Lenta IPJSC

Consolidated financial statements
for the year ended 31 December 2021

February 2022

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Board of Directors' responsibility statement

Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view of the financial position of Lenta IPJSC and its subsidiaries as of 31 December 2021 and of the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In preparing the consolidated financial statements, Directors are responsible for:

- Selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements of 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.

Directors are 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 interim condensed consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by Directors on 18 February 2022.

On behalf of the Directors as authorised by the Board of Directors

Vladimir Sorokin (Director)	Rud Pedersen (Director)

EY
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Independent auditor's report

To the shareholder of Lenta IPJSC,
the Board of Directors of Lenta IPJSC

Opinion

We have audited the consolidated financial statements of Lenta IPJSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current non-financial assets	
As a result of impairment testing held for the smallest group of assets that can generate independent cash flows, the Group recognized a reversal of impairment of property, plant and equipment in the amount of RUB 369,671 thousand. Impairment testing for property, plant and equipment and right-of-use assets was one of the matters of most significance in our audit because the balance of property, plant and equipment and right-of-use assets forms a significant portion of the Group's assets at the reporting date, and the process of management's assessment of the recoverable amount is complex and requires significant judgments, including judgements about future cash flows, capital expenditures and the discount rate, as well as about assumptions used in the assessment. Property, plant and equipment and impairment testing are disclosed in Note 7 to the consolidated financial statements.	Our procedures in relation to impairment testing of property, plant and equipment and right-of-use assets performed by management included an assessment of key management assumptions, including those in respect of forecasted revenue and operating expenses. We, among others, compared management assumptions with historical data. We also analyzed discount rates used by management. We engaged our internal valuation specialists in performing these procedures. We performed the sensitivity analysis to determine whether a reasonably possible change in key assumptions would result in the carrying amount exceeding the recoverable amount. We analyzed the accuracy of previous budget and forecast data prepared by management. We verified the mathematical accuracy of impairment tests. We assessed disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of suppliers' allowances	
The Group receives various types of allowances from suppliers in connection with the purchase of goods for resale in the form of volume rebates and other payments. The recognition of allowances was one of the matters of most significance in our audit because it has a significant impact on trade and other receivables, cost of goods sold and inventories. In addition, management exercises judgement in determining the period over which these allowances should be recognised considering the nature and the level of fulfilment of the Group's obligations and estimates of purchase volumes. Information about suppliers' rebates receivable and accounts receivable on suppliers' advertising is disclosed in Note 15 to the consolidated financial statements.	We compared the terms of providing allowances used in the calculation of allowances recognised to supporting documents approved by individual suppliers. We analyzed the assumptions underlying management estimates of recognized amounts of allowances from suppliers, such as the degree of fulfillment of conditions provided for in agreements with suppliers. On a sample basis, among others, we received direct confirmations of outstanding balances from suppliers. We agreed the balances of suppliers' allowances receivables to the post year-end cash settlements.
Provisional purchase price allocation assessment	
In August and September 2021 the Group purchased 100% stake in Billa Realty LLC, Billa LLC (Billa Group) and 100% stake in Semya Retail LLC and Bolshaya Semya LLC (Semya Group) and obtained control over these entities. The provisional purchase price allocation assessment was one of the matters of most significance in our audit due to the fact that the goodwill from these acquisitions, represented by the excess of the consideration paid over the fair value of identifiable net assets of the acquired companies significantly affected the Group's assets. Determining the fair value of assets and liabilities and the value of separately identifiable intangible assets acquired during business combination involves significant judgments and estimates by the management. The acquisitions of subsidiaries are disclosed in Note 8 to the consolidated financial statements.	In the course of the audit procedures we read the sale-purchase agreements and other transaction documentation necessary to recognize business combinations transactions. We evaluated the methodology and assumptions behind the significant judgments involved in the determination of the provisional fair values of the identifiable net assets acquired. We involved our internal valuation specialists to assess the methodology and assumptions used by management to value certain categories of assets and liabilities of the acquired subsidiaries, and, among others, analyzed, on a sample basis, estimates of the fair values of assets and liabilities of the subsidiaries acquired. We analysed management's assessment of the nature and value of separately identifiable intangible assets acquired. We assessed the presentation and disclosures of business combinations in the consolidated financial statements.

Emphasis of matter

We draw attention to Note 1 to the consolidated financial statements, which discloses the fact that on 17 February 2021 the Company was registered as an international public joint-stock company in the Russian Federation. Our opinion is not modified in respect of this matter.

Other information included in the Group's 2021 Annual Report

Other information consists of the information included in Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

Responsibilities of management and the Board of Directors for the consolidated financial statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the Board of Directors 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 the Board of Directors 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, actions taken to eliminate threats or safeguards applied.

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

The partner in charge of the audit resulting in this independent auditor's report is I.Y. Ananyev.

I.Y. Ananyev,
acting on behalf of Ernst & Young LLC
on the basis of power of attorney dated 13 October 2020,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906101744)

18 February 2022

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the audited entity

Name: Lenta IPJSC
Record made in the State Register of Legal Entities on 17 February 2021, State Registration Number 1213900001545.
Address: Russia 236006, Kaliningrad region, Kaliningrad, Solnechnyy bul'var, 25, room B/66.

Consolidated statement of financial position as at 31 December 2021

(in thousands of Russian roubles)

	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	7	170,369,752	163,900,997
Prepayments for construction	9	178,546	557,739
Right-of-use assets	10	59,720,407	33,771,261
Goodwill	8	8,383,630	–
Intangible assets	12	3,064,387	2,580,972
Deferred tax assets	21	81,338	–
Other non-current assets	13	482,524	445,171
Total non-current assets		**242,280,584**	**201,256,140**
Current assets			
Inventories	14	51,352,966	42,071,533
Trade and other receivables	15	13,124,546	10,902,839
Advances paid	16	2,903,422	1,754,066
Taxes recoverable		63,254	361,376
Prepaid expenses		236,760	306,354
Cash and cash equivalents	17	33,326,489	21,808,874
Total current assets		**101,007,437**	**77,205,042**
Total assets		**343,288,021**	**278,461,182**
Equity and liabilities			
Equity			
Share capital	18	8,906	6,711
Additional paid-in capital	18	27,053,874	27,056,040
Share options reserve	29	–	46,943
Treasury shares		(1,011,190)	(1,011,190)
Retained earnings		80,909,333	68,382,844
Total equity		**106,960,923**	**94,481,348**
Liabilities			
Non-current liabilities			
Long-term borrowings	20	66,912,432	45,941,038
Long-term lease liabilities	10	54,149,744	31,327,074
Other non-current liabilities	29	503,091	–
Deferred tax liabilities	21	7,485,860	6,522,551
Total non-current liabilities		**129,051,127**	**83,790,663**
Current liabilities			
Trade and other payables	22	74,031,012	61,466,433
Short-term borrowings and short-term portion of long-term borrowings	20	21,502,003	33,010,536
Short-term lease liabilities	10	6,398,401	3,114,433
Contract liabilities	23	1,108,388	790,075
Advances received		350,197	173,063
Other taxes payable	24	2,456,537	1,407,748
Current income tax payable		1,429,433	226,883
Total current liabilities		**107,275,971**	**100,189,171**
Total liabilities		**236,327,098**	**183,979,834**
Total equity and liabilities		**343,288,021**	**278,461,182**

On 18 February 2022 the Board of Directors of Lenta IPJSC authorised these consolidated financial statements.

Vladimir Sorokin
(Director)

Rud Pedersen
(Director)

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

(in thousands of Russian roubles)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Sales		483,640,887	445,543,829
Cost of sales	25	(372,280,247)	(343,728,186)
Gross profit		**111,360,640**	**101,815,643**
Selling, general and administrative expenses	26	(91,447,017)	(80,114,179)
Other operating income	27	6,579,047	5,199,902
Other operating expenses	27	(1,234,352)	(522,470)
Operating profit before impairment		**25,258,318**	**26,378,896**
Reversal of impairment of non-financial assets	7, 10	163,906	2,907,125
Operating profit		**25,422,224**	**29,286,021**
Interest expense	28	(9,323,651)	(9,512,254)
Interest income		895,365	609,970
Foreign exchange losses		(523,448)	(386,122)
Profit before income tax		**16,470,490**	**19,997,615**
Income tax expense	21	(3,990,944)	(3,456,984)
Profit for the year		**12,479,546**	**16,540,631**
Other comprehensive income for the year, net of tax		**–**	**–**
Total comprehensive income for the year, net of tax		**12,479,546**	**16,540,631**
Earnings per share (in thousands of Russian roubles per share)			
- basic and diluted, for profit for the year attributable to equity holders of the parent	19	0.129	0.171

Consolidated statement of cash flows for the year ended 31 December 2021

(in thousands of Russian roubles)

	Note	Year ended 31 December 2021	Year ended 31 December 2020*
Cash flows from operating activities			
Profit before income tax		**16,470,490**	**19,997,615**
Adjustments for:			
Net loss on disposal of property, plant and equipment	27	260,038	159,897
Loss on disposal of intangible assets	27	121	4,672
Net gain on disposal of right-of-use assets	27	(23,713)	(41,448)
Interest expense	28	9,323,651	9,512,254
Interest income		(895,365)	(609,970)
(Reversal of write-down) / write-down of inventories to net realisable value	14	(402,707)	595,286
Net foreign exchange losses		523,448	386,122
Change in expected credit losses of accounts receivable	27	72,572	19,371
Changes in allowance for impairment and write-offs of advances paid and prepayments for construction	27	328,689	67,147
Depreciation and amortisation	7, 10, 12	21,626,854	18,540,233
Reversal of impairment of non-financial assets	7, 10	(163,906)	(2,907,125)
Share options expense	29	–	463,590
		47,120,172	**46,187,644**
Movements in working capital			
Increase in trade and other receivables	15	(1,734,571)	(2,388,253)
Increase in advances paid	16	(892,002)	(259,025)
Decrease/(increase) in prepaid expenses		87,369	(203,295)
Increase in inventories	14	(6,104,302)	(4,213,554)
Increase in trade and other payables	22	9,279,773	4,302,001
Increase in contract liabilities and advances received		452,028	289,025
Increase in net other taxes payable	24	1,230,415	36,173
Cash from operating activities		**49,438,882**	**43,750,716**
Income taxes paid		(3,088,847)	(4,768,884)
Interest received		776,425	660,905
Interest paid		(9,247,475)	(9,654,711)
Net cash generated from operating activities		**37,878,985**	**29,988,026**
Cash flows from investing activities			
Purchases of property, plant and equipment		(8,352,631)	(6,834,086)
Purchases of intangible assets		(986,621)	(778,002)
Acquisition of subsidiaries, net of cash acquired	8	(21,584,151)	–
Proceeds from sale of property, plant and equipment		144,888	238,340
Net cash used in investing activities		**(30,778,515)**	**(7,373,748)**
Cash flows from financing activities			
Proceeds from borrowings	20, 31	41,925,200	45,792,775
Repayments of borrowings	20, 31	(32,707,263)	(117,240,001)
Payments for the principal portion of the lease liabilities	10	(4,330,107)	(2,814,842)
Net cash generated from / (used in) financing activities		**4,887,830**	**(74,262,068)**
Net increase/(decrease) in cash and cash equivalents		**11,988,300**	**(51,647,790)**
Effect of exchange rates on cash and cash equivalents		**(470,685)**	**51,904**
Cash and cash equivalents at the beginning of the year	17	21,808,874	73,404,760
Cash and cash equivalents at the end of the year	17	**33,326,489**	**21,808,874**

