Independent auditor’s report
on the consolidated financial statements of
DP Global Group Limited
and its subsidiaries
for 2023

March 2024

Independent auditor's report on the consolidated financial statements of DP Global Group Limited and its subsidiaries

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NEW CHALLENGES
NEW SOLUTIONS

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Independent auditor's report

To the Shareholders and
those charged with governance of
DP Global Group Limited

Opinion

We have audited the consolidated financial statements of DP Global Group Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2023, and notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for 2023 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Emphasis of matter

We draw attention to Note 2 to the consolidated financial statements, which states that these consolidated financial statements do not constitute financial statements prepared in accordance with the financial reporting laws of the British Virgin Islands. This matter does not modify our opinion.

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

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

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

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

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

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

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

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

NEW CHALLENGES
NEW SOLUTIONS

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

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

Golovkina Marina Yurievna,
acting on behalf of TSATR – Audit Services Limited Liability Company
on the basis of power of attorney dated 12 July 2023,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906100348)

1 March 2024

Details of the auditor

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

Details of the audited entity

Name: DP Global Group Limited
Record made in the State Register of Legal Entities on 31 December 2013, State Registration Number 1804230.
Address: British Virgin Islands, Tortola, Road Town, Vistra Corporate services center, Wickhams Cay II.

Consolidated statement of financial position

(expressed in thousands of Russian Roubles, unless otherwise stated)

	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	8	705,154	452,364
Right-of-use assets	9	1,221,854	1,054,357
Intangible assets	10	31,655	5,440
Net investment in sublease		13,122	4,351
Non-current financial assets	13.1	37,831	26,517
Deferred tax assets	7	161,937	126,093
Non-current prepayments		366	–
		2,171,919	**1,669,122**
Current assets			
Inventories	11	80,109	38,623
Prepayments		268,349	94,515
Income tax receivables		830	12,542
Taxes receivables		11,862	6,216
Trade and other receivables	14	1,007,223	691,281
Other current financial assets	13.1	137,065	–
Cash and cash equivalents	12	1,199,932	869,703
		2,705,370	**1,712,880**
Total assets		**4,877,289**	**3,382,002**
Equity and liabilities			
Equity			
Share capital	19	20.92	20.40
Share premium	19	894,085	850,394
Treasury shares	19	(124,302)	(35,516)
Share-based payments reserve	21	467,121	369,709
Foreign currency translation reserve		214,121	204,504
Retained earnings / (accumulated losses)		242,744	(459,347)
Equity attributable to equity holders of the parent		**1,693,790**	**929,764**
Non-current liabilities			
Lease liabilities	9	1,066,202	925,755
Contract liabilities	18	579,989	301,329
Deferred tax liabilities	7	–	21
		1,646,191	**1,227,105**
Current liabilities			
Interest-bearing loans and borrowings	17	–	67,145
Lease liabilities	9	280,768	237,173
Trade and other payables	15	651,342	426,255
Taxes payables	16	410,087	327,439
Advances received		46,796	22,282
Government grants		–	1,055
Contract liabilities	18	148,315	143,784
		1,537,308	**1,225,133**
Total liabilities		**3,183,499**	**2,452,238**
Total equity and liabilities		**4,877,289**	**3,382,002**

These consolidated financial statements were authorized for issue on 1 March 2024.

_______________ (Fedor Ovchinnikov, Director)

The notes 1-27 are an integral part of these consolidated financial statements.

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

(expressed in thousands of Russian Roubles, unless otherwise stated)

	Notes	2023	2022
Revenue recognised from contracts with customers	5	9,952,696	7,080,875
Other operating income	6.3	85,627	94,052
Total operating income		**10,038,323**	**7,174,927**
Raw materials and consumables		(1,303,735)	(1,154,117)
Employee benefits	6.1	(3,803,269)	(2,755,916)
Depreciation and amortization	8, 9, 10	(446,640)	(359,442)
Distribution and advertising	6.2	(2,017,449)	(1,282,963)
Expected credit losses on financial assets	22	(4,041)	(598)
Other operating expenses	6.4	(1,531,459)	(1,004,254)
Operating profit		**931,730**	**617,637**
Finance income	6.5	115,976	49,433
Finance costs	6.6	(129,455)	(128,798)
Profit before tax		**918,251**	**538,272**
Income tax expense	7	(230,319)	(170,942)
Profit for the year		**687,932**	**367,330**
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations		(56,345)	53,859
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(56,345)**	**53,859**
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations		65,962	(22,708)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**65,962**	**(22,708)**
Other comprehensive income (net of tax)		**9,617**	**31,151**
Total comprehensive income for the period, net of tax		**697,549**	**398,481**
Profit attributable to:			
Equity holders of the parent		687,932	367,330
		687,932	**367,330**
Total comprehensive income attributable to:			
Equity holders of the parent		697,549	398,481
		697,549	**398,481**
Earnings per share			
Basic, profit for the year attributable to equity holders of the parent	20	₽139	₽74
Diluted earnings per share	20	₽133	₽71

