

PJSC Rosinter Restaurants Holding

Consolidated financial statements
prepared in accordance with IFRS

For the year ended December 31, 2022

PJSC Rosinter Restaurants Holding
Consolidated financial statements
For the year ended December 31, 2022

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PJSC Rosinter Restaurants Holding

Statement of management's responsibilities for the preparation and approval of consolidated financial statements for the year ended December 31, 2022

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of PJSC Rosinter Restaurants Holding and its subsidiaries (hereinafter, the "Group") as of December 31, 2022, and the results of its operations, cash flows and changes in equity for 2022, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Russian legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended December 31, 2022 were approved by the President and CEO of PJSC Rosinter Restaurants Holding on April 17, 2023

Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC Rosinter Restaurants Holding

Our opinion

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

What we have audited:

The Group's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with 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.

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

Key audit matters

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

<i>Key audit matter</i>	<i>How our audit addressed the Key audit matter</i>
Impairment testing of property and equipment and right-of-use assets	
Impairment testing for property and equipment and right-to-use assets was one of the key audit matters because the balance of property, plant and equipment and right-to-use assets forms a significant portion of the Group's assets at the reporting date, and the process of management's assessment of the recoverable amount is complex and requires significant judgments, including judgements about future cash flows, capital expenditures and the discount rate.	Our audit procedures included an assessment of key management assumptions used by the Group, including those in respect of forecasted revenue and operating expenses.
Information about property and equipment, right-to-use assets and results of impairment testing is disclosed in Notes 6, 7 and 26 to the consolidated financial statements.	We analyzed discount rates used by management of the Group.
	We also performed the sensitivity analysis of the impairment test with respect to changes in the key assumptions and assessed the Group's disclosures of these assumptions to which impairment testing is most sensitive, i.e., those that have the most significant impact on the recoverable amount of property and equipment and right-of-use assets.

Emphasis of matter

We pay attention to Note 2 "Going concern" to the consolidated financial statements that says the Group's current liabilities exceeded its current assets by RUB 3,036,361 thousands as of December 31, 2022.

As of December 31, 2022 net assets of the Group were negative in the amount RUB 2,668,630 thousands.

Note 2 "Going concern" to the consolidated financial statements describes the Group's plans to improve its liquidity position and its operating results in the near future.

Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of PJSC Rosinter Restaurants Holding for 2022 and the Issuer's Report of PJSC Rosinter Restaurants Holding for the 12 months of 2022, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report of PJSC Rosinter Restaurants Holding for 2022 and the Issuer's Report of PJSC Rosinter Restaurants Holding for the 12 months of 2022 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the Annual Report of PJSC Rosinter Restaurants Holding for 2022 and the Issuer's Report of PJSC Rosinter Restaurants Holding for the 12 months of 2022, if we conclude that there are any material misstatements therein, we are required to communicate the matter to the Shareholders and the Group's Board of Directors.

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

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

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

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

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 judgement and maintain professional skepticism throughout the audit. We also:

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

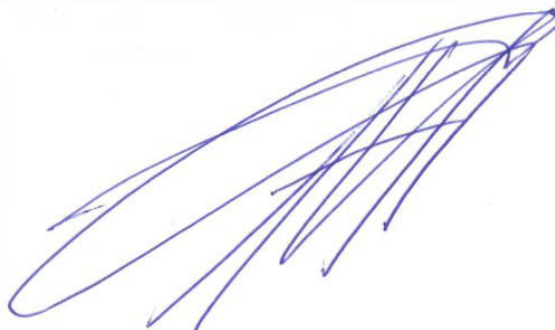
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



V.M. Smirnov, head of the audit firm, the certified auditor (ORNZ 22006087650)
LLC «S.V.M. Audit»



A.I. Khalturina, the certified auditor responsible for the audit resulting in this independent auditor's report
(ORNZ 22006009473)
LLC «S.V.M. Audit»

April 17, 2023

Moscow, Russian Federation

Audited entity: PJSC ROSINTER RESTAURANTS HOLDING

State registration certificate on inclusion in the Unified State Register of the Legal Entities issued on May 24, 2004. Main State Registration Number № 1047796362305.

Address: 7, Dushinskaya street, building 1, Moscow, 111024, Russia.

The audit firm: LLC «S.V.M. Audit».

Member of self-regulated organization of auditors Association «Sodruzhestvo». ORNZ 12006093587 in the register of auditors and audit organizations.

Address: 5 bldg. 1 Tessinsky pereulok, Moscow, Russia, 109028.

PJSC Rosinter Restaurants Holding
Consolidated statement of financial position

At December 31, 2022

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Notes	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property and equipment	6	2,038,062	2,113,664
Right-of-use assets	7	2,306,499	4,371,471
Intangible assets	8	355,682	414,913
Goodwill	9	143,137	143,137
Long-term loans due from related parties	10	6,200	6,600
Deferred income tax asset	11	642,475	673,685
Rent deposits and other non-current assets		225,368	178,932
		5,717,423	7,902,402
Current assets			
Inventories	12	107,113	123,554
VAT recoverable and other taxes prepaid		19,655	17,193
Income tax prepaid		2,584	2,656
Trade and other receivables	13	266,721	274,327
Advances issued	14	382,048	342,792
Receivables from related parties	10	54,042	54,618
Short-term loans due from related parties	10	9,215	9,515
Cash and cash equivalents	15	158,481	330,258
		999,859	1,154,913
TOTAL ASSETS		6,717,282	9,057,315
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Share capital	16	2,767,015	2,767,015
Additional paid-in capital		1,885,685	1,885,685
Treasury shares	16	(35,969)	(35,969)
Other capital reserves		—	261
Accumulated losses		(6,885,425)	(7,212,907)
Translation difference		(423,007)	(409,514)
		(2,691,701)	(3,005,429)
Non-controlling interests		3,071	1,800
		(2,688,630)	(3,003,629)
Non-current liabilities			
Long-term loans and borrowings	18	3,185,257	3,847,530
Long-term lease obligation	19	1,760,110	3,786,232
Long-term debt due to related parties	10	350,964	342,171
Deferred income tax liabilities	11	73,361	99,718
		5,369,692	8,075,651
Current liabilities			
Trade and other payables	21	1,864,574	1,806,564
Short-term loans and borrowings	18	1,124,859	794,075
Short-term lease obligations	19	935,747	1,307,823
Payables to related parties	10	84,323	70,231
Short-term borrowings to related parties	10	24,667	—
Short-term liabilities to partners	20	163	272
Income tax payable		1,887	6,328
		4,036,220	3,985,293
TOTAL EQUITY AND LIABILITIES		6,717,282	9,057,315

CEO
PJSC Rosinter Restaurants Holding



/Kosteeva M. V./

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
Consolidated statement of profit or loss
For the year ended December 31, 2022

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Notes	2022	2021
Revenue	22	6,279,419	6,209,500
Cost of sales	23	(4,653,607)	(4,812,875)
Gross profit		1,625,812	1,396,625
Selling, general and administrative expenses	24	(866,585)	(932,677)
Start-up expenses for restaurants		(8,524)	(69,069)
Other gains	25	718,986	788,015
Other losses	25	(22,453)	(142,632)
Profit from operating activities before impairment		1,447,236	1,040,262
Reversal of impairment of operating assets	26	21,759	20,887
Profit from operating activities after impairment		1,468,995	1,061,149
Financial income	27	1,469	567
Financial expense	27	(990,596)	(1,074,768)
Foreign exchange (loss)/gain, net		(109,908)	3,091
Profit/(loss) before income tax		369,960	(9,961)
Income tax (expense)/benefit	11	(41,468)	104,807
Net profit for the year		328,492	94,846
Attributable to:			
Equity holders of the parent entity		327,221	94,041
Non-controlling interests		1,271	805
Profit per share	17		
Basic, profit per share, roubles		20,13	5.79
Diluted, profit per share, roubles	17	20,13	5.78

CEO
PJSC Rosinter Restaurants Holding




/Kosteeva M. V./

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
Consolidated statement of other comprehensive income
For the year ended December 31, 2022

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	<u>2022</u>	<u>2021</u>
Net profit for the year	328,492	94,846
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(13,493)	4,072
Other comprehensive (loss)/income for the year, net of tax	<u>(13,493)</u>	<u>4,072</u>
Total comprehensive income for the year, net of tax	<u>314,999</u>	<u>98,918</u>
Attributable to:		
Equity holders of the parent entity	313,728	98,113
Non-controlling interests	1,271	805

CEO
PJSC Rosinter Restaurants Holding



/Kosteeva M.V./

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
Consolidated statement of cash flows
For the year ended December 31, 2022