* *Certain amounts shown here do not correspond to the financial statements for the period ended 31 December 2020 reflect reclassification described in Note 4.*

Consolidated statement of changes in equity for the year ended 31 December 2021

(in thousands of Russian roubles)

	Share capital	Additional paid-in capital	Treasury shares	Share options reserve	Retained earnings	Total equity
Balance at 1 January 2021	**6,711**	**27,056,040**	**(1,011,190)**	**46,943**	**68,382,844**	**94,481,348**
Profit for the year	–	–	–	–	12,479,546	**12,479,546**
Total comprehensive income	**–**	**–**	**–**	**–**	**12,479,546**	**12,479,546**
Reclassification following share option modification (Note 29)	–	–	–	(46,943)	46,943	**–**
Sale of treasury shares	–	29	–	–	–	**29**
Amendment to par value of ordinary shares (Note 18)	2,195	(2,195)	–	–	–	**–**
Balance at 31 December 2021	**8,906**	**27,053,874**	**(1,011,190)**	**–**	**80,909,333**	**106,960,923**

	Share capital	Additional paid-in capital	Treasury shares	Share options reserve	Retained earnings	Total equity
Balance at 1 January 2020	**–**	**27,062,751**	**(1,011,190)**	**390,536**	**51,708,795**	**78,150,892**
Profit for the year	–	–	–	–	16,540,631	**16,540,631**
Total comprehensive income	**–**	**–**	**–**	**–**	**16,540,631**	**16,540,631**
Share option expenses (Note 29)	–	–	–	463,590	–	**463,590**
Share option modification (Note 29)	–	–	–	(346,393)	–	**(346,393)**
Share option settlement by cash (Note 29)	–	–	–	(440,304)	112,932	**(327,372)**
Share option expired worthless (Note 29)	–	–	–	(20,486)	20,486	**–**
Amendment to par value of ordinary shares (Note 18)	6,711	(6,711)	–	–	–	**–**
Balance at 31 December 2020	**6,711**	**27,056,040**	**(1,011,190)**	**46,943**	**68,382,844**	**94,481,348**

Notes

Additional paid-in capital: Additional paid-in capital is the difference between the fair value of consideration received and nominal value of the issued shares.

Treasury shares: Treasury shares are own equity instruments reacquired by the Group.

1. The Lenta Group and its operations

The Lenta Group (the “Group”) comprises Lenta IPJSC (“the Company”) and its subsidiaries. The Group’s principal business activity is the development and operation of food retail stores in Russia.

The Company was incorporated as a company limited by shares under the laws of the British Virgin Islands (BVI) on 16 July 2003.

In September 2019 the Company established a representative office in St. Petersburg.

In October 2019 the Company was registered as a Russian tax resident.

In December 2019 the Company started the process of its redomiciliation to Cyprus.

In February 2020 the redomiciliation process was completed. The Department of Registrar of Companies and Official Receiver issued the Certificate of Continuation of the Company by which it certifies that the Company was registered from 21 February 2020 in accordance with the Cyprus Companies Law Cap 113, in particular section 354H as a company continuing in the Republic of Cyprus.

On 22 July 2020 an Extraordinary Meeting of Shareholders approved the proposed redomiciliation of the Company from the Republic of Cyprus to the Russian Federation into the special administrative region of Oktyabrsky Island, Kaliningrad.

Starting from 17 February 2021 the Company is registered as an international public joint-stock company with its legal seat at Oktyabrsky Island, City of Kaliningrad, Kaliningrad Region, Russian Federation. The Company’s legal name is Lenta International public joint-stock company (short form, Lenta IPJSC).

The Company’s registered address is Russia 236006, Kaliningrad region, Kaliningrad, Solnechnyy bul’var, 25, room B/66.

As at 31 December 2020 the Group had one main operating subsidiary, Lenta LLC, a legal entity registered under the laws of the Russian Federation. The registered office of Lenta LLC, is located at 112, Lit. B, Savushkina Street, 197374, Saint Petersburg, Russia.

In August 2021 Lenta LLC, an indirect subsidiary of Lenta IPJSC completed acquisition of supermarket business of Billa Russia GmbH through the purchase of 100% stakes in Billa Realty LLC and Billa LLC.

In September 2021 Lenta LLC, an indirect subsidiary of Lenta IPJSC completed acquisition of 100% stake in Semya Group.

Other subsidiaries are property or investment holding companies by their nature.

(in thousands of Russian roubles)

1. The Lenta Group and its operations (continued)

The following is a list of the Group's subsidiaries and the effective ownership holdings therein.

	Country of incorporation	Principal activities	Holding, % 31 December 2021	Holding, % 31 December 2020
Lenta LLC	Russia	Retail	100	100
Lenta-2 LLC	Russia	Holding of investments	100	100
Lenta Global Ltd	Cyprus	Holding of investments	100	100
TRK Volzhsky LLC	Russia	Holding of investments	100	100
TK Zheleznodorozhny LLC	Russia	Holding of property	100	100
Billa LLC*	Russia	Retail	100	–
Billa Realty LLC*	Russia	Retail	100	–
Semya Retail LLC*	Russia	Retail	100	–
Bolshaya Semya LLC*	Russia	Retail	100	–
Semya-Logisitika LLC*	Russia	Logistics	100	–
Smak LLC*	Russia	Production	100	–
Vostorg LLC*	Russia	Production	100	–
Semya LLC*	Russia	Retail	100	–
Novaya Semya LLC*	Russia	Retail	100	–
Semya na Borchaninova LLC*	Russia	Retail	100	–
Semya na Vedeneeva LLC*	Russia	Retail	100	–
Semya na Karbisheva LLC*	Russia	Retail	100	–
Semya na Gashkova LLC*	Russia	Retail	100	–
Semya na M. Ribalko LLC*	Russia	Retail	100	–
Semya na Krupskoy LLC*	Russia	Retail	100	–
Semya na Parkovom LLC*	Russia	Retail	100	–
Semya na Sadovom LLC*	Russia	Retail	100	–
Semya fresh LLC*	Russia	Retail	100	–
Semya na Pushkina LLC*	Russia	Retail	100	–
Semya na Mira, 41 LLC*	Russia	Retail	100	–
Semya v Dobryanke LLC*	Russia	Retail	100	–
Mega LLC*	Russia	Retail	100	–
Universam-1 LLC*	Russia	Retail	100	–
Universam-2 LLC*	Russia	Retail	100	–
Semya Opt LLC*	Russia	Retail	100	–
Semya na Geroev Xasana LLC*	Russia	Retail	100	–
Semya na Sibirskoy LLC*	Russia	Retail	100	–
Semya u doma LLC*	Russia	Retail	100	–

* *Subsidiaries were acquired in 2021 (Note 8).*

Starting from March 2014 the Company's shares are listed on the London Stock Exchange in the form of Global Depositary Receipts (GDR) and Moscow Exchange in the form of Depositary Receipts (DR). Starting from December 2021 the trading in the ordinary shares on Moscow Exchange was commenced. DR will no longer trade on Moscow Exchange from April 2022.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for as described in accounting policies below. The consolidated financial statements are presented in Russian roubles and all values are rounded to the nearest thousand (RUB 000), except when otherwise indicated.

2. Basis of preparation and significant accounting policies (continued)

2.1 Basis of preparation (continued)

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

Prolonged impact on the global economy from COVID-19, continued economic uncertainty and consequent challenging market conditions may affect the ability to continue as a going concern.

Management has considered the Group's cash flow forecasts for the foreseeable future, which take into account the current and expected economic situation in Russia, the Group's financial position, available borrowing facilities, loan covenant compliance, planned store opening program and the anticipated cash flows and related expenditures from retail stores. The Group does not expect any material adverse impact from the current economic slowdown to its operations.

Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Accordingly, management is satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the consolidated financial information for these consolidated financial statements.

At 31 December 2021, the Group had net current liabilities of RUB 6,268,534 (net current liabilities at 31 December 2020: 22,984,129).

Unused credit facilities available as of 31 December 2021 were RUB 180,000,000. Management believes that operating cash flows and available borrowing capacity will provide the Group with adequate resources to fund its liabilities for the next year.

Business combinations and goodwill

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

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

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequently contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

Goodwill is not deductible for tax purposes.

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

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss from disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/ non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Functional and presentation currency

The presentation and functional currency of all Group entities is the Russian rouble (“RUB”), the national currency of the Russian Federation, the primary economic environment in which operating entities function.

Transactions in foreign currencies are initially recorded by the Group’s entities at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss from change in fair value of the item.

Property, plant and equipment

Property, plant and equipment are initially recorded at purchase or construction cost. Cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired. All other repair and maintenance costs are expensed as incurred.

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Gains and losses on disposals determined by comparing net proceeds with the respective carrying amount are recognised in profit or loss.

Land improvements comprises costs related to enhancement to a plot of land adjoining a store including parking lots, driveways, walkways.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Construction in progress is reviewed regularly to determine whether its carrying value is recoverable and whether appropriate impairment loss has been recognised.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation

Depreciation of property, plant and equipment is calculated using the straight-line method to write off their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	30
Land improvements	7
Machinery and equipment	2 to 15

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, as follows:

- Land 1 to 50 years
- Buildings 1 to 30 years

Depreciations is charged to profit or loss, except for depreciation of right-of-use assets representing right to use leased land plots during the construction process, which is included in carrying value of assets under construction. Right-of-use assets are subject to impairment.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Lease liabilities

At the commencement date of the lease, 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 on which 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.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application date and do not contain a purchase option). Lease payments on short- term leases are recognised as expense on a straight-line basis over the lease term.

Lease and non-lease components

At initial application and subsequently as well the Group accounts for lease and non-lease components (e.g. advertising, maintenance fees etc.) separately.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Intangible assets with finite lives are amortised over the useful economic life (which is from 3 to 7 years) using a straight-line method to write off their cost to their residual values and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income as the expense category that is consistent with the function of the intangible assets or included into the carrying amount of an asset as appropriate.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with management's interpretation of the relevant legislation enacted or substantively enacted as at the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated statement of profit or loss and other comprehensive income unless it relates to transactions that are recognised, in the same or a different period, directly in equity. In the case of a business combination, the tax effect is taken into account in calculating goodwill or 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 of consideration paid.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Deferred income tax is recorded using the balance sheet liability method for tax loss carry-forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry-forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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 taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Cost comprises of the direct cost of goods, transportation and handling costs. Cost of sales comprises only of cost of inventories sold through retail stores and inventory write-downs made during the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, other borrowing costs are recognised in profit or loss in the period in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. For the purposes of borrowing costs recognition, a substantial period of time is considered to be a period of twelve months or more.

To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Revenue from contracts with customers

The sole source of revenue from contracts with customers is retail sales.

