return rates across the contracts with return condition would increase total provision charge by approximately RR 39 576 thousand (2022: RR 26 865 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 395 755 thousand for the period ended at 31 December 2023 and RR 268 651 thousand for the period ended at 31 December 2022. The corresponding return asset amounted to RR 193 496 thousand for the period ended at 31 December 2023 and RR 141 160 thousand for the period ended at 31 December 2022 and adjusted the cost of sales for the cost of the corresponding goods to be returned.

19 Trade and Other Payables

<i>In thousands of Russian Roubles</i>	31 December 2023	31 December 2022
Trade payables	5 798 599	1 916 635
Other payables	103 119	82 435
Total financial payables within trade and other payables at AC	5 901 718	1 999 070
Accrued employee benefit costs	1 273 263	794 569
Accrued liabilities	15	3 591



Trade and other payables	7 174 996	2 797 230
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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:

<i>In thousands of Russian Roubles</i>	2023	2022
At a point of time		
Revenue from sales of jewelry - retail	22 645 800	16 441 468
Revenue from sales of jewelry - wholesale	17 146 500	8 047 273
Revenue from sales of jewelry - e-commerce	1 241 904	1 239 255
Revenue from manufacturing services	620 040	616 066
Revenue from sale of other goods	359 095	222 239
Computing power rendering services	183 740	-
Royalty	158 607	145 403
Other revenues	147 441	80 137
Over time		
Revenue from options to exchange	329 868	82 517
Revenue from delivery of jewelry	20 572	16 620
Total revenue from contracts with customers	42 853 567	26 890 978

21 Cost of Sales

<i>In thousands of Russian Roubles</i>	Note	2023	2022
Materials and components used		21 380 651	10 342 832
Employee benefits expense and other personnel costs		2 675 615	1 782 295
Cost of goods sold		502 762	545 171
Depreciation of right-of-use assets	8	274 832	150 183
Maintenance of computing power		226 298	-
Depreciation and amortization	7	174 425	150 922
Repairs and maintenance services		49 306	41 956
Fuels		34 290	35 724
Other		340 295	243 991
Change in goods returns		(193 496)	45 437
Changes in inventories of finished goods and work in progress		(4 702 360)	(188 257)
Total cost of sales		20 762 618	13 150 254

Included in employee benefits expense are pension related contributions to the Social Fund of Russia and contributions to private defined contribution plans of RR 429 332 thousand (2022: RR 273 141 thousand).

Total amount of depreciation and amortization in cost of sales, distribution and general and administrative expenses recognised during the period was RR 2 985 857 thousand (2022: RR 2 625 740 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 8 605 892 thousand (2022: RR 5 996 325 thousand).



22 Distribution expenses

<i>In thousands of Russian Roubles</i>	Note	2023	2022
Employee benefits expense		4 823 930	3 497 472
Depreciation of right-of-use assets	8	1 673 327	1 587 127
Advertising and marketing services		1 733 393	1 405 243
IT services		1 005 139	535 465
Depreciation and amortization	7	684 540	658 246
Agency fees		540 576	298 086
Materials and components used		415 448	488 211
Transportation		482 255	298 352
Merchant acquiring services		353 137	256 361
Telecommunications expenses		255 331	109 359
Expenses relating to short-term leases		270 674	219 993
Utilities costs		100 968	126 232
Other		168 017	121 880
Total distribution expenses		12 506 735	9 602 027

Included in employee benefits expense are pension related contributions to the Social Fund of Russia and contributions to private defined contribution plans of RR 614 677 thousand (2022: RR 497 608 thousand).

23 General and administrative expenses

<i>In thousands of Russian Roubles</i>	Note	2023	2022
Employee benefits expense		1 106 347	716 558
IT services		205 432	101 126
Information, consulting and other professional services		173 247	83 445
Depreciation of right-of-use assets	8	165 755	64 960
Utilities costs		16 786	7 639
Depreciation and amortization	7	12 978	14 302
Security services		11 656	11 693
Expenses relating to short-term leases		2 209	7 377
Other		31 965	40 984
Total general and administrative expenses		1 726 375	1 048 084

Included in employee benefits expense are pension related contributions to the Social Fund of Russia and contributions to private defined contribution plans of RR 64 696 thousand (2022: RR 59 653 thousand).

