

O1 Properties Group

Management Report and Consolidated Financial Statements
31 December 2021

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Marios Demetriades (appointed on 22/02/2022)

Leonid Tatko (appointed 22/02/2022)

Oleg Myshkin

Eleni Ralaiairisoa

Adina Viviana Szemethy

Evripidis Pavlou

Sophia Demosthenous

Savvas Polyviou (resigned on 22/02/2022)

Theonitsa Andriana Constantinou (resigned on 22/02/2022)

Secretary:

Adina Viviana Szemethy (appointed on 22/02/2022)

Theonitsa Andriana Constantinou (resigned on 22/02/2022)

Independent Auditors:

FinExpertiza, Cyprus

Certified Public Accountants and Registered Auditors

Registered office:

18 Spyrou Kyprianou

2nd floor

1075, Nicosia

Cyprus

Bankers:

Sberbank

Credit Bank of Moscow (MCB)

Home Credit Bank

VTB Bank

AAREAL BANK

Otkritie Bank

The Russian Regional Development Bank (RRDB)

JSC Bank "Peresvet"

Expobank LLC

JSC Raiffeisenbank

Rigensis Bank AS

Registration number:

HE 272334

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of O1 Properties Limited (the “Company”) and its subsidiaries (“O1 Properties Group” or the “Group”) for the year ended 31 December 2021.

Incorporation and status

O1 Properties Limited was incorporated in Cyprus on 24 August 2010 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. On 28 March 2012 the Company was reconstituted from a private limited liability company to a public limited company under the name O1 Properties plc. On 10 July 2012 the Company was reconstituted from public limited company to a private limited liability company under the name O1 Properties Limited.

Principal activities

The principal activities of the Company are the holding and financing of investments. The Group operates in Moscow real estate market (Russian Federation). In particular, the Group is focused on buying both active and developing investment properties in the Russian Federation to derive profit from their activities. During prior and current year, the Group also engaged in the construction of premium class residential apartments for further sale to private residents.

Review of the development and current position of the Group and description of the major risks and uncertainties

The profit of the Group for the year ended 31 December 2021 was RR 16 038 million (2020: loss RR 35 328 million) while total comprehensive income for the year was RR 15 806 million (2020: loss RR 35 602 million).

The net rental income of the Group for the year ended 31 December 2021 was RR 14 567 million (2020: RR 14 333 million).

At 31 December 2021 the total assets of the Group were RR 212 219 million and the negative total equity was RR 13 333 million (31 December 2020: total assets were RR 221 012 million and the negative total equity was RR 29 139 million respectively).

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered as relevant to the current economic environment.

Description of the major risks and uncertainties

The principal risks that both the Company and the Group face are market risk, interest rate risk, credit risk, liquidity risk, currency risk, operating risk and capital management risk. Additionally, the uncertain current economic environment in the Russian Federation and Cyprus, could adversely affect the results of the Company and the Group.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Notes 2, 4, 22, 23 and 24 to the consolidated financial statements.

Future developments of the Company and the Group

The Board of Directors does not anticipate any significant changes in the activities of the Company and the Group in the foreseeable future (Refer to Note 3 for the plans of the Group).

Results and Dividends

The Group's results for the year ended 31 December 2021 are set out on page 8. During 2021 the Directors did not recommend the payment of dividends.

CONSOLIDATED MANAGEMENT REPORT (Continued)

Share capital

There were no changes in the share capital of the Company during the year.

Environmental Issues

The Group is committed to reducing the environmental footprint of its buildings and ensuring the well-being of the people who use them. O1 Properties Group was one of the first in Russia to apply environmental standards at its office centres. Initiatives include the use of special technologies to save natural resources, reduction of water and power consumption, separation of waste flows, and support for environment-friendly transport. The Group created the opportunities for charging electric vehicles at iCUBE office center, increased volume of recyclable waste in total amount of the collected waste (the eco-friendly disposal of medical masks), created new website dedicated to ecological efficiency of commercial real estate for increasing awareness about the ecological efficiency.

The Group has led the way in Russia in the certification of buildings to international environmental standards. Ten of the Group's office centres in Moscow (White Square, Ducat Place III, Lighthouse, Vivaldi Plaza, White Stone, iCube, LeFORT, Silver City, Krugozor and Stanislavsky) have been certified compliant with the UK's BREEAM system for environmental certification of buildings, which is now the most popular system of its kind in Europe.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2021, and at the date of this report are presented on page 1. Theonitsa Andriana Constantinou, who was director as at 1 January 2021, resigned on 22 February 2022 and on the same date Leonid Tatko was appointed in her place. Savvas Polyviou, who was director as at 1 January 2021, resigned on 22 February 2022 and on the same date Marios Demetriades was appointed in his place.

In accordance with the Company's Articles of Association all directors presently members of the Board of Directors continue in office. There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Significant events after the reporting period

Significant events that occurred after the end of the reporting period are described in Note 29 to the consolidated financial statements.

Existence of branches

During the year ended 31 December 2021 the Company did not operate through any branches.

Independent Auditors

The Independent Auditors, FinExpertiza, Cyprus, who have been appointed during the year in replacement of the previous auditors, Deloitte Limited, and have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

28 April 2022

Director

LEONID TATKO
DIRECTOR

Independent Auditor's Report

To the Members of O1 Properties Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of O1 Properties Limited (the "Company") and its subsidiaries (the "Group"), which are presented in pages 9 to 69 and comprise the consolidated statement of financial position as at 31 December 2021, and 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 our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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' 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 Cyprus, 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.

Material Uncertainty Related to Going Concern

We draw attention to note 3 to the consolidated financial statements which indicates that even though the Group made a profit of RR 16 038 million during the year ended 31 December 2021 (31 December 2020: loss of RR 35 328 million) as of that date the Group's current liabilities exceeded its current assets by RR 43 578 million (31 December 2020: net current liabilities RR 45 248 million). Furthermore, the Group had accumulated losses of RR 86 997 million and equity deficit of RR 13 333 million as at 31 December 2021 (31 December 2020: accumulated losses RR 103 960 million and equity deficit of RR 29 139 million).

In performing their assessment of going concern, the Directors have considered forecast cash flows for a period of more than 12 months from the date of issuance of the consolidated financial statements. The timing and realisation of a number of key assumptions within the forecasts are not wholly within management's control and the Group may require further bank repayment deferrals if the magnitude and duration of the current economic environment has a worse impact than presently estimated.

As stated in note 3, these events or conditions, along with the other matters as set forth in note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (continued)

To the Members of O1 Properties Limited

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report which is presented in pages 2 and 3, but does not include the consolidated financial statements and our auditor's report thereon.

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 the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Independent Auditor's Report (continued)

To the Members of O1 Properties Limited

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of the Board of Directors' 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 a true and fair view.
- Obtain sufficient and 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.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Independent Auditor's Report (continued)

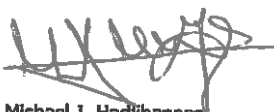
To the Members of O1 Properties Limited

Other Matters

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 29 April 2021.



Michael J. Hadjihannas
Certified Public Accountant and Registered Auditor
for and on behalf of
FinExpertiza Cyprus
Certified Public Accountants and Registered Auditors

Nicosia, 28 April 2022

O1 Properties Group
Consolidated Statement of Financial Position

<i>In millions of R\$</i>	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	1 057	1 086
Investment property	7	186 673	191 821
Other investments	8	4	568
Loans issued	9	13 580	15 615
Trade and other receivables	11	552	611
Deferred income tax asset	21	4 542	4 132
Total non-current assets		208 408	213 943
Current assets			
Residential property under construction	10	670	664
Loans issued	9	1 277	1 917
Trade and other receivables	11	1 983	1 725
Cash and cash equivalents	12	1 881	2 763
Total current assets		5 811	7 069
TOTAL ASSETS		212 219	221 012
LIABILITIES			
Non-current liabilities			
Borrowings	13	169 042	188 930
Tenant deposits		2 195	2 600
Deferred income tax liability	21	4 926	6 304
Total non-current liabilities		176 163	197 834
Current liabilities			
Borrowings	13	37 156	36 041
Derivative financial instruments	24	1 960	2 477
Tenant deposits		514	502
Deferred rental income		3 010	2 532
Provisions	14	2 860	5 018
Financial guarantees liabilities	15	4	4
Trade and other payables and other liabilities	16	3 885	5 743
Total current liabilities		49 389	52 317
TOTAL LIABILITIES		225 552	250 151
EQUITY			
Share capital and share premium	17	73 938	73 938
Property revaluation reserve	6	786	958
Currency translation reserve		(11)	(13)
Accumulated losses		(86 986)	(103 980)
Equity deficit attributable to the owners of the Company		(12 280)	(28 077)
Non-controlling interest	27	(1 053)	(62)
TOTAL EQUITY DEFICIT		(13 333)	(28 139)
TOTAL LIABILITIES AND EQUITY		212 219	221 012

Approved for issue by the Board of Directors and signed on its behalf on 28 April 2022.

Director


LEONIO TATKO
 DIRECTOR

Director


ADINA VIVIANA SZEMETHY
 DIRECTOR

O1 Properties Group
Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	For the year ended 31 December	
<i>In millions of RR</i>		2021	2020
Rental revenue		17 942	17 843
Operating expenses of investment property	18	(3 375)	(3 510)
Net rental income	18	14 567	14 333
Net loss from fair value adjustment on investment property	7	(1 818)	(945)
General and administrative expenses	19	(1 605)	(1 469)
Reversal of provisions/(provisions)	14	38	(124)
Other operating expenses	19	(247)	(319)
Other income		47	48
Net gain from acquisition and disposal of subsidiaries	28	134	-
Finance income	20	21 835	2 885
Finance costs	20	(18 618)	(18 017)
Net impairment loss on financial assets and guarantees	9,11,15,22	(4 334)	(7 396)
Foreign exchange translation gains less losses/(losses less gains)		4 569	(22 038)
Profit/(loss) before income tax		14 568	(33 042)
Income tax credit/(expenses)	21	1 470	(2 286)
Profit/(loss) for the year		16 038	(35 328)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Effect of translation to presentation currency of the financial statements of foreign operations		2	(14)
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment		(211)	(194)
Deferred tax asset movement on the property revaluation		42	39
Other movements		(65)	(105)
Total other comprehensive loss for the year		(232)	(274)
Total comprehensive income/(loss) for the year		15 806	(35 602)
Income/(loss) is attributable to:			
- Owners of the Company		16 964	(34 128)
- Non-controlling interest		(926)	(1 200)
Total comprehensive income/(loss) is attributable to:			
- Owners of the Company		16 862	(34 142)
- Non-controlling interest		(1 056)	(1 460)

O1 Properties Group
Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						Non-controlling interest	Total equity/(equity deficit)
	Share capital	Share premium	Property revaluation reserve	Currency translation reserve	Accumulated losses	Total		
<i>In millions of RR</i>								
Balance at 1 January 2020	71	73 867	958	1	(69 833)	5 064	1 398	6 462
Total comprehensive loss								
Loss for the period	-	-	-	-	(34 128)	(34 128)	(1 200)	(35 328)
Other comprehensive loss for the year	-	-	-	(14)	-	(14)	(260)	(274)
Total comprehensive loss for the year	-	-	-	(14)	(34 128)	(34 142)	(1 460)	(35 602)
Balance at 31 December 2020	71	73 867	958	(13)	(103 960)	(29 077)	(62)	(29 139)
Balance at 1 January 2021	71	73 867	958	(13)	(103 960)	(29 077)	(62)	(29 139)
Total comprehensive (loss)/income								
Profit/(loss) for the year	-	-	-	-	16 964	16 964	(926)	16 038
Other comprehensive (loss)/income for the year	-	-	(169)	2	-	(167)	(65)	(232)
Total comprehensive (loss)/income for the year	-	-	(169)	2	16 964	16 797	(991)	15 806
Balance at 31 December 2021	71	73 867	789	(11)	(86 996)	(12 280)	(1 053)	(13 333)

O1 Properties Group
Consolidated Statement of Cash Flows

<i>In millions of RR</i>	Note	For the year ended 31 December	
		2021	2020
Profit/(loss) before income tax		14 568	(33 042)
Adjustments for:			
Depreciation	19	46	40
Net loss from fair value adjustment on investment property	7	1 818	945
(Provisions reversals)/provisions	14	(37)	124
Net gain from acquisition and disposal of subsidiaries	28	(134)	-
Net impairment loss on financial assets and guarantees	9,11,15,22	4 334	7 396
Finance costs	20	18 618	18 017
Finance income	20	(21 835)	(2 885)
Foreign exchange translation (gains less losses)/losses less gains		(4 569)	22 038
Other non-cash adjustments		-	(218)
Operating cash flows before working capital changes		12 809	12 415
Net (increase)/decrease in trade and other receivables		(235)	457
Net decrease in residential property under construction		73	200
Net decrease in tenant deposits		(622)	(578)
Net increase/(decrease) in deferred rental income		319	(334)
Net (decrease)/increase in trade and other payables		(429)	620
Changes in working capital		(894)	365
Income tax paid		(377)	(321)
Net cash from operating activities		11 538	12 459
Cash flow from/(used in) investing activities			
Expenditures on subsequent improvements of investment property	7	(289)	(153)
Expenditures on subsequent improvements of residential property under construction	10	(79)	-
Additions to plant, property and equipment	6	(8)	(30)
Loans issued		(3 583)	(5 224)
Repayment of loans issued		2 656	2 426
Interest received/(paid)		545	(1)
Net cash used in investing activities		(758)	(2 982)
Cash flows used in financing activities			
Proceeds from borrowings		2 236	6 779
Repayment of borrowings		(3 358)	(8 144)
Interest paid		(10 332)	(7 296)
Payments for land lease		(222)	(168)
Net cash used in financing activities		(11 676)	(8 829)
Effect of exchange rate changes on cash and cash equivalents		15	(14)
Net (decrease)/increase in cash and cash equivalents		(881)	634
Cash and cash equivalents at beginning of the year		2 763	2 129
Cash and cash equivalents at the end of the year	12	1 881	2 763

Refer to Note 28 for the other information on significant non-cash transactions.