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Notes	2022	2021
Operating activities			
Profit/(loss) before tax		369,960	(9,961)
<i>Adjustments to reconcile profit/(loss) before tax to net cash provided by operating activities:</i>			
Depreciation and amortization	23, 24	1,260,507	1,313,165
Foreign exchange loss/(gain), net		109,908	(3,091)
Financial income	27	(1,469)	(567)
Financial expense	27	990,596	1,074,768
(Reversal of provision)/allowance for expected credit losses of trade and other receivables and allowance for impairment of advances issued	24	(31,308)	20,414
(Reversal)/allowance for of impairment of inventories to net realizable value	12	(6,347)	5,943
(Profit)/loss on disposal of operating assets	25	(563,584)	124,090
Reversal of from impairment of assets	26	(21,759)	(20,887)
Write-off of trade and other payables	25	(15,821)	(4,759)
Write-off of the loans received	25	—	(171,175)
Discounts on lease payment	25	(93,793)	(607,580)
		1,996,890	1,720,360
<i>Changes in operating assets and liabilities:</i>			
Decrease/(increase) in inventories		22,370	(23,412)
(Increase)/decrease in advances, taxes recoverable, receivables, rent deposits and other non-current assets		(4,863)	21,130
Decrease in receivables from related parties		2,946	7,995
(Decrease)/increase in payables to related parties		(1,539)	3,725
Decrease in trade and other payables		(108,728)	(83,756)
Net cash generated from operations		1,907,076	1,646,042
Interest paid		(767,618)	(1,085,272)
Interest received		176	124
Income tax paid		(38,170)	(45,265)
Net cash flows generated from operating activities		1,101,464	515,629
Investing activities			
Purchases of property and equipment		(115,192)	(252,336)
Purchase of intangible assets		(24,041)	(2,024)
Proceeds from disposal of property and equipment		849	13,435
Proceeds from repayment of loans issued to third parties		400	—
Net cash flows used in investing activities		(137,984)	(240,925)

Continued on the next page

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding

Consolidated statement of cash flows (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Notes	2022	2021
Financing activities			
Proceeds from bank loans		156,056	958,123
Repayment of bank loans		(482,721)	(388,257)
Repayment of related party loans		(7,333)	–
Proceeds from related party loans		43,000	25,000
Repayment of lease liabilities	19	(843,847)	(612,064)
Dividends paid to shareholders		–	(1,171)
Net cash flows used in financing activities		(1,134,845)	(18,369)
Effect of exchange rate on cash and cash equivalents		(412)	(103)
Net (decrease) /increase in cash and cash equivalents		(171,777)	256,232
Cash and cash equivalents at the beginning of the year		330,258	74,026
Cash and cash equivalents at the end of the year		158,481	330,258

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
Consolidated statement of changes in equity
For the year ended December 31, 2022

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Attributable to equity holders of the parent entity							
	Share capital	Additional paid-in capital	Treasury shares	Other capital reserves	Accumulated losses	Translation difference	Total	Non-controlling interests
At December 31, 2021	2,767,015	1,885,685	(35,969)	261	(7,212,907)	(409,514)	(3,005,429)	1,800
Net income for the year	–	–	–	–	327,221	–	327,221	1,271
Other comprehensive loss for the year	–	–	–	–	–	(13,493)	(13,493)	–
Total comprehensive income for the year	–	–	–	–	327,221	(13,493)	313,728	1,271
Completion of the remuneration program	–	–	–	(261)	261	–	–	–
At December 31, 2022	2,767,015	1,885,685	(35,969)	–	(6,885,425)	(423,007)	(2,691,701)	3,071
At December 31, 2020	2,767,015	1,885,685	(35,969)	261	(7,306,948)	(413,586)	(3,103,542)	2,333
Net income for the year	–	–	–	–	94,041	–	94,041	805
Other comprehensive income for the year	–	–	–	–	–	4,072	4,072	–
Total comprehensive income for the year	–	–	–	–	94,041	4,072	98,113	805
Dividends of subsidiaries	–	–	–	–	–	–	–	(1,338)
At December 31, 2021	2,767,015	1,885,685	(35,969)	261	(7,212,907)	(409,514)	(3,005,429)	1,800

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
Notes to the consolidated financial statements
For the year ended December 31, 2022

(All amounts are in thousands of Russian roubles, unless specified otherwise)

1. Corporate information

PJSC Rosinter Restaurants Holding (the "Company") was registered as a Russian open joint stock company on May 24, 2004. The registered and headquarter address of the Company is at 7 Dushinskaya str., Moscow, 111024, Russia. As of December 31, 2022, the Company's controlling shareholder was RIG Restaurants Limited, a limited liability company (the "Parent") (formerly known as Rostik Restaurants Limited) incorporated under the laws of Cyprus. RIG Restaurants Limited is under the ultimate control of Mr. Rostislav Ordovsky-Tanaevsky Blanco.

PJSC Rosinter Restaurants Holding and its subsidiaries (the "Group") is one of the leading casual dining operators in Russia by number of restaurants and by revenue. The Group's business is focused on serving the most popular cuisines in Russia: Italian, Japanese, American, local Russian and pan-Asian cuisine.

Other revenue of the Group represents revenue from the network of independent franchisees in Moscow and throughout Russia and the CIS, sublease and other services.

The consolidated financial statements of the Company for the year ended December 31, 2022 were approved for issue by CEO of PJSC Rosinter Restaurants Holding on April 17, 2023.

The Group derives revenue in the territory of Russia, CIS countries and European countries. For the years 2022 and 2021, the revenue from the Russian market was approximately 98% of total revenues. The non-current assets of Group's subsidiaries operating in the Russian market were approximately 99% of total non-current assets of the Group at December 31, 2022 and 2021. The second largest market was Belarus with 2% of total revenues for the year ended December 31, 2022.

The Company had a controlling ownership interest, directly or indirectly, in the following principal subsidiaries:

Entity	Country of incorporation	2022	2021
		% Ownership	% Ownership
Rosinter Restaurants LLC	Russia	100.00%	100.00%
Rosinter Restaurants ZapSib LLC	Russia	100.00%	100.00%
Razvitie ROST LLC	Russia	100.00%	100.00%
Rosinter Restaurants Ekaterinburg LLC	Russia	51.00%	51.00%
BelRosInter LLC	Belarus	93.00%	93.00%

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

2. Going concern

These consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

The Group's current liabilities as of December 31, 2022 of RUB 4,036,220 (RUB 3,985,293 as of December 31, 2021) exceeded its current assets by RUB 3,036,361 (RUB 2,830,380 as of December 31, 2021). The net current liability position primarily results from trade and other payables amounting to RUB 1,864,574 and RUB 1,806,564 as of December 31, 2022 and 2021, respectively, and the lease liabilities in the amount of RUB 935,747 and RUB 1,307,823 as of December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021 net cash flow generated from operations amounted to RUB 1,907,076 and RUB 1,646,042, respectively.

The Group's activity in all of its aspects continues to be affected by the uncertainty and instability of the current economic environment (*Note 28*). Therefore, the Group implemented a number of cost cutting initiatives, reduced capital expenditures and continues optimizing the bank loans portfolio.

The Group's management believes it is appropriate to prepare the consolidated financial statements on a going concern basis due to the following:

- The Group has successfully negotiated a restructuring of its debts under the existing loan agreements by postponing a payment of principal and interest amounts that were originally due from September to August 2023 (inclusive).
- The Group has bank guarantees in the amount of RUB 202,884.
- The Group is negotiating with the landlords to provide discounts and fix the dollar and euro exchange rates under the lease agreements denominated in foreign currencies.
- The Group's priority is a development of its own brands through the franchising agreements. In order to implement this strategy, the Group is looking for potential partners to develop a franchising network in large regions of Russia and in Moscow.
- The Group re-engineers the range of dishes in order to optimize the food cost and keeps a focus on development of food delivery.
- The principal shareholders of the Company will provide financing to the Group or some of its businesses when needed.

Based on the currently available facts and circumstances the management and directors have a reasonable expectation that the Group has adequate resources to continue its operations for a foreseeable future.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

3. Basis of preparation of financial statements

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

Basis of measurement

Group companies maintain their accounting records and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the country in which they are incorporated and registered. Accounting policies and financial reporting procedures in these jurisdictions may differ substantially from those generally accepted under IFRS. Accordingly, the accompanying financial statements, which have been prepared from the Group's statutory based accounting records, reflect adjustments and reclassifications necessary for such financial statements to be presented in accordance with the standards and interpretations prescribed by the IASB.

The consolidated financial statements have been prepared on the historical cost basis principals, except for those disclosed in Note 4 "Significant accounting policies".

Changes in accounting policies

New/revised standards and interpretations adopted in 2022

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments add an exception to the recognition of liabilities and contingent liabilities, which requires entities to apply the criteria in IAS 37 or IFRIC 21 instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 16: Proceeds Before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. These costs include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

3. Basis of preparation of financial statements (continued)

The Group has not identified any onerous contracts.