24 Other gains and losses, net

Other gains and losses comprise:

<i>In thousands of Russian Roubles</i>	2023	2022
Foreign exchange gains / (losses), net	180 671	(35 189)
Bank commissions	(57 452)	(37 779)
Income from fines and penalties	45 437	8 419
(Losses less gains) / gains less losses on disposal of property, plant and equipment	(17 877)	6 830
Gains less losses on disposal of inventory	16 682	40 037
Write-down of financial assets	(4 910)	(4 060)
Change in provision for inventory impairment	2 619	(1 113)
Other	(36 054)	(18 293)
Total other gains / (losses), net	129 116	(41 148)



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25 Finance Costs

<i>In thousands of Russian Roubles</i>	Note	2023	2022
Interest expense on borrowings	15, 16	1 456 028	790 175
Interest expense on lease liability	8	798 480	679 856
Other finance costs		-	2 042
Total finance costs		2 254 508	1 472 073

26 Income Taxes

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

Income tax expense comprises the following:

<i>In thousands of Russian Roubles</i>	2023	2022
Current tax	(1 320 328)	(688 944)
Deferred tax	(197 589)	89 925
Income tax expense	(1 517 917)	(599 019)

(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 2023 and 2022 is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

<i>In thousands of Russian Roubles</i>	2023	2022
Profit before tax	5 983 814	2 384 686
Theoretical tax charge at statutory rate of 20%:	(1 196 763)	(476 937)
Tax effect of items which are not deductible or assessable for taxation purposes:		
– Income which is exempt from taxation	42 406	68 567
– Non-deductible expenses	(100 423)	(110 788)
– Disposal of unrecognised tax loss carry forwards for the year	(18 359)	-
– Effects of different tax rates in other countries	29 741	19 170
– Withholding taxes on intragroup dividends of subsidiaries	(269 497)	(107 344)
– Other	(5 022)	8 315
Income tax expense for the year	(1 517 917)	(599 019)

26 Income Taxes (Continued)

(c) Deferred taxes by type of temporary difference

Differences between IFRS Accounting Standards 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.

<i>In thousands of Russian Roubles</i>	31 December 2022	Charged / (credited) to profit or loss	31 December 2023
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	(60 909)	11 426	(49 483)
Financial assets	29 908	(2 598)	27 310
Accounts payable	107 932	32 921	140 853
Contract liabilities	103 265	67 795	171 060
Provisions for liabilities and charges	57 283	24 545	81 828
Accruals	4 973	(4 973)	-
Inventory	(12 822)	15 217	2 395
Return assets	(30 778)	(9 506)	(40 284)
Lease liabilities	1 437 675	142 172	1 579 847
Right-of-use assets	(1 259 520)	(89 902)	(1 349 422)
Tax loss carry-forwards	215 208	(211 577)	3 631
Bonds issued	(2 876)	834	(2 042)
Other intangible assets	26 190	11 839	38 029
Accruals of withholding tax	-	(185 765)	(185 765)
Other	17	(17)	-
Net deferred tax asset	615 546	(197 589)	417 957
Recognised deferred tax asset	627 073	4 790	631 863
Recognised deferred tax liability	(11 527)	(202 379)	(213 906)
Net deferred tax asset	615 546	(197 589)	417 957

<i>In thousands of Russian Roubles</i>	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



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 noncompliant 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, 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. As of 31 December 2023, there were violations of covenants under certain agreements, which were regulated by obtaining waiver letter from the bank. No balances were reclassified to short-term loans at the reporting date. The breaches of loan agreement terms are not connected with timelessness 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 2023 and 2022, the Group has the following assets pledged as collateral:

In thousands of Russian Roubles	Note	2023		2022	
		Asset pledged	Related liability	Asset pledged	Related liability
Property, plant and equipment	7	-	-	68	50 016
Inventories	10	3 500 036	4 774 293	3 950 500	2 507 857
Total assets pledged and restricted at 31 December		3 500 036	4 774 293	3 950 568	2 557 873

28 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 2023, the Group had 8 customers (31 December 2022: 3) that owed it more than RR 100 000 thousand each and accounted for approximately 45% (31 December 2022: 27%) of all the receivables outstanding.



28 Financial Risk Management (Continued)

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 (Expert RA, AKRA and 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.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency and (b) interest rates risks, 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:

<i>In thousands of Russian Roubles</i>	US Dollars	Euros	Swiss frank	Chinese Yuan	Kazakhstani Tenge	Total
Monetary financial assets	59 045	601 284	748 532	-	-	1 408 861
Monetary financial liabilities	(1 012 212)	(27 037)	(1 248 723)	(3 590)	(8 485)	(2 300 053)
Net position at 31 December 2022	(953 167)	574 247	(500 191)	(3 590)	(8 485)	(891 192)
Monetary financial assets	971 708	2 086 616	384 592	230 629	4 635	3 678 180
Monetary financial liabilities	(458 717)	(26 715)	(28 128)	(79 784)	(107 289)	(700 633)
Net position at 31 December 2023	512 991	2 059 901	356 464	150 845	(102 654)	2 977 547

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.