1 General Information

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap 113, for O1 Properties Limited (the "Company") and its subsidiaries (the "Group").

The Company was incorporated on 24 August 2010 as a private limited liability company and is domiciled in Cyprus. The address of its registered office is 18, Spyrou Kyprianou, 2nd floor, 1075 Nicosia, Cyprus.

At 31 December 2021 and 31 December 2020 the Company's principal immediate shareholders were Riverstretch Trading and Investments Limited (Cyprus), Yofoura Holding Limited (Cyprus) and certain other companies which owned 70.038%, 14.410% and 15.552% of Class "A" shares respectively. At 31 December 2021 and 31 December 2020 the owners of Class "B" shares were Riverstretch Trading and Investments Limited, Yofoura Holding Limited and certain other companies which owned 58.391%, 21.865% and 19.744% of Class "B" shares respectively. Refer to Note 17 for an overview of the differences in rights and obligations of "A" and "B" shareholders.

From 4 July 2018 following the Change of Control Mr. Pavel Vashchenko, citizen of the Russian Federation (the "Ultimate Controlling Shareholder"), became the ultimate controlling party of the Group.

Principal activity: The principal activities of the Company are the holding and financing of investments. The Group operates in Moscow real estate market (Russian Federation). In particular, the Group is focused on buying both active and developing real estate in Moscow to derive profit from their activities. The Group also engaged in construction of premium class residential apartments for further sale to private residents.

In March 2022 the Company's long-term corporate credit rating assigned by the international agency Moody's was Caa3 (February 2021: Caa2). Refer to Note 2 for changes subsequent to the year end.

At 31 December 2021 and 2020 the consolidated subsidiaries of the Group were as follows:

Entity	Country of incorporation/ continuation	Principal activity	% of effective ownership at 31 December 2021	% of effective ownership at 31 December 2020
Almos CJSC (Note 28)	Russian Federation	Investment property	-	82.34 ¹
Business Center Stanislavsky (Cyprus) Limited	Cyprus	Investment property	100 ¹	100 ¹
Chainlord Limited (former Vardarac S.à.r.l.)	Cyprus	Investment property	50.5 ¹	50.5 ¹
Firma "MORAVA" LLC (Note 28)	Russian Federation	Investment property	-	85 ¹
Gasheka Realty Limited Liability Company (Note 28)	Russian Federation	Investment property	-	100 ¹
Goldstyle Holdings Limited (Note 28)	Cyprus	Investment property	-	50.5 ¹
Krugozor Business Center (Cyprus) Limited	Cyprus	Investment property	100 ¹	100 ¹
Le Fortaco Limited	Cyprus	Investment property	100 ¹	100 ¹
Levisoma Trading Limited	Cyprus	Investment property	100 ¹	100 ¹
Levium Limited	Russian Federation	Investment property	50.52 ¹	50.52 ¹
LLC "FENIX"	Russian Federation	Investment property	99 ¹	99 ¹
LLC "Silver city"	Russian Federation	Investment property	100 ¹	100 ¹
LLC "Specialized developer "VKS INVEST"	Russian Federation	Investment property	100 ¹	100
Lomnia Services Limited	Cyprus	Investment property	100 ¹	100 ¹
Mervita Holdings Limited	Cyprus	Investment property	100 ¹	100 ¹
Meteolook Investments Limited (Note 28)	Cyprus	Investment property	-	100 ¹
OOO KVARTAL 674-675	Russian Federation	Investment property	100 ¹	100 ¹
Pianconero Investments Limited	Cyprus	Investment property	100 ¹	100 ¹
Semela Limited (Note 28)	Russian Federation	Investment property	-	100
Starglance Limited (former Balaton Holding S.à r.l.)	Cyprus	Investment property	100 ¹	100 ¹
Tzortis Limited	Cyprus	Investment property	100 ¹	100 ¹
Afelmor Overseas Limited	Cyprus	Holding company	100 ¹	100 ¹
Aldino Holding Limited	Cyprus	Holding company	100	100
Amneris Limited	Cyprus	Holding company	50.5	50.5
Amortilla Holding Limited	Cyprus	Holding company	100 ¹	100 ¹
Argam Limited	Cyprus	Holding company	100 ¹	100 ¹
Bitlena Holdings Limited	Cyprus	Holding company	100 ¹	100 ¹
Cemvertia Investments Ltd	Cyprus	Holding company	100	100
Freyamoon Limited	Cyprus	Holding company	100 ¹	100 ¹
Gardin Limited	Cyprus	Holding company	100	100
Gunilla Limited	Cyprus	Holding company	50.5 ¹	50.5 ¹
Hannory Holdings Limited	Cyprus	Holding company	100	100
Letvion Investments Limited	Cyprus	Holding company	85	85
Minesign Limited (Note 28)	Cyprus	Holding company	-	100

O1 Properties Group
Notes to the Consolidated Financial Statements – 31 December 2021

1 General Information (Continued)

Entity	Country of incorporation/ continuation	Principal activity	% of effective ownership at 31 December 2021	% of effective ownership at 31 December 2020
Mistalda Holdings Limited	Cyprus	Holding company	50.52	50.52
Mokati Limited	Cyprus	Holding company	100 ¹	100 ¹
Mooncrown Limited	Cyprus	Holding company	100	100
Moonpeak Limited	Cyprus	Holding company	100	100
Narvi Finance Limited (Note 28)	Cyprus	Holding company	-	50.5 ¹
Niceta Trading Limited	Cyprus	Holding company	100	100
Paremos Limited	Cyprus	Holding company	100	100
Persey CJSC	Russian Federation	Holding company	100	100
Pieva Limited	Cyprus	Holding company	100	100
Quintiliano Limited	Cyprus	Holding company	100	100
Ratado Holding Limited	Cyprus	Holding company	100 ²	100 ²
Sabatón Holdings Limited	Cyprus	Holding company	100	100
Sharezone Capital Limited	Cyprus	Holding company	100 ¹	100 ¹
Somertal Ltd	Cyprus	Holding company	100	100
Stoneface Limited	Cyprus	Holding company	100	100
Thabit Holdings Limited	Cyprus	Holding company	100	100
Theochristel Limited	Cyprus	Holding company	100	100
Vielle Limited	Cyprus	Holding company	100	100
Vivaldi Holdings Limited	Cayman Islands	Holding company	100 ¹	100 ¹
Wakovia Limited	Cyprus	Holding company	100 ¹	100 ¹
Wizgate Holding Limited	Cyprus	Holding company	100 ¹	100 ¹
Belegar Limited	Cyprus	Financing company	100 ¹	100 ¹
Eagleman Limited	Cyprus	Financing company	100	100
Fundin Investments Limited	Cyprus	Financing company	100	100
Goldflavour Limited	Cyprus	Financing company	100	100
Kinevart Investments Limited	Cyprus	Financing company	100 ¹	100 ¹
Lermondo Limited	Cyprus	Financing company	100	100
Mistmoore's Holding Limited (former Silver City Finance S.à r.l.)	Cyprus	Financing company	100 ¹	100 ¹
Moonshard Limited (former Margo S.à r.l.)	Cyprus	Financing company	50.52	50.52
Nikkon Global Ltd	British Virgin Islands	Financing company	100	100
O1 Properties Finance Plc (former Pareso Limited)	Cyprus	Financing company	100	100
Silverflair Limited	Cyprus	Financing company	100	100
Vivaldi Plaza Finance S.à r.l. (Note 28)	Luxembourg	Financing company	-	100 ¹
Wallasey Limited (Note 28)	Cyprus	Financing company	-	100
"City-Developer" Limited	Russian Federation	Management company	100	100
O1 Advisory LTD	Cyprus	Management company	100	100
O1 Properties Management CJSC	Russian Federation	Management company	100	100
Annabeth Services Limited	Cyprus	Inactive	85	85
Alfa JSC (Note 28)	Russian Federation	Inactive	100	-
Aquamarine JSC (Note 28)	Russian Federation	Inactive	100	-
Barkmere Limited	Cyprus	Inactive	100	100
Calypso JSC (Note 28)	Russian Federation	Inactive	100	-
Helios JSC (Note 28)	Russian Federation	Inactive	100	-
Raincloud Trading Limited	Cyprus	Inactive	100	100
Simeona Limited	Cyprus	Inactive	100	100
Starie Serebryaniki JSC	Russian Federation	Inactive	100	100
Taavo Enterprises Limited	Cyprus	Inactive	85	85
Terra JSC (Note 28)	Russian Federation	Inactive	100	-
Unia JSC (Note 28)	Russian Federation	Inactive	100	-

¹ Pledged in relation to borrowings (Note 13).

² Refer to Note 24 for the information on pledge of shares in Ratado Holding Limited.

Refer to Note 28 for the information on acquisitions and disposals by the Group during 2021 and 2020.

2 Operating Environment of the Group

The Group through its operations has a significant exposure to the economic, legal and tax conditions in the Russian Federation and in Cyprus. The management of the Group constantly monitors the developments in the operating environment of the Group in order to estimate the full impact that these developments may have on the business of the Group.

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Russian Federation and the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management of the Group has considered the unique circumstances and the risk exposures of the Group while the disruption is currently expected to be temporary, economic uncertainties have arisen whose impact is expected to evolve. The event is not expected to have an immediate material impact on the business operations. However Management will continue to monitor the situation closely and will assess the need for additional actions in case the period of disruption becomes prolonged. At the same time the Group's management is in the process of reassessing their cash flows model using revised assumptions and incorporating downside scenarios in assessing actual and potential financing needs, taking into consideration the potential impacts identified above (Note 3).

Russian Federation. Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political, social, legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. Refer to Note 24. The future of economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory and political environment.

Gradual liberalization by the Government of restrictive measures imposed in response to the COVID-19 pandemic led to a rapid recovery of economic activity in the Russian Federation at the end of 2021.

In February 2022 economic situation in the Russian Federation was negatively affected by escalated military and political conflict related to Ukraine and the associated international sanctions against a number of Russian institutions, companies, banks and individuals, which may have negative impact on commodity and financial markets, and increased volatility, particularly with regard to foreign exchange rates and financial markets. There is an expectation of further sanctions and limitations on business activity of companies operating in respective regions, as well as consequences on the economy in general, but the full nature and possible effects of these are unknown. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Given that Russia produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the prices of oil and gas on the world market. Following high volatility in natural resources prices, the Russian Rouble ("RR") exchange rate and interest rates in 2021 and 2020 have been not stable. However in early 2021 oil prices dropped significantly and this resulted in immediate weakening of RR against major currencies. The Russian economy continued to be negatively impacted by ongoing political tension in the region and continuing international sanctions imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

2 Operating Environment of the Group (Continued)

As a result during 2021:

- the Central Bank of the Russian Federation (“CBRF”) exchange rate was RR 73.8757 and RR 74.2926 per US Dollars (USD) as of 1 January 2021 and 31 December 2021 respectively and varied between 69.5526 and 77.7730 during the year ended 31 December 2021;
- the CBRF key refinancing interest rate increased from 4.25% p.a. to 8.5% p.a.;
- bank lending activity decreased as banks continued to reassess the business models of their borrowers and their ability to withstand the increased volatility of exchange rates;
- in December 2021, Fitch Ratings kept Russia’s BBB credit rating with “stable” outlook. In July 2021, Moody’s Investors Service upgraded the credit rating of Russia to Baa3 kept the outlook for the future “stable”. In July 2021, Standard & Poor’s kept Russia’s BBB credit rating with “stable” outlook;
- access to international financial markets to raise funding was limited for certain entities.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2021:

- the CBRF exchange rate fluctuated between RR 72.7089 per USD and RR 120.3785 per USD;
- the CBRF key refinancing interest rate increased from 8.5% p.a. up to 17% p.a.;
- Rating agencies downgraded Russia’s sovereign ratings. They noted that the imposed sanctions raise concerns about Russia’s ability to service debt obligations. In March 2022, Fitch Ratings decreased the credit rating of Russia from BBB to B with “negative” outlook, Moody’s Investors Service decreased the credit rating of Russia from Baa3 to B3 and decrease the outlook for the future “negative”, Standard & Poor’s decreased the credit rating of Russia from BBB to CCC- with “negative” outlook;
- In March 2022, Moody’s Investors Service upgraded the Company’s long-term corporate credit rating from Caa2 to Caa3 with “negative” outlook.

Whilst a significant percentage of the Group’s rental income is denominated in US dollars, the tenants are operating in Russia and earning a significant proportion of their income in Russian Roubles.

The economic environment and conditions as those emerged from the pandemic of COVID-19, the volatility of oil prices and the sharp depreciation of the Russian Ruble are expected to negatively affect the Russian economy and elevate the level of uncertainty in relation to the Group’s operations. From the inception of this crisis, tenants were experiencing difficulties in complying with their rent obligations as they fall due, however improvement has been observed in this respect. As expected, these conditions impacted the ability of the Group to meet its own obligations as they fall due and as a result, in addition to actions already taken, certain further actions will be required, especially if the effect of the above economic conditions are significant and prolonged. Furthermore, profitability impact resulting from lower operating profits and/or fair value adjustments of Investment Properties, could affect loan covenants associated with Debt Service Cover Ratios and/or Loan to Value ratios. However, it is not possible at this stage to estimate the magnitude of this impact.

These events may have a further significant impact on the Group’s future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group’s operations may differ from management’s current expectations.

Cyprus. The Cyprus Government exited its economic adjustment programme in March 2016 and began to record significant economic growth due to the government’s fiscal consolidation efforts for five consecutive years up to 2019.

In early 2020, Cyprus was still on a robust growth path. However, the global outbreak of Covid-19 and the related containment measures negatively affected the financial indexes of the country.

