Public Joint Stock Company “M.video”

Special Purpose Consolidated Financial Statements
for the year ended 31 December 2023
and Independent auditor’s report

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

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PUBLIC JOINT STOCK COMPANY “M.VIDEO”

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Management is responsible for the preparation of the special purpose consolidated financial statements that present fairly the special purpose consolidated financial position of Public Joint Stock Company “M.video” (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2023, described in Note 2 *“Basis of preparation of special purpose consolidate financial statements and significant accounting policies”* to the special purpose consolidated financial statements.

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

- Properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner consistent with the basis of preparation described in more detail in Note 2 *“Basis of preparation of special purpose consolidate financial statements and significant accounting policies”*, which does not lead to imposition of additional sanctions by foreign states, national unions and (or) associates, state-owned (interstate) institutions of foreign states or of national unions and (or) associates targeting the group and (or) other persons;
- providing additional disclosures when compliance with the specific requirements in International financial reporting standards (“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 local legislation and accounting standards of Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The special purpose consolidated financial statements of the Group for the year ended 31 December 2023 were approved on 11 March 2024.

B. Uzhakhov General Director	**A. Garmanova** Chief Financial Officer

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5 Lesnaya Street
Moscow, 125047,
Russia

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Public Joint Stock Company "M.video":

Opinion

We have audited the special purpose consolidated financial statements of Public Joint Stock Company "M.video" (the "Group"), which comprise the special purpose consolidated statement of financial position as at 31 December 2023, the special purpose consolidated statement of profit or loss and other comprehensive income, special purpose consolidated statement of changes in equity and special purpose consolidated statement of cash flows for the year then ended, and notes to the special purpose consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying disclosable consolidated financial statements are prepared in all material respects in accordance with the basis of preparation of disclosable consolidated financial statements described in Note 2 *"Basis of preparation of special purpose consolidate financial statements and significant accounting policies"* and in accordance with Decree of the Government of the Russian Federation № 1102 dated 4 July 2023 *"On specific aspects of disclosure and (or) provision of information, subject to disclosure and (or) provision in accordance with the requirements of the Federal Law "On Joint Stock Companies" and the Federal Law "On the Securities Market"* regarding restrictions on the level of financial information disclosure.

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 Special Purpose Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Auditor's *Independence Rules* and *the Auditor's Professional Ethics Code*, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation and Restriction on Use

We draw attention to the information set out in Note 2 "Basis of preparation of special purpose consolidated financial statements and significant accounting policies", which describes the basis of preparation. The purpose of disclosable consolidated financial statements is to present consolidated financial position and consolidated financial results of the Group, in accordance with the requirements of the Federal Law on Joint Stock Companies No. 208 "On Joint Stock Companies" dated 26 December 1995 as well as taking into account the recommendations set forth in the Decree of the Government of the Russian Federation No. 1102 dated 4 July 2023 "On specific aspects of disclosure and (or) provision of information, subject to disclosure and (or) provision in accordance with the requirements of the Federal Law "On Joint Stock Companies" and the Federal Law "On the Securities Market" regarding restrictions of disclosures of the financial information in such a manner that the disclosures in the accompanying special purpose consolidated financial statements are not prejudicial to the Group and its subsidiaries, shareholders, and current and potential counterparties. As a result, the special purpose consolidated financial statements do not comply with International Financial Reporting Standards ("IFRSs"), do not contain all the information required to be presented and disclosed in accordance with IFRSs and may not be suitable for any other purposes. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for other information. Other information includes the information contained in the 2023 issuer's report on equity securities and annual report (the "Reports"), but does not include the special purpose consolidated financial statements and our auditor's report thereon. We anticipate that the Reports will be made available to us after the date of this auditor's report.

Our opinion on the special purpose 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 special purpose consolidated financial statements, our responsibility is to read the other information and consider whether the other information is materially inconsistent with the special purpose consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, upon reading the report, we conclude that the other information is materially misstated, we are required to report that fact to those charged with governance.

Other information - Additional financial information

Our audit was conducted for the purpose of forming an opinion on the Group's special purpose consolidated financial statements as a whole. Management is responsible for the preparation of information accompanying the special purpose consolidated financial statements, which is presented as additional financial information on pages 60-63. This information is provided for the purposes of additional analysis and is not a required part of the special purpose consolidated financial statements for year ended 31 December 2023 prepared in accordance with IFRS.

The supplementary information has been subjected to the auditing procedures applied in the audit of the special purpose consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose consolidated financial statements or to the special purpose consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the special purpose consolidated financial statements as a whole.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the special purpose 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the special purpose consolidated financial statements, including the disclosures, and whether the special purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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.

Vladimir Biryukov
(ORNZ № 21906100113)
Engagement partner,
Acting based on the power of attorney issued by the General Director on 06.07.2022
to sign off the audit report on behalf of AO BST (ORNZ № 12006020384)

11 March 2024

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(in millions of Russian Rubles)

	Notes	31 December 2023	31 December 2022
NON-CURRENT ASSETS			
Property, plant and equipment	7	10 765	13 104
Investment property		162	178
Intangible assets	9	23 399	26 484
Goodwill	6	50 007	50 007
Right-of-use assets	8	51 688	59 750
Deferred tax assets	15	11 086	9 830
Other non-current assets		404	396
Total non-current assets		**147 511**	**159 749**
CURRENT ASSETS			
Inventories	10	139 702	112 871
Accounts receivable	11	31 023	18 049
Advances issued	11	7 531	5 988
Income tax receivable		64	239
Other taxes receivable	12	15 316	6 879
Cash and cash equivalents	13	18 662	30 196
Total current assets		**212 298**	**174 242**
TOTAL ASSETS		**359 809**	**333 991**
EQUITY			
Share capital	14	1 798	1 798
Additional paid-in capital		4 576	4 576
Treasury shares	14	(526)	(526)
Retained earnings		(6 081)	532
Total equity		**(233)**	**6 380**
NON-CURRENT LIABILITIES			
Lease liabilities	8	46 859	57 670
Non-current borrowings and other financial liabilities	16	11 922	13 951
Deferred tax liabilities	15	57	50
Other liabilities		498	487
Total non-current liabilities		**59 336**	**72 158**
CURRENT LIABILITIES			
Trade accounts payable		181 588	135 668
Current borrowings and other financial liabilities	16	74 513	81 715
Other payables and accrued expenses	17	14 265	13 090
Liabilities to customers	19	7 103	6 048
Lease liabilities	8	19 926	15 662
Other taxes payable	18	3 064	2 883
Provisions	20	247	387
Total current liabilities		**300 706**	**255 453**
Total liabilities		**360 042**	**327 611**
TOTAL EQUITY AND LIABILITIES		**359 809**	**333 991**

The Notes form an integral part of these special purpose consolidated financial statements.

Signed on 11 March 2024 by:

B. Uzhakhov
General Director

A. Garmanova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(in millions of Russian Rubles, except earnings per share)

	Notes	2023	2022
REVENUE	21	434 390	402 462
COST OF SALES	22	(343 012)	(319 355)
GROSS PROFIT		**91 378**	**83 107**
Selling, general and administrative expenses	23	(75 241)	(76 417)
Other operating income	24	430	2 090
Other operating expenses	25	(270)	(1 032)
OPERATING PROFIT		**16 297**	**7 748**
Finance income	26	532	1 367
Finance expenses	26	(24 603)	(21 472)
Loss from disposal of financial assets		–	(1 013)
LOSS BEFORE INCOME TAX EXPENSE		**(7 774)**	**(13 370)**
Income tax expense	15	1 161	3 071
NET LOSS for the period, being TOTAL COMPREHENSIVE LOSS for the period		**(6 613)**	**(10 299)**
BASIC EARNINGS PER SHARE (in Russian Rubles)	27	(37,07)	(57,75)
DILUTED EARNINGS PER SHARE (in Russian Rubles)	27	(37,07)	(57,75)

The Notes form an integral part of these special purpose consolidated financial statements.

Signed on 11 March 2024 by:

B. Uzhakhov
General Director

A. Garmanova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(in millions of Russian Rubles)

	Notes	Share capital	Additional paid–in capital	Treasury shares	Retained earnings	Total
Balance as at 1 January 2022		**1 798**	**4 576**	**(557)**	**11 012**	**16 829**
Accrual of compensation under share–based payments	29	–	–	–	(150)	(150)
Settlements under share–based payments	29	–	–	31	(31)	–
Total comprehensive income for the year		**–**	**–**	**–**	**(10 299)**	**(10 299)**
Balance as at 31 December 2022		**1 798**	**4 576**	**(526)**	**532**	**6 380**
Accrual of compensation under share–based payments		–	–	–	–	–
Settlements under share–based payments		–	–	–	–	–
Total comprehensive income for the year		**–**	**–**	**–**	**(6 613)**	**(6 613)**
Balance as at 31 December 2023		**1 798**	**4 576**	**(526)**	**(6 081)**	**(233)**

The Notes form an integral part of these special purpose consolidated financial statements.

Signed on 11 March 2024 by:

B. Uzhakhov
General Director

A. Garmanova
Chief Financial Officer

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(in millions of Russian Rubles)

	Notes	2023	2022
OPERATING ACTIVITIES			
Net loss for the year		(6 613)	(10 299)
Adjustments for:			
Income tax expense	15	(1 161)	(3 071)
Depreciation and amortisation	23	25 453	27 060
Loss on disposal of financial assets		–	1 013
Change in allowance for advances paid		2	147
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		130	262
Interest income	26	(532)	(1 335)
Interest expenses	26	24 281	21 472
Income from subsidies	24	(256)	(515)
Net foreign exchange income		322	534
Other non-cash reconciling items, net		(108)	(588)
Operating cash flows before movements in working capital		**41 518**	**34 680**
(Increase)/ decrease in inventories		(26 961)	50 505
(Increase)/ decrease in accounts receivable and advances issued		(14 520)	16 529
(Increase)/ decrease in other taxes receivable		(8 436)	25 951
Increase/ (decrease) in trade accounts payable		45 778	(103 393)
Increase/ (decrease) in other payables and accrued expenses		1 282	(4 124)
Increase/ (decrease) in liabilities to customers		1 055	(1 950)
(Decrease)/ increase in other liabilities		(43)	46
Increase in other taxes payable		182	521
Other changes in working capital, net		11	1 270
Cash generated by operations		**39 866**	**20 035**
Income taxes paid		165	2 752
Interest paid		(23 232)	(19 032)
Net cash from operating activities		**16 799**	**3 755**

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in millions of Russian Rubles)

	Notes	2023	2022
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2 355)	(762)
Proceeds from sale of property, plant and equipment		122	784
Purchase of intangible assets		(4 365)	(5 274)
Interest received		532	1 335
Proceeds from disposal of financial assets		–	4 514
Net cash outflow from purchase of subsidiary		–	(204)
Net cash used in investing activities		**(6 066)**	**393**
FINANCING ACTIVITIES			
Proceeds from bonds	16	7 000	5 000
Repayment of bonds	16	(5 775)	–
Proceeds from borrowings	16	70 458	95 263
Repayment of borrowings	16	(81 477)	(73 919)
Repayment of lease liabilities	8	(12 473)	(12 349)
Net cash used in financing activities		**(22 267)**	**13 995**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(11 534)**	**18 143**
CASH AND CASH EQUIVALENTS, at the beginning of the year		**30 196**	**12 053**
CASH AND CASH EQUIVALENTS, at the end of the year		**18 662**	**30 196**

The Notes form an integral part of these special purpose consolidated financial statements.