The Group recognises revenue when control of the goods and services is transferred to the customer, generally for the retail customers it is occurred in the stores at the point of sale. Payment of the transaction price is due immediately when the customer purchases goods.

The loyalty programme offered by the Group gives rise to a separate performance obligation because it generally provides a material right to the customer.

The Group allocates a portion of the transaction price to the loyalty programme based on relative stand-alone selling price and recognize as a contract liability.

Other income

Income generated from rental of spaces for small trading outlets within the Group's stores is recognised in the end of each month on a straight-line basis over the period of the lease, in accordance with the terms of the relevant lease agreements.

Sale from secondary materials is recognized within the other operating income in the consolidated statement of profit or loss and other comprehensive income at a point in time.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Interest income is recognised on a time-proportion basis using the effective interest rate method. Interest income is included into the Interest income line in the consolidated statement of profit or loss and other comprehensive income.

Suppliers' allowances

The Group receives various types of allowances from vendors in the form of volume discounts and other forms of payments that effectively reduce the cost of goods purchased from the vendor. These allowances received from suppliers are recorded as a reduction in the price paid for the products and reduce cost of goods sold in the period the products are sold. Where a rebate agreement with a supplier covers more than one year, the rebates are recognised in the period in which they are earned.

Employee benefits

The Group is subject to mandatory contributions to the Russian Federation defined contribution state pension benefit fund. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Segment reporting

The Group's business operations are located in the Russian Federation and relate primarily to retail sales of consumer goods. Although the Group operates through different stores and in various regions within the Russian Federation, the Group's chief operating decision maker reviews the Group's operations and allocates resources on an individual store-by-store basis. The Group has assessed the economic characteristics of the individual stores and determined that the stores have similar margins, similar products, similar types of customers and similar methods of distributing such products.

Therefore, the Group considers that it only has one reportable segment under IFRS 8. Segment performance is evaluated based on a measure of revenue and earnings before interest, tax, depreciation and amortisation (EBITDA). EBITDA is a non-IFRS measure.

Other information is measured in a manner consistent with that in the consolidated financial statements.

Seasonality

The Group's business operations are stable during the year with limited seasonal impact, except for a significant increase of business activities in December.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Financial assets

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVPL).

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

The Group measures amounts of loans and receivables at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- 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 (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group's cash and cash equivalents have been assigned low credit risk based on the external credit ratings of the respective banks and financial institutions.

Derecognition of financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities and equity instruments issued by the Group

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Transaction costs of a share issue are shown within equity as a deduction from the equity.

Additional paid-in capital

Additional paid-in capital represents the difference between the fair value of consideration received and the nominal value of the issued shares.

Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. 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 are recorded at the proceeds received, net of transaction costs.

Financial liabilities

Financial liabilities of the Group, including borrowings and trade and other payables, are initially recognised at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Cash flows arising from proceeds from borrowings with a fixed maturity up to three months and repayments of those borrowings are reported on a gross basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and caps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to profit or loss when the hedge item affects profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Swaps and caps used by the Group that meet the strict criteria for hedge accounting are accounted for as cash flow hedges. The effective portion of the gain or loss from the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Designation of a hedge relationship takes effect prospectively from the date all of the criteria are met. In particular, hedge accounting can be applied only from the date all of the necessary documentation is completed. Therefore, hedge relationships cannot be designated retrospectively.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

2. Basis of preparation and significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

Derivative instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- When the Group expects to hold a derivative as an economic hedge for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Company (its subsidiaries) as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

2. Basis of preparation and significant accounting policies (continued)

2.3 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Subsidiaries are those companies (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits and which are neither associates nor joint ventures. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

3. Significant accounting judgments, estimates and assumptions

In the application of the Group's accounting policies, which are described in Note 2 above, 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. 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.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgments that have the most significant effect on the amounts recognised in these consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Judgments

Assets versus business acquisition

From time to time in the normal course of business the Group acquires the companies that are a party to a lease contract, own the land plot or store in which the Group is interested. If at the date of acquisition by the Group, the company does not constitute an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investor, the Group treats such acquisitions as a purchase of assets (a leasehold right, land plot or store) in the consolidated financial statements. The exercise of judgment determines whether a particular transaction is treated as a business combination or as a purchase of assets.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Inventory valuation

Management reviews the inventory balances to determine if inventories can be sold at amounts greater than or equal to their carrying amounts plus costs to sell. This review also includes the identification of slow moving inventories, which are written down based on inventories ageing and write down rates. The write down rates are determined by management following the experience of sales of such items.

Tax legislation

Russian tax, currency and customs legislation is subject to frequent changes and varying interpretations. Management's interpretation of such legislation in applying it to business transactions of the Group may be challenged by the relevant regional and federal authorities enabled by law to impose fines and penalties. Recent events in the Russian Federation 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 the transactions that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

3. Significant accounting judgments, estimates and assumptions (continued)

Compensation from insurance company for fire case

In December 2021 as the result of fire in one of the stores the Group incurred losses on property, plant and equipment disposal, inventory disposal and interruption of operations since the fire case. The damage incurred was insured and management believes that indemnification for losses is virtually certain. See Note 15 for further description.

Impairment of non-financial assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

Due to their subjective nature, these estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material.

The value in use calculation is based on a discounted cash flow model. In determining the value in use calculation, future cash flows are estimated from each store based on cash flows projection utilising the latest budget information available. The discounted cash flow model requires numerous estimates and assumptions regarding the future rates of market growth, market demand for the products and the future profitability of products.

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

Lease term of contracts with renewal options

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 the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. 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 to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

3. Significant accounting judgments, estimates and assumptions (continued)

Lease term of contracts with renewal options (continued)

For leased land plots under the stores the Group defines lease term as the longest of non-cancellable term of the lease or remaining useful life of a store. The Group typically exercises its option to renew for these leases because it has an exclusive right as an owner of real estate.

The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases − estimating the incremental borrowing rate

The Group measures the lease liability by discounting lease payments using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses its incremental borrowing rate, adjusted to take into account the specific terms and conditions of a lease and to reflect the interest rate that the Group would pay to borrow:

- Over a similar term to the lease term;
- The amount needed to obtain an asset of a similar value to the right-of-use asset; and
- In a similar economic environment.

4. New standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group due to the Group has only fixed-rate financial instruments.

4. New standards, interpretations and amendments adopted by the Group (continued)

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* – amendment to IFRS 16 *Leases* The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

This amendment had no impact on the consolidated financial statements, as the Group did not elect to use this practical expedient.

Reclassifications in the condensed consolidated statement of cash flows

Certain reclassifications were done in terms of presentation of foreign exchange differences.

5. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

5. Standards issued but not yet effective (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The amendments to the classification of liabilities is not expected to have a significant impact on the Group's consolidated financial statements.

In November 2021 the IASB proposed amendments to IAS 1 *Presentation of Financial Statements* to improve the information companies provide about long-term debt with covenants.

IAS 1 requires a company to classify a liability as non-current only if the company has a right to defer settlement of the liability for at least 12 months after the reporting date. However, such a right is often subject to the company complying with covenants after the reporting date. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants after the reporting date.

The proposed amendments would specify that, in such a situation, covenants would not affect the classification of a liability as current or non-current at the reporting date. Instead, a company would:

- Present non-current liabilities that are subject to covenants on the statement of financial position separately from other non-current liabilities; and
- Disclose information about the covenants in the notes to its financial statements, including their nature and whether the company would have complied with them based on its circumstances at the reporting date.

The IASB expects that these proposals will improve the information a company provides about non-current liabilities with covenants by enabling investors to assess whether such liabilities could become repayable within 12 months.

The proposals also address feedback from stakeholders about the classification of debt as current or non-current when applying requirements introduced in 2020 that are not yet in effect. Consequently, the IASB is also proposing to defer the effective date of those requirements to align with the proposed amendment.

The amendments are not expected to have a material impact on the Group.

5. Standards issued but not yet effective (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group.

5. Standards issued but not yet effective (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendment is not applicable to the Group as the Group is not IFRS 1 adapter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

This standard is not applicable to the Group.

5. Standards issued but not yet effective (continued)

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and *IFRS Practice Statement 2 Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

This standard is not applicable to the Group.

5. Standards issued but not yet effective (continued)

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The IASB has amended IAS 12, *Income Taxes*, to require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

Paragraphs 15 and 24 of IAS 12 were amended to include an additional condition where the initial recognition exemption is not applied. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences. Paragraph 22A has been added to provide further clarification of this principle. Paragraphs 22(b) and 22(c) of IAS 12 have also been amended.

These amendments might have a significant impact on the preparation of financial statements by companies that have substantial balances of right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The impact for those affected would be the recognition of additional deferred tax assets and liabilities.

These amendments should be applied for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments should be applied on a modified retrospective basis.

The amendments are not expected to have a material impact on the Group as the Group did not use initial recognition exception if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

6. Balances and transactions with related parties

The transactions with related parties are made on terms substantially equivalent to those that prevail in arm’s length transactions.

In 2019 Severgroup LLC (“Severgroup”) has completed its acquisition of 76,109,776 shares of the Company. As at 31 December 2021 76,110,590 shares of the Company belongs to Severgroup, which represents 77.99% of the share capital or 78.73% of the voting rights.

As at 31 December 2021 and 31 December 2020 Alexey Mordashov is the ultimate controlling party of the Group.

(in thousands of Russian roubles)

6. Balances and transactions with related parties (continued)

Related parties of the Group include key management personnel and other entities that are under the control of the Group's ultimate controlling party. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The consolidated financial statements include the following transactions with related parties:

	Year ended 31 December 2021	Year ended 31 December 2020
Entities under common control		
Revenue from related parties	71,068	95,194
Other operating income from related parties	16,617	10,440
Purchases of services from related parties	(360,906)	(460,034)
Prepaid expense from related parties	(174,652)	(278,187)
Purchases of inventories from related parties	(29,848)	(131,424)
Purchases of non-current assets from related parties	(34,251)	–

	31 December 2021	31 December 2020
Entities under common control		
Amounts owed by related parties	893	35,304
Amounts owed to related parties	(144,968)	(146,635)
Advances received	(211)	(197)
Advances paid	9,821	603

The Company has not provided loans related parties, any members of its Board and executive bodies.