On 15 March 2020, the Cyprus’ Council of Ministers in an extraordinary meeting, announced that Cyprus is entering a state of emergency considering the uncertain situation that was unfolding daily, the growing spread of COVID-19 outbreak and the World Health Organization’s data on the situation.

2 Operating Environment of the Group (Continued)

To this end, certain measures have been taken by the Republic of Cyprus since then with a view of safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

New entry regulations have been applied with regards to protecting the population from a further spread of the disease which tightened the entry of individuals to the Republic of Cyprus within the year. Additionally, a considerable number of private businesses operating in various sectors of the economy closed for a specified period of time while a number of lockdown measures, such as the prohibition of unnecessary movements and the suspension of operations of retail companies (subject to certain exemptions), were applied throughout the year. The measures were continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country.

Concurrently, many governments, including the Republic of Cyprus, introduced various financial support schemes in response to the economic impacts of the COVID-19 pandemic.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty as of now, both due to the pace at which the outbreak expands as well as the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results. The international rating agencies still classify the Cypriot economy in the investment grade, except from Moodys.

After the losses of 2020 due to the pandemic according to the Flash Estimate compiled by the Statistical Service of Cyprus, GDP grew 5.5% in 2021. This rate is 105 –tenths of one percent higher than the figure of – 5% published in 2020. Labour Force Survey (LFS) unemployment, in monthly seasonally adjusted terms, decreased to 6.4% in December 2021 compared to 8.0% in December 2020.

Due to the growing geopolitical tensions, since February 2022, many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

The Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

To the extent that information is available, the Group's management believes it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment and that the Group will be able to continue as a going concern.

3 Basis of Preparation and Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, under the historical cost convention as modified to include the fair value of premises, investment property, investments in Funds and derivative financial instruments.

Going concern basis. Even though, the Group made a profit of RR 16 038 million for the year ended 31 December 2021 (31 December 2020: the Group incurred a loss of RR 35 328 million), as of that date, the Group's current liabilities exceeded its current assets by RR 43 578 million (31 December 2020: RR 45 248 million) and the Group's total liabilities exceeded its total assets by RR 13 333 million (31 December 2020: RR 29 139 million). In addition, the Group is highly leveraged with equity levels that have been deteriorating over the last years.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Additionally to the pandemic of COVID-19 and the volatility of oil prices and the sharp depreciation of the Russian Ruble, in February-March 2022 economic situation in the Russian Federation was negatively affected by escalated military and political conflict related to Ukraine and the associated international sanctions against a number of Russian institutions, companies, banks and individuals, which may have negative impact on commodity and financial markets, and increased volatility, particularly with regard to foreign exchange rates and financial markets. There is an expectation of further sanctions and limitations on business activity of companies operating in respective regions, as well as consequences on the economy in general. Also the fact that the Russian central bank had significantly raised the key rate of interest as a preventive measure to stop the devaluation of the RUB, this could affect the liquidity position and the ability of the Group to repay its loan facilities.

These conditions impacted the ability of the Group to meet its own obligations as they fall due and as a result, in addition to actions already taken, certain further actions will be required, especially if the effect of the above economic conditions are significant and prolonged. Furthermore, profitability impact resulting from lower operating profits and/or fair value adjustments of Investment Properties, could affect loan covenants associated with Debt Service Cover Ratios and/or Loan to Value ratios. However, it is not possible at this stage to estimate the magnitude of this impact.

Notwithstanding the above, Management is confident that it can successfully manage the risks associated with the above conditions. Subject to the uncertainties underpinning current circumstances and future estimates, Management is deriving its confidence from the following mitigating factors and assumptions as described below:

As noted above, current liabilities significantly exceed current assets, however as described below, most part of current liabilities though classified as current, are not expected to become payable in the foreseeable future. In particular:

- As further explained in Note 14, the Group recognized as part of its current liabilities, a provision with respect to an indemnity for the amount of RR 2 860 million. Based on discussions with the relevant stakeholders, management expects that the above amount will not become payable in the next 12 months.
- An amount of RR 3 010 million within current liabilities relates to deferred income representing advance payments received from tenants and non-cash liabilities which resulted from discounting of tenant deposits in accordance with IFRS requirements. Therefore, the above amounts will not require a cash outflow from the Group.

The Group management is in continued discussions with main banks and as a result, during the year as well as of the date of signing of these financial statements it has successfully agreed to postpone or partially postpone quarterly debt and/or interest service payments. Based on its ongoing discussions with the main banks, Management believes that if further deferrals or prolongations are required, those will be provided by its banks.

In relation to COVID 19, since the inception of the pandemic and until the date of issuance of these consolidated financial statements, the Group had not suffered material disruption in its operations and revenues. Group revenues were only partially impacted in relation to the retail segment, which however represent only 7% of the total revenues of the Group. As a result the impact on total revenues was insignificant.

Due to the escalation of the military-political conflict related to Ukraine, the global economy begins to decline and, in particular, the Group's revenue is expected to decline by no more than 15%.

Management believes that the timing and realisation of the above assumptions are reasonable and reflect their assessment of the most likely outcome. However, the potential outcome of the above are not wholly within Management's control and as a result the events and conditions discussed above indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Management is closely monitoring the forecasted yields and market conditions of the property market in Russia (as described in Note 2) and projects continued profitability and positive operating cash inflows for the Group. Cash flow forecasts for the next 12 months from date of approval of these financial statements prepared by Management, on the basis of the above assumptions, indicates that the Group, will have sufficient cash inflows to meet its debts as and when they fall due. This assumes that there will be no adverse consequences in relation to the economic environment as explained above and that the Group will be in a position to agree further bank repayment deferrals if the magnitude and duration of the current economic environment will have a worse impact than presently estimated.

For the reasons stated above, the Group's consolidated financial statements have been prepared on a going concern basis. Therefore, the financial statements do not include any adjustments relating to the recovery of assets recorded and the amount and classification of liabilities or any other adjustments that would have been necessary should the Company and the Group were unable to continue as a going concern.

Functional currency. The individual financial statements of each of the companies within the Group are prepared in the currency of the primary economic environment in which they operate (functional currency). Effective from 1 January 2020, most companies of the Group have changed functional currency from the US to the RR due to the changes in the loan portfolio. The functional currency of the Company is the RR. The functional currency of the property holding companies is the RR.

Presentation currency. Up to 2019, the Group's financial statements were presented in US Dollars. In 2020, management has decided to change the presentation currency to Russian Rouble. The Group believes that the presentation of financial results in Russian Roubles, following the change in functional currency of the Company and a number of its subsidiaries from 1 January 2020 onwards, will provide greater transparency in the light of recent volatility of the RUB exchange rate and provide shareholders and other users of the financial statements with reliable and more relevant information, providing a more accurate reflection of the Group's underlying financial performance and financial position. The change has been applied retrospectively in line with IAS 8 "Accounting Policies, Changes in accounting Estimates and Errors".

All amounts in these consolidated financial statements are presented in millions of RR.

Leases. The Group as lessee. The Group lease contracts in which the Group is lessee are contracts with government for land lease on which investment properties are located, therefore policies described below relates to land leases.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within Borrowings in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. The right-of-use assets meets definition of investment property and therefore subsequently measured at fair value through profit or loss, in accordance with Group accounting policies.

The right-of-use assets are presented within Investment Property in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

Leases. The Group as lessor. The Group enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the Group is a lessor are classified as operating leases as the terms of the lease does not transfer substantially all the risks and rewards of ownership to the lessee.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

If a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than a majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries that meet the definition of a business. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred to the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition of a business are expensed.

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

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

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill or deferred taxes.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interests. Any difference between the purchase consideration and the carrying amount of non-controlling interests acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interests sold as a capital transaction in the consolidated statement of changes in equity.

Disposals of subsidiaries. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the difference in carrying amount recognised in profit or loss. The fair value of any retained interest in the entity is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Classification of financial assets. The Group classifies its financial assets into the following measurement models: amortised cost, fair value through profit or loss, fair value through other comprehensive income.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Loans issued. Loans are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. After initial recognition loans and receivables are measured at amortised cost using the effective interest method.

Impairment of financial assets. The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, cash at bank, other trade receivables and bank deposits, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due (depending on type and nature of financial asset), unless the Group has reasonable and supportable information that demonstrates otherwise.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

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

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

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due (depending on type and nature of financial asset) unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For the purposes of calculation of loss allowance for expected credit losses the Group uses public data on external credit rating of the counterparty and, in case of absence of such information, internal credit rating assigned using internally developed methodology. Credit rating represents ability of the counterparty to repay debt or service contractual cash flows timely and cover outstanding amount in case of default based on the assessment of financial performance of the counterparty. The internal credit rating methodology allows to assign internal credit rating and determine probability of default and losses in case of default for the counterparties based on the external historical statistics on frequency of defaults and losses for the companies and financial instruments with similar quantitative and qualitative characteristics. Among other factors following indicators of the counterparty are taken into account in order to determine internal credit rating:

- Long Term and Short Term Assets;
- Equity;
- Long Term and Short Term Liabilities;
- Revenue;

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

- EBITDA;
- Interest Expenses.

In order to determine probability of default of the particular financial instrument the following characteristics of the instrument are considered:

- Maturity;
- Direct or indirect security/collateral provided;
- Nature of the instrument.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the amount determined in accordance with the expected credit loss model under IFRS 9.

Classification of financial liabilities. The Group classifies its financial liabilities except for derivatives into financial liabilities carried at amortised cost. Modification to the terms of a financial liabilities is substantial if the net present value of the cash flow under the modified terms, including any fees paid net of any fees received, is at least 10 % different from the net present value of the remaining cash flows of the liability prior to modification, both discounted at the original effective interest rate. A gain or loss in case of such modifications are recognised through profit or loss for the period.

Initial recognition of financial instruments. All financial instruments carried at amortised cost are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. In all other cases the gain/loss is deferred.

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

The Group uses discounted cash flow valuation techniques to determine the fair value of derivative financial instruments, loans to and from related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the derivative financial instruments, loans to and from related parties.

The changes in the fair value of derivatives are recognised immediately in the profit or loss as finance income or finance cost.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Derecognition of financial liabilities. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

The Company has accounted for all modifications that resulted in a change in the currency denomination of the loan as extinguishments of financial liabilities.

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

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

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Property, plant and equipment. Property, plant and equipment is stated at cost or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required. Cost of property, plant and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

Premises are subject to revaluation on a regular basis to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation of buildings are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit and loss for the year.

The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

At the end of each reporting period management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss as other operating income or other operating expenses.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	50
Computer equipment	5
Office equipment	10

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

Investment property. Investment property is the property held by the Group (or by the lessee as a right of use asset) to earn rental income or for capital appreciation and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Owned investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from the sale of the asset in an orderly transaction, without deduction of any transaction cost. The best evidence of fair value is given by current prices in an active market for the similar property in the same location and condition. In the absence of current prices in an active market, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and
- (d) sale proposals from the market players.

The market value of the Group's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in valuation of property of similar location and category.

Investment property that is being developed or redeveloped for continuing use as investment property continues to be measured at fair value.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Net gains from fair value adjustment on investment property are recorded in the consolidated statement of profit or loss. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount.

Subsequent expenditure (other than fit-out compensations to the Group's tenants which is recorded as reduction of rental revenues on a straight-line basis over the total rent period) is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Investment property also includes leasehold land held under a lease, which is accounted for as a right of use asset in accordance with IFRS 16. Each lease payment on the leasehold land is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in lease liability on leasehold land. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Transfers to or from investment property are made when there is a change in use, evidenced by:

- (a) commencement of owner occupation for a transfer from investment property to property, plant and equipment;
- (b) commencement of development with a view to sale for transfer of investment property to inventories;
- (c) end of owner occupation for a transfer from property, plant and equipment to investment property; and
- (d) commencement of operating lease to another party, for a transfer from inventories to investment property.

Residential property under construction. Residential property under construction is accounted for at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete and selling expenses. Cost of residential property under construction is determined using the special identification method and includes the cost of acquisition, and construction and borrowing costs during construction. When construction is completed borrowing costs and other holding charges are expensed as incurred.

A normal operating cycle required for a construction project may exceed twelve months. Residential property under construction is classified as current assets even when it is not expected to be realised within twelve months after the reporting date.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are recognised in profit or loss when the goods or services relating to the prepayments are received.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Input VAT from goods or services received and VAT receivable from tax authorities are presented as VAT receivable in the consolidated statement of financial position. Payables to tax authorities for VAT are shown as part of trade and other payables.

Where a provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method.

Cash and cash equivalents. Cash and cash equivalents include cash in hand and balances with banks with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Cash and cash equivalents are subject to the impairment requirements of IFRS 9.

Restricted balances are excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flow.

Assets held for sale. Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on premeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

The Group measures a non-current asset that has been ceased to be classified as held for sale at the lowest of:

- its carrying amount before the asset was classified as held for sale, adjusted for depreciation or revaluation amounts that would be recognized if the asset were not classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustments to the carrying amount of a non-current asset whose classification as held for sale has been discontinued in profit or loss from continuing operations for a period in which the classification criteria are no longer satisfied.

Borrowings. Borrowings are carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Tenant deposits. Tenant deposits represent advances made by lessees as guarantees during the lease period and are repayable by the Group upon termination of lease contracts. Tenant deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method. Any difference between the amount at initial recognition and the redemption amount is treated as deferred revenue and amortised on a straight line basis over the period of the lease. The tenant deposit is subsequently measured at amortised cost and the interest expense is recorded over the period of the lease term within finance costs.

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

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. Taxes other than on income are recorded within general and administrative expenses and operating expenses of investment property.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax losses 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 losses are recorded only to the extent that it is probable that future taxable profits will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, joint venture and associates, except where the Group controls the investee's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and reduced to extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgements based on expected performance and tax planning strategies.

Property tax. Property tax has been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The property tax charge is recognised in operating expenses. The tax base of the properties is their cadastral value.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities, regardless of whether an examination is likely to take place.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of reporting period and any known Court or other rulings on such issues.