Signed on 11 March 2024 by:

B. Uzhakhov
General Director

A. Garmanova
Chief Financial Officer

(in millions of Russian Rubles)

1. GENERAL INFORMATION

The special purpose consolidated financial statements of Public Joint Stock Company "M.video" (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2023 were authorised for issue by management on 11 March 2024.

The Company is incorporated in the Russian Federation.

Following the initial public offering in November 2007, the Company's ordinary shares were admitted to trading on MICEX stock exchange (Moscow Exchange) in the Russian Federation.

The Group is operating a chain of household appliance and consumer electronics stores and online stores in the Russian Federation. The Group specialises in the sale of TV, audio, video, Hi-Fi, home appliances and digital equipment, as well as related services. The Group comprises a chain of owned and leased stores.

The Group is operating under two brands: M.video and Eldorado.

The accompanying special purpose consolidated financial statements include assets, liabilities and operating result of the Company and its subsidiaries as at 31 December 2023 and 2022:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 31 December 2023	31 December 2022
LLC "MVM"	Retailing	Russian Federation	100	100
ILC "Bovesto"	Holding company	Russian Federation	-	100
LLC "Invest-Realty"	Operating lease of real estate	Russian Federation	100	100
LLC "Rentol"	Operating lease of real estate	Russian Federation	100	100
LLC "Trade center "Permskiy"	Operating lease of real estate	Russian Federation	100	100
LLC "BT HOLDING"	Holding company	Russian Federation	100	100
LLC "MV FINANCE"	Financial company	Russian Federation	100	100
LLC "Direct Credit Center"	Financial company	Russian Federation	100	100
LLC "M tech"	Financial company	Russian Federation	100	100
LLC "Aliance Credit"	Financial company	Russian Federation	100	100
LLC MCC "DC Pay"	Financial company	Russian Federation	100	–
Guanzhoy MVM Trade Ko., Ltd.	Wholesale company	China	100	–

In August 2023 LLC "Bovesto" was reorganized in the form of takeover to LLC "BT Holding". In April 2023 LLC MKK "DC Pay" was established. In August 2023 Guanzhoy MVM Trade Ko., Ltd was established.

(in millions of Russian Rubles)

Shareholders

As at 31 December 2023 and 2022, the registered shareholders of the Company and their respective ownership and voting interests were as follows:

	2022	2022
ILLC “ERICARIA”	50,0000%	50,0000%
Media-Saturn-Holding GmbH	15,0000%	15,0000%
PJSC "SFI"	10,3735%	10,3735%
Treasury shares	0,7720%	0,7720%
Various shareholders	23,8545%	23,8545%
Total	**100%**	**100%**

In 2023 Ericaria Holdings Limited was redomociled from the Republic of Cyprus to the Russian Federation and was renamed to ILLC “ERICARIA”.

2. BASIS OF PREPARATION

Basis of Preparation and Presentation

These special purpose consolidated financial statements have been prepared by the Group’s Management based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard’s Board by excluding information that can cause damage to the Group and/or its counterparties (hereinafter referred to as “sensitive information”). Special purpose consolidated financial statements do not comprise financial report prepared in accordance with IFRS since the consolidated financial statements were prepared with exclusion of certain information do not contain all information which is required to be disclosed in accordance with IFRS.

The decisions on the special purpose consolidated financial statements preparation and sensitive information scope were made by the Group’s management based on part 8 article 7 of Federal Law dated 27 July 2010 № 208-FZ “On consolidated financial statements” and Resolutions of the Russian Federation Government dated 5 March 2020 № 232 “On specific aspects of consolidated financial statements disclosure” and dated 4 July 2023 № 1102 “On specific aspects of disclosure and (or) provision of information, subject to disclosure and (or) provision in accordance with the requirements of the Federal Law “On Joint Stock Companies” and the Federal Law “On the Securities Market”.

These special purpose consolidated financial statements have been prepared to present consolidated financial position and consolidated financial results of the Group, the disclosure of which does not cause damage to the Group and (or) its counterparties. Therefore, these special purpose consolidated financial statements may not be suitable for another purpose.
The special purpose consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Functional and presentation currency

The special purpose consolidated financial statements are presented in Russian Rubles (“RUB”), the functional currency of each operating company of the Group.

(in millions of Russian Rubles)

Adoption of New Standards and Interpretations

Except as noted below, the accounting policies applied the accounting policies applied in the preparation of these special purpose consolidated financial statements are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

The Group has adopted new and revised accounting standards, which are mandatory for adoption in these special purpose consolidated financial statements in the annual periods beginning on or after 1 January 2023:

Title	Subject	Effective for annual periods beginning on or after
IFRS 17, including amendments to IFRS 17	Insurance Contracts	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
	Interantional Tax Reform - Pillar 2 Model Rules	
Amendments to IAS 1 and IFRS Practice Statement №2	Disclosure of Accounting Policies	1 January 2023

As a result of adoption of Amendments to IAS 12 the Group reflects deferred tax assets and deferred tax liabilities arising from right-of-use assets and lease liabilities in the respective note on a gross basis.

Other IFRS amendments have not resulted in any significant changes to these special purpose consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The special purpose consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

All intra-group transactions, balances, income and expenses or profits and losses resulting from intra-group transactions are eliminated in full on consolidation.

Going concern

In preparing the special purpose consolidated financial statements management has performed an assessment of the Group's ability to continue as a going concern, covering the period of 12 months, from the reporting date.

Within such assessment, management of the Group considered the following:

- The Group has outstanding bank borrowings and bonds of 86 435 as of 31 December 2023, out of which 74 513 are due in 2024 (Note 16);
- The Group resulted in net loss of 6 613 for 2023;
- As at 31 December 2023, the Group had unused credit facilities of 27 473 for which, however, were not legally committed by the banks (Note 16);
- The Group's budget for 2024 approved by the Board of Directors provides for the growth of the business profitability and repayment of Group's current liabilities according to documented and/ or statutory deadlines while meeting financial covenants set by the credit agreements.

During the assessment of the Group's ability of going concern, management has taken into consideration that after the reporting date the Group:

- All of loan and bond liabilities whose contractual repayment dates occurred after 31 December 2023 were refinanced or redeemed for the total amount of 15 129;
- Met its key budget performance measures in January 2024, met its key budget performance measures in January 2024, exceeding considerably turnover and revenue year-on- year numbers, and expecting to meet budgeted full year numbers;

Based on the assessment, which included consideration of the facts mention above and all the relevant information available at the date of issuance of special purpose consolidated financial statements, the Group's management concluded that the going concern assumption is appropriate. However, due to frequent and significant changes in operating environment, as well as events, which are outside of the Group's control, the Group's going concern assessment is subject to a higher degree of uncertainty.

Foreign currencies

Standalone financial statements of each of the Group's entities are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at exchange rates prevailing at transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rate prevailing on the date when the most recent fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the special purpose consolidated statement of profit or loss and other comprehensive income in the period in which they arise. Exchange differences arising on loans and borrowings and lease agreements are reported as part of finance cost, while exchange differences related to operating items are included into other operating income or expenses.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Initial cost includes expenditure that is directly attributable to the acquisition of the items.

Major replacements or modernisations of property, plant and equipment are capitalised and depreciated over their estimated useful lives. All other repair and maintenance expenditure is recognised in the special purpose consolidated statement of profit or loss and other comprehensive income during the financial period in which it is incurred.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	20-30 years
Leasehold improvements	7 years
Trade equipment	3-5 years
Security equipment	3 years
Computer and Telecomm	3 years
Other fixed assets	3-5 years

Leasehold improvements are depreciated over the shorter of useful life or the related lease term.

Trade equipment and leasehold improvements are depreciated over the estimated useful life specified above unless there is a plan to fully renovate the store prior to reaching the predetermined estimated useful life. In this situation, the net book value of trade equipment will be depreciated over the remaining estimated useful life being the period of time up to the planned renovation works.

The fixed assets’ residual value and useful lives are reviewed and adjusted, if necessary, at each balance sheet date.

Where there are indicators that an asset’s or a cash generating unit’s carrying amount exceeds its estimated recoverable amount, it is written down to its recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the special purpose consolidated statement of profit or loss and other comprehensive income.

Construction in progress comprises the cost of equipment in the process of installation and other costs directly relating to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over estimated useful lives of these intangible assets. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives per class of intangible assets are as follows:

Software licenses, development and web site	1-10 years
Trademarks	5-10 years

The Group owns the trademark “Eldorado” acquired through a business combination. It has an indefinite useful life as there is no foreseeable limit to the period when the asset is expected to generate economic benefits for the Group.

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- The probability that the asset will generate future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the special purpose consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The useful life of intangible assets is determined on the basis of expert opinion, taking into account the speed of software change in the modern economic environment and ranges from 1 to 5 years. The useful life is regularly reviewed.

Impairment of non-current assets

At each balance sheet date the Group reviews the carrying amounts of its non-current 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).

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. 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 risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiplies, quoted share price if available or other fair value indicators.

For non-current assets, the CGU is deemed to be a group of stores located in one city. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Impairment test for goodwill, intangible assets with indefinite useful life and those intangible assets that are not yet available for use, is performed by the Group annually at each year-end by comparing their carrying amount with the recoverable amount calculated as discussed above.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the special purpose consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the special purpose consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are not recognised for taxable temporary differences associated with investments in subsidiaries, associate companies and joint ventures as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and deferred tax liabilities resulting from accounting for leases in accordance with IFRS 16 are presented in the special purpose consolidated financial statements on a gross basis.

Current and deferred income tax for the period

Current and deferred income tax are recognised as an expense or income in the special purpose consolidated statement of profit or loss and other comprehensive income, except when they relate to items credited or debited directly to equity (in which case the tax is also recognised directly in equity) or where they arise from the initial accounting for a business combination. For business combinations, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

Amortisation of goodwill is not performed, however it is tested for impairment not less that annually.

For the purposes of impairment testing, goodwill is allocated to the groups of cash-generating units (CGU) that are expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

If the CGU is disposed the related amount of goodwill is considered for profit or loss on disposal.

Government grants

Government grants are recognised in the Group's financial statements only if there is reasonable assurance that all the conditions necessary to obtain them are met and the grants will be received.

Grants are associated with obtaining loans at preferential interest rates

Grant income arising as the difference between the market interest rate and contractual interest rate on loans received for the payment of wages and financing of current activities is estimated for the entire period of the loan and recognised in other operating income over the periods in which the corresponding expenses compensated by grants are incurred.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques, which include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis, or other valuation models.

The discount rate reflects the minimum acceptable return on invested capital at which the investor would not choose to participate in an alternative project to invest the same funds with a comparable degree of risk.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets

Financial assets are those to be measured at amortised cost.

Financial assets are measured at amortised value if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

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

In particular, this category includes interests in other companies that are not included in the fair value through profit or loss category.

For equity investments (shares, shares, etc.) classified as fair value through other comprehensive income, the accumulated gains or losses in other comprehensive income can never be subsequently carried forward to profit or loss for the period.

All regular routine purchases or sales of financial assets are recognised on a trade date basis. Regular routine purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Discount rate presents minimum return on investment, when the investor do not prefer the alternative investment of the same resources with the same risk level.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus (for financial asset not at fair value through profit or loss (FVTPL) transaction costs directly attributable to the acquisition of the financial asset.