The notes 1-27 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2023

(expressed in thousands of Russian Roubles, unless otherwise stated)

	Share capital (Note 19)	Share premium (Note 19)	Treasury shares (Note 19)	Share-based payments reserve (Note 21)	Retained earnings / (accumulated losses)	Foreign currency translation reserve	Total
As at 1 January 2023	20.40	850,394	(35,516)	369,709	(459,347)	204,504	929,764
Profit for the period	–	–	–	–	687,932	–	687,932
Other comprehensive income	–	–	–	–	–	9,617	9,617
Total comprehensive income	–	–	–	–	687,932	9,617	697,549
Exercise of options	0.52	43,691	–	(43,692)	–	–	–
Buyback of shares	–	–	(88,786)	–	–	–	(88,786)
Share-based payments reserve	–	–	–	141,104	14,159	–	155,263
As at 31 December 2023	20.92	894,085	(124,302)	467,121	242,744	214,121	1,693,790

for the year ended 31 December 2022

(expressed in thousands of Russian Roubles, unless otherwise stated)

	Share capital (Note 19)	Share premium (Note 19)	Treasury shares (Note 19)	Share-based payments reserve (Note 21)	Retained earnings / (accumulated losses)	Foreign currency translation reserve	Total
As at 1 January 2022	20.03	799,117	(20,906)	329,369	(834,952)	173,353	446,001
Profit for the period	–	–	–	–	367,330	–	367,330
Other comprehensive income	–	–	–	–	–	31,151	31,151
Total comprehensive income	–	–	–	–	367,330	31,151	398,481
Exercise of options	0.37	51,277	–	(51,277)	–	–	–
Buyback of shares	–	–	(14,610)	–	–	–	(14,610)
Share-based payments reserve	–	–	–	91,617	8,275	–	99,892
As at 31 December 2022	20.40	850,394	(35,516)	369,709	(459,347)	204,504	929,764

Consolidated statement of cash flows
for the year ended 31 December

(expressed in thousands of Russian Roubles, unless otherwise stated)

	Notes	2023	2022
Operating activities			
Profit before tax		918,251	538,272
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation	8, 9, 10	446,640	359,442
Share-based payments expense	21	168,925	119,952
Net result on disposal and impairment/recovery of non-current assets		7,864	38,611
Inventory shortage		58,685	65,773
Finance income	6.5	(115,976)	(49,433)
Finance costs	6.6	129,455	128,798
Expected credit losses on financial assets other than cash	22	4,041	598
Income from government grants		(1,055)	(6,220)
Other non-cash		(52,348)	(2,558)
Working capital adjustments			
Change in trade and other receivables		(319,978)	(95,191)
Change in prepayments and taxes receivables		(198,431)	29,913
Change in inventories		(100,171)	(65,158)
Change in trade and other payables		213,580	124,733
Change in advances received and taxes payables		85,568	147,632
Change in contract liabilities		305,309	107,669
		1,550,359	**1,442,833**
Interest received		80,129	31,839
Income tax paid		(233,348)	(169,122)
Net cash flows from operating activities		**1,397,140**	**1,305,550**
Investing activities			
Proceeds from sale of property, plant and equipment		1,162	885
Purchase of property, plant and equipment		(380,881)	(262,646)
Purchase of intangible assets	10	(31,266)	(6,843)
Investment in other financial assets	13.1	(134,540)	–
Loans granted		–	(3,200)
Proceeds from sublease		2,982	1,940
Net cash flows used in investing activities		**(542,543)**	**(269,864)**
Financing activities			
Shares buyback		(85,130)	(14,125)
Payment of principal portion of the lease liabilities		(267,046)	(217,789)
Interest paid		(129,304)	(121,762)
Proceeds from borrowings	17	–	40,856
Repayment of borrowings		(67,296)	(159,069)
Net cash flows used in financing activities		**(548,776)**	**(471,889)**
Net increase in cash and cash equivalents		**305,821**	**563,797**
Expected credit losses for cash and cash equivalents		–	(1,909)
Net foreign exchange difference		24,408	(1,919)
Cash and cash equivalents at 1 January	12	869,703	309,734
Cash and cash equivalents at 31 December	12	**1,199,932**	**869,703**