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of reporting period.

Trade and other payables. Trade and other payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost, using the effective interest method.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Provisions. Provision for legal claims and guarantees obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of the time is recognized as interest expense.

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

Share premium represents the excess of contribution received over the nominal value of shares issued. Share premium is not available for distribution by way of dividends.

Preference shares are classified as equity if, and only if, both conditions (a) and (b) below are met: (a) the shares include no contractual obligation (i) to deliver cash or another financial asset to another entity, or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer, and (b) the shares will or may be settled in the issuer's own equity instruments and the shares are (i) non-derivatives that include no contractual obligation for the issuer to deliver a variable number of its own equity instruments, or (ii) derivatives that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Shares of the Company not paid and subject to approval of Shareholders and Board of Directors can be cancelled at any time.

Dividends. Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Revenue recognition. The Group's key sources of income include: rental income and revenue from services to tenants, revenue from the sale of apartments. Revenue is shown net of value added tax, returns, rebates and discounts.

i) *Rental income.* The Group earns revenue from acting as a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. Rental revenue received in advance is recognised as deferred rental income in the consolidated statement of financial position.

The Group has lease agreements with tenants that are mostly denominated in USD and RR. The lease payments are settled in RR using the official exchange rate fixed by CBR on the date of payment. In certain cases the Group has signed addendums to the lease agreements that either (1) fix the exchange rate to be used to settle the due payment or (2) agree on a cap and collar for the exchange rates to be used to settle the due payment, the top and bottom end of which are applied when the current exchange rates fall out of this range on the payment date.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

The Group treats the reduced payments received arising from the above mentioned caps as discounts and recognises them on a straight line basis over the remaining lease term. The Group does not recognise an embedded derivative for the above exchange rate fixations, because the Group assesses effect from recognition to be not material.

ii) *Revenue from services to tenants.* For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including management of properties, utility, cleaning, security and other support services. The consideration charged to tenants for these services includes fees charged based on a percentage of the net rental income and reimbursement of certain expenses incurred. Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis. Revenue from services to tenants are presented together with rental income.

iii) *Revenue from the sale of apartments.* A sale of apartments is a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers, there is no continuing managerial involvement to the degree usually associated with ownership nor effective control.

Operating expenses of investment property. The operating expenses associated with investment properties are charged to the profit or loss as incurred. These expenses include only expenses that directly refer to investment property which generated rental income during the year.

Interest income and expenses. Interest income and expenses are recorded using the effective interest method.

Other income and expenses. All other income and expense items are generally recorded on an accruals basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid and unpaid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group and are included in general and administrative expenses. Group companies do not operate their own pension schemes.

Foreign currency translation. Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into functional currency at period-end official exchange rates are recognised in the profit and loss as foreign exchange differences.

Translation at period-end rates does not apply to non-monetary items, which are translated at the exchange rate at the date of the transaction. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Translation from functional to presentation currency. The results and financial position of each Group entity are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate at the end of the respective reporting period; income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- (ii) components of equity are translated at the historical rate; and
- (iii) all resulting exchange differences are recognised separately in other comprehensive income.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Deferred tax. Deferred tax assets are reviewed at each reporting date and reduced to extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes estimates based on expected performance and tax planning strategies.

Interest rate benchmark reform. Economically equivalent. IBOR reform Phase 2 requires, as a practical expedient, for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform to be treated as a change to a floating rate of interest, provided the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

For changes that are not required by IBOR reform, the Group applies judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgement to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Factors of changes that are economically equivalent include: changing the reference rate from an IBOR to a RFR; changing the reset days between coupons to align with the RFR; adding a fallback to automatically transition to an RFR when the IBOR ceases; and adding a fixed credit spread adjustment based on that calculated by ISDA or which is implicit in the market forward rates for the RFR.

Calculation of loss allowance. When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. US

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 22.

Valuation of investment properties. Refer to Note 25.

Tax, currency and customs legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 24.

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

Principal versus agent considerations – services to tenants. The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services. Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and at the same time, consume the benefits from these services.

5 Adoption of New and Revised Standards and Interpretations

New and amended IFRS Standards that are effective for the current year

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021).

At the date of approval of this consolidated financial statement the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

Adopted by the European Union

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021).
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2022).

Not adopted by the European Union

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after 1 January 2022).
- Amendments to Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Effective for annual reporting periods beginning on or after 1 January 2023).

5 Adoption of New and Revised Standards and Interpretations (Continued)

- Amendment to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. (Effective date postponed until further notice from IASB).
- Amendments to IFRS 9 Financial Instruments: Fees in the “10%” test for derecognition of financial liabilities (effective for annual reporting periods beginning on or after 1 January 2022).
- Amendments to IAS 12 Income Taxes (effective for annual reporting periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective for annual reporting periods beginning on or after 1 January 2023).

6 Property, Plant and Equipment

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

<i>In millions of RR</i>	Premises	Computers	Office equipment	Total
Cost/valuation at 1 January 2020	1 466	20	44	1 530
Accumulated depreciation	(184)	(13)	(34)	(230)
Carrying amount at 1 January 2020	1 282	7	10	1 300
Additions	-	4	26	30
Revaluation loss (recorded in other comprehensive income)	(194)	-	-	(194)
Depreciation charge (Note 19)	(30)	(1)	(9)	(40)
Carrying amount at 31 December 2020	1 058	11	28	1 097
Cost/valuation at 31 December 2020	1 271	24	71	1 366
Accumulated depreciation	(214)	(13)	(43)	(270)
Carrying amount at 31 December 2020	1 058	11	28	1 096
Additions	-	3	5	8
Revaluation gain (recorded in other comprehensive income)	6	-	-	6
Depreciation charge (Note 19)	(30)	(2)	(14)	(46)
Transfer to investment property (Note 7)	(3)	-	-	(3)
Disposals	-	-	(4)	(4)
Carrying amount at 31 December 2021	1 031	12	14	1 057
Cost/valuation at 31 December 2021	1 274	27	71	1 373
Accumulated depreciation	(244)	(16)	(57)	(316)
Carrying amount at 31 December 2021	1 031	12	14	1 057

Premises represent the area occupied by the Group in Lighthouse building (Note 7).

At 31 December 2021 and 2020 the fair value of the premises was based on a report issued by the independent firm of valuers CB Richard Ellis. The basis used for the valuation was the income approach using the discounted cash flow technique. Refer to Note 25.

At 31 December 2021 property revaluation reserve was RR 789 million (2020: RR 958 million).

At 31 December 2021 premises with carrying value of RR 1 031 million (2020: RR 1 058 million) were pledged as collateral with respect to borrowings (Note 13).

At 31 December 2021 the carrying amount that would have been recognized had the assets been carried under the cost model is RR 468 million (31 December 2020: RR 681 million).

7 Investment Property

<i>In millions of RR</i>	2021	2020
Total investment property at 1 January	191 921	192 714
Modification of land lease	19	-
Subsequent expenditure	289	153
Transfer from property, plant and equipment (Note 6)	3	-
Disposal of investment property	(3 741)	-
Fair value land lease adjustment	(36)	(34)
Fair value IP adjustment	(1 782)	(912)
Total investment property at 31 December	186 673	191 921

The investment property represents land and office buildings located in Moscow, Russia. Land is leased from the Moscow City Authorities under renewable leases (from 1 to 46 years). Under the relevant Russian legislation and the lease contract the owner of the building has priority right to lease and renew the lease of the land on which the building is located. The lease rates are indexed annually.

At 31 December 2021 and 2020 the fair value of investment property was based on a report issued by the independent firm of valuers CB Richard Ellis (CBRE), who have issued their report with a “Valuation uncertainty” emphasis paragraph. More specifically CBRE included in their valuation the following note: “Our valuation is reported on the basis of ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

The fact that the current volatility and uncertainty in the Russian economy and financial markets together with continuing pressure on oil prices and weakening of local currency might create significant degree of turbulence in commercial real estate market.

For the avoidance of doubt, this explanatory note – including the ‘material valuation uncertainty’ declaration – does not mean that the valuation cannot be relied upon. Rather, it has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date.

Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that the valuation of the Property is kept under frequent review.”

7 Investment Property (Continued)

Investment property comprises the following premises intended for use as Class A, Class B+ and Class B office accommodation:

Property name	31 December 2021		31 December 2020	
	Net rentable area (square meters)	Amount (in millions of RR)	Net rentable area (square meters)	Amount (in millions of RR)
WHITE SQUARE				
- Lesnaya Str., 5, Butyrsky Val Str., 10	76 559	48 462	76 495	49 327
LeFORT				
- Elektrozavodskaya Str., 27, bldg. 1, 1A, 2, 3, 3A, 3D, 4-11	55 344	9 382	55 305	9 312
KRUGOZOR				
- Obrucheve Str., 30/1, bldg. 1-3	51 005	10 389	51 004	10 858
VIVALDI PLAZA				
- Letnikovskaya Str., 2, bldg. 1-3	48 289	22 058	48 289	21 609
SILVER CITY				
- Serebryanicheskaya Emb., 29	41 909	13 434	41 909	13 804
LEGENDA TSVETNOGO				
- Tsvetnoy Boulevard, 2	40 064	20 415	40 201	20 918
WHITE STONE (formerly "LESNAYA PLAZA")				
- 4th Lesnoy Lane, bldg. 4	39 739	14 650	39 739	14 284
STANISLAVSKY FACTORY				
- Stanislavskogo Str. 21, bldg. 1-3, 5, 16-20	34 571	11 258	34 571	11 189
DUCAT III				
- Gasheka Str., 6	33 574	18 456	33 558	19 282
LIGHTHOUSE				
- Valovaya Str., 26	27 432	11 939	27 404	12 216
ICUBE				
- Nakhimovsky Prospect, 58	19 131	5 110	19 176	4 891
NEVIS (Note 28)				
- 61/2, Schepkina street, building 12	-	-	10 988	2 345
GREENDALE (Note 28)			under	
- Oktyabrskaya Str., 98	-	-	development	1 238
KUTUZOV			under	
- Vasilisy Kozhinoy Str., 25	development	968	development	348
				-
Total fair value of property per valuation reports	467 617	186 521	478 639	191 621
Less: Reclassification of owner occupied premises in LIGHTHOUSE		(1 031)		(1 057)
Total investment property at fair value		185 490		190 565
Add: Land lease accounted for separately (Note 13)		1 490		1 585
Less: Straight line adjustment on rental income accounted for separately within trade and other receivables (Note 11)		(307)		(228)
Total carrying value of investment property		186 673		191 922

Nevis valuation has been carried out using the sales comparison approach, which involves comparison of the subject property with market evidence from other comparable office centers within the local market and making sensitivity adjustments, using valuer's professional judgement.

In November 2021, Nevis was disposed of due to the bankruptcy of Semela Limited (Russia), the company owned Nevis (Note 28).

IAS 40 requires the fair value of investment property to exclude prepaid lease income because the entity recognises it as a separate liability. The Group already considered the prepaid lease income in determining the fair value of investment property and thus no additional adjustment for deferred rental income is required to arrive to the carrying value of investment property.

The critical assumptions used in the valuation are disclosed in Note 25. The pledges on investment properties are disclosed in Note 24.

7 Investment Property (Continued)

The minimum future rental income of the Group under non-cancellable operating leases was as follows:

<i>In millions of RR</i>	31 December 2021	31 December 2020
- not later than one year	17 519	16 821
- later than 1 year and not later than 5 years	32 603	36 471
- later than 5 years	1 666	1 215
Total future rental income	51 788	54 507

8 Other investments

Other investments (Level 1) represent the investment units in closed-end mutual unit Investment Funds, the ownership title to which was transferred to the Group in December 2018. The Group decided to recognize the investment in Funds at fair value through profit or loss. The payable for units acquisition was set-off against the overdue loan receivable.

9 Loans Issued

<i>In millions of RR</i>	31 December 2021	31 December 2020
Loans issued - due in more than 12 months	13 580	15 615
Loans issued - current portion	1 277	1 917
Total loans issued	14 857	17 532
Loans issued to other companies	14 857	17 532
Total loans issued	14 857	17 532

At 31 December 2021 the Group had one unrelated counterparty (31 December 2020: one counterparty) with balances of loans issued above 10% of the aggregate balances of loans issued. This counterparty did not have credit rating provided by external agency. Aggregate balances of loans issued to the above counterparty as at 31 December 2021 were not secured, bore fixed interest at rates from 4% to 9% (2020: from 4% to 9%) per annum and amounted to RR 6 665 million (31 December 2020: RR 9 038 million).

At 31 December 2021 loans other than described above were not secured, were denominated in USD, EUR and RR, had maturity dates from February 2022 to April 2026 (31 December 2020: from June 2021 to December 2025) and weighted average rate as at 31 December 2021 was 4.26%.

In April 2019, the parent of the Company, Riverstretch Trading & Investments Limited ("RTI") and the Company signed a "Funded Participation Agreement" according to which the Company funded its parent company's participation in a syndicated loan facility guaranteed by the Company and fully provided in its financial statements. In August 2020 RTI and the Company signed a new sub-participation agreement due to loan portfolio restructuring which took place. The Company's share in the above participation which as at 31 December 2021 amounted to RR 3 283 million was set-off in these financial statements against the corresponding bank loan (31 December 2020: RR 3 169 million was included in Loans issued). Refer to Notes 13 and 15 for more details of the above noted restructuring.

9 Loans Issued (Continued)

At 31 December 2021 the loss allowance per IFRS 9 relating to the loans issued was RR 18 271 million with corresponding charge in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of RR 4 310 million for the period then ended 31 December 2021. During the year ended 31 December 2021 the part of loss allowance have been released in amount of RR 11 million (31 December 2020: loss allowance RR 13 972 million and RR 5 229 million respectively).

The fair value of loans issued is disclosed in Note 25. The exposure of the Group to credit risk in relation to loans issued is reported in Note 22.