Transaction costs of the financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flows characteristics of the asset. The major part of the Group's debt instrument are represented by trade accounts and loans receivable and are measured at amortised cost applying the effective interest rate as these instruments are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Impairment of financial assets

Financial assets, other than those as at FVTPL, are assessed for indicators of impairment at each balance sheet date.

The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring in the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making such an assessment, the Group analyses the change in the risk of default over the expected life of the financial instrument, taking into account reasonable and verifiable information available without excessive cost or effort that indicates a significant increase in credit risk since the initial recognition of the relevant instrument (including using forward-looking information).

The Group determines that the risk of default related to financial instrument exists in cases that there is small probability that the contractual obligations will be fulfilled by the vendor in full without undertaking additional measures such as sale of collateral (if any exists).

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

If in the following reporting periods impairment loss is reduced, and this reduction relates to the event that has taken place after the loss is recognised, then previously recorded impairment loss is recovered by adjustment in profit or loss. Meanwhile carrying value of the financial assets on the recovery date must not exceed depreciated value that would have been reported if the impairment loss had not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. Otherwise financial liabilities are measured subsequently at amortised cost using the effective interest method.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities only if the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Value added tax

Value added tax ("VAT") related to sales is payable to tax authorities on the earliest of (a) cash received from customers in advance or (b) transfer of the goods or rendering services to customers. Input VAT is generally recoverable against sales VAT upon receipt of the VAT invoice. Input VAT on construction in progress can be reclaimed upon receipt of VAT invoices for the particular stage of work performed or, if the construction in progress project cannot be broken down into stages, on receipt of VAT invoices upon completion of the contracted work.

VAT is generally allowed to be settled on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date is recognised in the special purpose consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

At each reporting date the Group reviews outstanding balance of input VAT for recoverability and creates impairment provision for the amounts which recoverability is doubtful.

Inventories

Inventories are recorded at the lower of average cost or net realisable value. In-bound freight related costs from the suppliers incurred to deliver inventories to the Group's central distribution warehouse are included as part of the net cost of merchandise inventories. Certain supplier bonuses that are not reimbursement of specific, incremental and identifiable costs to promote a supplier's products are also included in the cost of inventory. Other costs associated with storing and transporting merchandise inventories from the central distribution warehouse to the retail stores are expensed as incurred and included either in "Cost of sales" (costs of transporting merchandise from central distribution warehouses to the retail stores) or in "Selling, general and administrative expenses" (all other costs).

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, in transit, including credit card payments, on hand in stores and short-term deposits with an original maturity of three months or less.

Repayments and receipts of loans and borrowings during a period of less than 3 months are presented on a gross basis in the special purpose consolidated statement of cash flows.

Borrowing costs

Borrowing costs, directly related to purchase, construction or building assets which require considerable time for their preparation for intended use or sales are capitalized to the cost of such assets until they are totally ready for such intended use or sale.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As a rule, warranty for goods are provided directly by the manufacturer of the goods of the relevant brand, or by the brand owners through official representatives in the Russian Federation.

If the supplier is unable to provide warranty services for goods sold in Russia, the Group accrues an appropriate provision for warranty service costs. Such expenses are recognised in accounting at the date of sale of the relevant goods. The amount of provision is determined based on management’s assessment of the expenses necessary to cover the relevant obligations of the Group.

Revenue recognition

Revenue is recognised by the Group as the promised goods or services are transferred to customers in an amount that corresponds to the expected consideration to which the Group is entitled in exchange for the goods and services. The estimated cost of customer returns, discounts and VAT are deducted from the revenue. Revenues from sales of goods to companies within the Group are not recognised for the purposes of the special purpose consolidated financial statements.

Revenue from the sale of goods is recognised on a 5-step approach as introduced in IFRS 15:

- The Group identifies the contract with the customer;
- The Group identifies the performance obligations in the contract;
- The transaction price is determined by the Group;
- The transaction price is allocated to the performance obligations in the contracts;
- Revenue is recognised only when the Group satisfies a performance obligation.

The Group recognises revenue when or as a performance obligation is satisfied, i.e. when control over goods or services representing the Group’s obligation is transferred to a customer: when the goods are sold in retail stores (offline retail revenue) or delivered to customers for online sales including in-store pick-up (online retail revenue).

The Group cooperates with banks to provide consumer loans to customers to finance the purchase of goods. Partner banks pay the Group a commission fee for the volume of loans provided and additional services. The Group recognises revenue at the time of providing the lending service to the buyer.

The Group provides customers with a guarantee of the quality of goods sold instead of certain manufacturers. Under this warranty, the Group warrants to the buyer that the delivered product will meet the requirements of the contract and perform as specified in the contract. And in the event of a manufacturing defect, the Group undertakes to repair or replace the product sold.

Loyalty programs

The Group operates customer loyalty programs “M.Club” and “Eldoradosty” which allow customers to accumulate points when they purchase goods in the Group’s retail stores. The Group concluded that under IFRS 15 the points give rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price.

Agent fees

The Group recognises as revenue any sales performed as an agent at net amounts (i.e. at the amount of commission owed to the Group). Such fees include sales of goods, telephone and television service contracts, insurance policies and other services fees.

Gift cards

The Group sells gift cards to its customers in its retail stores and through its website. Gift cards have an expiration date and have to be used within the specified time period. The Group recognises income from gift cards at the earlier of: (i) the gift card is redeemed by the customer; or (ii) when the gift card expires.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in the finance cost in the special purpose consolidated statement of profit or loss and other comprehensive income.

Cost of sales

The cost of sales includes the cost of goods and services purchased from suppliers, the cost of delivering goods to distribution centers, costs associated with transporting goods from distribution centers to stores, allowance for obsolete and slow-moving inventory, allowance for shortages and supplier bonuses. The cost of rendered services includes costs related to the services, such as salaries of employees directly providing services, the cost of services purchased from service providers, salaries of credit brokers, expenses for credit broker services.

Supplier bonuses

The Group receives supplier bonuses in the form of cash payments or other allowances for various programs, primarily volume incentives, reimbursements for advertising expenses and other costs as well as contributions towards margin protection during specific marketing and promotional activities and other fees. The Group has agreements in place with each vendor setting forth the specific conditions for each allowance or payment. Depending on the arrangement, the Group either recognises the allowance as a reduction of current costs or defers the payment over the period the related merchandise is sold.

If the payment is a reimbursement of specific, incremental and identifiable costs incurred to promote a supplier's products, it is offset against those related costs; otherwise, it is treated as a reduction to the cost of merchandise.

Supplier bonuses earned by achieving a certain volume of purchases are recorded when it is reasonably certain that the Group will reach these volumes. Such payments are accounted for as a reduction of inventory purchases and recognised in the special purpose consolidated statement of profit or loss and other comprehensive income when the related inventory is sold.

Markdown reimbursements related to merchandise that has been sold, contributions towards promotional activities and similar payments are negotiated and documented by the Group's buying teams and are credited directly to cost of goods sold in the period the performance conditions for their receipt are met by the Group.

Pre-opening expenses

Expenses incurred in the process of opening new stores, which do not meet capitalisation criteria under IAS 16 Property, Plant and Equipment are expensed as incurred. Such expenses include rent, utilities and other operating expenses.

Share-based payments

Cash-settled share-based payments

The Group's liabilities for cash-settled share-based payments are recorded as "Cash-settled share-based payments" and initially measured at the fair value of these liabilities. Revaluation of fair value of the liabilities is performed at the end of each reporting period until the repayment of these liabilities, as well as at redemption date. Changes in fair value are recognised in profit or loss for the period.

Equity-settled share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the restated estimate, with corresponding adjustment to provision account.

Employee benefits

Remuneration to employees in respect of services rendered during the reporting period is recognised as an expense in that reporting period. The Group contributes to the Russian Federation state pension, medical and social insurance funds on behalf of all its current employees (a defined contribution plan) by paying social security contributions ("SSC"). The Group's only obligation is to pay contributions to the funds as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. Any related expenses are recognised in the special purpose consolidated statement of profit or loss and other comprehensive income as they become due. Contribution for each employee varies from 15.1% to 30% depending on the annual gross remuneration of each employee. The Group does not operate any employer sponsored pension plans.

Dividends

Dividends are recognised as a liability in the period in which they have been declared by the shareholders in a general meeting and become legally payable. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Treasury shares

If the Group reacquires its own equity instruments, those instruments ("treasury shares") are recognised as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Such treasury shares may be acquired and held by the Company or by the subsidiaries of the Company.

Leases

Right-of-use assets

The Group recognises 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 recognised, 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 recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the lease commencement date, the Group recognises 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the 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 accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease term – the Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The lease term determined by management can be different from contractual lease term.
The Group's lease terms are up to 10 years.

4. NEW AND REVISED STANDARDS IN ISSUE NOT YET ADOPTED

At the time of approval of these special purpose consolidated financial statements, the Group has not applied the following new and revised IFRS issued but not yet effective:

Amendments to IAS 1	*Classifying liabilities as current or non-current*
Amendments to IAS 1	*Long-term liabilities with covenants*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 21	*The Effects of Changes in Foreign Exchange Rates*

The Group’s management is assessing the impact of the new amendments to the standards on the Group’s special purpose consolidated financial statements in future.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

In the application of the Group’s accounting policies described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including, but not limited to, the uncertainties and ambiguities of the Russian legal and taxation systems and the difficulties in securing contractual rights as defined in contracts. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions

Supplier bonuses

Management makes estimates in determining the amount and timing of recognition of income received from suppliers for various programs, including volume incentives and reimbursements for specific programs such as markdowns, margin protection and advertising. In determining the amount of volume-related bonuses recognised in any period, management estimates the probability that the Group will meet contractual target volumes, based on historical and forecast performance. There is usually less uncertainly involved in determining the amount of income to be recognised for promotional and other bonuses.

Management assesses its performance against the obligations conditional on earning the income, with the income recognised either over time as the obligations are met, or recognised at the point when all obligations are met, dependent of the contractual requirements. Income from supplier bonuses is recognised as a credit within cost of sales unless it relates to compensation of specific, incremental and identifiable costs incurred to promote a supplier’s products, in which case it is offset against those expenses. Where the income earned relates to inventories which are held by the Group at period ends, the income is included within the cost of those inventories.

The Group recognises income from bonuses at the time of receipt of primary documents from suppliers. Documents are received before the close of the corresponding period to which the suppliers’ bonuses relate.

Inventory valuation

In accordance with the Group's accounting policy management reviews the inventory balances to determine if inventories can be sold at amounts exceeding or equal to their carrying amounts plus costs to sell. This review includes identification of slow-moving inventories, obsolete inventories and partially or fully damaged inventories. The identification process includes assessing historical performance of the inventory and analysis of sales of merchandise at prices below their carrying amounts less costs to sell in the recent years. Damaged stock is either provided for or written off depending on the extent of damage. Management makes an allowance for any items considered to be obsolete. The allowance represents the difference between the cost of inventory and its estimated net realisable value.