Remuneration to the members of the Board of Directors and key management personnel is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Short-term benefits	641,530	1,260,167
Long-term benefits	909,556	1,002,208
Termination benefits	108,530	98,941
Total remuneration	**1,659,616**	**2,361,316**

(in thousands of Russian roubles)

7. Property, plant and equipment

	Land	Land improvements	Buildings	Machinery and equipment	Assets under construction	Total
Cost						
Balance at 1 January 2021	**23,952,454**	**13,449,140**	**136,404,022**	**68,185,418**	**2,405,111**	**244,396,145**
Additions	–	–	–	427	7,769,304	**7,769,731**
Transfers from construction in progress	–	288,201	2,004,636	5,294,714	(7,587,551)	**–**
Acquisition of subsidiaries (Note 8)	284,000	–	9,717,656	4,087,241	68,222	**14,157,119**
Disposals	–	–	(677,048)	(959,156)	(67,878)	**(1,704,082)**
Balance at 31 December 2021	**24,236,454**	**13,737,341**	**147,449,266**	**76,608,644**	**2,587,208**	**264,618,913**
Accumulated depreciation and impairment						
Balance at 1 January 2021	**1,192,486**	**7,549,745**	**33,464,010**	**37,744,749**	**544,158**	**80,495,148**
Depreciation charge	–	2,388,322	5,414,290	7,333,796	–	**15,136,408**
Impairment charge / (reversal of impairment)	(74,624)	–	(442,920)	105,161	42,712	**(369,671)**
Transfer of accumulated impairment	–	–	75,315	51,896	(127,211)	**–**
Disposals	–	–	(333,142)	(679,582)	–	**(1,012,724)**
Balance at 31 December 2021	**1,117,862**	**9,938,067**	**38,177,553**	**44,556,020**	**459,659**	**94,249,161**
Net book value						
Balance at 1 January 2021	**22,759,968**	**5,899,395**	**102,940,012**	**30,440,669**	**1,860,953**	**163,900,997**
Balance at 31 December 2021	**23,118,592**	**3,799,274**	**109,271,713**	**32,052,624**	**2,127,549**	**170,369,752**

	Land	Land improvements	Buildings	Machinery and equipment	Assets under construction	Total
Cost						
Balance at 1 January 2020	**23,523,525**	**12,690,508**	**132,371,508**	**64,442,345**	**2,910,262**	**235,938,148**
Additions	–	–	–	1,623	9,914,019	**9,915,642**
Transfers from construction in progress	372,126	758,632	4,412,725	4,664,286	(10,207,769)	**–**
Transfers from right-of-use assets	68,201	–	–	–	–	**68,201**
Disposals	(11,398)	–	(380,211)	(922,836)	(211,401)	**(1,525,846)**
Balance at 31 December 2020	**23,952,454**	**13,449,140**	**136,404,022**	**68,185,418**	**2,405,111**	**244,396,145**
Accumulated depreciation and impairment						
Balance at 1 January 2020	**1,799,114**	**4,795,619**	**31,777,892**	**31,802,328**	**319,956**	**70,494,909**
Depreciation charge	–	2,757,326	4,484,206	6,803,597	–	**14,045,129**
Impairment charge / (reversal of impairment)	(606,628)	(3,200)	(2,579,873)	(109,635)	387,905	**(2,911,431)**
Disposals	–	–	(218,215)	(751,541)	(163,703)	**(1,133,459)**
Balance at 31 December 2020	**1,192,486**	**7,549,745**	**33,464,010**	**37,744,749**	**544,158**	**80,495,148**
Net book value						
Balance at 1 January 2020	**21,724,411**	**7,894,889**	**100,593,616**	**32,640,017**	**2,590,306**	**165,443,239**
Balance at 31 December 2020	**22,759,968**	**5,899,395**	**102,940,012**	**30,440,669**	**1,860,953**	**163,900,997**

7. Property, plant and equipment (continued)

During the year ended 31 December 2021 and the year ended 31 December 2020 the Group was not involved in acquisition or contribution of any assets that would satisfy the definition of qualifying assets for the purposes of borrowing costs capitalisation. Thus, no borrowings costs were capitalised during those periods.

Depreciation, amortisation and impairment expense

As at 31 December 2021 the Group performed impairment test of property, plant and equipment, intangible assets and right-of-use assets, where indicators of such impairment were identified.

Following the impairment test net reversal of impairment losses was recognised in the consolidated statement of profit or loss in respect of property, plant and equipment amounted to RUB 369,671 (including reversal of impairment losses in respect of land in the amount of RUB 74,624, reversal of impairment losses in respect of buildings in the amount of RUB 442,920, impairment loss in respect of assets under construction in the amount of RUB 42,712 and machinery and equipment in the amount of RUB 105,161) and impairment of right-of-use assets was recognised in the amount of RUB 205,765. The respective impairment charge resulted primarily from underperforming stores, at the same time the reversal of previously recorded impairment losses was due to improved performance of certain stores.

The evaluation was performed at the lowest level of aggregation of assets that is able to generate independent cash inflows (CGU), which is generally at the individual store level.

In identifying whether cash inflows are largely independent, management considers various factors including:

- How it monitors the entity’s operations or how it makes decisions about continuing or disposing of the entity’s assets and operations;
- Cannibalization effect;
- Leakage of customers upon a store closure.

The impairment test has been carried out by comparing recoverable amount of the individual store with its carrying value. The recoverable amount was defined as the higher of its fair value less costs to sell and value in use.

Due to number of CGUs being tested for impairment it is considered impracticable to disclose detailed information for each individual CGU.

The key assumptions used in determining the value in use are:

- Future cash flows are based on the current budgets and forecasts approved by the management and represented by forecasted EBITDA along with terminal value of forecasted free cash flows that are expected to be generated beyond the forecast period (12 months), the years beyond the forecast period the long term consumer price index forecast of 4% is used;
- Cash flow forecasts for capital expenditure are based on past experience and include ongoing capital expenditure required to maintain the level of economic benefits from CGU in its current position;

(in thousands of Russian roubles)

7. Property, plant and equipment (continued)

Depreciation, amortisation and impairment expense (continued)

- Cash flow forecast for overheads presented mainly by personnel expense being allocated on reasonable basis;
- Carrying value of corporate assets that do not generate independent cash inflows (offices, distribution centers) were allocated to CGUs on consistent basis;
- Projections were made in the functional currency of the Group's entities, being Russian rouble and discounted at the Group pre-tax weighted average cost of capital which is then adjusted to reflect the risks specific to the respective assets – 13%.

The Group's management believes that all of its estimates are reasonable and consistent with the internal reporting and reflect management's best knowledge.

The result of applying discounted cash flows model reflects expectations about possible variations in the amount and timing of future cash flows. If the revised estimated discount rate consistently applied to the discounted cash flows had been 300 b.p. higher than management's estimates, the Group would need to reduce the carrying value of non-current non-financial assets by RUB 2,768,701. If the annual revenue growth rate used in calculations of value in use had been 50 b.p. lower, the Group would need to decrease the carrying value of non-current non-financial assets by RUB 342,712.

Fair value less costs of disposal of CGU was defined by an external appraiser by reference to current observable prices on an active market subsequently adjusted for specific characteristics of respective assets. The fair value measurement of these assets is classified at level 2 of the fair value hierarchy.

The amount of depreciation and amortisation during the year ended 31 December 2021 and the year ended 31 December 2020 is presented within depreciation and amortisation in the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Depreciation of property, plant and equipment (Note 7)	15,136,408	14,045,129
Amortisation of right-of-use assets (Note 10)	5,792,641	3,913,127
Amortisation of intangible assets (Note 12)	721,680	603,898
Capitalisation of right-of-use asset depreciation to assets under construction (Note 10)	(23,875)	(21,921)
Total depreciation and amortisation	**21,626,854**	**18,540,233**

See Note 30 for capital commitments.

(in thousands of Russian roubles)

8. Acquisition of subsidiaries

Acquisition of Billa Realty LLC and Billa LLC

In August 2021 Lenta LLC, an indirect subsidiary of Lenta IPJSC completed acquisition of supermarket business of Billa Russia GmbH through the purchase of 100% stakes in Billa Realty LLC and Billa LLC for consideration, including cash paid of RUB 19,596,144 less adjustment for working capital. The acquisition significantly accelerates Lenta's expansion in Moscow.

The financial position and results of operations of Billa Realty LLC and Billa LLC were included in the Group's consolidated financial statements beginning from August 2021.

The Group assigned provisional values to net assets acquired based on estimates of an independent appraiser. The Group will finalise the purchase price allocation within 12 months from the acquisition date.

Provisional fair values of the identifiable assets and liabilities of Billa Realty LLC and Billa LLC at the date of acquisition were:

	Provisional fair values at the acquisition date
Property, plant and equipment (Note 7)	13,471,043
Right-of-use assets (Note 10)	18,631,066
Other non-current assets	145,049
Inventories	1,924,989
Trade and other receivable	98,911
Advances paid	85,706
VAT and other taxes recoverable	16,109
Income tax prepaid	14,620
Prepaid expenses	17,775
Cash and cash equivalents	403,048
Deferred tax liabilities (Note 21)	(1,307,975)
Long-term lease liabilities (Note 10)	(15,603,950)
Trade and other payables	(3,550,005)
Advances received	(35,008)
Other taxes payable	(137,333)
Short-term lease liabilities (Note 10)	(1,512,082)
Fair value of the identifiable net assets	**12,661,963**
Goodwill	6,934,181
Fair value of purchase consideration	**19,596,144**

During the year ended 31 December 2021 cash flow of acquisition was as follows:

	Cash flow of acquisition
Cash paid	19,596,144
Less cash acquired with subsidiaries	(403,048)
Net cash flow on acquisition	**19,193,096**

8. Acquisition of subsidiaries (continued)

Acquisition of Billa Realty LLC and Billa LLC (continued)

From the date of acquisition the contribution to revenue and loss before income tax of Billa Realty LLC and Billa LLC was RUB 9,501,250 and RUB 1,097,054 respectively. It is not practicable to determine contribution to revenue and profit before tax of Billa Realty LLC and Billa LLC if it had been acquired at the beginning of the year due to different management and operational styles of acquired business and the Group.

The goodwill recognised was attributable to expected cost synergies from the business combination and acquired traffic from existing customers. The goodwill was allocated to the stores acquired in result of the acquisition.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable and unfavourable terms of the lease relative to market terms.

The fair value of the trade and other receivables amounts to RUB 98,911. The gross amount of trade receivables is RUB 149,334 and it is expected that the full contractual amounts can be collected.

Acquisition of Semya Group

In September 2021 the Group acquired 100% stake in Semya Group, one of the largest retailer in the Perm region, for cash consideration of RUB 2,454,904. This acquisition further supports Lenta's strategic expansion in the supermarket and convenience store segments, as a result of the transaction, Lenta will significantly increase its total food retail market share in the Perm region.

The financial position and results of operations of Semya Group were included in the Group's consolidated financial statements beginning from September 2021.

The Group assigned provisional values to net assets acquired based on estimates of an independent appraiser. The Group will finalise the purchase price allocation within 12 months from the acquisition date.

(in thousands of Russian roubles)

8. Acquisition of subsidiaries (continued)

Acquisition of Semya Group (continued)

Provisional fair values of the identifiable assets and liabilities of Semya Group at the date of acquisition were:

	Provisional fair values at the acquisition date
Property, plant and equipment (Note 7)	686,076
Prepayments for construction	117
Right-of-use assets (Note 10)	4,183,936
Intangible assets (Note 12)	186,660
Deferred tax assets (Note 21)	73,339
Inventories	849,435
Trade and other receivable	46,960
Advances paid	105,987
Income tax prepaid	11,896
Cash and cash equivalents	63,849
Long-term lease liabilities (Note 10)	(3,644,123)
Trade and other payables	(820,792)
Contract liabilities	(8,385)
Advances received	(25)
Other taxes payable	(35,553)
Short-term borrowings and short-term portion of long-term borrowings (Note 32)	(168,748)
Short-term lease liabilities (Note 10)	(525,174)
Fair value of the identifiable net assets	**1,005,455**
Goodwill	1,449,449
Purchase consideration	**2,454,904**

During the year ended 31 December 2021 cash flow of acquisition was as follows:

	Cash flow of acquisition
Cash paid	2,454,904
Less cash acquired with subsidiaries	(63,849)
Net cash flow on acquisition	**2,391,055**

From the date of acquisition the contribution to revenue and profit before income tax of Semya Group was RUB 4,159,083 and RUB 54,909 respectively. It is not practicable to determine contribution to revenue and profit before tax of Semya Group if it had been acquired at the beginning of the year as Semya Group did not prepare relevant financial information immediately before the acquisition, therefore, it is impracticable to disclose revenue and net profit of the Group for the year ended.