10 Residential Property under Construction

<i>In millions of RR</i>	2021	2020
Residential property under construction at 1 January	664	864
Subsequent expenditure	79	5
Disposal	(73)	(205)
Total residential property under construction at 31 December	670	664

During the year ended 31 December 2021 the Group sold a residential property under constructoin in the total amount of RR 73 million.

11 Trade and Other Receivables

<i>In millions of RR</i>	31 December 2021	31 December 2020
Non-current receivables		
Prepayments and deferred expenses	334	335
Receivables for sale of subsidiaries (Note 26)	218	276
Current receivables		
Prepayments and deferred expenses	520	526
Rent receivable	385	500
Current income tax prepayments	333	197
Straight-line adjustment on rental income (Note 7)	307	228
Receivables for sale of subsidiaries	122	122
VAT receivable	54	55
Other receivables	262	97
Total trade and other receivables	2 535	2 336

11 Trade and Other Receivables (Continued)

At 31 December 2021 the loss allowance per IFRS 9 relating to the trade and other receivables was RR 1 197 million with corresponding charge in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of RR 146 million for the year then ended 31 December 2021. During the year ended 31 December 2021 the part of loss allowance have been released in amount of RR 109 million (31 December 2020: RR 1 159 million, RR 256 million and RR 493 million respectively).

Receivables of RR 218 million were classified as long term at 31 December 2021 due to the change in management expectations regarding maturity of those receivables.

Trade and other receivables balances are neither past due nor impaired except as disclosed in the table below:

<i>In millions of RR</i>	31 December 2021	31 December 2020
<i>Past due but not impaired</i>		
- less than 30 days overdue	56	28
- 30 to 90 days overdue	44	62
- 91 to 180 days overdue	32	138
- 181 to 360 days overdue	21	143
- over 360 days overdue	67	64
Total past due but not impaired	220	435

The above balances that are not impaired are mainly secured by the tenant deposits.

The fair value of trade and other receivables is disclosed in Note 25. The exposure of the Group to credit risk in relation to trade and other receivables is reported in Note 22.

12 Cash and Cash Equivalents

<i>In millions of RR</i>	31 December 2021	31 December 2020
Current and demand accounts	1 876	2 691
Deposits with banks	3	71
Cash on hand	2	1
Total cash and cash equivalents	1 881	2 763

At 31 December 2021 the Group had one counterparty (31 December 2020: one counterparty) with balances of deposits with banks above 10% of the aggregate balances of deposits with banks. Aggregate balances of deposits with banks to the above counterparty as at 31 December 2021 amounted to RR 3 million (31 December 2020: RR 70 million). The duration of these deposits is less than three months.

12 Cash and Cash Equivalents (Continued)

Analysis of cash balances with banks by credit ratings at respective dates was as follows:

<i>In millions of RR</i>		31 December 2021	31 December 2020
Aa2	Moody's	-	1
Aa3	Moody's	3	-
Ba2	Moody's	116	101
Ba3	Moody's	2	9
Baa3	Moody's	935	2 051
BB-	Fitch Ratings, Standard & Poor's	39	36
BB-	Standard & Poor's	113	-
BBB	Fitch Ratings, Standard & Poor's	670	370
Other		-	182
Without credit rating		1	13
Total cash balances with banks		1 879	2 762

Cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The fair value of cash and cash equivalents is disclosed in Note 25. The exposure of the Group to credit risk in relation to cash and cash equivalents is reported in Note 22.

13 Borrowings

<i>In millions of RR</i>	31 December 2021	31 December 2020
Non-current borrowings		
Loans from banks	122 893	153 147
MOEX EUR bonds	30 151	31 696
Eurobonds	10 537	-
MOEX Rouble bonds	2 114	2 073
Loans from related parties (Notes 26)	-	1
Loans from other companies and individuals	2 007	611
Lease liabilities (Notes 7)	1 340	1 406
Total non-current borrowings	169 042	188 934
Current borrowings		
Loans from banks	34 128	6 859
MOEX Rouble bonds	67	-
MOEX EUR bonds	252	321
Eurobonds	974	28 239
Loans from other companies and individuals	1 585	442
Lease liabilities (Notes 7)	150	180
Total current borrowings	37 156	36 041
Total borrowings	206 198	224 975

13 Borrowings (Continued)

The amounts above include unamortised loan origination costs of RR 1 297 million (31 December 2020: RR 749 million), notional principal amount of RR 197 389 million (31 December 2020: RR 217 605 million) and interest accruals of RR 8 616 million (31 December 2020: RR 6 528 million).

MOEX Rouble and MOEX EUR bonds (former MOEX USD bonds) represent funding received by the Group as a result of the issue of MOEX Rouble and USD bonds by a company controlled by the previous Ultimate Controlling Shareholder. The MOEX Rouble and EUR bonds (former MOEX USD bonds) are guaranteed by the Company.

In March 2020 the Group was in breach of its coupon payment in respect of the Eurobonds, issued by the Group.

In December 2020, a vote was taken among bondholders on the restructuring the conditions relating to Eurobonds. In January 2021 the Group successfully completed Eurobond restructuring, which included:

- changing the interest rate from 8.25% to 0.5% per annum;
- extending the maturity period by 7 years;
- modifying the calculation of the amounts payable under the Eurobonds.

The gain on recognition of the Eurobonds was recognised in the amount of RR 19 573 million (Note 20) in consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2021 and outstanding amount of RR 10 537 million in the consolidated statement of financial position as at 31 December 2021.

In September 2020 the Group restructured MOEX Rouble bonds. The new facility has four year term and effective or variable interest rate (mostly 6%).

As further explained in Note 15, during the 2020 the Group agreed to restructure the outstanding balance of O1 Group Limited mezzanine facility in the amount of RR 14 200 million by entering into a new syndicated facility in the amount of RR 7 719 million and topping up existing senior debt facilities in the total amount of RR 6 300 million. The above syndicated facility included at the time of the restructuring RR 4 614 million relating to the participation of RTI. As disclosed in Note 9 to the financial statements, RTI and the Company signed a sub-participation agreement and as a result the Company's indirect participation in the above facility amounted to RR 3 283 million which was set-off in these financial statements against the corresponding bank loan.

As a result of the above, the Loans from Banks amount included in the above table includes the net debt to RTI which as at 31 December 2021 was RR 2 558 million (Note 15 and 26).

In 2020 and 2021, due to negative impact of COVID-19 on real estate market, the Group entered into negotiations with the banks for loan restructuring. Pursuant to additional agreements signed, the following changes were agreed:

- Partial transfer of current payments to maturity;
- Changes in interest rate terms by cancellation of CBR lower limits and increase of Bank's margin.

The Group is subject to a number of financial covenants related to its borrowings including the following key ratios and indices:

- Loan to Value Ratios – represented by different types of ratios expressed as a percentage of the aggregate loans outstanding under the specific credit facility (subject to certain adjustments and depending on the amount of the committed loan facility) to the aggregate market value of a specific property or the property portfolio according to the most recent valuation;
- Debt Service Cover Ratios – represented by different types of ratios expressed as a percentage of the net rental income of the Group or its subsidiaries for the specified period to the aggregate of principal, interest and other amounts payable under the specific credit facility for the same period;
- Equity ratios – expressed as a percentage of total equity to the aggregate amount of debt;
- Occupancy ratio – expressed as a percentage of the total area of the property subject to long term leases to the gross leasable area of the Property; and

13 Borrowings (Continued)

- Minimum amounts of total equity.

The Group is also subject to compliance with a number of various non-financial covenants. Additional information on covenants is disclosed in Note 24.

The Group was in compliance with or had waivers on all covenants related to key borrowings at 31 December 2021 and 2020.

The detailed information on borrowings at 31 December 2021 is presented below:

<i>In millions of RR</i>	Contractual interest rate, % per annum	Maturity (years)	Carrying amount
	CBR Key Rate + 2 – 6%	less than 1	11 166
	3 months EURIBOR + 3%	less than 1	17 527
Secured on investment property and investment property under construction	CBR Key Rate + 2.1 – 3.8%	1-4	96 736
	9.8-11%	1-2	15 509
	3 months EURIBOR + 4.3%	3	10 458
	CBR Key Rate + 2.35%	over 5	5 467
	1%-7.0%	less than 1	83
Unsecured facility of the Group	2.1% - 9.0%	1-4	35 453
	CBR Key Rate + 3.05 – 5.0%	1-4	797
	0.5%	over 5	11 512
Lease liabilities (Note 7)			1 490
Total borrowings			206 198

The detailed information on borrowings at 31 December 2020 is presented below:

<i>In millions of RR</i>	Contractual interest rate, % per annum	Maturity (years)	Carrying amount
	CBR Key Rate + 3.75%-6%	less than 1	560
Secured on investment property and investment property under construction	CBR Key Rate + 2.0 – 5.0%	1-4	92 368
	4.2% - 9.8%	2-4	30 939
	3 months EURIBOR + 3%-4.75%	1-4	30 610
	CBR Key Rate + 2.35% floor 4.65% - 5.15%	over 5	5 526
Unsecured facility of the Group	8.25%-13.10%	less than 1	28 681
	2.1% - 9.0%	3-4	12 666
	2.3%	over 5	22 035
Lease liabilities (Note 7)			1 586
Total borrowings			224 971

13 Borrowings (Continued)

The lease liabilities are related to the lease of land under investment properties (Note 7). The reconciliation between the total future minimum lease payments and their present value is set out below:

<i>In millions of RR</i>	31 December 2021	31 December 2020
Minimum lease payments:		
- not later than one year	155	171
- later than 1 year and not later than 5 years	621	675
- later than 5 years	4 546	5 079
Total minimum lease payments	5 322	5 925
Less future finance charges	(3 781)	(4 340)
Present value of minimum lease payments	1 541	1 585

At 31 December 2021 the interest rate implicit in the leases was 10.65% (2020: 10.90%). The fair value of borrowings is disclosed in Note 25.

14 Provisions

At 31 December 2021, the provision in the amount of RR 2 137 million, which was recognized during 2018 in respect of probable liabilities arising from litigation involving a subsidiary of Semela Limited (Notes 1, 24), was offset as a result of disposal of Semela Limited due to bankruptcy.

At 31 December 2021, the Group and O1 Group Limited have jointly and severally provided an indemnity to two non-controlling shareholders of the Company, regarding losses that might arise from each of the guarantees provided by the Group (Refer to Note 15). At 31 December 2021 these indemnity liabilities were acknowledged in the amount RR 2 860 million (31 December 2020: RR 2 844). The amount of the indemnity was determined as the percentage of the losses from the guarantee that corresponded to their shareholdings in the Company. Refer to Note 15.

15 Financial Guarantees Liabilities

O1 Group Limited as the borrower under an initial RR 9 855 million (USD 175 million based on historical rates) mezzanine loan facility involving a limited number of syndicate participants was unable to perform its obligations due to its poor financial condition. The above debt was guaranteed by the Group and secured by all shares of the Company's subsidiaries in Ratado Holding Limited ("Ratado") (Refer to Note 1). In order to avoid potential seizure of "Ratado" shares by the creditors and as a guarantor under the borrowing, the Group acknowledged the liability in full and started to service the debt. Under the previous borrowing terms of O1 Group, the above debt should have been matured in April 2020. The management of the Group entered into discussions with all the participants which include the Company's parent Riverstreich Trading & Investments Limited (RTI). RTI signed with O1 Properties Limited a Funded Participation Agreement under which the Company was financing part of RTI's participation in the syndicate loan.

At 30 June 2020 the Group agreed a restructured repayment of the outstanding balance of O1 Group Limited mezzanine facility in the amount of RR 14 200 million by entering into a new syndicated facility in the amount of RR 7 719 million and topping up existing senior debt facilities in the total amount of RR 6 300 million. As at 31 December 2021 the above syndicated facility included RR 5 841 million relating to the participation of RTI (Note 26).

The Company entered into a new Funded Participation agreement with RTI for the amount of RR 3 283 million. To the extent to which the Group is effectively financing its participation in the syndicated facility, amounts due from and due to RTI were set-off in these financial statements (Note 13).¹⁶

15 Financial Guarantees Liabilities (Continued)

At 31 December 2021 the Group guaranteed liabilities of its previous joint venture in the amount of USD 20 088 thousand (equivalent RR 1 492 million translated using the exchange rate as at 31 December 2021) (31 December 2020: USD 20 088 thousand). The Group was indemnified by a guarantee issued by Cesium Limited for 49.9% of the guaranteed liability which amounts to USD 10 024 thousand (equivalent RR 745 million translated using the exchange rate as at 31 December 2021) (31 December 2020: USD 10 024 thousand). As a result, the total exposure of the Group in relation to this guarantee is USD 10 064 thousand (equivalent RR 748 million translated using the exchange rate as at 31 December 2021) (31 December 2020: USD 10 064 thousand).

The Group guaranteed liabilities of the third parties with a limit of RR 324 million for year and a half.

At 31 December 2021 the loss allowance per IFRS 9 relating to these financial guarantees liabilities described above (other than related to mezzanine loan) was RR 4 million without corresponding charge in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Several financial guarantees have been released during 2021. Financial guarantee in an amount of RR 14 200 million was reclassified to another financial liabilities due to guarantee release. During the year ended 31 December 2020 the amount of RR 2 422 million was recognised as loss allowance. Refer to Note 22.