The net realisable value allowance is calculated using the following methodology:

- Stock held for resale – comparison of expected selling price versus the carrying value on a stock keeping unit basis;
- Damaged goods – examination of historical data relating to discounts associated with damaged goods and comparison to book value at the balance sheet date, and also examination of historical data on compensations, received from suppliers for damaged goods;
- Stock held at service centers – an allowance is applied based on management's estimate of the carrying value of the inventory and based on historical data on sales of respective inventories and compensations, received from suppliers in relation to stock held at service centers;
- Additional allowance is accrued if there is actual evidence of a decline in selling prices after the end of the reporting period to the extent that such decline confirms conditions existing at the end of the reporting period.

If actual results differ from management's expectations with respect to the selling of inventories at amounts equal to or less than their carrying amounts, management would be required to adjust the carrying amount of inventories.

Revenue attributed to loyalty programs

The Group accounts for customer loyalty points as a separate component of the sale transaction in which they were granted. As a result, a portion of the fair value of consideration received from customers for goods related to bonus points is recognised in the special purpose consolidated statement of financial position as deferred revenue. Bonus points are recognised as revenue during the period when they are used or cancelled in accordance with the terms of the loyalty program. Therefore, management has to make assumptions about expected redemption rates, which can be based on accumulated statistics from previous periods. This assessment is carried out under conditions of high uncertainty, which exists at each reporting date, since bonus points are cancelled after the specified time (Note 20).

Impairment of intangible assets with an indefinite useful life

In accordance with IAS 36, the Group tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount to its carrying amount annually, and whenever there is an indication that an intangible asset may be impaired.

Determination of recoverable amount is based on estimation of Group's management that includes estimation of future cash flows, discount rate, assumption of future market conditions and other factors.

Significant judgments made in applying the Group's accounting policies

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include termination options. The Group applies judgement in evaluating whether it is reasonably certain not to exercise the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive whether or not to exercise termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability whether or not to exercise the option to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). Periods when it is reasonably certain that termination options will be exercised are not included in lease term.

Classification of supplier financing arrangements

As mentioned in Note 33, for the purpose of liquidity risk management the Group uses various instruments to manage working capital and obtain the necessary payment deferral from suppliers, including factoring agreements, commercial loans and bills of exchange. Management reviews each instrument for classification as trade payables or financial liabilities. In its analysis, the Group considers such factors as the commercial substance of the instrument, its effect on working capital, the consistency of the received payment deferral with market conditions, the presence or absence of collateral, etc.

Tax loss carried forward

As described in Note 15, as at 31 Demeber 2023 the Group has recognized deferred tax assets in respect of available tax loss carry forwards in the amount of 4 408 (as at 31 December 2022: 2 712). Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Assessing the likelihood of sufficient future taxable profits is an element of judgment and is based, among other things, on management's assessment of the Group's future income and expenses that has accumulated tax losses. In preparing these special purpose consolidated financial statements, the Group's management has made assessment for probability based on forecasts of future taxable income for the period 2024-2027 based on the Group's approved budget, an analysis of the Group's historical profitability history and a consideration of current tax laws that allow for the utilization of accumulated tax losses during the unlimited timeline.

Based on such analysis, management assessed the probability of sufficient future taxable income being available to fully utilize accumulated tax losses as high. If circumstances change in future reporting periods, management's estimate may be revised.

6. GOODWILL

At 31 December 2023, the Group performed an impairment test for goodwill related to the acquisition of Eldorado, Media Markt and Direct Credit businesses as well as "Eldorado" trademark.

For the purpose of impairment testing, the CGUs (being each group of stores located in one city) were grouped at the level of the Group's single operating segment. The recoverable amount of CGUs was determined as value in use.

Cash flows were projected based on budgets approved by the Group. A forecast period of 5 years was used, as it was determined by the Group's management as an acceptable planning horizon period.

Cash flows beyond 5 years are extrapolated using growth rates comparable to the forecast growth rates of the consumer price index.

The assumptions used to calculate the value in use for which the recoverable amount is most sensitive are: EBITDA annual growth in the average at 5%, the pre-tax discount rate applicable to the projected cash flows of 16,4% and terminal growth rates of 3%.

Management reviewed the impact of changes in key assumptions on recoverable amount. Changes in key assumptions that could result in a possible impairment of specified non-current assets are not probable under current market conditions.

(in millions of Russian Rubles)

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2023 and 2022 comprised the following:

	Land and buildings	Leasehold improvements	Construction in progress and equipment to be installed	Trade equipment	Security equipment	Computer and Telecomm	Other fixed assets	Total
Cost								
As at 31 December 2021	**10 254**	**10 037**	**1 460**	**13 319**	**3 652**	**7 200**	**2 909**	**48 831**
Additions	–	–	793	–	–	–	–	793
Transfers	36	(64)	(1 855)	1 518	254	282	(171)	–
Disposals	(643)	(183)	–	(389)	(85)	(511)	(78)	(1 889)
Reclassification to assets held for sale	8	–	–	–	–	–	–	8
As at 31 December 2022	**9 655**	**9 790**	**398**	**14 448**	**3 821**	**6 971**	**2 660**	**47 743**
Additions	–	–	1 988	–	–	–	–	1 988
Transfers	41	297	(1 947)	735	242	292	340	–
Disposals	(99)	(210)	–	(230)	(80)	(46)	(69)	(734)
As at 31 December 2023	**9 597**	**9 877**	**439**	**14 953**	**3 983**	**7 217**	**2 931**	**48 997**
Accumulated depreciation								
As at 31 December 2021	**5 148**	**6 533**	**–**	**8 814**	**2 789**	**5 624**	**2 248**	**31 156**
Charge for the year	743	716	–	1 824	485	844	334	4 946
Disposals	(354)	(94)	–	(378)	(84)	(508)	(77)	(1 495)
Transfers	–	–	–	347	–	–	(347)	–
Impairment	–	12	–	16	1	2	1	32
As at 31 December 2022	**5 537**	**7 167**	**–**	**10 623**	**3 191**	**5 962**	**2 159**	**34 639**
Charge for the year	699	698	–	1 556	360	537	264	4 114
Disposals	(56)	(178)	–	(209)	(74)	(46)	(67)	(630)
Transfers	(4)	4				(3)	3	–
Impairment	53	17	–	28	4	4	3	109
As at 31 December 2022	**6 229**	**7 708**	**–**	**11 998**	**3 481**	**6 454**	**2 362**	**38 232**
Net book value								
As at 31 December 2022	**4 118**	**2 623**	**398**	**3 825**	**630**	**1 009**	**501**	**13 104**
As at 31 December 2023	**3 368**	**2 169**	**439**	**2 955**	**502**	**763**	**569**	**10 765**

(in millions of Russian Rubles)

Depreciation expenses were included in "Selling, general and administrative expenses" (Note 23).

Assets with net book value of 104 were disposed of by the Group for the year ended 31 December 2023 (for the year ended 31 December 2022: 394). Profit on disposal of these items of 18 (for the year ended 31 December 2022: 81) was recorded within other operating expenses (Note 25).

As at 31 December 2023 and 2022, the Group did not have any PPE items pledged as collateral.

In 2023 the Group performed an impairment test of fixed assets to determine indication of impairment and the impairment loss was recognized amounted to 109 (in 2022: 32).

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below is the carrying value of right-of-use assets of the Group and changes for the period:

	Land	Stores	Warehouses	Vehicles	Other assets	Total
Cost						
As at 31 December 2021	**320**	**109 107**	**9 376**	**251**	**761**	**119 815**
New lease agreements	14	2 483	1 314	133	36	3 980
Modifications	103	(2 612)	(250)	8	46	(2 705)
Disposals	(25)	(2 315)	(465)	(163)	(14)	(2 982)
Reassessment of termination options	–	1 204	–	–	–	1 204
As at 31 December 2022	**412**	**107 867**	**9 975**	**229**	**829**	**119 312**
New lease agreements	–	2 150	–	211	–	2 361
Modifications	(124)	3 186	(33)	3	(21)	3 011
Disposals	–	(1 968)	(18)	–	(1)	(1 987)
Reassessment of termination options	–	1 452	–	–	–	1 452
As at 31 December 2023	**288**	**112 687**	**9 924**	**443**	**807**	**124 149**
Accumulated amortisation and impairment						
As at 31 December 2021	**57**	**41 389**	**3 716**	**231**	**347**	**45 740**
Charge for the period	26	13 988	1 532	61	150	15 757
Impairment loss/ (reversal of impairment loss), net	–	63	–	–	–	63
Disposals	(8)	(1 388)	(431)	(162)	(9)	(1 998)
As at 31 December 2022	**75**	**54 052**	**4 817**	**130**	**488**	**59 562**
Charge for the period	17	12 429	1 457	57	137	14 097
Impairment loss/ (reversal of impairment loss), net	–	39	–	–	–	39
Disposals	–	(1 219)	(17)	–	(1)	(1 237)
As at 31 December 2022	**92**	**65 301**	**6 257**	**187**	**624**	**72 461**
Net book value						
As at 31 December 2021	**337**	**53 815**	**5 158**	**99**	**341**	**59 750**
As at 31 December 2022	**196**	**47 386**	**3 667**	**256**	**183**	**51 688**

(in millions of Russian Rubles)

Set out below is an overview of a book value of lease liabilities of the Group and changes for the period:

	2023	2022
As at 1 January	**73 332**	**84 425**
New lease agreements	2 361	3 940
Modifications	2 709	(2 948)
Disposals	(603)	(1 160)
Interest expenses	8 055	7 502
Payments of principle and interest	(20 522)	(19 631)
Reassessment of termination options	1 453	1 204
As at 31 December	**66 785**	**73 332**
Current	19 926	15 662
Non-current	46 859	57 670

The Group has lease agreements for retail premises, office buildings, warehouses, land, vehicles and other equipment.

In 2023, the Group recognised expenses related to variable lease payments in the amount of 1 788 (2022: 2 302).

Undiscounted obligations as at 31 December 2023 and 2022 comprised the following:

	31 December 2023	31 December 2022
Minimum lease payments, including:		
Current portion (less than 1 year)	22 737	22 361
From 1 to 5 years	53 469	54 423
Over 5 years	16 874	19 161
Total minimum lease payments	**93 080**	**95 945**

The Group has lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio. Management exercises significant judgement in determining whether these termination options are reasonably certain to be (or not to be) exercised.

Set out below are the undiscounted potential future rental payments as at 31 December 2023 and 2022 relating to periods following the exercise date of termination options that are not included in the lease term:

	31 December 2023	31 December 2022
Termination options expected to be exercised:		
Within 5 years	5 705	6 241
Over 5 years	9 006	11 451
Total	**14 711**	**17 692**

(in millions of Russian Rubles)

9. INTANGIBLE ASSETS

Intangible assets as at 31 December 2023 and 2022 comprised the following:

	Software licenses, capitalised development costs and web site	Trademarks	Total
Cost			
As at 31 December 2021	**27 293**	**9 165**	**36 458**
Additions	5 276	1	5 277
Disposals	(2 119)	(7)	(2 126)
As at 31 December 2022	**30 450**	**9 159**	**39 609**
Additions	4 371	–	4 371
Disposals	(5 792)	–	(5 792)
As at 31 December 2023	**29 029**	**9 159**	**38 188**
Accumulated amortisation			
As at 31 December 2021	**8 603**	**25**	**8 628**
Charge for the year	6 619	2	6 621
Disposals	(2 116)	(8)	(2 124)
As at 31 December 2022	**13 106**	**19**	**13 125**
Charge for the year	7 450	–	7 450
Disposals	(5 786)	–	(5 786)
As at 31 December 2023	**14 770**	**19**	**14 789**
Net book value			
As at 31 December 2022	**17 344**	**9 140**	**26 484**
As at 31 December 2023	**14 259**	**9 140**	**23 399**

In 2023, the Group incurred capital expenses in the total amount of 4 371 (in 2022: 5 277) which for the most part were related to the development of the front-office / back-office system, new web site platform implementation, development of software for automation of business processes and purchase of software licenses.