Amendments to Annual improvements 2018-2020

These amendments include clarifications to IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter, IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities, IAS 41 Agriculture - Taxation in fair value measurements. They had no impact on the Group's consolidated financial statements.

Standards issued but not yet effective

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Standards not yet effective for the financial statements beginning for the year ended 31 December 2022	Effective for annual periods on or after
IFRS 17 Insurance Contracts, including amendments	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1: Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024

The Group expects that the application of the standards listed above will not materially impact the consolidated financial statements.

4. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Company (its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Classification of assets and liabilities as current/non-current assets and short-term/long-term liabilities

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Functional and presentation currency of financial statements

The Group's consolidated financial statements are presented in Russian roubles (RUB), which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All financial information presented in RUB has been rounded to the nearest thousand unless otherwise stated.

The translation of the financial statements from the functional currency to the presentation currency is done in accordance with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The assets and liabilities of the subsidiaries which use local currencies as the functional currency are translated into the presentation currency at the rate of exchange ruling at the reporting date, and their transactions are translated at the weighted average exchange rates for the year. Equity items, other than the net profit or loss for the year that is included in the balance of accumulated profit or loss, are translated at the historical exchange rate effective at the date of transition to IFRS. Equity transactions measured in terms of historical cost in a functional currency are translated using the exchange rates at the date of the transaction. The exchange differences arising on the translation are recognized in other comprehensive income or loss.

Transactions in foreign currencies in the Company and each subsidiary are initially recorded in the functional currency at the rate effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the rate of exchange ruling at the reporting date. All resulting differences are recorded as foreign currency exchange gains or losses in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Functional and presentation currency (continued)

Exchange rates of US dollar and Belarusian rouble to Russian rouble used for translation of assets and liabilities nominated in foreign currency are presented in table below:

	Official exchange rates	
	Russian rouble for 1 USD	Russian rouble for 1 Belarusian rouble
As at 31 December 2022	70.34	25.70
Average rate for the year 2022	68.55	25.83
As at 31 December 2021	74.29	29.15
Average rate for the year 2021	73.65	29.02

Financial instruments

(i) *Recognition and initial measurement*

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

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

(ii) *Classification and subsequent measurement*

Financial assets

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

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

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

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

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

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

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

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

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

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

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

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

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

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

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

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change of currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature)

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

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

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

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

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

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

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

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial instruments (continued)

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

Financial liabilities

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

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

(v) *Offsetting*

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

Leases

Group as a lessee

The Group's leases mainly include lease agreements for Group's restaurant premises.

The Group has applied a uniform recognition and measurement approach for all leases where it is a lessee, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities in relation to its obligation to make lease payments and right-of-use assets representing the right to use the underlying assets.

Below is a summary of the Group's accounting policies for lease:

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

The Group uses the following useful lives:

- Buildings: 1-7 years;

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Leases (continued)

Depreciation of right-of-use assets is charged to profit or loss. Right-of-use assets are tested for impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accrual of interest and reduced for the lease payments made.

Short-term leases

The Group applies the short-term lease recognition exemption (i.e., those leases that have a lease term of 12 months or less from the commencement date). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Property and equipment

Property and equipment are recorded at historical cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment. At each reporting date, management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognized as an expense (impairment loss) in the income statement. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Depreciation is calculated on property and equipment principally on a straight-line basis from the time the assets are available for use, over the following estimated economic useful lives:

Description	Useful life, years
Leasehold improvements	30
Buildings	10-30
Restaurant equipment	4-10
Computer equipment and electronics	4
Office furniture and fixtures	10
Vehicles	5-10

Depreciation attributable to restaurants is presented in cost of sales; other depreciation is presented within selling, general and administrative expenses in the consolidated income statement. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale and the date the asset is derecognized.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Property and equipment (continued)

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end. Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalized if it can be clearly demonstrated that they extend the life of the asset or significantly increase its revenue generating capacity beyond its originally assessed standard of performance, and the assets replaced are derecognized. Gains and losses arising from the retirement or disposal of property and equipment are included in the consolidated income statement as incurred.

Assets under construction are stated at cost which includes cost of construction and equipment and other direct costs, less impairment, if any. Assets under construction are not depreciated until the constructed or installed asset is ready for its intended use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the useful economic lives from 4 to 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisations periods are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognized in the consolidated income statement in the expense category consistent with the function of the intangible asset. The following specific amortisation terms are applied for each type of intangible asset.

The Group capitalizes franchise lump sums paid to T.G.I. Friday's Inc. for each new restaurant opened by the Group under "T.G.I. Friday's" brand name. Such franchise lump sums are amortised on a straight-line basis over the franchise contractual period of 15 years.

The Group has exclusive rights to lease and sublease a number of restaurant premises. These rights are accounted for at cost and are amortised on a straight-line basis over the useful life period, generally from 4 to 10 years.

Software development costs are capitalized in accordance with requirements of *IAS 38 Intangible Assets* at cost and are amortised on a straight-line basis over their estimated useful lives, generally 4 years.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Goodwill (continued)

Goodwill is not amortised. Instead it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. As at the acquisition date any goodwill acquired in acquisitions is allocated to each of the cash-generating units (CGU) or groups of cash-generating units expected to benefit from the combination's synergies, irrespective of whether other assets and liabilities of the Group are assigned to those units or group of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (CGU) in prior years. A reversal of an impairment loss is recognized immediately in the profit and loss.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

The Group has used the following key assumptions in its cash flow projections:

Growth rates – Average growth rates used in cash flow projections are independent estimates of country's expected Gross Domestic Product (GDP) growth for the projected period.

Inflation – Estimates of consumer price indices obtained from reliable external researches.

Salaries growth rate – Internal estimates are calculated on Group's statistics of real salaries growth rates and published consumer price indices forecasts.

Discount rate – Current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC).

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Inventories

Inventories, which include food, beverages and other supplies, are stated at the lower of cost or net realisable value. Cost of inventory is determined on the weighted-average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories recognized as an expense and reported as a component of cost of sales in the Income statement in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories recognized as an expense in the same components of the Income statement in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Value added tax

The Russian and CIS tax legislation permits settlement of value added tax ("VAT") on a net basis.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the reporting date, is deducted from the amount of VAT payable. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debt, including VAT.

VAT recoverable arises when VAT related to purchases exceeds VAT related to sales.

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand, cash in transit and short-term deposits with an original maturity of three months or less.

Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

Dividends

Dividends are recognized when the shareholder's right to receive the payment is established. Dividends in respect of the period covered by the financial statements that are proposed or declared after the reporting date but before approval of the financial statements are not recognized as a liability at the reporting date in accordance with *IAS 10 Events after the Reporting Period*.

Treasury shares

Own equity instruments which are reacquired by the Group ("treasury shares") are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Treasury shares are not recognized as a financial asset regardless of the reason for which they are reacquired.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Liabilities to partners

Before 2007, the Group entered into partnership agreements with third parties (the "partners") in respect of opening and operating the restaurants. In accordance with the partnership agreements, the partners have the right to obtain a share in profits of a particular restaurant or group of restaurants in return for their initial cash investments into the restaurants. The Group manages the operations of the restaurants. The Group recognizes all assets and liabilities of the restaurants in the Group's consolidated financial statements as well as all income and expenses from their operations. In addition, the Group recognizes a liability to partners under the partnership agreements.

Some of the Group's subsidiaries in Russia and CIS are incorporated in the legal form of limited liability companies (LLC) and have several participants (or partners). Each participant has a right to a dividend distribution proportional to its ownership interest. If a participant decides to exit the LLC, the company is obliged to repay the actual value of the participant's interest which is determined as its proportional share of net assets reported in the local statutory accounts. Therefore, the partners' interest in these LLCs is classified as a liability to partners in the Group's consolidated statement of financial position.

The differences between the carrying values of partner's liabilities relating to acquired ownership interest and the consideration paid to acquire ownership interest are recognized as financial expense.

Trade and other payables

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

Loans and borrowings

Loans and borrowings are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method.

Short-term loans and borrowings comprise:

- interest bearing loans and borrowings with a term shorter than one year;
- current portion of long-term loans and borrowings.

Long-term loans and borrowings include liabilities with the maturity exceeding one year.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Revenue recognition

On January 1, 2018, the Group began applying IFRS 15 “Revenue from Contracts with Customers”.

Revenue is recognized at the moment or upon transfer of control over goods or services to the customer at the transaction price. The transaction price is the amount of compensation, the right to which the Group expects to receive in exchange for the transfer of the promised goods or services to customers. Revenue is amount for goods and services sold in the ordinary course of business, net of taxes accrued on the revenue.