16 Trade and Other Payables and Other Liabilities

<i>In millions of RR</i>	31 December 2021	31 December 2020
Payables to third parties	1 236	2 871
VAT and taxes payables other than on income	1 211	1 147
Current income tax liability	753	858
Dividends payable (Note 26)	117	117
Payables for professional fees	105	155
Payables for management of properties	86	95
Prepayment from tenant for fit-out	79	157
Accrued employees compensation	59	72
Other	239	272
Total trade and other payables and other liabilities	3 885	5 743

17 Share Capital and Share Premium

Share capital issued and fully paid comprises:

<i>In millions of RR</i>	Number of class A shares issued	Number of class B shares issued	Nominal amount	Share premium	Total
Balance at 1 January 2020	21 694 704	69 175 017	71	73 867	73 938
Balance at 31 December 2020	21 694 704	69 175 017	71	73 867	73 938
Balance at 1 January 2021	21 694 704	69 175 017	71	73 867	73 938
Balance at 31 December 2021	21 694 704	69 175 017	71	73 867	73 938

17 Share Capital and Share Premium (Continued)

At 31 December 2021 and 2020 the authorized share capital of the Company was 21 694 704 Class “A” shares of nominal value USD 0.01 each and 200 000 000 Class “B” shares of nominal value EUR 0.01 each.

In accordance with the Articles of Association of the Company class “A” shares (1) do not have voting rights in the event that the holders of class A shares do receive dividends in the preceding calendar quarter, (2) are entitled to non-cumulative quarterly dividends at the absolute discretion of directors of the Company not exceeding USD 2.17 per share p.a. and in priority to other shares, (3) receive maximum USD 18.11 per share upon liquidation and (4) give the holder the right to convert its class “A” shares into class “B” shares. Class “B” shares (1) have voting rights, (2) may receive dividends only if at least minimum amount of dividends has been distributed to the holders of class “A” shares within the same period, and (3) are entitled to distributions upon liquidation.

The Board of Directors does not recommend the payment of dividends from the results of the year ended 31 December 2021 and 31 December 2020.

Nature and purpose of reserves

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

The revaluation reserve comprises the revaluation of property, plant and equipment immediately before its reclassification as investment property and any surplus or deficit from the revaluation of property, plant and equipment after initial recognition.

18 Net Rental Income

Net rental income for the year ended 31 December 2021 and 2020:

<i>In millions of RR</i>	For the year ended 31 December	
	2021	2020
White Square	3 936	3 883
Vivaldi Plaza	1 852	1 770
Legenda Tsvetnogo	1 629	1 623
Ducat III	1 559	1 343
White Stone	1 150	1 084
Silver City	912	1 054
Krugozor	910	830
Stanislavsky Factory	838	723
Lighthouse	816	802
LeFort	399	689
Icube	307	273
Other	259	258
Total net rental income	14 567	14 333

18 Net Rental Income (Continued)

The operating expenses for the year ended 31 December 2021 and 2020:

<i>In millions of RR</i>	For the year ended 31 December	
	2021	2020
Property management fees	1 123	1 237
Property tax	1 065	1 307
Cleaning and utilities	872	689
Security	131	118
Repairs and maintenance	64	61
Insurance	45	45
Other	75	52
Total operating expenses of investment property	3 375	3 510

All operating expenses relate to the Investment property generating the revenue.

Information on transactions with related parties is presented in Note 26.

19 General and Administrative Expenses and Other Operating Expenses

<i>In millions of RR</i>	For the year ended 31 December	
	2021	2020
Employees compensation	731	746
Professional services	291	155
Social contributions	121	146
Marketing and advertising	66	63
Travel	63	28
Bank fees	49	32
Depreciation of property, plant and equipment (Note 6)	46	40
Information services	41	37
Own premises related expenses	19	77
Taxes other than income	19	134
Other	159	13
Total general and administrative expenses	1 605	1 470

An average number of employees in 2021 were 199 (2020:192).

The amount of Director fees charged for the year ended 31 December 2021 is RR 21 million (2020: RR 22 million) and it is part of line Employees compensation and related social contributions.

19 General and Administrative Expenses and Other Operating Expenses (Continued)

<i>In millions of RR</i>	For the year ended 31 December	
	2021	2020
Leasing commissions	149	146
Professional services	43	77
Fines	22	11
Other	33	85
Total other operating expenses	247	319

The professional services for 2021 and 2020 stated above include the fees related to the restructuring of borrowings and Eurobonds and the Group's reorganization.

During 2021 the Company's statutory audit firm fees for audit services amounted to RR 31 million (2020: RR 44 million).

Information on transactions with related parties is presented in Note 26.

20 Finance Income and Finance Costs

<i>In millions of RR</i>	For the year ended 31 December	
	2021	2020
Gain from financial liability extinguishment (Note 13)	19 573	221
Interest income on loans	1 733	2 627
Net gain from derivatives (Note 24)	517	-
Interest income on deposits	2	4
Net gain on revaluation of other investments	-	34
Total finance income	21 835	2 885
Interest expense on borrowings (excluding lease liability)	(17 495)	(14 219)
Net loss on revaluation of other investments	(564)	-
Interest expense on accretion of interest on tenants deposits	(387)	(611)
Charge on lease liabilities	(172)	(148)
Net loss from derivatives (Note 24)	-	(3 040)
Total finance costs	(18 618)	(18 017)
Net finance (cost)/income recorded in profit or loss	3 216	(15 132)

Information on transactions with related parties is presented in Note 26.

21 Income Taxes

Income tax expense/(credit) comprises the following:

<i>In millions of RR</i>	For the year ended 31 December	
	2021	2020
Current tax	319	334
Deferred tax	(1 789)	1 952
Income tax (credit)/expense for the year	(1 470)	2 286

The income tax rate applicable to the majority of the Group's income in Russian Federation is 20%. The income tax rate on the Group's income in Cyprus is 12.5%.

A reconciliation between the expected and the actual taxation charge is provided below:

<i>In millions of RR</i>	2021	2 020
Loss before income tax	14 568	(33 042)
Tax credit using the Company's statutory rate	1 821	(4 130)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-taxable (income)/ non-deductible expenses related to foreign exchange losses/(gains)	(3 259)	1 702
- Non-deductible expenses on guarantees liabilities	-	(1)
- Non-deductible expenses on indemnity and provision liabilities	270	16
- Non-deductible expenses on loss allowance under IFRS 9	536	924
- Other non-taxable expenses	127	1 742
- Net impact of difference in tax rates in different jurisdictions	(891)	1 117
- Unrecognized deferred tax asset related to investment property operating companies	(74)	916
Income tax (credit)/expense for the period	(1 470)	2 286

Differences between IFRS and statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. As these differences relate to the activities in Russia and Cyprus the tax effect of the movement on these temporary differences is recorded at the rates of 20% or 12.5% respectively.

Taking into consideration the current Group structure the management of the Group does not expect that the transfer of earnings from operating companies of the Group to the Company will result in material tax expenses and therefore no deferred taxation has been recorded in these consolidated financial statements in respect of investments in subsidiaries.

21 Income Taxes (Continued)

	31 December 2019	Credited to profit or loss	Disposal of subsidiary	Written off as unrecoverable	31 December 2020	Credited to profit or loss	31 December 2021
<i>In millions of RR</i>							
Tax effect of taxable temporary differences/gross deferred tax assets/liabilities related to:							
- loss carry forward	6 116	70	(1)	(2 121)	4 063	144	4 207
- investment property and property plant and equipment	(6 403)	99	-	-	(6 304)	1 378	(4 926)
- other	69	-	-	-	69	266	335
Total net deferred tax (liability)/asset	(218)	169	(1)	(2 121)	(2 172)	1 788	(384)

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

Under the Russian legislation the tax losses can be carried forward indefinitely.

21 Income Taxes (Continued)

The amount of losses for which no DTA was recognized is RR 28 860 million. The movement on the unrecognized deferred tax asset on the negative fair value of the investment property is presented in the table below:

<i>In millions of RR</i>	31 December 2019	Change during the year	31 December 2020	Change during the year	31 December 2021
- Unrecognized Deferred tax asset	(5 655)	(234)	(5 889)	117	(5 772)
Total unrecognized deferred tax asset	(5 655)	(234)	(5 889)	117	(5 772)

22 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, liquidity and market risks, including currency, interest rate and other price risks), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk

The Group takes on an exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's exposure to credit risk is reflected in the carrying amounts of the respective financial instruments.

The Group manages its trade receivables credit risks by performing credit checks of all new tenants. If tenants are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group's marketing department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. In certain cases the Group requires a guarantee from the parent. Rent receivable is secured by tenants deposits paid at the inception of each tenant's lease agreements.

In order to minimise credit risk, the Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group transacts with entities that are rated the equivalent of investment grade. The credit rating information is supplied by independent rating agencies where available and represents ability of the borrower repay debt timely and cover outstanding amount in case of default based on the assessment of financial performance of the borrower.

If not available, the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group consider that significant change in credit risk is defined as delay in principal or interest payment for 90 days and more (depending on type and nature of financial asset).

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with lease receivables is mitigated because they are secured by tenant deposits.

22 Financial Risk Management (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is > 90 days past due (depending on type and nature of financial asset) or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – non credit-impaired
In default	Amount is > 180 days past due (depending on type and nature of financial asset) or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group had one counterparty (31 December 2020: one counterparty) with balances of loans issued above 10% of the aggregate balances of loans issued. This counterparty did not have credit rating provided by external agency. At the same time there were no interest payments for these loans within the reporting period. It was decided, by the Group management, to assess their ability to meet their obligations. The assessment is based on a number of assumptions related to the forecast of the commercial real estate market and the prospects of the Russian economy as a whole.

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Gross carrying amount	Loss allowance	Net carrying amount
<i>In millions of RR</i> 31 December 2021							
Loans issued	9	N/A	Performing	12-month ECL	4 959	(50)	4 909
Loans issued	9	N/A	in default	Lifetime ECL (not credit impaired)	28 169	(18 221)	9 948
Trade and other receivables	11	N/A	in default	Lifetime ECL (credit impaired)	600	(600)	-
Trade and other receivables	11	N/A	(**)	Lifetime ECL (simplified approach)	2 555	(238)	2 317
Receivables from sale of subsidiaries	11	N/A	in default	Lifetime ECL (not credit impaired)	577	(359)	218
Deposits in banks	13	N/A	Performing	12-month ECL	3	-	3

Cash and Cash Equivalents are not included in credit risk because they treated as current with a maturity of up to 12 months.

Guarantees issued:

	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Exposure	Loss allowance
<i>In millions of RR</i> 31 December 2021						
Financial guarantee contracts	15	N/A	(*)	12-month ECL	1 072	(4)

22 Financial Risk Management (Continued)

The detailed information at 31 December 2020 is presented below:

<i>In millions of RR</i> 31 December 2020	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Gross carrying amount	Loss allowance	Net carrying amount
Loans issued	9	N/A	Performing	12-month ECL	4 104	(61)	4 043
Loans issued	9	N/A	in default	Lifetime ECL (not credit impaired)	27 399	(13 911)	13 489
Trade and other receivables	11	N/A	in default	Lifetime ECL (credit impaired)	709	(709)	-
Trade and other receivables	11	N/A	(**)	Lifetime ECL (simplified approach)	2 235	(176)	2 060
Receivables from sale of subsidiaries	11	N/A	in default	Lifetime ECL (not credit impaired)	550	(274)	276
Deposits in banks	12	N/A	Performing	12-month ECL	70	-	70

Guarantees issued:

<i>In millions of RR</i> 31 December 2020	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Exposure	Loss allowance
Financial guarantee contracts	15	N/A	(*)	12-month ECL	819	(4)

* For Group guarantee, the exposure of guarantee represents the maximum amount the Group has guaranteed under the respective agreement.

** For trade receivables and other receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix below:

Days of payment delay	0-30	31-90	91-180	More than 180
Provision, % of outstanding amount	1%	20%	50%	100%

22 Financial Risk Management (Continued)

The following table shows the movement in expected credit losses that has been recognised for the respective financial assets and financial guarantees:

<i>In millions of RR</i>	12-month ECL Loans	Lifetime ECL (not credit impaired) Loans	Lifetime ECL (not credit impaired) Receivables	Lifetime ECL (simplified approach) Receivables	Lifetime ECL (credit impaired) Receivables	12-month ECL Guarantee	Total
Balance as at 1 January 2021	61	13 911	274	177	709	4	15 136
Increase/decrease in loss allowance recognised in the period	(11)	4 195	83	61	(112)	-	4 215
Currency exchange difference	-	115	2	-	3	-	120
Balance as at 31 December 2021	50	18 221	359	238	600	4	19 471

The detailed information at 31 December 2020 is presented below:

<i>In millions of RR</i>	12-month ECL Loans	Lifetime ECL (not credit impaired) Loans	Lifetime ECL (not credit impaired) Receivables	Lifetime ECL (simplified approach) Receivables	Lifetime ECL (credit impaired) Receivables	Lifetime ECL (credit impaired) Guarantee	12-month ECL Guarantee	Total
Balance as at 1 January 2020	30	8 713	367	169	880	11 778	4	21 941
Reclassification to another financial liabilities	-	-	-	-	-	(14 200)	-	(14 200)
Increase/decrease in loss allowance recognised in the period	31	3 431	(160)	8	(333)	744	-	3 720
Currency exchange difference	-	1 767	67	-	162	1 678	-	3 675
Balance as at 31 December 2020	61	13 911	274	177	709	-	4	15 136

There has not been any significant change in the gross amounts of contract assets that has affected the estimation of the loss allowance.

None of the trade receivables that have been written off is subject to enforcement. The carrying amount of financial assets represents the maximum credit exposure (Notes 9 and 11). Also refer to Notes 24 and 15 for the information on derivatives financial instruments and guarantees respectively.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the top management of the Group. Management uses budgeting and cash forecasting to ensure that the Group has sufficient resources to meet its obligations.

The Group manages liquidity risk based on the following key components:

- As the Group has a long-term investment horizon, it strives for a sound capital structure and actively seeks long-term financing; and
- Weighted average loan maturity should exceed 3 years.