Amortisation expense has been included in “Selling, general and administrative expenses” (Note 23).

As at 31 December 2023 and 2022, the Group did not have any pledged intangible assets.

Imparment test for trademarks is performed according to Note 6.

(in millions of Russian Rubles)

10. INVENTORIES

Inventories as at 31 December 2023 and 2022 comprised the following:

	31 December 2023	31 December 2022
Goods for resale	137 236	110 602
Right of return assets	2 308	2 109
Other inventories	158	160
Total	**139 702**	**112 871**

Cost of inventories recognised as an expense in the amount of 334 790 and 312 692 and inventory surpluses net of losses in the amount of 325 for the year ended 31 December 2023 and losses net of surpluses in amount of 293 for the years ended 31 December 2022, were recorded within cost of sales in the special purpose consolidated statement of profit or loss and other comprehensive income.

In 2023, 455 were recognised as expenses (2022: 32 as income) in respect of inventories carried at their net realisable value. This amount is included in cost of sales line item in the special purpose consolidated statement of profit or loss and other comprehensive income.

11. ACCOUNTS RECEIVABLE AND ADVANCES ISSUED

Accounts receivable and advances issued as at 31 December 2023 and 2022 comprised the following:

	31 December 2023	31 December 2022
Accounts receivable		
Bonuses receivable from suppliers	24 370	16 834
Accounts receivable from related parties (Note 30)	384	907
Other accounts receivable	6 322	528
Expected credit losses for accounts receivable	(53)	(200)
Total accounts receivable	**31 023**	**18 069**
Advances issued		
Advances issued to suppliers and prepaid expenses	7 558	6 119
Advances issued to related parties (Note 30)	48	–
Impairment allowance for advances issued	(75)	(131)
Total advances issued	**7 531**	**5 988**
Total	**38 554**	**24 057**

As of December 31, 2023, other accounts receivable include accounts receivable from marketplaces in the amount of 3 117, and consumer credit receivable in the amount of 1 103.

As at 31 December 2023 and 2022, the Group did not have accounts receivable past due but not impaired.

(in millions of Russian Rubles)

Movements in the allowance for doubtful accounts receivable and advances issued comprised the following:

	2023	2022
Balance at the beginning of the year	**341**	**239**
Impairment losses recognised on accounts receivable and advances issued	(4)	133
Amounts written off as uncollectible	(200)	(16)
Amounts recovered during the year	(9)	(15)
Balance at the end of the year	**128**	**341**

In determining the recoverability of accounts receivable the Group considers any change in the credit quality of receivables and advances issued from the date the credit was initially granted up to the reporting date. Details about concentration of credit risk and related management activities are disclosed in Note 32.

12. OTHER TAXES RECEIVABLE

Other taxes receivable as at 31 December 2023 and 2022 comprised the following:

	31 December 2023	31 December 2022
VAT recoverable	14 487	6 856
Other taxes receivable	829	23
Total	**15 316**	**6 879**

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2023 and 2022 comprised the following:

	31 December 2023	31 December 2022
Cash at banks	12 995	27 028
Cash in transit	5 326	2 567
Cash on hand in stores and petty cash	341	429
Short-term bank deposits	–	172
Total	**18 662**	**30 196**

Cash in transit represents acquiring and cash collected from the Group's stores and not yet deposited into the bank accounts at the year-end.

Cash was denominated in the Russian Ruble.

(in millions of Russian Rubles)

14. EQUITY

Share capital

As at 31 December 2023 and 2022, the Company had the following number of authorised, issued and outstanding ordinary shares:

	Outstanding ordinary shares	Issued ordinary shares	Authorised ordinary shares
Balance as at 31 December 2021	**178 299 342**	**179 768 227**	**209 768 227**
Settlement of share-based payments	81 135	–	–
Balance as at 31 December 2022	**178 380 477**	**179 768 227**	**209 768 227**
Balance as at 31 December 2023	**178 380 477**	**179 768 227**	**209 768 227**

Each share has par value of RUB 10 per share. In 2023, the number of authorised, issued and outstanding ordinary shares remained constant.

All issued ordinary shares were fully paid.

Additional paid-in capital

Additional paid-in capital consists of share premium which is the excess between proceeds from issuance of 30 000 000 additional ordinary shares issued at 1 November 2007 and their par value, less share issuance costs and related current and deferred income tax amounts.

Treasury shares

As at 31 December 2023 and 2022, the Group owned 1 387 750 treasury shares held at cost of 526 (31 December 2022: 526).

Dividends declared

In June 2023, the General Meeting of Shareholders of the Company decided not to pay dividends for the year 2022.

In June 2022, the General Meeting of Shareholders of the Company decided not to pay dividends for the year 2021.

(in millions of Russian Rubles)

15. INCOME TAX

The Group's income tax expense for the years ended 31 December 2023 and 2022 comprised the following:

	2023	2022
Current tax		
Current tax expense for the current year	(182)	(191)
Sales tax	(78)	(80)
	(260)	**(271)**
Deferred tax		
Deferred tax benefit recognised in the current year	1 421	3 342
	1 421	**3 342**
Total income tax expense recognised in the current year	**1 161**	**3 071**

The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2023 and 2022 is presented below:

	31 December 2023	31 December 2022
Deferred tax assets		
Lease liabilities	13 357	14 666
Tax loss carried forward	4 408	2 712
Difference in depreciable value of property, plant and equipment	1 241	1 098
Supplier bonuses allocated to inventories	290	1 176
Accrued expenses	596	762
Salary-related accruals	467	524
Allowance for obsolete and slow-moving inventories	593	498
Deferred revenue and prepayments received for goods	438	455
Other items	321	330
Total	**21 711**	**22 221**
Tax offset	(10 625)	(12 391)
Net tax assets	**11 086**	**9 830**
Deferred tax liabilities		
Difference in amortisable value of intangible assets	(600)	(639)
Right-of-use assets	(10 063)	(11 640)
Difference in depreciable value of property, plant and equipment	71	(123)
Other items	(90)	(39)
Total	**(10 682)**	**(12 441)**
Tax offset	10 625	12 391
Net tax liabilities	**(57)**	**(50)**
Deferred tax assets/(liabilities), net	**11 029**	**9 780**

As a result of the adoption of the Amendment to IFRS 12, effective from 1 January 2023, deferred tax assets and deferred tax liabilities in respect of Right-of-use assets and lease liabilities is disclosed separately in these special purpose consolidated financial statements as at 31 December 2023 and 2022.

(in millions of Russian Rubles)

As at 31 December 2023 and 2022, the Group measured deferred tax assets and deferred tax liabilities using tax rate of 20%, which is the rate expected to be applied in the period in which the asset is realised or the liability is settled.

The deferred tax asset for losses is recognized in full, because management plans to offset it in future periods, based on the forecast business model.

The amount of deferred tax assets on tax losses carried forward were recognized as of December 31 2023 and 2022 amounted to 22 040 and 13 560, respectively.

Russian tax legislation provides for the possibility of indefinitely carrying forward tax losses from past tax periods to the future. At the same time, the tax base cannot be reduced by the amount of losses from previous tax periods by more than 50%.

Deferred tax assets and deferred tax liabilities are not recognized in the Group's companies operating in the field of information technology, for which the income tax rate is 0%.

The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax expense. Below is a reconciliation of theoretical income tax expense at the statutory rate of 20% effective for 2023 and 2022 to the actual expense recorded in the Group's special purpose consolidated statement of profit or loss and other comprehensive income:

	2023	2022
Profit before income tax expense	**(7 774)**	**(13 370)**
Income tax expense calculated at 20%	**1 555**	**2 674**
Sales tax	(78)	(80)
Effect of expenses that are not deductible in determining taxable profit:		
The effect of the sale of a financial asset	*–*	*665*
The effect of applying the preferential income tax rate	*–*	*10*
Inventory losses	*(36)*	*(136)*
Non-deductible payroll expenses	*(23)*	*(29)*
Income from debt forgiveness	*51*	*103*
Other non-deductible expenses, net	*(308)*	*(136)*
Income tax expense recognised in profit or loss	**1 161**	**3 071**

(in millions of Russian Rubles)

16. BORROWINGS AND OTHER FINANCIAL LIABILITIES

This note provides information about the contractual terms of the Group’s long-term and short-term interest-bearing bank borrowings and other financial liabilities measured at amortised cost. The borrowings described below are denominated in the Russian Ruble.

	Maturity	31 December 2023	31 December 2022
Non–current borrowings and other financial liabilities			
Bonds	July 2025 – April 2026	11 922	13 951
Total non–current borrowings and other financial liabilities		**11 922**	**13 951**
Current borrowings and other financial liabilities			
Unsecured borrowings and credit lines			
Bank 1	April – December 2024	27 976	31 937
Bank 2	February – April 2024	12 219	12 098
Bank 3	January – June 2024	9 816	14 979
Bank 4	August – October 2024	5 768	7 328
Bank 5	February 2024	5 013	5 012
		60 792	**71 354**
Other financial liabilities			
Bonds	April – August 2024	13 721	10 361
		13 721	**10 361**
Total current borrowings and other financial liabilities		**74 513**	**81 715**
Total borrowings and other financial liabilities		**86 435**	**95 666**

In April 2023 the Group placed long-term non-convertible ruble-denominated bonds with a fixed coupon rate in the total amount of 7 000 with a maturity date in April 2026.

Also in April 2023 investors partially used the right to submit repurchase claims for the first bond issue. As a result, the amount of bonds repurchased by the Company amounted to 5 775. The remaining part of the debt on the bonds will be repaid in April 2024.

As at 31 December 2023, the Group unutilised uncommitted credit facilities of 27 473 (31 December 2022: 57 854). The unused limit on the issue of bonds as of 31 December 2022 is 24 800 (31 December 2022: 26 000).

(in millions of Russian Rubles)

Movements in liabilities arising from financing activities

The table below presents changes in liabilities arising from financing activities, including both changes related to cash flows and changes not related to cash flows. Liabilities arising from financing activities include liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	31 December 2022	Cash flows from financing activities	Interest paid	New leases, modifications and reassessment	Interest expense	Other changes*	31 December 2023
Bank borrowings	71 354	(11 019)	(8 344)	–	8 801	–	60 792
Bonds	24 312	1 225	(2 394)	–	2 580	(80)	25 643
Lease liabilities	73 332	(12 473)	(8 049)	6 523	8 055	(603)	66 785
	168 998	**(22 267)**	**(18 787)**	**6 523**	**19 436**	**(683)**	**153 220**

	31 December 2021	Cash flows from financing activities	Interest paid	New leases, modifications and reassessment	Interest expense	Other changes*	31 December 2022
Bank borrowings	49 930	21 344	(5 995)	–	6 251	(176)	71 354
Bonds	19 208	5 000	(1 609)	–	1 726	(13)	24 312
Lease liabilities	84 425	(12 349)	(7 282)	992	7 502	44	73 332
	153 563	**13 995**	**(14 886)**	**992**	**15 479**	**(145)**	**168 998**

* Other changes include accrued expenses in respect of bank commissions, reduced by the amount of income from subsidies on bank loans, and the termination of recognition of lease obligations due to the closure of stores and revision of payment terms.