The goodwill recognised was attributable to expected cost synergies from the business combination and acquired traffic from existing customers. The goodwill was allocated to the stores acquired in result of the acquisition.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable and unfavourable terms of the lease relative to market terms.

8. Acquisition of subsidiaries (continued)

Acquisition of Semya Group (continued)

The fair value of the trade and other receivables amounts to RUB 46,960. The gross amount of trade receivables is RUB 58,919 and it is expected that the full contractual amounts can be collected.

Impairment test of goodwill

As at 31 December 2021 total amount of goodwill is RUB 8,383,630.

The Group performed impairment test of goodwill. For the purposes of impairment testing goodwill is allocated to groups of cash-generating units being stores purchased in result of business acquisition of Billa and Semya respectively. This represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill is tested for impairment at the group of CGUs level by comparing carrying values of particular group of CGU asset including allocated goodwill to their value in use. The discounted future cash flow approach is applied based on forecasts approved by the management. Future cash flows are based on the current budgets and forecasts approved by the management and represented by forecasted EBITDA along with terminal value of forecasted free cash flows that are expected to be generated beyond the forecast period (5 years).

Growth rate of 4% is applied for the forecast period. The years beyond the forecast period the long-term growth rate of 2% is used. Projections were made in the functional currency of the Group's entities, being Russian rouble and discounted at the Group pre-tax weighted average cost of capital which is then adjusted to reflect the risks specific to the respective assets – 13%.

The recoverable amount of the groups of CGUs calculated exceeds their carrying amounts and therefore no impairment was recognised for them during the year ended 31 December 2021.

The result of applying discounted cash flows model reflects expectations about possible variations in the amount and timing of future cash flows. The calculation of value in use is most sensitive to the following assumptions:

- Gross margins;
- Discount rates;
- Annual revenue growth rate.

Gross margins are defined in accordance with data of the strategic business plan and internal forecasts based on budget. Decrease in consumer demand may lead to reduction in gross margin. Decrease in growth margin by 5% would result in reduction in the discounted future cash flows but no impairment would be recognized. A rise in the estimated discount rate being the Group pre-tax weighted average cost of capital by 300 b.p. higher than management's estimates would result in decrease in the discounted future cash flows but no impairment would be recognized. If the annual revenue growth rate used in calculations of value in use had been 50 b.p. lower than management's estimates no impairment is to be recognized in the consolidated statement of profit or loss and other comprehensive income.

The Group's management believes that all of its estimates are reasonable and consistent with the internal reporting and reflect management's best knowledge.

(in thousands of Russian roubles)

9. Prepayments for construction

Prepayments for construction are made to contractors building stores and to suppliers.

Prepayments are regularly monitored for the indicators of impairment. As at 31 December 2021 prepayments for construction were impaired in the amount of RUB 542,366 (31 December 2020: RUB 216,592).

10. Right-of-use assets and lease liabilities

Set out below are the carrying amounts of the Group's right-of-use assets and the movements during the year ended 31 December 2021 and year ended 31 December 2020:

	Land	Buildings	Total
Cost			
Balance at 1 January 2021	**5,149,650**	**36,208,231**	**41,357,881**
Additions	332,614	9,972,842	**10,305,456**
Acquisition of subsidiaries (Note 8)	1,088,357	21,726,645	**22,815,002**
Termination and decrease in scope of lease contracts	(29,273)	(2,468,670)	**(2,497,943)**
Other changes*	6,830	855,476	**862,306**
Balance at 31 December 2021	**6,548,178**	**66,294,524**	**72,842,702**
Accumulated depreciation and impairment			
Balance at 1 January 2021	**500,085**	**7,086,535**	**7,586,620**
Depreciation charge	181,421	5,611,220	**5,792,641**
Impairment charge	205,765	–	**205,765**
Termination and decrease in scope of lease contracts	(5,529)	(457,202)	**(462,731)**
Balance at 31 December 2021	**881,742**	**12,240,553**	**13,122,295**
Net book value			
Balance at 1 January 2021	**4,649,565**	**29,121,696**	**33,771,261**
Balance at 31 December 2021	**5,666,436**	**54,053,971**	**59,720,407**

	Land	Buildings	Total
Cost			
Balance at 1 January 2020	**5,368,027**	**31,300,482**	**36,668,509**
Additions	19,227	4,802,559	**4,821,786**
Termination and decrease in scope of lease contracts	(272,919)	(824,258)	**(1,097,177)**
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(72,004)	–	**(72,004)**
Other changes*	107,319	929,448	**1,036,767**
Balance at 31 December 2020	**5,149,650**	**36,208,231**	**41,357,881**
Accumulated depreciation and impairment			
Balance at 1 January 2020	**439,396**	**3,561,670**	**4,001,066**
Depreciation charge	169,980	3,743,147	**3,913,127**
Impairment charge	(93,369)	97,675	**4,306**
Termination and decrease in scope of lease contracts	(12,119)	(315,957)	**(328,076)**
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(3,803)	–	**(3,803)**
Balance at 31 December 2020	**500,085**	**7,086,535**	**7,586,620**
Net book value			
Balance at 1 January 2020	**4,928,631**	**27,738,812**	**32,667,443**
Balance at 31 December 2020	**4,649,565**	**29,121,696**	**33,771,261**

* *Other changes are represented by changes in the right-of-use assets due to indexations and modifications except for decrease in scope of lease contracts.*

(in thousands of Russian roubles)

10. Right-of-use assets and lease liabilities (continued)

Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease.

Set out below are the carrying amounts of the Group's lease liabilities and the movements during the year ended 31 December 2021 and year ended 31 December 2020:

	Year ended 31 December 2021	Year ended 31 December 2020
Lease liabilities at the beginning of the year	**34,441,507**	**32,160,006**
Additions	10,322,212	4,731,148
Acquisition of subsidiaries (Note 8)	21,285,329	–
Termination and decrease in scope of lease contracts	(2,058,925)	(810,549)
Other changes*	862,306	1,036,767
Interest expense	3,569,369	2,716,486
Payments for the principal portion of the lease liabilities	(4,330,107)	(2,814,842)
Payments for the interest portion of the lease liability	(3,569,369)	(2,716,486)
Foreign exchange loss	25,823	138,977
Lease liabilities at the end of the year	**60,548,145**	**34,441,507**

* *Other changes are represented by changes in the right-of-use assets due to indexations and modifications except for decrease in scope of lease contracts.*

	31 December 2021	31 December 2020
Long-term lease liabilities	54,149,744	31,327,074
Short-term lease liabilities	6,398,401	3,114,433
Total lease liabilities	**60,548,145**	**34,441,507**

Set out below are the amounts recognised in profit or loss for the year ended 31 December 2021 and year ended 31 December 2020:

	Year ended 31 December 2021	Year ended 31 December 2020
Depreciation of right-of-use assets	5,792,641	3,913,127
Capitalisation of depreciation to assets under construction	(23,875)	(21,921)
Impairment of right-of-use assets	205,765	4,306
Termination and decrease in scope of lease contracts	(23,713)	(41,448)
Interest expense on lease liabilities	3,569,369	2,716,486
Interest income on security deposits	(63,676)	(31,532)
Foreign exchange loss	25,823	138,977
Rent expense – short-term leases	634,977	681,886
Rent expense – variable lease payments	577,319	349,473
Total amounts recognised in profit or loss	**10,694,630**	**7,709,354**

In an ordinary course of the business the Group constantly arranges for leases of new premises and land. As at 31 December 2021 and 31 December 2020 the Group had a certain amount of leases to which the Group was committed but the lease did not commence. The Group assesses that the amount of future cash outflows to which the lessee is potentially exposed is not significant.

(in thousands of Russian roubles)

11. Operating segments

The Group's principal business activity is the development and operation of food retail stores located in Russia. Risks and returns are affected primarily by economic development in Russia and by the development of Russian food retail industry.

The Group has no significant assets outside the Russian Federation (excluding investments in its foreign wholly owned intermediate holding subsidiary Lenta Global Limited, which are eliminated on consolidation). Due to the similar economic characteristics of food retail stores, the Group's management has aggregated its operating segments represented by stores into one reportable operating segment.

Within the segment all business components are similar in respect of:

- The products;
- The customers;
- Centralised Group structure (commercial, operational, logistic, finance, HR and IT functions are centralised).

The Group's operations are regularly reviewed by the chief operating decision maker, represented by the CEO, to analyse performance and allocate resources within the Group. The CEO assesses the performance of operating segments based on the dynamics of revenue and earnings before interest, tax, depreciation, amortisation (EBITDA). EBITDA is a non-IFRS measure. Other information is measured in a manner consistent with that in the consolidated financial statements.

The segment information for the year ended 31 December 2021 and 31 December 2020 is as follows:

	Year ended 31 December 2021	**Year ended 31 December 2020**
Sales	483,640,887	445,543,829
EBITDA	46,885,172	44,919,129

Reconciliation of EBITDA to IFRS profit for the period is as follows:

	Year ended 31 December 2021	**Year ended 31 December 2020**
EBITDA	**46,885,172**	**44,919,129**
Interest expense (see Note 28)	(9,323,651)	(9,512,254)
Interest income	895,365	609,970
Income tax expense (see Note 21)	(3,990,944)	(3,456,984)
Depreciation and amortisation (see Notes 7, 10, 12)	(21,626,854)	(18,540,233)
Reversal of impairment of non-financial assets (see Notes 7, 10)	163,906	2,907,125
Foreign exchange losses	(523,448)	(386,122)
Profit for the year	**12,479,546**	**16,540,631**

(in thousands of Russian roubles)

12. Intangible assets

Intangible assets as at 31 December 2021 consist of the following:

	Software	Trade marks	Total
Cost			
Balance at 1 January 2021	**5,682,127**	**–**	**5,682,127**
Additions	1,018,556	–	**1,018,556**
Acquisition of subsidiaries (Note 8)	12,358	174,302	**186,660**
Disposals	(1,004)	–	**(1,004)**
Balance at 31 December 2021	**6,712,037**	**174,302**	**6,886,339**
Accumulated amortisation and impairment			
Balance at 1 January 2021	**3,101,155**	**–**	**3,101,155**
Amortisation charge	702,870	18,810	**721,680**
Disposals	(883)	–	**(883)**
Balance at 31 December 2021	**3,803,142**	**18,810**	**3,821,952**
Net book value			
Balance at 1 January 2021	**2,580,972**	**–**	**2,580,972**
Balance at 31 December 2021	**2,908,895**	**155,492**	**3,064,387**

Intangible assets as at 31 December 2020 consisted of the following:

	Software	Total
Cost		
Balance at 1 January 2020	**4,770,994**	**4,770,994**
Additions	918,567	**918,567**
Disposals	(7,434)	**(7,434)**
Balance at 31 December 2020	**5,682,127**	**5,682,127**
Accumulated amortisation and impairment		
Balance at 1 January 2020	**2,500,019**	**2,500,019**
Amortisation charge	603,898	**603,898**
Disposals	(2,762)	**(2,762)**
Balance at 31 December 2020	**3,101,155**	**3,101,155**
Net book value		
Balance at 1 January 2020	**2,270,975**	**2,270,975**
Balance at 31 December 2020	**2,580,972**	**2,580,972**

Amortisation expense is included in selling, general and administrative expenses (Note 26).