22 Financial Risk Management (Continued)

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

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

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

<i>In millions of RR</i>	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	More than 5 years
Borrowings	206 198	5 611	156	310	597	4 548
Tenant deposits	2 709	4 052	477	2 140	1 353	82
Derivative financial instruments	1 960	1 960	(425)	2 385	-	-
Trade and other payables, excluding taxes payable and advances received	1 862	1 862	1 862	-	-	-
Total potential future payments for financial obligations	212 729	13 485	2 070	4 835	1 950	4 630

The maturity analysis of financial liabilities at 31 December 2020 was as follows:

<i>In millions of RR</i>	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	More than 5 years
Borrowings	224 975	270 796	44 255	94 395	52 840	79 307
Tenant deposits	3 100	4 051	477	2 140	1 353	82
Derivative financial instruments	2 477	2 477	(435)	2 912	-	-
Trade and other payables, excluding taxes payable and advances received	3 671	3 671	3 671	-	-	-
Total potential future payments for financial obligations	234 223	280 995	47 968	99 447	54 193	79 389

For maximum exposure on guarantees given please refer to credit risk disclosure.

In addition to the above potential future payments for financial obligations the Group has certain other commitments as disclosed in Note 24.

There is no real short-term liquidity risk related to Eurobonds, as the restructuring was completed in January 2021. For information on the completion of the restructuring of Eurobonds, see Note 3.

Market risk

The Group takes on exposure to market risks. Market risks arise mainly from open positions in foreign currencies and interest bearing assets and liabilities, all of which are exposed to general and specific market movements.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2021 and 2020.

22 Financial Risk Management (Continued)

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2021 and 2020.

The analyses exclude the impact of movements in market variables on the non-financial assets and liabilities of foreign operation. The analysis for the contingent consideration liability is provided in Note 28.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2021 and 2020.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at 31 December 2021 for the effects of the assumed changes of the underlying risk.

Currency risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group limits its exposure to the effects of currency risk by maintaining a balance between of rental revenues and borrowings denominated in US Dollars, Euro and Rubles.

The table below summarises the Group's exposure to foreign currency exchange rate risk as monitored by management at the end of reporting period:

<i>In millions of RR</i>	31 December 2021			31 December 2020		
	USD	Euro	RR	USD	Euro	RR
Monetary financial assets						
Loans issued	6 715	382	7 760	9 171	405	7 956
Cash and cash equivalents	164	61	1 656	167	22	2 574
Trade and other receivables	164	18	1 112	198	48	976
Total monetary financial assets	7 043	461	10 528	9 536	475	11 506
Monetary financial liabilities						
Borrowings	(12 247)	(58 406)	(135 545)	(28 929)	(78 023)	(118 019)
Tenant deposits	(1 867)	(32)	(810)	(2 095)	(79)	(927)
Trade and other payables, excluding taxes payable and accrued employees compensation	(181)	(437)	(1 244)	(447)	(461)	(2 758)
Effect of currency based derivatives	-	(1 960)	-	-	(2 477)	-
Total monetary financial liabilities	(14 295)	(60 835)	(137 599)	(31 471)	(81 040)	(121 704)
Net balance sheet and derivatives position at 31 December	(7 252)	(60 374)	(127 071)	(21 935)	(80 565)	(110 198)

The above analysis includes only monetary assets and liabilities.

The main operating entities of the Group have Russian Rouble functional currency (Note 3).

For the significant exchange rates which were applied refer to Note 2.

22 Financial Risk Management (Continued)

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Exposure of the Group to the interest rate risk is related mainly to borrowings. Carrying value of borrowings categorized by the earlier of contractual interest repricing or maturity dates adjusted for the impact of interest rate derivatives was as follows:

Carrying value by maturity of financial liabilities exposed to interest rate fluctuations risk at 31 December 2021 is as follows:

<i>In millions of RR</i>	Less than 1 year	Year 2	Year 3	Year 4	Year 5	More than 5 years	Total
31 December 2021							
Fixed interest rate and hedged by interest rate derivatives floating interest rate borrowings and guarantees	(765)	(16 770)	(13 230)	(107)	(20 857)	(11 512)	(63 241)
Floating interest rate borrowings	(141 467)	-	-	-	-	-	(141 467)
Net interest sensitivity position in borrowings (excluding lease liabilities) at 31 December 2021	(142 232)	(16 770)	(13 230)	(107)	(20 857)	(11 512)	(204 708)

Carrying value by maturity of financial liabilities exposed to interest rate fluctuations risk at 31 December 2020 was as follows:

<i>In millions of RR</i>	Less than 1 year	Year 2	Year 3	Year 4	Year 5	More than 5 years	Total
31 December 2020							
Fixed interest rate and hedged by interest rate derivatives floating interest rate borrowings and guarantees	(28 681)	-	(16 069)	(27 445)	(93)	(22 035)	(94 322)
Floating interest rate borrowings	(129 064)	-	-	-	-	-	(129 064)
Net interest sensitivity position in borrowings (excluding lease liabilities) at 31 December 2020	(157 744)	-	(16 069)	(27 445)	(93)	(22 035)	(223 386)

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The main interest rate risk of the Group is related to its borrowings. This risk arises mainly as a result of (1) originating borrowings at floating rates and (2) need to refinance the expiring borrowings. At 31 December 2021, if interest rates on borrowings of the Group had been 200 basis points higher (lower) with all other variables held constant profit before income tax expense for a year would have been RR 4 043 million lower (higher) (2020: RR 4 070 million lower (higher)).

Fixed interest rate borrowings and hedged by interest rate derivatives floating interest rate borrowings mainly consist of borrowings with floating interest rate hedged by interest rate swap or interest rate cap with fixed interest rate.

The Group's overall policy is to minimize exposure to fluctuations in variable interest rates using financial instruments.

The Group performs a periodic analysis of the current interest rate environment and depending on this analysis at the time of raising new debt management makes decisions on whether obtaining finance on a fixed-rate or a variable-rate basis would be more beneficial to the Group over the expected period until maturity.

22 Financial Risk Management (Continued)

The average interest rates for the principal financial instruments at the reporting date were as follows:

	31 December 2021		31 December 2020	
	Contractual rate	Effective rate	Contractual rate	Effective rate
Loans from banks (primarily in RR)	8.63%	9.11%	5.65%	6.04%
Loans from other companies (primarily in USD)	7.75%	7.77%	6.34%	6.34%
Eurobonds (in USD)	0.50%	0.55%	8.25%	8.33%
MOEX RUR bonds	6.00%	6.00%	6.00%	6.00%
MOEX EUR bonds	2.24%	5.11%	2.24%	5.11%
Finance lease liabilities (all in RR)	-	10.65%	-	10.9%
Tenant deposits (all in USD)	-	7.22%	-	7.47%

To minimize interest rate risk the Group's management aims:

- to maintain average interest rates below expected cap rates if the project is to be highly leveraged;
- to maintain an optimal mix of floating and fixed rate financing for all financial commitments; and
- to use floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates (Notes 13 and 24).

23 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings. Total capital is calculated as «equity» as shown in the consolidated statement of financial position plus net debt.

Refer to Note 17 for the information on the share capital structure and the description of classes of shares issued.

24 Contingencies, Commitments and Operating Risks

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of management's own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of any such claims, and accordingly no provision has been recorded in these consolidated financial statements.

As of the date of approval of these consolidated financial statements, there are court proceedings in Russia and in Cyprus brought by certain financial institutions against the previous shareholders of the Company, the Company and other related parties in relation to transactions entered into by the previous majority shareholders of the Company. As those proceedings are still at the initial stages (except with respect to the case of Semela Limited (Note 28)), their impact, if any for the Company and the Group cannot presently be assessed.

In the first quarter of 2019 Moscow Property Department unilaterally terminated lease agreement for the land under the Greendale project. However, due to the fact, that the Group ownership rights for the construction in progress were registered, in January 2021 the Group renewed a new land lease agreement with the Moscow Property Ministry for 3 years without a tendering procedure. The Moscow Development and Land Commission has agreed with provision of the land plot for the completion of the project development.

24 Contingencies, Commitments and Operating Risks (Continued)

In the beginning of 2020, Moscow Property Department applied to court claiming overdue rent under terminated lease. In April 2021 the Group successfully close the lawsuit in a court. In July 2021 the Group sold its 100% interest in “Firma “MORAVA” LLC (Russia) which owns the Greendale project in Moscow and 97% interest in CJSC ALMOS (Russia) (Note 28).

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

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

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. This legislation allows tax authorities to assess additional taxes for controllable transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

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

Most of the Group's companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia, except for those entities that have registered commercial Branches in the Russian Federation. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Certain changes into Russian Tax Code that came into force starting 1 January 2015, which introduced the following concepts: (i) the “controlled foreign companies rules” (the “CFC Rules”). Under the Russian CFC Rules, in certain circumstances, undistributed profits of foreign companies and non-corporate structures (e.g., trusts, funds or partnerships) domiciled in foreign jurisdictions, which are ultimately owned and/ or controlled by Russian tax residents (legal entities and individuals), shall be subject to taxation in Russia; (ii) the concept of tax residency for legal entities. Under this concept a legal entity may be recognized as Russian tax resident if such entity is in fact managed from Russia. When an entity is recognized as Russian tax resident it is obligated to register, calculate tax on its worldwide income and comply with other tax-related rules established for Russian entities; (iii) the concept of “beneficial ownership”. Under the Federal Law, a beneficial owner is defined as a person holding directly, through its direct and/or indirect participation in other organizations or otherwise, the right to own, use or dispose of income, or the person on whose behalf another person is authorized to use and/or dispose of such income.

Tax liabilities of the Group companies are determined based on the underlying assumption that Group companies except those registered in the Russian Federation are not Russian tax residents and are beneficial owners of income received from Russia. It is possible, with the evolution of the above concepts, that such approach could be challenged both for the reporting period and in certain cases for previous years open for tax audits. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Company's operations.

24 Contingencies, Commitments and Operating Risks (Continued)

Management assessed the impact of these changes and believe that it is not probable that the manner of doing operations by, and with, the foreign Group companies will give rise to material tax liabilities other than those provided in these consolidated financial statements. The tax legislation in Russia is subject to varying interpretations which can change frequently and as such an unquantifiable risk remains that the tax authorities could seek to challenge this position in the future and levy additional tax on the Group. Accordingly as of 31 December 2021 no provision for potential tax liabilities had been recognized.

The Group is assessing the impact that the changes introduced by the above laws may have on its operations and/or reporting.

In addition to the above matters, management estimates that at 31 December 2021 the Group had possible obligations from exposures to other than remote tax risks of approximately up to RR 1 151 million (31 December 2020: approximately up to RR 1 502 million). In the event that these possible tax risks crystallise as liabilities in the near future, the tax losses could be used to settle these liabilities. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Based on various valid arguments Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

Capital commitments. At 31 December 2021 the Group has RR 414 million contractual capital expenditure commitments (31 December 2020: RR 23 million).

Assets pledged and restricted. At 31 December 2021 investment properties and owner occupied premises with a fair value of RR 185 490 million and RR 1 031 million respectively (31 December 2020: RR 190 564 million and RR 1 058 million respectively) and related land lease and lease proceeds were pledged in relation to borrowings (Notes 6, 7 and 13). Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged.

According to the signed loan agreements with the bank, the Group has no pledges on cash, but restrictions on deposits accounts are possible. If the Group violates the terms of the agreements (non-payments under credit agreement), the bank has the opportunity to withdraw the debt from such accounts. As at 31 December 2021 all payments were done in an appropriate time and such bank restrictions were not applicable.

At 31 December 2021 a residential property in the amount RR 670 million was pledged in relation to borrowings (31 December 2020: RR 664 million) (Note 10 and 13).

All shares in Ratado Holding Limited (a holding company for subsidiaries of the Group which owns Vivaldi, Lighthouse, Silver City, Ducat III, Legenda Tsvetnogo, White Square and White Stone properties (Note 1)) were pledged as securities in relation to a facility of Ratado Holding Limited in amount of RR 7 719 million (Note 1). This facility is also secured by the guarantee of the Company. Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged and Note 15 for information on the guarantee.

Under the legal proceeding between certain financial institutions and the companies controlled by the Ultimate Controlling Shareholder, the participatory interest of Semela Limited and investment property owned by Semela Limited (constituting Nevis Business Center) have been restricted for disposal as the injunction under the specified legal proceeding. In September 2018 an unfavourable judgement was handed down against the Group in this respect. At 31 December 2020 the Group recognised the provision in the amount RR 2 174 million (31 December 2019: RR 2 226 million) which is equal to the net assets value of Semela Limited (Note 14).

On November 18, 2021, Semela Limited was liquidated due to bankruptcy (Note 28) and the provision recognised in 2020 was reversed.

24 Contingencies, Commitments and Operating Risks (Continued)

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. Refer to Note 13.

In relation to the Borrowings detailed above in the section “Assets pledged and restricted” the Company accepted an obligation to comply with certain covenants and conditions.

At 31 December 2021 and 2020 the Group was in compliance with or had waivers on all main covenants.

Share based payments to employees. As at 31 December 2021 and 2020 there is no liability from the directors’ share based payments plan.

Derivatives. The Group uses derivatives to manage interest rate and currency risk. Derivative financial instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The valuation of the derivatives is performed based on discounted cash flows models. The key inputs to the models are the interest rate curves and future foreign exchange rates which are based on the market information. The valuations are performed internally and for interest rate swap and interest rate cap contracts values are validated against the valuations of the transactions obtained independently from the counterparty banks.

At 31 December 2021 the Group had interest rate swap contracts with a total notional amount of RR 7 001 million (31 December 2020: RR 7 106 million). At 31 December 2021 the negative fair value of these contracts was RR 30 million (31 December 2020: RR 50 million).

In November 2020 interest rate cap contracts were novated in a new agreements with a total notional amount of RR 17 031 million (EUR 209 million) at 31 December 2021 (31 December 2020: RR 18 975 million) whereby the Group fixes the highest level of the floating part of the interest rate. At 31 December 2021 the positive fair value of these contracts was RR 1 million (31 December 2020: RR 1 million).

At 31 December 2021 the Group had a currency swap contract with a total notional amount of RR 10 198 million (31 December 2020: RR 10 562 million) whereby the Group was paying fixed rate interest in EUR in exchange for fixed rate interest in Russian Rouble. At 31 December 2021 the negative fair value of this contract was RR 1 931 million (31 December 2020: RR 2 429 million).