28 Financial Risk Management (Continued)

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:

<i>In thousands of Russian Roubles</i>	Impact on profit or loss	
	At 31 December 2023	At 31 December 2022
US Dollar strengthening by 20%	102 598	(190 633)
US Dollar weakening by 20%	(102 598)	190 633
Euro strengthening by 20%	411 980	114 849
Euro weakening by 20%	(411 980)	(114 849)
Swiss franc strengthening by 20%	71 293	(100 038)
Swiss franc weakening by 20%	(71 293)	100 038
CNY strengthening by 20%	30 169	(718)
CNY weakening by 20%	(30 169)	718
KZT strengthening by 20%	(20 531)	(1 697)
KZT weakening by 20%	20 531	1 697

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 2023, if interest rates differ 200 basis points (2022: 200 basis points) with all other variables held constant, profit for the year would differ by RR 159 805 thousand (2022: RR 124 999 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 2023 variable interest liabilities was RR 7 097 741 thousand (31 December 2022: RR 5 513 521 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 June 2030.

Unused credit limits as of 31 December 2023 amounted to RR 2 502 533 thousand (31 December 2022: RR 1 061 996 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.



28 Financial Risk Management (Continued)

The table below shows liabilities at 31 December 2023 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.

The maturity analysis of financial liabilities at 31 December 2023 is as follows:

<i>In thousands of Russian Roubles</i>	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)	-	1 385 099	1 724 064	2 687 881	104 674	-	5 901 718
Loans from RP (Note 15)	1,00	16 604	-	-	-	-	16 604
Bank loans	13,78	288 675	307 640	2 724 472	5 592 810	1 045 273	9 958 870
Bonds	13,40	34 140	61 680	306 210	3 402 030	-	3 804 060
Lease liabilities (Note 8)	13,49	227 062	454 125	2 043 561	5 078 335	429 720	8 232 803
Total future payments		1 951 580	2 547 509	7 762 124	14 177 849	1 474 993	27 914 055

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

<i>In thousands of Russian Roubles</i>	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

Certain bank loans at 31 December 2022 have 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.

29 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 2023 was RR 18 373 190 thousand (31 December 2022: RR 13 937 755 thousand). Capital refers to total equity and debt. The debt includes the amount of bank loans, bonds issued and loans from related parties.



29 Management of Capital (Continued)

The Group monitors the capital level using the Net 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® Accounting Standards 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 2023, the Group's strategy was to maintain this ratio not higher than 3 (at 31 December 2022: 3).

<i>In thousands of Russian Roubles</i>	Note	31 December 2023	31 December 2022
Bank loans	15	7 097 741	5 563 538
Bonds	15	2 995 309	2 990 028
Loans from related parties	15	16 604	1 615 729
Total Debt		10 109 654	10 169 295
Less cash and cash equivalents	13	(4 830 335)	(5 797 120)
Total Net Debt		5 279 319	4 372 175
EBITDA		9 780 975	4 455 289
Net Debt to EBITDA		0,54	0,98

The calculation of EBITDA for years ended 31 December 2023 and 31 December 2022 is in the table below.

<i>In thousands of Russian Roubles</i>	Note	2023	2022
Operating profit		8 020 375	3 063 981
Depreciation of right-of-use assets	8	2 113 914	1 802 270
Depreciation and amortization of fixed and intangible assets	7	871 943	823 470
Less			
Leasing expenses		(1 713 202)	(1 750 759)
Contract liabilities – options for jewelry exchange	12	213 328	262 360
Operating loss of Shanghai Sokolov Jewelry Co., Ltd		210 977	-
Operating result of computing power rendering		42 558	-
Contract liabilities – loyalty program	12	21 082	253 967
EBITDA		9 780 975	4 455 289

30 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 2023 and 31 December 2022, all of the Group's financial liabilities were carried at AC.



30 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 2023 and 31 December 2022.

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.

In thousands of Russian Roubles	31 December 2023				31 December 2022			
	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								
<i>Financial assets at AC</i>								
– Trade and other receivables	-	-	4 132 316	4 132 316	-	-	2 065 667	2 065 667
– Loans issued	-	-	101 003	101 003	-	-	772 830	772 830
– Cash and cash equivalents	-	4 830 335	-	4 830 335	-	5 797 120	-	5 797 120
TOTAL ASSETS	-	4 830 335	4 233 319	9 063 654	-	5 797 120	2 838 497	8 635 617
LIABILITIES								
<i>Borrowings</i>								
– Borrowings	-	7 097 741	-	7 097 741	-	5 563 538	-	5 563 538
– Loans from related parties	-	-	16 604	16 604	-	-	1 615 729	1 615 729
– Bonds	2 991 300	-	-	2 991 300	3 045 000	-	-	3 045 000
<i>Other financial liabilities</i>								
– Trade payables	-	-	5 901 718	5 901 718	-	-	1 999 070	1 999 070
TOTAL LIABILITIES	2 991 300	7 097 741	5 918 322	16 007 363	3 045 000	5 563 538	3 614 799	12 223 337

31 Events after the Reporting Period

On 16 February 2024, Sokolov Jewelry Schweiz AG has been liquidated by the means of subsidiary absorption. Assets and liabilities of the subsidiary at carrying value as of 31 December 2023 has been transferred to Sokolov Jewelry Holding AG.