Borrowing costs

Borrowing costs of the Group include interest on bank overdrafts, short-term, long-term credit facilities and bonds. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization are determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is calculated as the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. During the year ended 31 December 2022, the Group capitalized borrowing costs amounted to RUB 2,874. During the year ended 31 December 2021, the Group did capitalize borrowing costs amounted to RUB 20,160, respectively.

Start-up expenses for new restaurants

Start-up expenses for new restaurants represent costs related to the opening of new restaurant premises. Such expenses include rent and payroll expenses, new personnel training and other overhead expenses that arise before the opening of new restaurants. Start-up expenses for new restaurants are recognized as operating expense in the accounting period the related work was performed.

Employee benefits

The Company accrues for the employees' compensated absences (vacations) as the additional amount that the Company expects to pay as a result of the unused vacation that has accumulated at the reporting date.

Under provision of the Russian legislation, social contributions are calculated by the Group by the application of a regressive rate (from 30% to 15.1%) to the annual gross remuneration of each employee. The Group allocates the social benefits to three social funds (state pension fund, social and medical insurance funds), where the rates of contributions to the pension fund varies from 22% to 10% depending on the annual gross salary of each employee. The Group's social contributions are expensed in the year to which they relate.

Total social contributions amounted to RUB 381,684 and RUB 365,667 during the years ended December 31, 2022 and 2021, respectively, and they were classified as payroll expenses in these consolidated financial statements.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Loyalty programmes

Customer loyalty programmes are used by the Group to provide customers with award credits as part of a sales transaction, including awards that can be redeemed for goods and services not supplied by the entity. The Group company collecting the consideration on behalf of the third party measures its revenue as the net amount retained on its own account. The Group company acting as an agent for a third party recognizes revenue arising from rendering agency services to that third party as revenue from rendering services.

The Group uses the "Honoured Guest" loyalty programme to build brand loyalty, retain its valuable customers and increase sales volume. The programme is designed to reward customers for past purchases and to provide them with incentives to make future purchases.

Each time a customer buys meals in one of the Group's restaurants, the Group grants the customer loyalty award credits and recognizes these award credits as deferred income at fair value. Under the "Honoured Guest" programme a customer can redeem the award credits as they are granted for free meals.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Taxes (continued)

Deferred income tax

Deferred tax assets and liabilities are calculated in respect of temporary differences at the reporting date using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax is charged or credited to the income statement, except when it relates to items recognized outside profit or loss, in which case the deferred tax is also recognized in the statement of comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxable authority.

Uncertain income tax positions

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

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Taxes (continued)

Simplified taxation system

Certain restaurants of the Group's subsidiaries located outside the Moscow region with restaurants meeting specified criteria are subject to simplified tax paid instead of corporate income tax, value added tax, property tax. In accordance with simplified taxation system, tax is calculated as 6% of revenue or 15% of profit.

For the year ended December 31, 2022, the share of revenues subject to simplified taxation system amounted to approximately 6%. For the year ended December 31, 2021, the share of revenues subject to simplified taxation system amounted to approximately 7%.

The Group recognizes the simplified tax as other general and administrative expenses in its consolidated income statement. For the year ended December 31, 2022, the simplified tax amounted to RUB 9,120. For the year ended December 31, 2021, the simplified tax amounted to RUB 9,568.

5. Significant accounting judgements, estimates and assumptions

On an on-going basis, management of the Group evaluates its estimates and assumptions. Management of the Group bases its estimates and assumptions on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Because of the uncertainty of factors surrounding the estimates or judgments used in the preparation of the Group's consolidated financial statements actual results may vary from these estimates.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Partnership agreements

Before 2007, in order to raise capital for the development of its restaurants in the Moscow region, the Group entered into a number of partnership agreements. The Group has determined that, under the terms of the partnership agreements, it maintains full control of the restaurants business while partners gain a share in the profits of the restaurants.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

5. Significant accounting judgements, estimates and assumptions

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

ECL measurement

Estimating expected credit losses for all types of financial assets carried at amortized cost is a significant estimate based on a valuation methodology, models and initial data. The following components have a significant impact on the allowance for credit losses: determination of default, a significant increase in credit risk, the likelihood of default, exposure to default risk and the amount of loss in the event of default. The Group regularly checks and confirms models and initial data for models in order to reduce discrepancies between estimated expected credit losses and actual loan losses. Because of the short-term of the assets, the forecasted macroeconomic indicators do not significantly affect the level of losses.

Useful lives of property and equipment

The Group assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognized in profit or loss.

Impairment of non-financial assets

Generally, the Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, which is determined as the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment of goodwill

The Group's impairment test for goodwill is based on value in use calculations for cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Allowance for impairment of advances paid and taxes recoverable

Management maintains an allowance for impairment for doubtful advances paid to provide for losses from the inability of suppliers to deliver goods or services for which they received prepayments from the Group and unrecoverable taxes. When evaluating the adequacy of an allowance for impairment of advances paid and taxes recoverable, management bases its estimates on specific analysis of the major outstanding prepayments and taxes recoverable and historical write-off experience. If the financial conditions of those suppliers were to deteriorate, actual write-offs might be higher than expected.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

5. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Write-down of inventories to net realisable value

Management of the Group regularly reviews the need to provide for slow moving or damaged inventory based on monthly aging and inventory turnover report as well as based on physical inventory observation.

Current taxes

Russian tax legislation is subject to varying interpretation and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest. The periods remain open to review by the tax authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Deferred tax assets

Management judgment is required for the calculation of current and deferred income taxes. Deferred tax assets are recognized to the extent that their utilisation is probable. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in respective tax type and jurisdiction. Various factors are used to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from such estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In such an event, the assessment of future utilisation of deferred tax assets must be reduced and this reduction be recognized in profit or loss.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

6. Property and equipment

The movement in property and equipment for the year ended December 31, 2022 was as follows:

	Buildings and leasehold improve- ments	Restaurant equipment	Computer equipment and electronics	Office furniture and fixtures	Vehicles	Assets under construction	Total
Cost							
At December 31, 2021	2,207,773	1,091,787	252,158	342,607	17,718	211,605	4,123,648
Additions	–	7,835	–	–	–	68,816	76,651
Assets put into use	99,730	89,980	4,789	14,247	–	(208,926)	–
Disposals	(38,494)	(30,076)	(16,866)	(12,078)	–	–	(97,514)
Translation difference	(1,443)	(4,471)	(1,565)	(3,274)	(61)	(1,832)	(12,646)
At December 31, 2022	2,267,566	1,155,055	238,516	341,682	17,657	69,663	4,090,139
Accumulated depreciation and impairment							
At December 31, 2021	(1,111,352)	(471,631)	(206,037)	(199,170)	(15,444)	(6,350)	(2,009,984)
Charge for the year	(50,187)	(58,764)	(23,662)	(28,004)	(321)	–	(160,938)
Disposals	37,268	28,361	16,551	10,754	–	–	92,934
Impairment of property and equipment (Note 26)	10,224	4,104	174	3,237	–	(2)	17,737
Translation difference	1,030	3,309	1,285	2,514	36	–	8,174
At December 31, 2022	(1,113,017)	(494,621)	(211,689)	(210,669)	(15,729)	(6,352)	(2,052,077)
Net book value							
At December 31, 2021	1,096,421	620,156	46,121	143,437	2,274	205,255	2,113,664
At December 31, 2022	1,154,549	660,434	26,827	131,013	1,928	63,311	2,038,062

The movement in property and equipment for the year ended December 31, 2021 was as follows:

	Buildings and leasehold improve- ments	Restaurant equipment	Computer equipment and electronics	Office furniture and fixtures	Vehicles	Assets under construction	Total
Cost							
At December 31, 2020	2,194,012	1,018,589	240,876	355,358	18,351	389,728	4,216,914
Additions	–	13,510	–	–	–	136,984	150,494
Assets put into use	151,513	127,029	24,187	12,378	–	(315,107)	–
Disposals	(138,2082)	(67,828)	(12,978)	(25,320)	(645)	–	(244,853)
Translation difference	330	487	73	191	12	–	1,093
At December 31, 2021	2,207,773	1,091,787	252,158	342,607	17,718	211,605	4,123,648
Accumulated depreciation and impairment							
At December 31, 2020	(1,131,080)	(457,426)	(191,211)	(188,410)	(15,658)	(4,401)	(1,988,186)
Charge for the year	(57,875)	(55,007)	(27,405)	(27,959)	(424)	–	(168,670)
Disposals	92,576	42,378	12,080	20,948	645	–	168,627
Impairment of property and equipment (Note 26)	(14,770)	(1,396)	563	(3,667)	–	(1,948)	(21,218)
Translation difference	(203)	(180)	(64)	(82)	(7)	(1)	(537)
At December 31, 2021	(1,111,352)	(471,631)	(206,037)	(199,170)	(15,444)	(6,350)	(2,009,984)
Net book value							
At December 31, 2020	1,062,932	561,163	49,665	166,948	2,693	385,327	2,228,728
At December 31, 2021	1,096,421	620,156	46,121	143,437	2,274	205,255	2,113,664

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

6. Property and equipment (continued)

As of December 31, 2022 and 2021 cost of fully depreciated property, plant and equipment that were still in use amounted to RUB 864,176 and RUB 756,056, respectively.