(in millions of Russian Rubles)

17. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses as at 31 December 2023 and 2022 comprised the following:

	31 December 2023	31 December 2022
Salaries and bonuses	3 793	3 096
Refund liabilities for goods	1 896	1 807
Property, plant and equipment	1 526	1 194
Rent and utilities	1 435	1 321
Advances received	1 384	–
Repair and maintenance	443	375
Consulting fees	410	407
Packaging services	279	149
Warehouse services	202	142
Cost of services	26	275
Other current liabilities to related parties (Note 30)	472	3 040
Other payables and accrued expenses	2 399	1 284
Total	**14 265**	**13 090**

18. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2023 and 2022 comprised the following:

	31 December 2023	31 December 2022
Payroll taxes	1 957	2 071
VAT payable	846	541
Other taxes payable	261	271
Total	**3 064**	**2 883**

19. LIABILITIES TO CUSTOMERS

Liabilities to customers as at 31 December 2023 and 2022 comprised the following:

	31 December 2023	31 December 2022
Prepayments received for goods	3 938	3 035
Deferred revenue	2 798	2 686
Other advances received	367	327
Total	**7 103**	**6 048**

(in millions of Russian Rubles)

Deferred revenue for 2023 and 2022 comprised the following:

	2023					2022				
	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total
As at 1 January	**2 273**	**366**	**–**	**47**	**2 686**	**2 560**	**597**	**–**	**158**	**3 315**
Revenue deferred during the period	22 949	2 881	–	–	25 830	14 723	2 205	369	–	17 297
Revenue recognised in the special purpose consolidated statement of profit or loss and other comprehensive income	(23 032)	(2 645)	–	(41)	(25 718)	(15 010)	(2 436)	(369)	(111)	(17 926)
As at 31 December	**2 190**	**602**	**–**	**6**	**2 798**	**2 273**	**366**	**–**	**47**	**2 686**

Other programs represent other discounts to the Group's customers, mainly coupons.

Revenue for the year ended 31 December 2023 includes the amount of obligations under contracts with customers at the beginning of the year in the amount of 5 882 (2022: 7 026).

(in millions of Russian Rubles)

20. PROVISIONS

Provisions as at 31 December 2023 and 2022 comprised the following:

	31 December 2022	Accrual of provision	Utilisation of provision	Write-off of provision	31 December 2023
Provision for litigation and fines	101	85	(4)	(53)	129
Warranty provision – repair of imported goods*	308	295	(99)	(379)	125
Total	**409**	**380**	**(103)**	**(432)**	**254**

	31 December 2021	Accrual of provision	Utilisation of provision	Write-off of provision	31 December 2022
Provision for litigation and fines	164	46	(39)	(70)	101
Warranty provision – repair of imported goods*	–	340	(5)	(27)	308
Total	**164**	**386**	**(44)**	**(97)**	**409**

* The provision for liabilities to customers for warranty repairs of imported goods is made up of a short-term of 117 (as at 31 December 2022 – 286) and a long-term of 8 (as at 31 December 2022 – 22), which is included in the Other Non-Current Liabilities line of the Special Purpose Consolidated Statement of Financial Position.

21. REVENUE

Revenue for the years ended 31 December 2023 and 2022 comprised the following:

	2023	2022
Retail revenue	430 406	397 760
Consumer loan revenue	2 125	3 073
Rental income from investment property	285	246
Additional services revenue	41	111
Other revenue	1 533	1 272
Total	**434 390**	**402 462**

Retail revenue includes sales of goods in stores, pick-up in-store, home-delivery and commission fees.

Other revenue for the years, ended 31 December 2023 and 2022 includes revenue from services of installation, recycling of home appliances and digital assistance.

Revenue for the year ended 31 December 2023 recognised at a point in time was 434 349 (2022: 402 351), and revenue recognised over time was 41 (2022: 111).

(in millions of Russian Rubles)

22. COST OF SALES

Cost of sales for the years ended 31 December 2023 and 2022 comprised the following:

	2023	2022
Cost of goods sold		
- Cost of goods sold	335 246	312 660
- Transportation to stores	3 998	3 078
- Inventory losses net of surpluses and related compensations from suppliers	(325)	214
Cost of credit broker services:		
- Purchased credit broker services	5	39
- Payroll of credit broker staff and related taxes	1 570	1 294
Cost of additional services	28	18
Cost of other services	2 490	2 052
Total	**343 012**	**319 355**

23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2023 and 2022 comprised the following:

	2023	2022
Payroll and related taxes	25 794	23 178
Depreciation and amortisation	25 453	27 060
Advertising and promotional expenses, net	4 438	5 030
Bank charges	2 719	3 535
Utilities expenses	2 648	2 585
Security	2 365	2 476
Repairs and maintenance	2 237	2 168
Warehouse services	1 637	2 131
Contingent lease expenses	1 539	2 170
Consulting services	1 464	1 795
Office expenses	545	568
Packaging and raw materials	502	483
Taxes other than income tax	433	539
Service center	331	363
Communication	302	380
Training and recruitment	152	80
Travel	112	86
Maintenance and other property operating costs	103	102
Other expenses	2 467	1 688
Total	**75 241**	**76 417**

Payroll and related taxes for the year ended 31 December 2023 include 3 568 contribution to the state pension fund (2022: 3 647) and social and medical insurance in the amount of 1 365 (2022: 1 366).

In 2023, the Group received 1 628 from its suppliers as a compensation of advertising and promotional expenses (2022: 1 149).

(in millions of Russian Rubles)

24. OTHER OPERATING INCOME

Other operating income from 2023 includes income from government subsidies in the amount of 256 and other items that are not individually significant.

Other operating income for the year ended 31 December 2022 includes gain from a dispute resolution in the amount of 840, compensation for lost profits in the amount of 468, income from government grants in the amount of 515 and other individually insignificant items.

25. OTHER OPERATING EXPENSES

Other operating expenses from 2023 include expenses for corporate events in the amount of 71 and other items that are not individually significant.

Other operating expenses for the year ended 31 December 2022 include forex loss in amount of 566, expenses on corporate events in the amount of 16, charity expense of 169 and other individually insignificant items.

26. FINANCE INCOME AND EXPENSES

Finance income/(expenses) for the years ended 31 December 2023 and 2022 comprised the following:

	2023	2022
Interest income	532	1 335
Exchange loss from revaluation of investments	–	32
Total financial income	**532**	**1 367**
Interest on bank borrowings, bonds and other	(16 226)	(13 971)
Interest expense on lease liabilities	(8 055)	(7 501)
Exchange rate differences financial	(322)	–
Total financial expenses	**(24 603)**	**(21 472)**
Total	**(24 071)**	**(20 105)**

27. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

Diluted earnings per share are calculated by dividing net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of all potentially dilutive common shares that will be issued in the event of payment of remuneration to key management personnel in the form of shares.

(in millions of Russian Rubles)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2023	2022
Net loss attributable to equity holders of the Company	(6 613)	(10 299)
Weighted average number of ordinary share in issue (millions of shares)	178,38	178,34
Basic earnings per share (in the Russian Ruble)	**(37,07)**	**(57,75)**
Net loss attributable to equity holders of the Company, adjusted for dilution effect	(6 613)	(10 299)
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)	178,38	178,34
Diluted earnings per share (in the Russian Ruble)	**(37,07)**	**(57,75)**

28. SEGMENT INFORMATION

Products and services of operating segments

The activities of the Group are carried out on the territory of the Russian Federation and consist mainly of the retail trade of household appliances and electronics. Despite the fact that the Group operates through various types of stores and in various regions of the Russian Federation, the management of the Group, which makes operational decisions, analyses the operations of the Group and allocates resources by individual stores.

The group assessed the economic characteristics of individual stores, including "M.video" and "Eldorado" stores, online stores and others, and determined that the stores have similar margins, products, customers and methods of selling such products. Therefore, the Group believes that it has only one operating segment in accordance with IFRS 8 "Operating segments". The segment's performance measurement is based on net profit for the period being total comprehensive income for the period excluding share of profit/(loss) of an associate and a joint venture profit or loss.

29. SHARE-BASED PAYMENTS

In 2022, the Group's long-term incentive program for key management personnel was cancelled due to changes in geopolitical and market situation and resulting need to adjust motivations mechanisms.

Final settlement of program was affected in May – June 2022. During the year ended 31 December 2022, the Group reported in equity (line item "Accrual of share-based payments") the impact of 150 related to the cessation of the long-term motivation program, which was mainly due to actual forfeiture of the program participants.

30. RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, entities under the control of key management and entities over which the Group has significant influence.

(in millions of Russian Rubles)

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year and the outstanding balances owed by/to related parties as at 31 December 2023 and 2022, respectively:

	2023		**31 December 2023**		**2022**		**31 December 2022**	
	Sales to related parties	**Purchases from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**	**Sales to related parties**	**Purchases from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
Entities under common control (i)	–	–	40	–	1	979	–	–
Entities under significant influence of the controlling shareholder (ii)	3 060	230	352	1 519	3 315	153	907	4 154
Total	**3 060**	**230**	**392**	**1 519**	**3 316**	**1 132**	**907**	**4 154**

The nature of transactions with related parties is as follows:

(i) Entities under common control – purchase and sale of Group's goods, warehouses and trade premises rent, consulting services, charity, reimbursement of tax charges and fines, etc.

(ii) Entities under significant influence of the controlling shareholder – agent services for sales of insurance policies, credit broker services.

The following table provides the total amount of financial transactions, which have been entered into with related parties during the year periods ended 31 December 2022 and 2021 and the outstanding balances owed by/to related parties as at 31 December 2023 and 2022, respectively:

	2023		**31 December 2023**		**2022**		**31 December 2022**	
	Financial income from related parties	**Financial expense from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**	**Financial income from related parties**	**Financial expenses from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
Entities under common control (i)	–	–	–	–	–	385	–	–
Entities controlled by a party exercising significant influence (ii)	–	241	–	–	–	-	–	–
Total	**–**	**241**	**–**	**–**	**–**	**385**	**–**	**–**

(i) Entities under common control – finance expenses and lease obligations;

(ii) Entities controlled by a party exercising significant influence – finance expenses for insurance services;

(in millions of Russian Rubles)

Terms and conditions of transactions with related parties

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There were no guarantees received or provided on receivables and payables in favor of related parties. As at 31 December 2023 and 2022, the Group has no allowance for doubtful accounts receivable from related parties. The Group performs expected credit loss analysis of related parties balances as described in Note 3.

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the years ended 31 December 2023 and 2022 was as follows:

	2023	2022
Short-term benefits	1 093	1 321
Total	**1 093**	**1 321**

As at 31 December 2023, outstanding payables to key management personnel amounted to 600 (31 December 2022: 347).

As at 31 December 2023, the number of key management positions was 20 (as at 31 December 2022: 23).

During the reporting period, the Group did not assume any significant obligations for pension payments or other obligations to key management personnel and obligations to pay contributions to the state pension fund and social insurance funds as part of social contributions for salaries and bonuses. Social contributions relating to compensation of key management personnel amounted to 99 for the year ended 31 December 2023 (for the year ended 31 December 2022: 88) and were included in the amounts stated above.