13. Other non-current assets

Other non-current assets are represented by guarantee deposits under lease contracts subject to reimbursement by cash at the end of lease.

(in thousands of Russian roubles)

14. Inventories

	31 December 2021	31 December 2020
Goods for resale (at lower of cost and net realisable value)	48,942,271	39,817,567
Raw materials (at lower of cost and net realisable value)	2,410,695	2,253,966
Total inventories at lower of cost and net realisable value	**51,352,966**	**42,071,533**

Raw materials are represented by inventories used in own production process in butchery, bakery and culinary.

During the year ended 31 December 2021 the Group accounted for reversal of write down of inventories to their net realisable value within cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 in the amount of RUB 402,707.

During the year ended 31 December 2020 the Group wrote down inventories to their net realisable value, which resulted in recognition of expenses within cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 in the amount of RUB 595,286.

15. Trade and other receivables

	31 December 2021	31 December 2020
Accounts receivable on rental and other services and on suppliers' advertising	6,434,915	6,293,355
Suppliers' rebates receivable	6,092,218	4,465,410
Other receivables	726,802	268,201
Expected credit losses of accounts receivable	(129,389)	(124,127)
Total trade and other receivables	**13,124,546**	**10,902,839**

As at 31 December 2021 the Group recognized within the other receivables the amount due from insurance company of RUB 498,290 which relates to compensation for lost property, plant, and equipment of RUB 343,100, lost inventory of RUB 155,005 and for other assets of RUB 185 as the result of fire case in one of the stores.

Debtor credit risk is managed in accordance with the Group's established policy, procedures and control relating to debtor credit risk management. Credit quality of a debtor is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating) and the likelihood of default over a given time horizon. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than three years and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 32.

(in thousands of Russian roubles)

15. Trade and other receivables (continued)

The detailed analysis of impact of COVID-19 on debtors' financial conditions and review of any other factors which might result in revision of the allowance matrix performed as at 31 December 2021 led to the conclusion that there was no significant deterioration of credit quality of customers.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables as at 31 December 2021 using a provision matrix:

	Current	<60 days overdue	60-120 days overdue	>120 days overdue	Total
Expected credit loss rate	<1.5%	2%-5%	15%-40%	70%-100%	
Estimated total gross carrying amount at default	12,663,738	400,123	59,756	130,318	**13,253,935**
Expected credit loss	2,241	10,577	11,075	105,496	**129,389**

Set out below is the information about the credit risk exposure on the Group's trade and other receivables as at 31 December 2020 using a provision matrix:

	Current	<60 days overdue	60-120 days overdue	>120 days overdue	Total
Expected credit loss rate	<1.5%	2%-5%	15%-40%	70%-100%	
Estimated total gross carrying amount at default	10,455,452	413,196	30,996	127,322	**11,026,966**
Expected credit loss	11,804	8,264	5,993	98,066	**124,127**

Set out below is the movement in the allowance for expected credit losses of trade and other receivables:

	2021	2020
As at 1 January	**124,127**	**179,010**
Allowance for expected credit losses	72,572	19,371
Write-off	(67,310)	(74,254)
As at 31 December	**129,389**	**124,127**

The Group does not hold any collateral or other credit enhancements over these balances.

16. Advances paid

	31 December 2021	31 December 2020
Advances for services	2,187,368	1,362,282
Advances to suppliers of goods	742,262	415,077
Allowance for impairment of advances paid	(26,208)	(23,293)
Total advances paid	**2,903,422**	**1,754,066**

(in thousands of Russian roubles)

17. Cash and cash equivalents

	31 December 2021	31 December 2020
Rouble denominated short-term deposits	22,977,795	18,489,546
Rouble denominated balances with banks	7,611,496	1,527,464
Rouble denominated cash in transit	1,501,890	1,065,216
Foreign currency denominated balances with banks	759,497	95,606
Rouble denominated cash on hand	475,811	276,294
Foreign currency denominated short-term deposits	–	354,748
Total cash and cash equivalents	**33,326,489**	**21,808,874**

The cash and cash equivalents are denominated in:

	31 December 2021	31 December 2020
RUB	32,566,992	21,358,520
USD	533,905	391,083
EUR	225,592	59,047
GBP	–	224
Total cash and cash equivalents	**33,326,489**	**21,808,874**

Cash in transit represents cash receipts during the last days of the reporting period (29-31 December), which were sent to banks but not deposited into the respective bank accounts until the next reporting period.

Significant rouble denominated cash in transit result from the business seasonality, indicating higher levels of retail sales in holiday periods such as the New Year's Eve as well as the closing day in relation to the official banking days in Russia. If the closing day is on non-banking days, the amount of cash in transit increases.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

18. Issued capital and reserves

Issued capital

With effect from the registration of the Company as an international public joint stock company in the Unified State register of Legal Entities of the Russian Federation the authorized share capital of the Company was converted from EUR 200,000 divided into 200,000,000 ordinary shares with EUR 0.001 par value to Russian roubles 18,252,640 divided into 200,000,000 ordinary shares with Russian roubles 0.0912632 par value.

As at 31 December 2021 the Company's share capital is comprised of 97,585,932 authorised and issued ordinary shares with Russian roubles 0.0912632 par value (as at 31 December 2020: 97,585,932 with EUR 0.001 par value). Following the conversion of par value of ordinary shares the amount of the Company's share capital increased from RUB 6,711 to RUB 8,906. Relevant reclassification from additional paid-in capital to share capital in the consolidated statement of financial position in the amount of RUB 2,195 was made.

(in thousands of Russian roubles)

18. Issued capital and reserves (continued)

Issued capital (continued)

Immediately before a continuation of the Company into the Republic of Cyprus in February 2020, each share of no par value was automatically converted into an ordinary share of EUR 0.001 par value and reclassification from additional paid-in capital to share capital in the consolidated statement of financial position in the amount of RUB 6,711 was made.

All outstanding ordinary shares are entitled to an equal share in any dividend declared by the Company. No dividends to holders of ordinary shares were declared for the year ended 31 December 2021 and for the year ended 31 December 2020.

	Number of shares	31 December 2021 RUB
Authorised		
Ordinary shares of Russian roubles 0.0912632 each	200,000,000	18,253
Issued and fully paid		
Balance at the beginning of the period	**97,585,932**	**6,711**
Amendment to par value of ordinary shares	–	2,195
Balance at the end of the period	**97,585,932**	**8,906**

The number of shares as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021 No.	31 December 2020 No.
Authorised share capital (ordinary shares)	200,000,000	200,000,000
Issued and fully paid	97,585,932	97,585,932
Treasury shares	(910,522)	(910,546)

The movements in the number of shares for the year ended 31 December 2021 and for the year ended 31 December 2020 are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Balance of shares outstanding at beginning of the yea	**96,675,386**	**96,675,386**
Sale of treasure shares	24	–
Balance of shares outstanding at the end of the year	**96,675,410**	**96,675,386**

Treasury shares

In October 2018 the Group launched GDR repurchase programme up to an aggregate value of RUB 11,600,000, which was terminated on 2 April 2019. As the result of the programme 910,522 shares were repurchased as at 31 December 2021 and 31 December 2020.

Share options reserve

The share options reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 29 for further details of these plans.

19. Earnings per share

	Year ended 31 December 2021	Year ended 31 December 2020
Earnings per share (in thousands of Russian roubles per share)		
- basic and diluted, for profit for the year attributable to equity holders of the parent	0.129	0.171

The calculation of basic earnings per share for the period is based on the profit/(loss) attributable to shareholders (profit for the year ended 31 December 2021: RUB 12,479,546, profit for the year ended 31 December 2020: RUB 16,540,631) and weighted average number of ordinary shares outstanding during the respective periods (96,675,409 shares at 31 December 2021 and 96,675,386 shares as at 31 December 2020).

20. Borrowings

Short-term borrowings:

	Currency	31 December 2021	31 December 2020
Fixed rate short-term bank loans	RUB	1,000,000	31,986,386
Fixed rate short-term bonds	RUB	19,995,518	538,515
Fixed rate short-term bonds (liability for interests)	RUB	330,137	16,472
Fixed rate long-term bonds (liability for interests)	RUB	51,775	375,953
Fixed rate short-term bank loans (liability for interests)	RUB	19,912	66,842
Fixed rate long-term bank loans (liability for interests)	RUB	104,661	26,368
Total short-term borrowings and short-term portion of long-term borrowings		**21,502,003**	**33,010,536**

Long-term borrowings:

	Currency	31 December 2021	31 December 2020
Fixed rate long-term bank loans	RUB	56,924,688	15,973,413
Fixed rate long-term bonds	RUB	9,987,744	29,967,625
Total long-term borrowings		**66,912,432**	**45,941,038**

The Groups' borrowings as at 31 December 2021 and 31 December 2020 bear market interest rates, all of them are denominated in Russian roubles.

As at 31 December 2021 the Group had RUB 180,000,000 of unused credit facilities (as at 31 December 2020: RUB 177,600,000).

The loan agreements contain financial and non-financial covenants. As at 31 December 2021 the Group is in compliance with the covenants. As at 31 December 2021 and 31 December 2020 the loans and borrowings of the Group are unsecured.

(in thousands of Russian roubles)

21. Income taxes

The Group's income tax expense for the year ended 31 December 2021 and 31 December 2020 is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Current tax expense	(4,343,609)	(3,442,921)
Deferred tax benefit/(expense)	352,665	(14,063)
Income tax expense recognised in profit for the year	**(3,990,944)**	**(3,456,984)**

	Year ended 31 December 2021	Year ended 31 December 2020
Profit before tax	**16,470,490**	**19,997,615**
Theoretical tax charge at 20% being statutory tax rate in Russia	**(3,294,098)**	**(3,999,523)**
Difference in tax regimes of foreign companies	60,586	237,014
Add tax effect of non-taxable income and non-deductible expenses	(338,404)	(28,163)
(Uncertain tax provision) / reversal of previously unrecognised uncertain tax position	(419,028)	333,688
Income tax expense	**(3,990,944)**	**(3,456,984)**

Differences between IFRS and Russian statutory tax regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences, recorded at the rate of 20% is detailed below.