Property and equipment were tested for impairment as part of cash generating units without goodwill as of December 31, 2022. For the year ended December 31, 2022 the Group recognized reversal of impairment losses of property and equipment in the amount of RUB 17,737. For the year ended December 31, 2021 the Group recognized impairment losses of property and equipment in the amount of RUB 21,218. (Note 26). No impairment was recognized for cash generating units with goodwill.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash generating unit (restaurant). The recoverable amount has been determined based on value-in-use calculation using cash flows projections based on the actual operating results and budgets approved by management and appropriate discount rate reflecting time value of money and risks associated with the cash generating units.

Cash flow projections cover a period of useful life of up to 10 years of the principal assets of each cash generating unit. Average growth rates used in cash flow projections vary from 3.7% to 13.9% depending on cash generating unit's country of operation and approximate country's expected Gross Domestic Product (GDP) growth for the projected period. The cash flow projections were discounted at the rate of 6.69% in Russian Rouble nominal terms. The calculation of the discount rate was based on Group's cost of financing and weighted average cost of capital (WACC).

7. Right-of-use assets

The Group leases restaurant premises, offices and warehouses with average lease term of 5-7 years. The movements of carrying amount of rights-of-use assets were as follow:

	Buildings	Land	Restaurant equipment	Total right-of-use assets
At December 31, 2021	8,300,119	4,461	149,247	8,453,827
New lease contracts	124,925	16,739	767	142,431
Modification of existing lease contracts	254,541	–	35,313	289,854
Disposal of right-of-use assets	(1,735,935)	(496)	–	(1,736,431)
At December 31, 2022	6,943,650	20,704	185,327	7,149,681

	Buildings	Land	Restaurant equipment	Total right-of-use assets
At December 31, 2020	8,122,934	4,111	47,409	8,174,454
New lease contracts	1,063,772	–	101,838	1,165,610
Modification of existing lease contracts	(226,175)	350	–	(225,825)
Disposal of right-of-use assets	(660,412)	–	–	(660,412)
At December 31, 2021	8,300,119	4,461	149,247	8,453,827

Accumulated depreciation and impairment:

	Buildings	Land	Restaurant equipment	Total right-of-use assets
At December 31, 2020	(4,061,612)	(3,964)	(16,780)	(4,082,356)
Depreciation	(997,436)	(1,395)	(20,577)	(1,019,408)
Reversal of impairment of right-of-use assets (Note 26)	4,024	–	–	4,024
Disposal of right-of-use assets	254,208	350	–	254,558
Accumulated depreciation at December 31, 2021	(4,800,816)	(5,009)	(37,357)	(4,843,182)

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

7. Right-of-use assets (continued)

Accumulated depreciation and impairment (continued)

	Buildings	Land	Restaurant equipment	Total right-of-use assets
At December 31, 2020	(3,249,885)	(3,614)	(3,737)	(3,257,236)
Depreciation	(1,055,104)	(350)	(13,043)	(1,068,497)
Reversal of right-of-use assets (Note 26)	41,334	–	–	41,334
Disposal of right-of-use assets	202,043	–	–	202,043
Accumulated depreciation at December 31, 2021	(4,061,612)	(3,964)	(16,780)	(4,082,356)
Balance at December 31, 2021	4,238,507	497	132,467	4,371,471
Balance at December 31, 2022	2,142,834	15,695	147,970	2,306,499

8. Intangible assets

The movement in intangible assets for the year ended December 31, 2022 was as follows:

	Franchise rights	Exclusive rent rights	Trademarks	Software	Assets under construction	Total
Cost						
At December 31, 2021	44,540	32,415	31,188	638,276	93,071	839,490
Additions	481	–	–	–	23,560	24,041
Disposals	–	–	–	(92)	(3,076)	(3,168)
Translation difference	205	–	(209)	(10,716)	–	(10,720)
At December 31, 2022	45,226	32,415	30,979	627,468	113,555	849,643
Accumulated depreciation and impairment						
At December 31, 2021	(39,468)	(25,895)	(31,186)	(328,028)	–	(424,577)
Charge for the year	(3,443)	(3,053)	(2)	(73,663)	–	(80,161)
Disposals	–	–	–	62	–	62
Impairment of intangible assets (Note 26)	(2)	–	–	–	–	(2)
Translation difference	–	–	209	10,508	–	10,717
At December 31, 2022	(42,913)	(28,948)	(30,979)	(391,121)	–	(493,961)
Net book value						
At December 31, 2021	5,072	6,520	2	310,248	93,071	414,913
At December 31, 2022	2,313	3,467	–	236,347	113,555	355,682

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

8. Intangible assets (continued)

The movement in intangible assets for the year ended December 31, 2021 was as follows:

	Franchise rights	Exclusive rent rights	Trademarks	Software	Assets under construction	Total
Cost						
At December 31, 2020	42,825	32,415	31,183	638,427	93,071	837,921
Additions	1,989	—	—	35	—	2,024
Disposals	(274)	—	—	(186)	—	(460)
Translation difference	—	—	5	—	—	5
At December 31, 2021	44,540	32,415	31,188	638,276	93,071	839,490
Accumulated depreciation and impairment						
At December 31, 2020	(37,569)	(24,178)	(31,166)	(256,847)	—	(349,760)
Charge for the year	(2,944)	(1,717)	(29)	(71,308)	—	(75,998)
Disposals	274	—	—	135	—	409
Reversal of intangible assets (Note 26)	771	—	—	—	—	771
Translation difference	—	—	9	(8)	—	1
At December 31, 2021	(39,468)	(25,895)	(31,186)	(328,028)	—	(424,577)
Net book value						
At December 31, 2020	5,256	8,237	17	381,580	93,071	488,161
At December 31, 2021	5,072	6,520	2	310,248	93,071	414,913

Intangible assets were tested for impairment as of December 31, 2022 and 2021. During the year ended December 31, 2022 the Group recognised impairment loss of intangible assets in the amount of RUB 2. During the year ended December 31, 2021 the Group reversed impairment losses of intangible assets in the amount of RUB 771, as the recoverable amount of these assets is less than carrying amount at the same date. (Note 26).

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash generating unit (restaurant). The recoverable amount has been determined based on value-in-use calculation using cash flows projections based on the actual operating results and budgets approved by management and appropriate discount rate reflecting time value of money and risks associated with the cash generating units.

Cash flow projections cover a period of useful life of up to 10 years of the principal assets of each cash generating unit. Average growth rates used in cash flow projections vary from 3.7% to 13.9% depending on cash generating unit's country of operation and approximate country's expected Gross Domestic Product (GDP) growth for the projected period. The cash flow projections were discounted at the rate of 6.69% in Russian rouble nominal terms. The calculation of the discount rate was based on Group's cost of financing and weighted average cost of capital (WACC).

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

9. Goodwill

The carrying amount of goodwill as of December 31, 2022 and 2021 was allocated among cash generating units (group of cash generating units) as follows:

	2022	2021
Pulkovo airport restaurants, Saint Petersburg, Russia	125,006	125,006
Combo Il Patio and Planet Sushi, Ekaterinburg, Russia	18,131	18,131
	143,137	143,137

The Group performed its annual goodwill impairment test in the years ended December 31, 2022 and 2021. There was no impairment of goodwill.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash generating unit (restaurant) to which allocated goodwill. The recoverable amount has been determined based on value-in-use calculation using cash flows projections based on the actual operating results and budgets approved by management and appropriate discount rate reflecting time value of money and risks associated with the cash generating units.

In regard to the assessment of value-in-use, the Group believes, that there is no reasonably possible change in a key assumptions, on which management has based its determination of the units recoverable amount that would cause the unit's carrying amount to exceed its recoverable amount.

The result of applying discounted cash flow models reflects expectations about possible variations in the amount and timing of future cash flows and is based on reasonable and supportable assumptions that represent management's best estimate of the range of uncertain economic conditions.