25 Fair Value

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

The estimated fair values have been determined by the Group using available market information, when such information exists and is considered a reliable indicator, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market (Note 2). Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

25 Fair Value (Continued)

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Valuation of investment properties. The fair value of investment properties represents Level 3 measurement. In determining the fair value of the Group's investment property, management have regard to reports of independent appraisers who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category (Refer to Note 3).

Since the information on current or recent prices of comparable investment properties was limited, the fair value of investment properties was determined mainly using discounted cash flow valuation techniques. The Group used assumptions that were mainly based on market conditions existing and contracted rental agreements as at each reporting date. Changes in assumptions used in the valuation techniques could affect reported fair values.

The methodology used for the valuation of investment property has not changed since 31 December 2018.

The valuation technique, inputs used in the fair value measurement of the investment property and premises, and related sensitivity to reasonably possible changes in those inputs were as follows at 31 December 2021:

	Valuation technique	Inputs used	Range of inputs	Reasonable change (% of input)	Sensitivity of fair value measurement	Fair value
<i>In millions of RR</i>						
Yielding Investment property	Discounted Cash Flow Technique	Discount rates	10.0 - 11.0%	+10 %	(9 110)	185 553
		Estimated rental value	18 000 - 41 000 RR/sq.m.	-10 %	9 764	
				+10 %	13 220	
				-10 %	(13 640)	
		Exit capitalization rates	8.25 - 9.0%	+10 %	(10 464)	
				-10 %	10 639	
Investment property under development	Discounted Cash Flow Technique	Discount rates	15.5%	+10 %	(51)	968
		Estimated rental value/ Expected sq.m price	486 183 RR/sq.m.	-10 %	54	
				+10 %	291	
				-10 %	(322)	
		Exit capitalization rates	n/a	+10 %	-	
				-10 %	-	
Total fair value of investment property per valuation reports at 31 December 2021 (Note 7)						186 521

25 Fair Value (Continued)

The valuation technique, inputs used in the fair value measurement of the investment property, including premises, and related sensitivity to reasonably possible changes in those inputs were as follows at 31 December 2020:

December 2020.

	Valuation technique	Inputs used	Range of inputs	Reasonable change (% of input)	Sensitivity of fair value measurement	Fair value
In millions of RR						
Yielding Investment property	Discounted Cash Flow Technique	Discount rates	10.0 - 11.0%	+10 % -10 %	(9 216) 9 879	190 035
		Estimated rental value	18 000 - 42 500 RR/sq.m.	+10 % -10 %	13 728 (13 689)	
		Exit capitalization rates	8.25 - 9.0%	+10 % -10 %	(9 687) 11 839	
		Discount rates	15.5% -18.5%	+10 % -10 %	(209) 229	1 586
		Estimated rental value/ Expected sq.m price	19 500 – 190 463 RR/sq.m.	+10 % -10 %	617 (617)	
		Exit capitalization rates	9.0%	+10 % -10 %	(209) 255	
Investment property under development	Discounted Cash Flow Technique					
Total fair value of investment property per valuation reports at 31 December 2020 (Note 7)						191 621

Refer to Note 7 for information on movements in fair value of the investment property. The sensitivity of fair value measurement to change of inputs is estimated by adjusting the variable and assuming that other variables remain the same.

During the year 2021 and 2020 there were no reclassifications from or into Level 3 measurements.

All gain/(loss) from valuation of investment property included unrealised as well as realised gain/(loss) from disposed investment property and presented in net loss from fair value adjustment on investment property line in the consolidated statement of profit and loss and other comprehensive income.

All gain/(loss) from revaluation of owner occupied premises is unrealised and presented in revaluation of property, plant and equipment line in consolidated other comprehensive income.

Cash and cash equivalents. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Financial assets carried at amortised cost (Level 3). The estimated fair value of financial assets carried at amortised cost is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Interest rates used depend on the perceived credit risk of the counterparty and ranged at 31 December 2021 from 2.25% p.a. to 16.65% p.a. (2020: from 2.25% p.a. to 12.75% p.a.).

Liabilities carried at amortised cost (Level 3). The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Interest rates used ranged from 0.50% p.a. to 11.00% p.a. (2020: from 2.10% p.a. to 11.00% p.a.).

25 Fair Value (Continued)

Financial instruments and other investments carried at fair value. The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

All of the Group's financial liabilities except for derivative financial instruments were carried at amortised cost.

At 31 December 2021 and 31 December 2020 all derivative financial instruments were valued using valuation techniques (Discounted Cash Flow) with inputs observable in markets which is Level 2 measurement. Refer to Note 24.

The comparison of the fair value and the carrying value of main assets and liabilities carried at amortised cost was as follows:

<i>In millions of RR</i>	31 December 2021		31 December 2020	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets				
Loans issued (Level 3)	14 864	14 857	17 560	17 532
Trade and other receivables (Level 3)	2 228	2 228	2 108	2 108
Cash and cash equivalents (Level 2)	1 881	1 881	2 763	2 763
Financial liabilities				
Loans from banks (Level 3)	(155 349)	(157 021)	(161 155)	(160 002)
Loans from other companies and individuals (Level 3)	(3 429)	(3 592)	(1 064)	(1 054)
MOEX EUR bonds (Level 3)	(30 403)	(30 403)	(32 017)	(32 017)
MOEX Rouble bonds (Level 3)	(2 181)	(2 181)	(2 073)	(2 073)
Eurobonds (Level 3)	(11 512)	(11 512)	(29 155)	(28 239)
Lease liabilities (Level 3)	(1 490)	(1 490)	(1 586)	(1 586)
Tenant deposits (Level 3)	(2 709)	(2 709)	(3 100)	(3 100)
Trade and other payables (Level 3)	(2 615)	(2 615)	(4 528)	(4 528)

All of the Group's financial liabilities except for derivative financial instruments were carried at amortised cost.

26 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if they are under common control, or if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

<i>In millions of RR</i>	31 December 2021		31 December 2020	
	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Immediate shareholders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder
Trade and other receivables (Note 11)	-	218	-	276
Borrowings (Note 13)	(2 558)	-	(2 387)	(1)
Dividends (Note 16)	(16)	(101)	(16)	(101)

26 Related Party Transactions (Continued)

The income and expense items with related parties for the period were as follows:

	For the year ended 31 December			
	2021		2020	
	Companies under significant influence of ultimate controlling shareholder	Key management personnel	Companies under significant influence of ultimate controlling shareholder	Key management personnel
<i>In millions of RR</i>				
Salaries and bonuses	-	(128)	-	(102)
Other operating expenses	-	-	-	(141)
Social contribution	-	(14)	-	(13)
Interest expenses	(1)	-	(5)	-

In addition the Group guaranteed obligations of related parties and pledged shares in certain subsidiaries in relation to liabilities of related parties (Notes 1, 14 and 15).

Refer to Note 13 for the information regarding funding received by the Group as a result of issue by a company controlled by the previous Ultimate Controlling Shareholder of Rouble and USD bonds guaranteed by the Company.

27 Non-Controlling Interest

The non-controlling interest that is material to the Group is represented by the non-controlling interest in Legenda Tsvetnogo, ICube and Greendale projects.

At 31 December 2021 the total consolidated assets of Legenda Tsvetnogo project which includes Amneris Limited and its subsidiaries, amounted to RR 23 923 million represented mainly by the yielding investment property and the total consolidated liabilities amounted to RR 21 440 million represented mainly by the borrowing from the bank (31 December 2020: RR 23 948 million and RR 21 188 million respectively). For the year ended 31 December 2021 Legenda Tsvetnogo project had RR 2 008 million revenue and RR 97 million loss (2020: RR 1 991 million and RR 1 122 million loss respectively).

At 31 December 2021 the total consolidated assets of ICube project which includes Mistalda Limited and its subsidiaries, amounted to RR 8 003 million represented mainly by the yielding investment property and the total consolidated liabilities amounted to RR 12 355 million represented mainly by the borrowing from the bank (31 December 2020: RR 8 165 million and RR 10 792 million respectively). For the year ended 31 December 2021 ICube project had RR 435 million revenue and RR 184 million loss (2020: RR 424 million revenue and RR 1 173 million loss respectively).

In July 2021 the Group sold its 100% interest in "Firma "MORAVA" LLC (Russia) which owns the Greendale project in Moscow and 97% interest in CJSC ALMOS (Russia) with the simultaneous repayment of the bank financing. During the seven months ended 31 July 2021 the net gain from these disposals, was RR 18 million. At 31 December 2021 the total consolidated assets of the rest of companies, previously related to Greendale project, amounted to RR 1 044 million represented mainly by the trade and other receivables and the total consolidated liabilities amounted to RR 1 968 million represented mainly by the trade and other payables (31 December 2020: RR 2 632 million and RR 3 484 million respectively). For the year ended 31 December 2021 Greendale project had RR 11 million revenue and RR 166 million loss (2020: RR 22 million and RR 421 million loss respectively).

28 Acquisitions and Disposals

Merger of subsidiaries. During the year ended 31 December 2021 the Group merged a number of subsidiaries (Narvi Finance Limited, Goldstyle Holdings Limited, Meteolook Investments Limited, Minesign Limited, Wallasey Limited) with other Group's subsidiaries which have no material impact on its consolidated financial statements:

Liquidation of subsidiaries. During the year ended 31 December 2021 the Group liquidated a number of minor subsidiaries (Gasheka Realty Limited Liability Company, Vivaldi Plaza Finance Sarl) which do not have a material impact on its consolidated financial statements. During the year ended 31 December 2021 the net gain from this liquidation, was RR nill million.

During the year ended 31 December 2020 the Group sold and liquidated a number of minor subsidiaries (Quotex Limited, Briz Limited, Genovius Ltd) which do not have a material impact on its consolidated financial statements. During the year ended 31 December 2020 the net gain from these disposals, was RR 11 million.

Acquisition of subsidiaries. In November 2021 the Group acquired a number of subsidiaries (Terra JSC, Calypso JSC, Aquamarine JSC, Alfa JSC, Unia JSC, Hellios JSC). During the year ended 31 December 2021 the total net gain from these transactions was RR 9 million.

Disposal of Nevis. In December 2021 Nevis was disposed of due to the bankruptcy of Semela Limited, the company owned bussines center.

The details of the assets and liabilities disposed and financial result arising were as follows:

<i>In million of RR</i>	Carrying amount
Investment property	2 369
Borrowings	(4 168)
Land lease liability	(60)
Deferred tax liability	(172)
Carrying value of identifiable net assets of subsidiaries disposed	(2 031)
Result on disposal	106
Less: Reclassification of effect of translation to presentation currency	-
Net gain from disposal	106
Total sale consideration	-
Less: Non-cash consideration	2 137
Inflow of cash and cash equivalents on disposal	2 137

Non-cash consideration represents a previously accrued provision in the amount of RR 2 137 million in relation to probable obligations resulting from litigation against a subsidiary Semela Limited (Note 1 and 14), which is equal to the net assets value of Semela Limited (Note 14). Upon disposal of the bussines center Nevis, the reversal of the provision in the amount of RR 2 137 million was offset against the result on disposal of Semela Limited.

28 Acquisitions and Disposals (Continued)

Disposal of Greendale. In July 2021 the Group sold its 100% interest in Firma “MORAVA” LLC (Russia) which owns the Greendale project in Moscow (Note 7) and 97% interest in CJSC ALMOS (Russia) with the simultaneous repayment of the bank financing.

The details of the assets and liabilities disposed and financial result arising were as follows:

<i>In millions of RR</i>	<i>Almos</i>	<i>Morava</i>	Carrying amount
Cash and cash equivalents	5	-	5
VAT recoverable	-	1	1
Trade and other receivables	26	-	26
Investment property	44	1 325	1 369
Borrowings	-	(1 156)	(1 156)
Land lease liability	(44)	-	(44)
Trade and other payables	(2)	(71)	(73)
Carrying value of identifiable net assets of subsidiaries disposed			128
Result on disposal			18
Net gain from disposal			18
Total sale consideration			146
Less: Cash and cash equivalents of subsidiary disposed			(5)
Inflow of cash and cash equivalents on disposal			141

29 Subsequent Events

Refer to Note 2 for the information on significant changes in foreign currency exchange rates during 2021.

In February 2022, certain countries announced new packages of sanctions against the public debt of the Russian Federation and a number of Russian banks. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the ruble against the US dollar and the Euro.

The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. The Group is currently assessing the impact of the restrictions on the financial activity of the Group and will implement all the measures necessary for the cash management and to mitigate risks arising from cash balances in such banks.

At the date of coupon payment in March 2022 the Group had got a sufficient cash at bank. At the same time the Group postponed coupon payment on Eurobonds due to sanctions imposed on VTB Bank and Sberbank of Russia and its subsidiaries outside of Russia where the Group had settlement accounts of Issuer (O1 Properties Finance PLC) and Parent Guarantor (O1 Properties Limited). According to Eurobonds terms and conditions and confirmation received from the issuance agent, BNY Mellon, the Issuer or Parent Guarantor should settle the coupon payment only in USD and not in any other currency. The Group is currently looking for opening such bank accounts to settle the existing obligation.

29 Subsequent Events (Continued)

In early 2022, Barkmere Limited, Simeona Limited, Silverflair Limited, Argam Limited and Mokati Limited were merged with other Group's subsidiaries.

In January 2022, the procedure for the liquidation of the companies Aquamarine JSC, Calypso JSC, Terra JSC, Alpha JSC, Uniya JSC, Helios JSC was started.

In March 2022, the procedure for the liquidation of the Persey CJSC was started.

In April 2022, the Group sold its 99% interest in LLC "FENIX" (Russia) and 100% interest in LLC "Specialized developer "VKS INVEST" (Russia).

Other than the above, there were no other material subsequent events which have an impact on the understanding of the consolidated financial statements.