	1 January 2021	Differences in recognition and reversals recognised in profit or loss	Deferred tax on acquisition of subsidiaries (Note 8)	31 December 2021
Tax effect of (taxable)/ deductible temporary differences				
Property, plant and equipment	–	4,664	(100,507)	(95,843)
Right of use	–	44,468	(836,787)	(792,319)
Unused vacation and employee bonuses accrual	–	458	10,590	11,048
Intangible assets	–	(12)	(16,957)	(16,969)
Inventory	–	1,819	20,720	22,539
Provision for expected credit losses of accounts receivable, impairment of advances paid and prepayments for construction	–	(1,343)	3,047	1,704
Accrued liabilities	–	4,470	593	5,063
Lease liabilities	–	(33,219)	833,859	800,640
Tax loss carryforward	–	(15,213)	147,949	132,736
Other	–	1,907	10,832	12,739
Total net deferred tax assets	**–**	**7,999**	**73,339**	**81,338**

(in thousands of Russian roubles)

21. Income taxes (continued)

	1 January 2021	Differences in recognition and reversals recognised in profit or loss	Deferred tax on acquisition of subsidiaries (Note 8)	31 December 2021
Tax effect of (taxable)/ deductible temporary differences				
Property, plant and equipment	(9,374,745)	(182,414)	(1,379,501)	(10,936,660)
Right of use	(6,661,321)	(940,890)	(3,400,052)	(11,002,263)
Unused vacation and employee bonuses accrual	813,172	(40,429)	20,576	793,319
Suppliers’ bonuses	(84,385)	58,358	–	(26,027)
Borrowings	2,744	1,270	–	4,014
Intangible assets	(137,755)	(59,777)	–	(197,532)
Inventory	942,209	(139,351)	(39,366)	763,492
Provision for expected credit losses of accounts receivable, impairment of advances paid and prepayments for construction	63,829	63,926	1,039	128,794
Accrued liabilities	909,304	656,279	47,301	1,612,884
Lease liabilities	6,888,301	990,332	3,430,357	11,308,990
Other	116,096	(62,638)	11,671	65,129
Total net deferred tax liabilities	**(6,522,551)**	**344,666**	**(1,307,975)**	**(7,485,860)**

	1 January 2020	Differences in recognition and reversals recognised in profit or loss	31 December 2020
Tax effect of (taxable)/deductible temporary differences			
Property, plant and equipment	(8,538,465)	(836,280)	(9,374,745)
Right of use	(6,437,964)	(223,357)	(6,661,321)
Unused vacation and employee bonuses accrual	407,281	405,891	813,172
Suppliers’ bonuses	(59,780)	(24,605)	(84,385)
Borrowings	2,397	347	2,744
Intangible assets	(76,608)	(61,147)	(137,755)
Inventory	793,055	149,154	942,209
Provision for expected credit losses of accounts receivable, impairment of advances paid and prepayments for construction	70,750	(6,921)	63,829
Accrued liabilities	799,696	109,608	909,304
Lease liabilities	6,432,001	456,300	6,888,301
Other	99,149	16,947	116,096
Total net deferred tax liabilities	**(6,508,488)**	**(14,063)**	**(6,522,551)**

The temporary differences associated with investments in the Group’s subsidiaries for which a deferred tax liability has not been recognised in the periods presented, aggregate to RUB 100,845,682 and RUB 91,811,752 as of 31 December 2021 and 2020 respectively.

(in thousands of Russian roubles)

22. Trade and other payables

	31 December 2021	31 December 2020
Trade payables	59,887,528	48,730,068
Accrued liabilities and other creditors	7,335,805	4,845,792
Accrued liabilities to employees	3,819,954	4,367,684
Payables for purchases of property, plant and equipment	2,987,725	3,522,889
Total trade and other payables	**74,031,012**	**61,466,433**

The trade and other payables are denominated in:

	31 December 2021	31 December 2020
Russian roubles	72,736,275	60,205,933
USD	1,039,250	1,021,454
EUR	251,626	236,211
GBP	3,861	2,835
Total trade and other payables	**74,031,012**	**61,466,433**

23. Contract liabilities

	31 December 2021	31 December 2020
Advances received for gift cards	711,875	582,455
Contract liabilities related to loyalty programmes	296,182	124,588
Advances received from wholesales customers	100,331	83,032
Total other taxes payable	**1,108,388**	**790,075**

24. Other taxes payable

	31 December 2021	31 December 2020
Social taxes	1,231,553	1,099,531
Output VAT	604,127	–
Personal income tax	324,191	284,232
Property tax	262,755	–
Other taxes	33,911	23,985
Total other taxes payable	**2,456,537**	**1,407,748**

25. Cost of sales

Cost of goods sold is reduced by rebates and promotional bonuses received from suppliers.

Cost of sales for the year ended 31 December 2021 includes employee benefits expense of RUB 10,512,309 (for the year ended 31 December 2020: RUB 9,419,920) of which social charges are comprised of RUB 1,468,483 (for the year ended 31 December 2020: RUB 1,330,005).

Cost of sales for the year ended 31 December 2021 includes cost of raw materials used in own production of RUB 20,579,284 (for the year ended 31 December 2020: RUB 17,194,010).

(in thousands of Russian roubles)

26. Selling, general and administrative expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Employee benefits	35,435,772	31,264,457
Depreciation and amortisation (Notes 7, 10, 12)	21,626,854	18,540,233
Advertising	6,489,346	5,748,928
Utilities and communal payments	5,625,990	4,969,707
Professional fees	4,489,152	4,318,190
Repairs and maintenance	3,885,549	3,523,836
Cleaning	3,878,696	3,508,353
Security services	2,497,105	2,082,074
Taxes other than income tax	1,583,929	1,456,812
Rent expense (Note 10)	1,212,296	1,031,359
Other	4,722,328	3,670,230
Total selling, general and administrative expenses	**91,447,017**	**80,114,179**

Employee benefits for the year ended 31 December 2021 includes social charges of RUB 4,769,933 (for the year ended 31 December 2020: RUB 3,922,267). The average number of employees employed by the Group during the year ended 31 December 2021 was 49,838 (during the year ended 31 December 2020: 43,323).

Professional fees for the year ended 31 December 2021 include fees billed by Ernst & Young LLC: for the audit of the consolidated financial statements in the amount of RUB 21,684 (for the year ended 31 December 2020: RUB 29,222) and for other professional services in the amount of RUB 15,238 (for the year ended 31 December 2020: RUB 12,844).

27. Other operating income and expenses

Other operating income is comprised of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Sale of secondary materials	2,177,095	1,133,736
Penalties due by suppliers	1,930,929	1,152,192
Rental income	1,852,678	1,475,979
GDR program reimbursement	176,805	331,111
Advertising income	159,074	609,191
Gain on property, plant and equipment disposal	38,836	45,730
Gain from termination and decrease in scope of lease contracts (Note 10)	33,596	47,244
Insurance compensation	–	218,038
Other	210,034	186,681
Total other operating income	**6,579,047**	**5,199,902**

Income generated from the GDR program represents reimbursements done by the depositary out of revenue charged from GDR holders.

(in thousands of Russian roubles)

27. Other operating income and expenses (continued)

Other operating expenses are comprised of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Changes in allowance for impairment and write-offs of advances paid and prepayments for construction	328,689	67,147
Loss from property, plant and equipment and intangible assets disposal	298,995	210,299
Compensation for termination of contracts with providers	127,366	35,046
Penalties from government authorities	80,303	36,774
Changes in expected credit losses of accounts receivable	72,572	19,371
Loss from termination and decrease in scope of lease contracts (Note 10)	9,883	5,796
Non-recoverable VAT	108,636	15,975
Other	207,908	132,062
Total other operating expenses	**1,234,352**	**522,470**

28. Interest expense

Interest expense are comprised of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
Interest expense on borrowings	5,754,282	6,795,768
Interest expense on lease liabilities	3,569,369	2,716,486
Total interest expense	**9,323,651**	**9,512,254**

29. Share options reserve

Long-term incentive plan

The Group approved a long-term incentive plan (LTIP) to certain members of senior and middle management, according to which the Group annually granted award shares in 2014, 2015, 2016, 2017, 2018 and 2019 along with the communication of the terms of award to participants.

The monetary amount of the award to be granted to the participants of the plan was calculated based on the annual base salary on the grant date, target award interest, business results coefficient and individual performance rating coefficient.

The fair value of the award shares was estimated based on the GDR price on London Stock Exchange on the award grant date.

As at 31 December 2021 Tranche 2014, 2015, 2016, 2017, 2018 are fully vested.

(in thousands of Russian roubles)

29. Share options reserve (continued)

Long-term incentive plan (continued)

Share-option modification

In the fourth quarter of the year ended 31 December 2020 equity-settled unvested awards Tranche 2018 and Tranche 2019 to the middle and top management were converted so as to become fixed remuneration but their terms are otherwise unchanged. The number of converted instruments at fixed price of US$3.6 remained unchanged. The fixed remuneration was accounted for as other long-term employee benefits in accordance with IAS 19.

At the conversion date the total amount of fixed remuneration payable of RUB 346,393 in the extent to which the related services have been received was reclassified from share option reserve in the consolidated statement of changes in equity to trade and other payables.

Set out below is the information about awards settlement during year ended 31 December 2021:

	2017 tranche	2019 tranche	Total
Settlement by cash payment (USD 3.6$ per GDR)			
Settlement by cash in April 2020	79,843	115,513	**195,356**
Excess of expenses accrued vs. payment made	64,727	29,642	**94,369**

Total expense recognised for the services received from the employees covered by long-term incentive plan for the year ended 31 December 2021 and for the year ended 31 December 2020 is shown in the following table:

	Year ended 31 December 2021	Year ended 31 December 2020
Expense arising from the equity-settled long-term incentive plan payments	–	342,297
Incremental fair value arising from conversion of the equity-settled long-term incentive plan into employee benefits under IAS 19	–	119,092
Total	**–**	**461,389**

Share value appreciation rights

During the year 2013 and the year 2016 the Group granted share value appreciation rights (SVARs) to certain members of top management as part of management long-term incentive plan. Each SVAR entitles the holder to a quantity of ordinary shares in Lenta IPJSC based on an increase in the share price over a predetermined exercise price subject to meeting the performance conditions.

As at 31 December 2019 SVARs of 2013 year fully vested.

(in thousands of Russian roubles)

29. Share options reserve (continued)

Share value appreciation rights (continued)

In April 2020 SVARs of 2016 year expired worthless. Total expense for the services received from the employees previously recognised with respect to expired SVARs was RUB 20,486.

	Year ended 31 December 2021	Year ended 31 December 2020
Expense arising from the equity-settled SVARs transaction	–	2,201

The fair value of the management SVARs is estimated at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the SVARs were granted.

At the end of 2020 the new Lenta Top Member Award (LTMA) combining long-term and short-term incentive programme was introduced for senior and middle management. The remuneration was accounted for as employee benefits in accordance with IAS 19. Other long-term liability represents the long-term portion of the liability to employees under the LTMA programme.

30. Capital expenditure commitments

At 31 December 2021 the Group has contractual capital expenditure commitments in respect of property, plant and equipment and intangible assets totaling RUB 4,494,385 net of VAT (31 December 2020: RUB 4,333,015 net of VAT).