10. Related parties disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Related parties	Purchases	Revenue and other gains	Receivables from related parties	Payables to related parties
2022				
Entities under common control:				
Chicken Factory LLC (1)	12,597	—	1,433	—
Nickors Limited (2)	—	—	—	58,794
RIG Restaurants Ltd. (3)	—	—	51,482	1,225
Ordovsky-Tanaevsky Blanco Rostislav (4)				20,625
RosCorp LLC (5)	7	1,217	—	1,020
Rostik Investment Group Inc.	—	—	—	844
Others	6,287	—	1,127	1,815
Total 2022	18,891	1,217	54,042	84,323

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Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

10. Related parties disclosures (continued)

Related parties	Purchases	Revenue and other gains	Receivables from related parties	Payables to related parties
2021				
Entities under common control:				
Chicken Factory LLC (1)	28,553	—	—	3,298
Institute of Glass JSC	34,520	16	—	4,331
Nickors Limited (2)	—	—	—	40,252
RIG Restaurants Ltd. (3)	—	—	53,801	—
Ordovsky-Tanaevsky Blanco Rostislav (4)	9,262	—	—	20,091
RosCorp LLC (5)	—	6,133	—	1,367
Rostik Investment Group Inc.	—	—	—	892
Others	4,667	—	817	—
Total 2021	77,002	6,149	54,618	70,231

- (1) The outstanding payable balance as of December 31, 2022 represents the outstanding debt for the purchase of goods from Chicken Factory LLC.
- (2) During the years ended December 31, 2022 and 2021 the outstanding balance of accounts payable with Nickors Limited relates to interest on loan agreements.
- (3) The outstanding receivable balance as of December 31, 2022 and 2021 relates to the sale of company Aero Restaurants to RIG Restaurants Ltd.
- (4) The outstanding payable balance as of December 31, 2022 and 2021 relates to obligations with Ordovsky-Tanaevsky Blanco Rostislav under loans and lease agreements of the Group.
- (5) During the years ended December 31, 2022 and 2021 the Group provided IT support services to RosCorp LLC.

Loans receivable from / payable to related parties consisted of the following:

Related parties	Financial income	Financial expense	Long-term loans receivable from related parties	Short-term loans receivable from related parties	Long-term loans payable to related parties	Short-term loans payable to related parties
2022						
Entities under common control	—	51,658	6,200	9,215	350,964	24,667
Total 2021	—	51,658	6,200	9,215	350,964	24,667
2021						
Entities under common control	—	43,480	6,600	9,515	342,171	—
Total 2021	—	43,480	6,600	9,515	342,171	—

As of December 31, 2022 and December 31, 2021 short-term loans from related parties were neither past due nor impaired.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

10. Related parties disclosures (continued)

As at December 31, the ageing analysis of short-term receivables from related parties is presented below:

		Neither past due not impaired	Past due but not impaired		
	Total		< 3 months	3-6 months	> 6 months
2022	54,042	54,042	–	–	–
2021	54,618	53,364	–	–	1,254

Compensation to key management personnel

Key management personnel totaled 11 and 13 persons as at December 31, 2022 and 2021, respectively. Total compensation to key management personnel, including social taxes, was recorded in general and administrative expenses and consisted of the following:

	2022	2021
Salary	72,797	79,273
	72,797	79,273

The Group's contributions relating to social taxes for key management personnel amounted to RUB 13,768 and RUB 15,074 during the years ended December 31, 2022 and 2021, respectively.

There were no long-term remuneration of key management personnel in 2022 and 2021.

11. Income tax

The Group's provision for income tax for the years ended December 31 is as follows:

	2022	2021
Current income tax expense	(35,316)	(33,049)
Adjustments in respect of current income tax of previous year	(1,008)	(1,078)
Deferred tax (expense)/benefit	(5,144)	138,934
Total income tax (expense)/benefit	(41,468)	104,807

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

11. Income tax (continued)

The tax effect of the temporary differences that give rise to the deferred tax assets and liabilities were as follows as of December 31, 2022:

	December 31, 2021	Changed to income and expense	Currency translation	December 31, 2022
Tax effect of deductible temporary differences				
Trade and other payables	8,256	(3,433)	68	4,891
Right-of-use assets and lease obligations	149,398	(68,114)	—	81,284
Write-down of inventories to net realisable value	11,292	(2,004)	(195)	9,093
Carry forward of unused tax losses	205,628	53,854	(7)	259,475
Other	299,111	(11,559)	180	287,732
Total deferred tax asset	673,685	(31,256)	46	642,475
Tax effect of taxable temporary differences				
Property and equipment	(80,952)	7,454	244	(73,254)
Trade and other receivables	(18,760)	18,653	—	(107)
Other	(6)	5	1	—
Total deferred tax liability	(99,718)	26,112	245	(73,361)
Net deferred tax asset/(liability)	573,967	(5,144)	291	569,114

The tax effect of the temporary differences that give rise to the deferred tax assets and liabilities were as follows as of December 31, 2021:

	December 31, 2020	Changed to income and expense	Currency translation	December 31, 2021
Tax effect of deductible temporary differences				
Trade and other payables	91,812	(83,603)	47	8,256
Right-of-use assets and lease obligations	183,725	(34,327)	—	149,398
Write-down of inventories to net realisable value	10,544	744	4	11,292
Carry forward of unused tax losses	196,490	9,138	—	205,628
Other	298,785	324	2	299,111
Total deferred tax asset	781,356	(107,724)	53	673,685
Tax effect of taxable temporary differences				
Property and equipment	(219,717)	138,811	(46)	(80,952)
Trade and other receivables	(126,599)	107,839	—	(18,760)
Other	(14)	8	—	(6)
Total deferred tax liability	(346,330)	246,658	(46)	(99,718)
Net deferred tax asset/(liability)	435,026	138,934	7	573,967

The recognition and reversal of temporary differences, as presented in the tables above, primarily relates to accrued liabilities, tax losses available for carry forward, provisions to write inventory down to net realisable value and the depreciation of property and equipment in excess of the depreciation for tax purposes.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

11. Income tax (continued)

As of December 31, 2022 and 2021 several subsidiaries had accumulated tax losses in the amount of RUB 1,297,375 and RUB 1,028,140, for which a deferred tax asset of RUB 259,475 and RUB 205,628, respectively, was recognized. Management expects that these tax losses will be used against future taxable income.

Below is a reconciliation of theoretical income tax at statutory income tax rates to the actual expense recorded in the Group's income statement:

	2022	2021
Gain/(loss) before income tax	369,960	(9,961)
Income tax (expense)/benefit at Russian statutory income tax rate (20%)	(73,992)	1,992
Effect of differences in tax rates in countries other than the Russian Federation	44	244
Utilisation of previously unrecognised tax losses	–	9
Adjustment in respect of income tax of previous years	(1,008)	(1,078)
Tax on dividend income related to dividend declared by subsidiaries	–	(3,022)
Effect of non-taxable gains/(non-deductible expenses)	33,488	106,662
Income tax (expense)/benefit at the effective income tax rate	(41,468)	104,807

12. Inventories

Inventories consisted of the following as of December 31:

	2022	2021
Foods, beverages, liquors and tobacco	90,938	102,267
Utensils, paper goods and other items	47,686	59,145
	138,624	161,412
Write-down of inventories to net realisable value	(31,511)	(37,858)
Total inventories, at realizable value	107,113	123,554

During the year ended December 31, 2022 the Group restored a provision for inventory impairment of RUB 6,347. During the year ended December 31, 2021 the Group recognized an allowance for inventory impairment in the amount of RUB 5,943.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

13. Trade and other receivables

Receivables consisted of the following as of December 31:

	2022	2021
Trade receivables	95,462	102,825
Other receivables	194,460	218,044
	289,922	320,869
Allowance for expected credit losses	(23,201)	(46,542)
Total receivables, net	266,721	274,327

Trade and other receivables are non-interest bearing and are generally on 30-90 days terms.

In the second half of 2020 the Bank of Russia revoked the banking license from TEMBR-BANK JSC. Earlier, the Group received a credit line from TEMBR-BANK JSC. As a result, the Group's cash balances at TEMBR-BANK JSC were blocked. The stated amounts RUB 75,706 and RUB 78,636 are recorded as other receivable in the consolidated financial statements as at December 31, 2022 and 2021, respectively.

The Group has negotiated with the Deposit Insurance Agency, the appointed liquidator, to restructure a loan received from JSC TEMBR-BANK. During the liquidation procedure of TEMBR-BANK JSC, the Group's loan obligation is repaid in accordance with the established schedule, with a phased return of the Group's funds on blocked accounts opened with TEMBR-BANK JSC.