31. COMMITMENTS AND CONTINGENCIES

Operating environment

The Group mainly operates on retail market of household appliances and consumer electronics. The demand for these products is sensitive to changes in general economic and social conditions that impact consumer spending. Volatile economic conditions and other factors, including employment levels, availability of financing instruments, mainly consumer credit, real household earnings could influence consumer spending or change consumer purchasing habits. Considerable slowdown in the Russian and global economy, change of global production and logistics schemes could have effect on availability and variety of household appliances and consumer electronics on the local markets including the Russian market, as well as on consumer purchasing power and consequently operational and financial results of the Group.

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

Starting from 2014, sanctions have been imposed in several packages by the USA, EU and other countries on certain Russian officials, businessmen and companies. This can influence situation in Russian as well as Global markets including capital markets. At the end of February 2022, a special military operation in Ukraine was announced. Then, the officials and institutions in foreign countries announced additional sanctions against Russian organisations and individuals, as well as the intention to expand the existing sanctions.

Since February 2022, due to expansion of sanctions against Russia, some citizens and organisations there has been a significant increase in volatility in the foreign exchange and stock markets. Some Russian banks have been disconnected from the SWIFT Global Payments system. Therefore, when arranging settlements with counterparties, the Group interacts with financial institutions that are not subject to sanctions and restrictions. In this context some global companies from USA, EU and other countries ceased, suspended or reduced significantly operations in RF. This relates also to companies operating on the market of household appliances and consumer electronics. At the same time, new trade channels were launched in Russia with friendly countries: China, the UAE, Turkey, EAEU countries and others, which ultimately allows maintaining a wide representation of various goods in Russia and increasing trade volumes with them.

During 2023, there was a sustained inflationary pressure, which led the Central Bank of Russia to decide on implementing a tight monetary policy. As a result, the key interest rate increased to 16% by the end of the year. This may subsequently have an impact on the market value of new external borrowings for the Group.

Against the backdrop of the Central Bank’s policy, there is a slowdown in inflation and an increase in real incomes of the population in 2023. This has led to an increase in retail turnover and sales on the market of household appliances and electronics compared to the same period last year. Offline sales still dominate the majority share of sales, with the simultaneous growth of online sales, including through marketplaces and development of own marketplace.

There is a reorientation of the range of household appliances and electronics towards Chinese brands and brands from CIS countries on the market. As of the end of 2023, their share exceeded 50% of the market.

Against the backdrop of sanctions and other macroeconomic changes, the home appliances and electronics market in Russia showed a high level of volatility in 2022. Macroeconomic instability and the weakening of the ruble significantly stimulated demand for high-value goods in late February and the first half of March, which impacted the sales in the first quarter of 2022, demonstrating strong double-digit growth. In the subsequent quarters, against the backdrop of high economic uncertainty, an unstable situation with supplies and the departure or suspension of activities in the Russian Federation by a number of well-known brands, there was a noticeable decrease in the consumer electronics market. As a result, at the end of the year, GMV of the Group as a whole remained at the level of the previous year.

The Group is constantly working to expand the pool of partners and develop the assortment cooperating with both Russian and foreign companies within the frameworks of the current legislation. In addition, the Group started performing import operations, i.e. purchases goods both locally, in the domestic market, and abroad. The Group has built all the necessary supply chains, document flow, payment instruments, etc. The growing volume of settlements with suppliers is organised in national currencies.

The Russian economy is in the process of adaptation related to replacement of ceasing export markets and changing markets of import of goods and technology, change of supply chains. The restructuring of consumer demand, strengthening the positions of new brands, recovery of demand for products of already known brands may take certain time. Moreover, there is a risk of further expansion of sanctions and restrictions.

The impact of changes in the economic environment on the Group's future financial performance and financial position is difficult to determine at this time.

As at the date of authorisation of these financial statements for issue, the above events had no significant immediate adverse effect on the Group's operations. However, there remains a high degree of uncertainty about the impact of these events and possible subsequent changes in the economic and geopolitical environment on the Group's future performance and financial position.

The described events were considered as indicators of potential impairment of the assets of the Group. The Group has conducted impairment test of Goodwill, Trademark, Right-of-use assets and Property, plant and equipment as at 31 December 2023 (Notes 6, 8 and 9).

Tax risk management

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. The Group's management believes that all applicable taxes have been accrued based on market practices and many years of expertise in the interpretation of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

Customs

During the years ended 31 December 2023 and 2022, the Group purchased a significant portion of its foreign manufactured goods on the territory of the Russian Federation from Russian legal entities, including Russian wholesalers or resellers, which may or may not have imported the goods into the Russian Federation directly. As the Group was not involved in clearing customs for the goods purchased on the territory of the Russian Federation, management cannot be certain that the entities which imported the goods into the Russian Federation were in full compliance with the applicable regulations of the Russian customs code.

As described above in the Russian Federation tax and regulatory environment section, the relevant authorities may take a more assertive position in their interpretation of the applicable laws.

Under Russian law a company in possession of goods that were imported with proven violations of the customs law may be subject to significant administrative or civil penalties and/or confiscation of the goods, if it was involved in, aware of, or should have known that violation of the customs code were occurring. To date, the Group has not been subject to any notification of violations of the customs code.

Management believes that the Group's entities were acting in compliance with all applicable tax and legal requirements in respect of imported products, were not involved, not aware and could not be expected to know of any significant violations of the applicable customs code by the Russian wholesalers or resellers. Accordingly, management did not recognise any provisions in respect of such contingencies in these special purpose consolidated financial statements and determined that with current limitations in access to customs clearance documents it is not practicable to estimate the likely potential financial effect, if any, of such contingent liabilities.

Litigation

In the normal course of business, the Group is subject to proceedings, lawsuits and other claims. While such matters are subject to other uncertainties, and outcomes are not predictable with assurance, the management of the Group believes that any financial impact arising from these matters would not exceed amount disclosed as a provision for litigation and fines in Note 23.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its environmental obligations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental matters.

Financial guarantees

In the normal course of business the Group from time-to-time enters into financial guarantee contracts with banks. Under these contracts banks provide guarantees in favor of the Group's suppliers and the Group may be required to pay under those contracts only if it fails to make timely payments to its suppliers. As at 31 December 2023, the Group entered into such guarantee contracts for the total amount of 4 315 (as at 31 December 2022: 4 122). As at the 31 December 2023 and 2022, the Group has not pledged any assets as collateral under these guarantee contracts.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Generally, the Group's principal financial liabilities comprise bank borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade and other receivables and cash and short-term deposits that are generated directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk.

(in millions of Russian Rubles)

The Group's senior management oversees the risk management process. The Group's senior management provides assurance to the Group's Board of Directors that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Categories of financial instruments

The carrying values of financial assets and liabilities grouped by each category of financial instruments as at 31 December 2023 and 2022 were as follows:

	31 December 2023	31 December 2022
Financial assets		
Assets carried at amortised cost	49 688	48 216
Financial liabilities		
Liabilities carried at amortised cost	282 288	241 424

Fair value of financial instruments

	31 December 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Borrowings and other financial liabilities with fixed interest rate	60 792	55 144	71 354	71 354
Market value bonds	25 643	21 806	24 312	23 404
Total	**86 435**	**76 950**	**95 666**	**94 758**

Fair value of borrowings received in rubles in 2023 was estimated using borrowing rates of 16,4%. Fair value of borrowings received in 2022 corresponds to the current value due to the short maturity. Bonds were estimated using market quotes. Fair value measurement was categorised within level 1 of the fair value hierarchy.

The fair value of such assets and liabilities as long-term financial assets, cash and cash equivalents, accounts receivable, trade payables and other payables corresponds to the current value at which they are recorded due to the short maturity of these instruments.

Foreign currency risk management

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group's exposures to foreign currency risk mainly arise from lease payments tied-in to currencies other than functional currency, and from foreign currency-denominated contracts with foreign suppliers. As at 31 December 2023 approximately 0.3% (as at 31 December 2022: 0.5%) of the Group's lease contracts for stores and warehouses were tied-in to either US Dollars or Euro. The Group minimises, to the extent possible, the risk arising from foreign currency-denominated lease contracts by negotiating a fixed exchange rate or a cap for an exchange rate with the lessors.

During the years ended 31 December 2023 and 2022, the Group did not use forward exchange contracts to eliminate the currency exposures.

(in millions of Russian Rubles)

The carrying amount of the Group's foreign currency-denominated assets and liabilities at the reporting date comprised the following:

	US Dollar		**Euro**		**Arab Emirates Dirham**		**Chinese yuan**		**Rupee**		**Tenge**	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Assets												
Cash and cash equivalents	–	–	–	–	–	–	–	–	–	–	–	1
Accounts receivables	–	1	–	–	–	–	238	325	–	–	–	–
Total assets	**–**	**1**	**–**	**–**	**–**	**–**	**238**	**325**	**–**	**–**	**–**	**1**
Liabilities												
Lease liabilities	(925)	(1 928)	–	–	–	–	–	–		–	–	–
Trade accounts payable	(135)	(683)	(7)	(1)	–	(6)	(360)	(579)	–	(104)	(9)	–
Total liabilities	**(1 060)**	**(2 611)**	**(7)**	**(1)**	**–**	**(6)**	**(360)**	**(579)**	**–**	**(104)**	**(9)**	**–**
Total net position	**(1 060)**	**(2 610)**	**(7)**	**(1)**	**–**	**(6)**	**(122)**	**(254)**	**–**	**(104)**	**(9)**	**1**

(in millions of Russian Rubles)

Foreign currency sensitivity analysis

As mentioned above, the Group is mainly exposed to changes in the exchange rates of the US Dollar and Euro. The following table details the Group’s sensitivity to a 20% (31 December 2022: 20%) change of the Russian Ruble against these two currencies. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities at year-end and adjusts their translation for a movement in foreign currency exchange rates. Positive figures below indicate an increase in profit and respective increase in equity where the Russian Ruble appreciates against the relevant currency.
For a depreciation of the Russian Ruble against the relevant currency, there would be an equal and opposite impact on profit and equity.

	US Dollar		Euro		Arab Emirates Dirham		Chinese yuan		Rupee		Tenge	
	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity
2023	20%	(212)	20%	–	20%	–	20%	(24)	20%	–	20%	(2)
	-20%	212	-20%	–	-20%	–	-20%	24	-20%	–	-20%	2

	US Dollar		Euro		Arab Emirates Dirham		Chinese yuan		Rupee		Tenge	
	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity
2022	20%	(522)	20%	2	20%	(1)	20%	(51)	20%	(21)	20%	–
	-20%	522	-20%	2	-20%	1	-20%	51	-20%	21	-20%	–

(in millions of Russian Rubles)

Interest rate risk management

The Group is exposed to insignificant interest rate risk as entities in the Group borrow funds on fixed rates primarily. The Group is exposed to risk of fair value of financial liabilities changes because of changes of market interest rates.

The Group’s exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The following analysis of changes in the fair value was performed for non-derivative financial instruments at the reporting date. For the purpose of preparing risk management reports for key managers of the Group, the assumption of a change in interest rate of 100 basis points is used, which is in line with management’s expectations regarding reasonably possible fluctuations in interest rates.

The increase/(decrease) of market interest rate by 100 basis points, if other conditions remain constant, would lead to decrease/(increase) of bank borrowings fair value by 256/(255) (390/(393) in 2022).