31. Financial instruments

Categories of financial instruments

	31 December 2021	31 December 2020
Financial assets measured at amortised cost		
Cash and cash equivalents	33,326,489	21,808,874
Trade and other receivables	13,124,546	10,902,839
Other non-current financial assets	482,524	445,171
Total financial assets measured at amortised cost	**46,933,559**	**33,156,884**
Financial liabilities measured at amortised cost		
Fixed rate long-term bank loans and bonds	66,912,432	45,941,038
Fixed rate short-term bank loans and bonds and short-term liability for interests for long-term bank loans and bonds	21,502,003	33,010,536
Lease liabilities	60,548,145	34,441,507
Trade and other payables	74,031,012	61,466,433
Total financial liabilities measured at amortised cost	**222,993,592**	**174,859,514**

(in thousands of Russian roubles)

31. Financial instruments (continued)

Fair values

Quantitative disclosures of fair value measurement hierarchy for the Group's financial liabilities as at 31 December 2021 and 31 December 2020 are presented below:

	31 December 2021	Level 1	Level 2	Level 3
Financial liabilities for which fair values are disclosed				
Fixed rate bonds	31,164,878	31,164,878	–	–
Fixed rate bank loans	57,154,598	–	57,154,598	–

	31 December 2020	Level 1	Level 2	Level 3
Financial liabilities for which fair values are disclosed				
Fixed rate bonds	31,702,693	31,702,693	–	–
Fixed rate bank loans	47,814,126	–	47,814,126	–

During the reporting periods ended 31 December 2021 and 31 December 2020, there are no transfers between Level 1, Level 2 and Level 3 of fair value measurements.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Interest-bearing loans and borrowings				
Fixed rate bank loans and bonds	88,414,435	88,319,476	78,951,574	79,516,819
Total financial liabilities	**88,414,435**	**88,319,476**	**78,951,574**	**79,516,819**

The management assessed that the carrying amounts of cash and short-term deposits, trade receivables, trade payables, other liabilities approximate their fair values largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

(in thousands of Russian roubles)

31. Financial instruments (continued)

Fair values (continued)

The following methods and assumptions are used to estimate the fair values:

- Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2021 and 31 December 2020 is assessed to be insignificant.
- The fair value of bonds is based on the price quotations at the reporting date at Moscow exchange where transactions with bonds take place with sufficient frequency and volume.

Changes in liabilities arising from financing activities

	31 December 2020	Proceeds from borrowings	Repay-ments of borrowings	Reclas-sifications	Acquisition of subsidiaries (Note 8)	Other	31 December 2021
Long-term borrowings	45,941,038	41,925,200	–	(20,992,237)	–	38,431	66,912,432
Short-term borrowings	33,010,536	–	(32,707,263)	20,992,237	168,748	37,745	21,502,003
Total	**78,951,574**	**41,925,200**	**(32,707,263)**	**–**	**168,748**	**76,176**	**88,414,435**

	31 December 2019	Proceeds from borrowings	Repay-ments of borrowings	Reclas-sifications	Other	31 December 2020
Long-term borrowings	82,110,441	30,792,775	(10,000,000)	(56,998,068)	35,890	45,941,038
Short-term borrowings	68,430,816	15,000,000	(107,240,001)	56,998,068	(178,347)	33,010,536
Total	**150,541,257**	**45,792,775**	**(117,240,001)**	**–**	**(142,457)**	**78,951,574**

The 'Other' column includes the net effect of accrued and paid interest on interest bearing loans. Group classifies interest paid as cash flows from operating activities.

32. Financial risk management

The Group's principal financial liabilities, other than derivatives, are comprised of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialists that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

(in thousands of Russian roubles)

32. Financial risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, cash equivalents and derivative financial instruments.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

During the years ended 31 December 2021 and 2020, the Group does not attract any amounts of foreign currency denominated borrowings, and as a consequence is not materially exposed to foreign currency risk. The only balances that are exposed to foreign currency risk are accounts payables to several foreign suppliers.

Whenever possible, the Group tries to mitigate the exposure to foreign currency risk by matching the statement of financial position, and revenue and expense items in the relevant currency.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant.

	Change in USD rate	Effect on profit before tax
Year ended 2021	15.00%	(123,272)
	-15.00%	123,272
Year ended 2020	16.00%	(143,763)
	-16.00%	143,763

The following table demonstrates the sensitivity to a reasonably possible change in the EUR exchange rate, with all other variables held constant.

	Change in EUR rate	Effect on profit before tax
Year ended 2021	15.00%	(33,180)
	-15.00%	33,180
Year ended 2020	16.00%	(36,367)
	-16.00%	36,367

Foreign currency exchange rate reasonable possible change range was prepared for the purpose of market risk disclosures in accordance with IFRS 7 and is derived from statistical data, in particular time series analysis.

32. Financial risk management (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate because of changes in market interest rates. As at 31 December 2021 and as at 31 December 2020 the Group has no financial instruments with floating interest rates.

Credit risk

Credit risk is the risk that counterparty may default or not meet its obligations to the Group on a timely basis, leading to financial loss to the Group. Financial assets, which are potentially subject to credit risk, consist principally of cash in bank accounts and cash in transit, loans and receivables.

Trade receivables

The Group has no significant concentrations of credit risk. Concentration of credit risk with respect to receivables is limited due to the Company's customer and vendor base being large and unrelated. Credit is only extended to counterparties subject to strict approval procedures.
The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who are granted credit terms have a history of purchases from the Group. The Group also requires these customers to provide certain documents such as incorporation documents and financial statements. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is not significant. Sales to retail customers are made in cash, debit cards or via major credit cards.

Cash and cash equivalents

Credit risk from investing activities is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

The maximum exposure to credit risk at the reporting date of trade receivables is the carrying value as presented in the statement of financial position. The maximum exposure to credit risk at the reporting date of cash and cash equivalents is RUB 32,850,678 (31 December 2020: RUB 21,532,580).

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial assets and liabilities and projected cash flows from operations. The Group 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 needs.

(in thousands of Russian roubles)

32. Financial risk management (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 and 31 December 2020 bases on contractual undiscounted cash flows of the financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

31 December 2021

	Less than 12 months	1-5 periods	Over 5 periods	Total
Borrowings	26,925,594	72,073,987	–	**98,999,581**
Lease liabilities	2,757,782	38,664,212	40,680,931	**82,102,925**
Trade and other payables	74,031,012	–	–	**74,031,012**
Total	**103,714,388**	**110,738,199**	**40,680,931**	**255,133,518**

31 December 2020

	Less than 12 months	1-5 periods	Over 5 periods	Total
Borrowings	37,062,819	49,167,294	–	**86,230,113**
Lease liabilities	5,765,364	20,666,697	28,338,092	**54,770,153**
Trade and other payables	61,466,433	–	–	**61,466,433**
Total	**104,294,616**	**69,833,991**	**28,338,092**	**202,466,699**

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group reviews its capital needs periodically to determine actions to balance its overall capital structure through shareholders' capital contributions or new share issues, return of capital to shareholders as well as the issue of new debt or the redemption of existing debt. The Group is guided in its decisions by an established financing policy, which stipulates leverage ratios, interest coverage, covenants compliance, appropriateness of balance between long-term and short-term debt, requirements to diversification of funding sources. Dividends are to be declared based on the capital requirements of the business and with reference to continuing compliance with the financial policy.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, lease liabilities less cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

(in thousands of Russian roubles)

32. Financial risk management (continued)

Capital management (continued)

Net debt of the Group comprises of the following:

	31 December 2021	31 December 2020
Borrowings	88,414,435	78,951,574
Lease liabilities	60,548,145	34,441,507
Cash and cash equivalents (Note 17)	(33,326,489)	(21,808,874)
Net debt	**115,636,091**	**91,584,207**

Net debt is a non-IFRS indicator and, therefore, its calculation may differ between companies, however it is one of the key indicators that are commonly used by investors and other users of financial statements in order to evaluate financial condition of the Group.

33. Contingencies

Operating environment of the Group

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including the outbreak of coronavirus infection, sanctions imposed, consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The global spread of the COVID-19 may have a significant and prolonged impact on global economic conditions, disruptions in supply chain, increase in employee absenteeism and adversely impact operations.

Since 2020, the Russian authorities have taken a number of measures to mitigate the effect of COVID-19 and on the Russian economy. The range of measures is very broad and includes, amongst others, the deferral of tax and lease payments, suspension of field audits, prolongation of various state licenses and permits, credit holidays and bank loans at reduced rates. Food retail was not included into the list of most affected sectors. The Group was included into the list of systemically important companies. The Government of Russia provided the following support measures for companies, included into the list of systemically important ones: budget subsidies, deferral of taxes and tax advances, state guarantees for credits and loans. The Group did not apply for support measures provided by the Government.

33. Contingencies (continued)

Operating environment of the Group (continued)

COVID-19 and Omicron variant of COVID-19 continue to impact operations, albeit less than in previous periods. Consumer's shopping behavior and thus traffic remains difficult to predict and the Group is incurring additional COVID-19 preventive costs on antibacterial protection equipment and liquids for employees and customers, masks and gloves as well as cleaning services. Consumer demand for food products is stable. The Group performed assessment of the impact of COVID-19 on the impairment of non-financial assets (Note 7, 10) and on credit risk with respect to receivables (Note 15).

While the full financial impact of the crisis in long-term perspective is impossible to predict with a high degree of certainty, the management strongly believes in positive outcome on the performance of the Group.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal contingencies

Group companies are involved in a number of lawsuits and disputes that arise in the normal course of business. Management assesses the maximum exposure relating to such lawsuits and disputes to be RUB 577,399 as at 31 December 2021 (31 December 2020: RUB 89,974). Management believes there is no exceptional event or litigation likely to affect materially the business, financial performance, net assets or financial position of the Group, which have not been disclosed in these consolidated financial statements.

Russian Federation tax and regulatory environment

The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result the laws and regulations affecting businesses continue to change rapidly. These changes are characterised by poor drafting, different interpretations and arbitrary application by the authorities. In particular taxes are subject to review and investigation by a number of authorities who are enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group.

Management also assesses the maximum exposure from possible tax risks to be RUB 3,267,036 (31 December 2020: RUB 2,123,772). Management continues to monitor closely any developments related to these risks and regularly reassesses the risk and related liabilities, provisions and disclosures.

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 obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

34. Events occurring after the reporting period

In February 2022 the Company obtained control over Noviy Impuls-50 LLC through purchase of 100% interest from Severgroup, the parent. Noviy Impuls-50 LLC is online-retailer operating under brand Utkonos. As a result of the transaction the Group plans to create a leading e-grocery platform covering all key shopping missions and market segments.

The purchase consideration amounts to RUB 20,000,000. The acquisition of 100% interest of Noviy Impuls-50 LLC by Lenta IPJSC will be financed by issue of 23,590,795 additional ordinary shares of Lenta IPJSC through a private placement offering to Severgroup at a price of RUB 1,087 per share. Other shareholders of the Company may participate by exercising preemptive rights to acquire additional shares. On 11 February 2022 an Extraordinary Meeting of Shareholders approved the proposed increase in the Lenta IPJSC's share capital by way of additional share issuance by closed subscription.

The Group is in process of calculation of provisional values of net assets acquired and purchase price allocation. The Group will finalise the purchase price allocation within 12 months from the acquisition date which is not yet finished at the date of approval of these consolidated financial statements.