Movements in the allowance for expected credit losses of trade and other receivables were as follows:

	2022	2021
At January 1	46,542	36,686
Charge for the year	43	12,520
Amounts written off	(1,927)	(2,640)
Unused amounts reversed	(21,451)	(24)
Foreign exchange	(6)	—
At December 31	23,201	46,542

As at December 31, the ageing analysis of trade and other receivables is presented below:

	Total	Neither past due nor impaired	Past due but not impaired		
			<3 months	3-6 months	>6 months
Trade receivables	95,463	33,119	20,818	3,663	37,863
Other receivables	171,258	103,010	25,774	283	42,191
2022	266,721	136,129	46,592	3,946	80,054
Trade receivables	102,825	37,741	12,834	2,916	49,334
Other receivables	171,502	75,399	11,481	289	84,333
2021	274,327	113,140	24,315	3,205	133,667

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

14. Advances issued

Advances issued consisted of the following as of December 31:

	2022	2021
Advances to suppliers	393,638	352,028
Advances to employees	337	2,728
	393,975	354,756
Impairment allowance	(11,927)	(11,964)
Total advances issued, net	382,048	342,792

As at December 31, 2022 and 2021, advances to suppliers at nominal value of RUB 11,927 and RUB 11,964, respectively, were impaired. Movements in the allowance for impairment of advances issued were as follows:

	2022	2021
At January 1	11,964	10,958
Charge for the year	54	1,027
Amounts written off	(91)	(21)
At December 31	11,927	11,964

15. Cash and cash equivalents

Cash and cash equivalents consisted of the following as of December 31:

	2022	2021
Cash at bank	93,016	238,464
Cash in hand	8,528	11,434
Cash in transit	56,937	80,360
Total cash and cash equivalents	158,481	330,258

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

16. Share capital

The authorised, issued and fully paid share capital of the Company as of December 31, 2022 and December 31, 2021 comprised 16,305,334 shares. The nominal value of each ordinary share is 169.70 Russian roubles.

As at December 31, 2022 and 31 December, 2021, the total quantity and value of treasury shares of the Company held by the Group were 50,013 shares in the amount of RUB 35,969.

17. Earnings per share

Earnings per share were calculated by dividing the net profit/(loss) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	2022	2021
Net profit attributable to equity holders of the Company	327,221	94,041
Weighted average number of ordinary shares outstanding	16,255,321	16,255,321
Effect on dilution: share based payments	—	870
Weighted average number of ordinary shares adjusted for the effect of dilution	16,255,321	16,256,191
Basic, profit per share attributable to equity holders of the Parent, roubles	20.13	5.79
Diluted, profit per share attributable to equity holders of the Parent, roubles	20.13	5.78

18. Loans and borrowings

Long-term loans and borrowings

Russian rouble fixed rate 5%-15% bank loans maturing within 2 years
Other loans and borrowings

Less: current portion

Total long-term loans and borrowings

Short-term loans and borrowings

Russian rouble fixed rate 3%-15% bank and other loans maturing within 12 months

Current portion of long-term loans and borrowings

Total short-term loans and borrowings

	2022	2021
Russian rouble fixed rate 5%-15% bank loans maturing within 2 years	3,288,089	3,537,838
Other loans and borrowings	352,914	492,921
	3,641,003	4,030,759
Less: current portion	(455,746)	(183,229)
Total long-term loans and borrowings	3,185,257	3,847,530
	2022	2021
Russian rouble fixed rate 3%-15% bank and other loans maturing within 12 months	669,113	610,846
	669,113	610,846
Current portion of long-term loans and borrowings	455,746	183,229
Total short-term loans and borrowings	1,124,859	794,075

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Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

19. Lease obligations

Some Group's property leases, in which the Group is a lessee, contain a variable part of lease payments that depends on revenue generated from the leased restaurant premises.

The variable payments are up to 21.5% of the Group's total lease payments. The Group expects that the variable rent expenses will be in a similar proportion in future years.

As at December 31, lease obligations were as follows:

	December 31, 2022	December 31, 2021
Minimum lease payments, including		
Current portion (less than 1 year)	1,248,748	1,876,782
More than 1 to 5 years	2,052,738	4,247,704
Over 5 years	129,403	448,696
Total minimum lease payments	3,430,889	6,573,182
Less interests	(735,032)	(1,479,127)
Present value of net minimum lease payments		
Current portion (less than 1 year)	935,747	1,307,823
More than 1 to 5 years	1,641,841	3,382,200
Over 5 years	118,269	404,032
Total present value of net minimum lease payments	2,695,857	5,094,055
Less current portion of lease obligation	(935,747)	(1,307,823)
Long-term portion of lease obligation	1,760,110	3,786,232

The changes in lease obligations:

	2022	2021
Balance as at January 1	5,094,055	5,829,341
Interest expense on lease obligations (Note 27)	506,536	620,747
New lease contracts	145,831	119,980
Modification of existing lease contracts	327,126	1,107,940
Lease payments	(1,349,501)	(1,250,043)
Discounts on lease payment (Note 25)	(93,793)	(607,580)
Foreign exchange loss	117,889	7,845
Disposal of lease obligation	(2,052,286)	(734,175)
Balance as at December 31	2,695,857	5,094,055

Interest expenses on lease obligation for years ended December 31, 2022 and December 31, 2021 were included in financial expense in the consolidated statement of profit or loss.

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Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

19. Lease obligations (continued)

For the year ended December 31, 2022 total cash outflows related to leases totalled to RUB 1,349,501 of which RUB 505,654 related to interest paid. For the year ended December 31, 2021 total cash outflows related to leases totalled to RUB 1,250,043 of which RUB 637,979 related to interest paid.

20. Liabilities to partners

The movements in liabilities to partners were as follows during the years ended December 31:

	2022	2021
At January 1	272	–
Other non-cash settlements	(109)	272
At December 31	163	272
Analysed as to:		
	2022	2021
Short-term liabilities to partners	163	272
Total liabilities to partners	163	272

21. Trade and other payables

Trade and other payables consisted of the following as of December 31:

	2022	2021
Output VAT and other taxes payable	623,165	481,931
Interest payable to banks	310,622	177,470
Trade creditors	245,408	285,676
Advances received	107,760	89,529
Accrued salaries	52,744	60,907
Unused vacation provision	45,345	69,865
Accrued and other liabilities	479,530	641,186
Total trade and other payables	1,864,574	1,806,564

Maturity profile of accounts payable is disclosed in Note 29.

22. Revenue

Revenue for the years ended December 31 consisted of the following:

	2022	2021
Revenue from restaurants	6,005,050	6,006,046
Franchise revenue	162,485	143,093
Sublease services	61,312	48,579
Other revenues	50,572	11,782
Total revenue	6,279,419	6,209,500

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Notes to the consolidated financial statements (continued)

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23. Cost of sales

The following expenses were included in cost of sales for the years ended December 31:

	2022	2021
Food and beverages	1,292,616	1,213,453
Payroll and related taxes	1,256,530	1,209,770
Buildings and restaurant equipment depreciation	1,127,512	1,188,602
Rent	242,519	333,800
Laundry and sanitary control expenses	154,541	136,752
Utilities	119,000	121,742
Materials	107,963	109,677
Transportation services	102,935	124,472
Other services	95,773	98,677
Franchising fees	62,613	190,754
Maintenance and repair services	48,623	40,611
Sublease services costs	13,467	12,420
Other expenses	29,515	32,145
Total cost of sales	4,653,607	4,812,875

Depreciation of right-of-use assets in the amount of RUB 991,601 is included in buildings and restaurant for the year ended December 31, 2022 (RUB 1,044,000 for the year ended December 31, 2021).

24. Selling, general and administrative expenses

The following expenses were included in selling, general and administrative expenses for the years ended December 31:

	2022	2021
Payroll and related taxes	575,534	580,573
Depreciation and amortization	132,995	124,563
Advertising	46,195	43,163
Other services	21,653	21,983
Financial and legal consulting	20,080	24,291
Utilities	11,460	11,850
Transportation services	10,354	9,079
Bank services	9,412	8,044
Rent	7,733	17,097
Materials	4,873	4,894
Maintenance and repair services	4,323	3,864
Laundry and sanitary control expenses	1,152	807
(Reversal of provision)/allowance for expected credit losses of trade and other receivables and allowance for impairment of advances issued	(31,308)	20,414
Other expenses	52,129	62,055
Total selling, general and administrative expenses	866,585	932,677

Depreciation of right-of-use assets in the amount of RUB 27,807 is included in depreciation and amortisation for the year ended December 31, 2022 (RUB 24,497 for the year ended December 31, 2021).

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Notes to the consolidated financial statements (continued)

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25. Other gains/losses

Gains and losses for the years ended December 31 consisted of the following:

	2022	2021
Income from disposal of operating assets, net	563,584	–
Discounts on lease payment	93,793	607,580
Write-off of trade and other payables	15,821	4,759
Reversal of previous year expenses	854	467
Other gains	44,934	175,209
Total other gains	718,986	788,015
Non-refundable VAT	2,206	2,386
Previous year expenses	245	2,246
Inventory shortage	191	396
Loss on disposal of assets, net	–	124,090
Other losses	19,811	13,514
Total other losses	22,453	142,632

Profit on disposal of rights-of-use assets in the amount of RUB 570,413 is included in profit on disposal of operating assets for the year ended December 31, 2022.