Credit risk management

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. Financial assets which are potentially subject to credit risk consist primarily of bonuses receivable from suppliers, other receivables as well as cash on current and deposit accounts in banks and other financial institutions.

Bonuses receivable from suppliers are either offset against respective accounts payable or paid in cash. As at 31 December 2023, bonuses receivable from four major suppliers comprised 32% of the Group’s consolidated accounts receivable and prepaid expenses (as at 31 December 2022: 38%). The Group believes no material credit risk is associated with these receivables since all of the debtors are represented by the Group’s major suppliers.

The credit risk on liquid funds (see the table below) is managed by the Group’s treasury department. Management believes that credit risk on investments of surplus funds is limited as the counterparties are financial institutions with high credit ratings assigned by Russian credit rating agencies.

The table below shows the balances that the Group had with five of its major banks as at 31 December 2023 and 2022:

		Rating as of	Carrying amount	
	Currency	31 December 2023*	31 December 2023	31 December 2022
Bank 2	RUB	ruAAA	4 711	7 938
Bank 6	RUB	ruAA	4 316	6 717
Bank 7	RUB	ruA	1 812	–
Bank 3	RUB	ruA+	885	9 070
Bank 4	RUB	ruAA+	870	569
Bank 1	RUB	ruAA+	–	2 017
Other	RUB	–	401	889
Total			**12 995**	**27 200**

*Credit ratings of the Expert RA agency were used.

The carrying amount of financial assets recorded in the special purpose consolidated statement of financial position, net of impairment losses, represents the Group’s maximum exposure to credit risk. There were no other concentrations of credit risk as at 31 December 2023 and 2022.

(in millions of Russian Rubles)

Liquidity risk management

The Group's treasury department monitors the risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected operating cash flows.

The Group's objective is to maintain a continuity of funding and flexibility through the use of bank overdrafts and bank loans. Each year the Group analyses its funding needs and anticipated cash flows, so that it can determine its funding obligations. The seasonality of the business, the store expansion plan, capitalised projects and the anticipated working capital requirements form the basis of the evaluation. When necessary the Group uses long-term instruments (loans and borrowings) to cover its base liquidity needs. The Group uses short-term loans and bank overdrafts to cover seasonality needs. Every quarter the Group updates its liquidity needs and secures facilities with several banks to ensure that the Group has a sufficient amount of approved undrawn borrowing facilities (Note 17).

In addition, in order to manage liquidity risk, the Group uses a balanced approach to working capital management with balancing the terms of inventory and accounts payable turnover, and therefore certain requirements are imposed on suppliers to provide deferred payment conditions. Various mechanisms are used to provide the necessary deferred payment including factoring agreements, commercial loans and bills of exchange. As the Group does not receive significant benefits of additional financing and does not provide additional collateral using these mechanisms, the corresponding liabilities are recorded as trade payables, interest expenses – as finance expenses, and cash flows - as cash flows from operating activities.

As at 31 December 2023, trade payables in respect of which the Group used mechanisms to obtain an additional deferral of payment with the involvement of financial institutions amounted to 29 641 (as at 31 December 2022: 32 195), the corresponding interest expense for the year ended 31 December 2023 of 4 233 (for the year ended 31 December 2022: 3 757). Also, as at 31 December 2023, the Group had trade payables to suppliers in the amount of 6 882 (as at 31 December 2022: 192), in respect of which a compensated deferral of payment was provided. Finance expenses incurred by the Group in connection with the provision of such a grace period by suppliers amounted to 281 and 1 600 for the years ended 31 December 2023 and 2022, respectively.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2023 and 2022 based on contractual undiscounted payments:

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2023					
Trade accounts payable	168 561	13 027	–	–	181 588
Borrowings and other financial liabilities	13 747	63 143	13 809	–	90 699
Lease liabilities	6 005	16 732	53 469	16 874	93 080
Other payables and accrued expenses	14 265	–	–	–	14 265
Total	**202 578**	**92 902**	**67 278**	**16 874**	**379 632**

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2022					
Trade accounts payable	116 186	19 482	–	–	135 668
Borrowings and other financial liabilities	7 879	75 141	15 663	–	98 683
Lease liabilities	5 766	16 595	54 423	19 161	95 945
Other payables and accrued expenses	13 090	–	–	–	13 090
Total	**142 921**	**111 218**	**70 086**	**19 161**	**343 386**

Capital risk management

The Group manages its capital to ensure that all Group companies will continue to operate in the foreseeable future and at the same time maximise return for shareholders by optimising the debt to equity ratio. For the years ended 31 December 2023 and 2022, there have been no changes in objectives, policies and processes.

The Group's equity includes shares issued net of treasury shares repurchased, additional paid-in capital and retained earnings.

The main goal of the Group's capital management program is to maximise shareholder value and minimise the loan portfolio risks. The consumer electronics industry is a cyclical business and, accordingly, requires short-term fluctuations in the amount of capital used to purchase goods in order to satisfy seasonal demand. To cover seasonal capital requirements, the Group combines such types of borrowings as short-term loans and payables to suppliers. The store expansion program increases the capital requirement as the costs of opening new stores increase the Group's financial burden. Although the Group does not have any formal policy regarding the optimal ratio of debt and equity, the Group periodically analyses its capital requirements to determine the necessary measures to maintain a balanced capital structure by attracting shareholders' contributions to the authorised capital, issuing new shares, returning capital to shareholders, issuing new or paying off existing debt obligations.

33. SUBSEQUENT EVENTS

There were no subsequent events, which are required to be disclosed.

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16 (UNAUDITED)

The Group has decided to disclose the additional information, based on the Group's accounting policies, set out in the special purpose consolidated financial statements of PJSC "M.video", prepared for the year ended 31 December 2023, but applying the principles of IAS 17 instead of IFRS 16 for lease accounting, for the purpose of providing financial information to stakeholders, including management and shareholders of the Group. According to IAS 17, which was effective until 31 December 2018, the Group, for the purposes of preparing the additional statements set out below, recognises operating lease payments, which are rent fees for the use of premises, as expenses on a straight-line basis over the lease term, unless another method of allocating costs more closely matches the distribution of the economic benefits of the leased asset over time.

The following statements are not IFRS statements and should only be considered in addition to the information contained in the special purpose consolidated financial statements for the year ended 31 December 2023.

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16 (UNAUDITED)
(in millions of Russian Rubles)

The special purpose consolidated statement of financial position as at 31 December 2023 and 2022 prepared in accordance with the basis discussed above is presented as follows:

	31 December 2023	31 December 2022
NON-CURRENT ASSETS		
Property, plant and equipment	11 021	13 204
Investment property	184	374
Intangible assets	23 612	26 764
Goodwill	50 007	50 007
Deferred tax assets	7 661	6 749
Other non-current assets	1 629	1 703
Total non-current assets	**94 114**	**98 801**
CURRENT ASSETS		
Inventories	139 702	112 871
Accounts receivable	30 803	17 792
Advances issued	10 050	11 314
Income tax receivable	64	239
Other taxes receivable	14 744	6 362
Cash and cash equivalents	18 662	30 196
Total current assets	**214 025**	**178 774**
TOTAL ASSETS	**308 139**	**277 575**
EQUITY		
Share capital	1 798	1 798
Additional paid-in capital	4 576	4 576
Treasury shares	(526)	(526)
Retained earnings	7 379	12 615
Total equity	**13 227**	**18 463**
NON-CURRENT LIABILITIES		
Non-current borrowings and other financial liabilities	11 922	13 951
Other liabilities	498	487
Finance obligations	148	225
Deferred tax liabilities	57	50
Total non-current liabilities	**12 625**	**14 713**
CURRENT LIABILITIES		
Trade accounts payable	181 588	135 667
Other payables and accrued expenses	15 557	17 616
Liabilities to customers	7 165	6 048
Current borrowings and other financial liabilities	74 513	81 715
Other taxes payable	3 064	2 883
Finance obligations	153	83
Provisions	247	387
Total current liabilities	**282 287**	**244 399**
Total liabilities	**294 912**	**259 112**
TOTAL EQUITY AND LIABILITIES	**308 139**	**277 575**

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16 (UNAUDITED)

(in millions of Russian Rubles)

The special purpose consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2023 and 2022, prepared in accordance with the basis discussed above, is presented as follows:

	2023	**2022**
REVENUE	434 390	402 462
COST OF SALES	(343 012)	(319 417)
GROSS PROFIT	**91 378**	**83 045**
Selling, general and administrative expenses	(81 858)	(80 362)
Other operating income	430	2 098
Other operating expenses	(271)	(1 032)
OPERATING PROFIT	**9 679**	**3 749**
Finance income	532	1 336
Finance expenses	(16 264)	(14 007)
Loss from disposal of financial assets	–	(1 013)
PROFIT BEFORE INCOME TAX EXPENSE	**(6 053)**	**(9 936)**
Income tax expense	817	2 384
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	**(5 236)**	**(7 552)**

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16 (UNAUDITED)
(in millions of Russian Rubles)

The special purpose consolidated statement of cash flows for the years ended 31 December 2023 and 2022, prepared in accordance with the basis discussed above, is presented as follows:

	2023	2022
OPERATING ACTIVITIES		
Net profit for the year	(5 236)	(7 552)
Adjustments for:		
Income tax expense	(817)	(2 384)
Depreciation and amortisation	11 819	11 769
Loss on disposal of financial assets	–	1 013
Change in allowance for advances paid	2	147
Change in allowance for obsolete and slow–moving inventories and inventory losses, net of surpluses	130	262
Interest income	(532)	(1 335)
Interest expenses	16 264	14 007
Income from subsidies	(256)	(515)
Other non–cash reconciling items, net	(2)	(526)
Operating cash flows before movements in working capital	**21 372**	**14 886**
(Increase)/ decrease in inventories	(26 960)	50 505
(Increase)/ decrease in accounts receivable and advances issued	(11 770)	13 725
(Increase)/ decrease in other taxes receivable	(8 381)	26 153
Increase/ (decrease) in trade accounts payable	45 779	(102 827)
Decrease in other payables and accrued expenses	(1 952)	(1 611)
Increase/(decrease) in liabilities to customers	1 117	(1 050)
(Decrease)/ increase in other liabilities	(44)	47
Increase in other taxes payable	182	521
Other changes in working capital, net	96	1 049
Cash generated by operations	**19 439**	**498**
Income taxes paid	165	2 752
Interest paid	(15 223)	(11 786)
Net cash from operating activities	**4 381**	**(8 536)**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2 355)	(762)
Proceeds from sale of property, plant and equipment	122	784
Purchase of intangible assets	(4 365)	(5 274)
Interest received	532	1 335
Net cash outflow from purchase of subsidiary	–	4 514
Net cash outflow from purchase of subsidiary	–	(204)
Net cash used in investing activities	**(6 066)**	**393**
FINANCING ACTIVITIES		
Proceeds from bonds	7 000	5 000
Repayment of bonds	(5 775)	
Proceeds from borrowings	70 458	95 263
Repayment of borrowings	(81 477)	(73 919)
Repayment of lease liabilities	(55)	(58)
Net cash used in financing activities	**(9 849)**	**26 286**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(11 534)**	**18 143**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**30 196**	**12 053**
CASH AND CASH EQUIVALENTS, at the end of the year	**18 662**	**30 196**