Loss on disposal of rights-of-use assets in the amount of RUB 60,679 is included in loss on disposal of operating assets for the year ended December 31, 2021.

Discounts on lease contracts represent exemption from lease payments for a period when the Group's restaurants were closed.

26. Impairment of assets

Impairment of assets for the years ended December 31 consisted of the following:

	2022	2021
(Reversal of)/loss from impairment on property and equipment <i>(Note 6)</i>	(17,737)	21,218
Reversal of impairment of right-of-use assets <i>(Note 7)</i>	(4,024)	(41,334)
Loss from/(reversal of) impairment of intangible assets <i>(Note 8)</i>	2	(771)
Total reversal of impairment of assets	(21,759)	(20,887)

The accumulated impairment loss on property and equipment amounted to RUB 7,579 and RUB 61,856 as of December 31, 2022 and 2021, respectively.

The accumulated impairment loss on right-of-use assets amounted to RUB 4,024 and RUB 5,562 as of December 31, 2022 and 2021, respectively.

The accumulated impairment loss on intangible assets amounted to RUB 6,488 and RUB 6,597 as of December 31, 2022 and 2021, respectively.

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Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

27. Financial income/expenses

The following income/expenses were included in financial income/expenses for the years ended December 31:

	2022	2021
Interest income	1,469	567
Total financial income	1,469	567
	2022	2021
Interest expense on bank loans and guaranties	484,060	454,021
Interest expense on lease obligation (<i>Note 19</i>)	506,536	620,747
Total financial expenses	990,596	1,074,768

28. Commitments and contingencies

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Russia's 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. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

On February 24, 2022, the Russian Federation launched a military peacekeeping special operation to resolve a long-term military-political confrontation in eastern Ukraine. In this regard, the US and EU countries have imposed a number of sanctions, including a ban on investing in the debt obligations of the Russian Federation and restrictions on a number of Russian financial institutions, including economic sanctions against Russia, such as disconnecting the Russian Federation from the SWIFT international payment system and much more other.

This circumstance provokes an outflow of capital from the Russian Federation, which in turn leads to fluctuations in the exchange rate of the Russian ruble against other world currencies. In turn, the Russian Federation introduced retaliatory measures of an economic nature.

On 12 March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. In response to the pandemic, Russian authorities have taken a range of measures to curb the spread and mitigate the impact of COVID-19, such as bans and restrictions on movement, self-isolation, and restrictions on commercial activities, including the closure of businesses. These measures, in particular, have significantly limited economic activity in Russia and have already had and may still have a negative impact on the business, market participants, customers of the Group, as well as on the Russian and global economy for an indefinite period of time.

Management reviewed an impact of the pandemic on the Group's financial performance, including the following key accounting estimates:

- measurement of expected credit losses for financial assets: for the measurement, the Group uses, among other things, forecasts of macroeconomic indicators, of which inflation forecasts have the greatest impact on the calculation. The Group's management analysed the current economic forecasts

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

28. Commitments and contingencies (continued)

- in the expected credit losses model and concluded that they did not lead to a significant increase in expected credit losses;
- property, plant and equipment impairment assessment (*Note 26*).

The Group's management monitor the development of the economic situation and take necessary measures to ensure sustainability of the Group's operations.

Future implications of the current economic situation and the measures mentioned above are difficult to predict, and current expectations and estimates of the management may differ from the actual results.

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all business matters will not have a material impact on the Group's financial position, operating results and cash flows.

Russian Federation tax and regulatory environment

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes fuzzy and contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to audit and investigation by a number of authorities, which have the authority to impose severe fines and penalties charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more tough stance in their interpretation and enforcement of tax legislation.

Capital commitments

At December 31, 2022 and 2021 the Group had capital commitments of RUB 52,534 and RUB 65,813 respectively. These capital commitments principally relate to the construction of new restaurants.

29. Financial risk management objectives and policies

Financial instruments carried on the statement of financial position comprise loans given, trade and other payables, bank loans and liabilities to partners. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, cash and short-term deposits, which arise directly from its operations.

Management of risk is an essential element of the Group's operations. The main risks inherent to the Group's operations include those related to market movements in interest rates, foreign exchange rates, credit risk and liquidity risk. The Group's risk management policies in relation to these risks are summarized below.

Interest rate risk

As at 31 December 2022 and 2021, the Group did not have loans with floating interest rate.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

29. Financial risk management objectives and policies (continued)

Foreign currency risk

Foreign currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency risk related to its US dollar denominated intercompany balances and external debts of its Russian subsidiaries.

The Group monitors the currency risk by following changes in exchange rates in currencies in which its intercompany balances and external debts are denominated. The Group does not have formal arrangements to mitigate its currency risk.

The table below shows the sensitivity to a reasonably possible change in the US dollar and Russian rouble, Belarusian rouble exchange rates, euro and Russian rouble exchange rates with all other variables held constant, of the Group's profit/(loss) before tax:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Increase/ (decrease) in exchange rate	Effect on profit/(loss) before tax	Increase/ (decrease) in exchange rate	Effect on profit/(loss) before tax
US dollar / Russian rouble	20.0%	(233,219)	20.0%	(430,728)
US dollar / Russian rouble	(10.0%)	116,610	(10.0%)	215,364
US dollar / Belarusian rouble	20.0%	657	20.0%	172
US dollar / Belarusian rouble	(10.0%)	(328)	(10.0%)	(86)

The Group aims to minimize possible foreign currency risk relating to the lease liabilities nominated in USD or Euro by negotiating the fixed exchange rate or a maximum exchange rate level with the landlords. The Group does not hedge its foreign currency risk.

Liquidity risk

The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of financial assets and projected cash flows from operations. The tables below summaries the maturity profile of the Group's financial liabilities, including principal amounts and interests according to contractual terms, at December 31, 2022 and 2021 based on contractual undiscounted payments.

	Less than 3 months	3-12 months	1 to 5 years	> 5 years	Total
December 31, 2022					
Long-term and short-term loans and borrowings	104,349	1,325,723	3,744,533	780	5,175,385
Long-term debt due to related parties (Note 10)	—	24,667	350,964	—	375,631
Trade and other payables	1,020,635	16,397	—	—	1,037,032
Payables to related parties (Note 10)	1,645	82,678	—	—	84,323
Lease obligation (Note 19)	312,187	936,561	2,052,738	129,403	3,430,889
Liabilities under partnership agreements	—	163	—	—	163
Total	1,438,816	2,386,189	6,148,235	130,183	10,103,423

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Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

29. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

December 31, 2021	Less than 3 months	3-12 months	1 to 5 years	> 5 years	Total
Long-term and short-term loans and borrowings	110,818	906,690	4,803,708	769	5,821,985
Long-term debt due to related parties (Note 10)	–	–	342,171	–	342,171
Trade and other payables	1,102,505	2,172	–	–	1,104,677
Payables to related parties (Note 10)	29,008	41,223	–	–	70,231
Lease obligation (Note 19)	469,195	1,407,587	4,247,704	448,696	6,573,182
Liabilities under partnership agreements	–	272	–	–	272
Total	1,711,526	2,381,683	9,369,844	449,465	13,912,518

Credit risk

The Group is not significantly exposed to credit risk as the majority of its sales are on a cash basis. The Group's credit risk is primarily attributed to receivables from related parties and trade and other receivables. The carrying amount of loans due from related parties and receivables, net of allowance for impairment, represents the maximum amount exposed to credit risk. Management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

The Group deposits available cash with several Russian banks. Deposit insurance is not offered to banks operating in Russia. To manage the credit risk, the Group allocates its available cash to a variety of Russian banks and management periodically reviews the credit worthiness of the banks in which such deposits are held.

The maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below:

	2022	2021
Trade and other receivables (Note 13)	266,721	274,327
Receivables from related parties (Note 10)	54,042	54,618
Long-term loans due from related parties (Note 10)	6,200	6,600
Short-term loans due from related parties (Note 10)	9,215	9,515
Short-term loans	–	–
	336,178	345,060

Fair value of financial instruments

Fair value is the amount for which a financial instrument can be exchanged during a current transaction between interested parties, except in cases of forced sale or liquidation. The best confirmation of fair value is the price of a financial instrument quoted in an active market.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data necessary to determine the estimated fair value. Management uses all available market information in estimating the fair value of financial instruments.

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Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

29. Financial risk management objectives and policies (continued)

Capital management

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.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

30. Subsequent events

After December 31, 2022, there were no significant events to be disclosed in the Group's consolidated financial statements.