Notes to the consolidated financial statements
for the year ended 31 December 2023

(expressed in thousands of Russian Roubles, unless otherwise stated)

1. Corporate information

The consolidated financial statements of DP Global Group Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2023 were authorised for issue on 1 March 2024.

DP Global Group Limited (the Company or the Parent) is a limited company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Group is Fedor Ovchinnikov.

The Group owns retail stores and provides franchising services, including software, support, control and consultancy services to the franchisees operating in 18 countries. As at 31 December 2023, the Group operated 1027 stores (973 franchised stores, 54 company-owned stores), as at 31 December 2022: 893 stores (850 franchised stores, 43 company-owned stores).

Information about main subsidiaries

The consolidated financial statements of the Group include:

			% equity interest	
Name	**Principal activities**	**Country of incorporation**	**31 December 2023**	**31 December 2022**
Dodo Franchising LLC	Franchising services	The Russian Federation	100	100
Pizza Venture LLC	Restaurants and food delivery services / Retail	The Russian Federation	100	100
Dodo CC Syktyvkar LLC	Call centres	The Russian Federation	100	100
Dodo Engineering LLC	IT development	The Russian Federation	100	100
Drinkit Company LLC	Restaurants and food delivery services / Retail	The Russian Federation	100	100
DODO BRANDS INTERNATIONAL DMCC	Franchising services	The United Arab Emirates	100	100
Dodo Group LLP	Franchising services	The Republic of Kazakhstan	100	100

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These consolidated financial statements do not constitute financial statements prepared in accordance with the financial reporting laws of the British Virgin Islands.

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

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

2. Significant accounting policies (continued)

2.2 Basis of consolidation

Management is satisfied that it is appropriate to adopt the going concern basis of accounting for these consolidated financial statements.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

2.3 Summary of significant accounting policies

a) Current versus non-current classification

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

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

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

b) Fair value measurement

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

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

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

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

c) Foreign currencies

The Group's consolidated financial statements are presented in the Russian Roubles ("RUB"), the currency of the main economic environment in which the Group operates. The functional currency of the Parent company is the United States Dollars ("USD"), Group entities located in Russia is the Russian Rouble ("RUB"), a Group entity located in Kazakhstan is the Kazakhstani tenge ("KZT"), a Group entity located in China is the Chinese Yuan ("CNY"), a Group entity located in United Kingdom is the Pound Sterling ("GBP"), a Group entity located in United Arab Emirates is the Emirati Dirham ("AED"). For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

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

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

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into rubles at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rate for each interim quarter reporting period. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss. The exchange differences on transactions of the Company will not be reclassified to profit or loss in subsequent periods.

d) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

	Useful life in years
Retail and dough production equipment and furniture	from 1 to 25
Leasehold improvements	from 2 to 15
Office equipment and furniture	from 1 to 15
Transport and vehicles	from 3 to 10

e) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of right-of-use assets also includes a discount of lease deposit which should be returned at the end of the lease term. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful life in years
Premises and offices	from 2 to 11
Equipment	from 3 to 5

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (g) Impairment of non-financial assets.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The Group classifies a sublease contract as a finance lease if the sublease term is for the major part of initial lease contract. Finance leases under sublease contracts are capitalized at the commencement date of the lease based on the minimum lease payments and presented as receivables in net investments in sublease. Lease payments receivable are apportioned between interest income and a reduction in sublease receivables.

f) Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. The Group has no intangible assets with indefinite lives.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Intangible assets with finite lives are amortised over the useful economic life (which is from 1 to 10 years) using a straight-line method to write off their cost to their residual values and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income as the expense category that is consistent with the function of the intangible assets or included into the carrying amount of an asset as appropriate.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

g) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that a cash-generating unit (CGU) may be impaired. The CGU is presented by assets in each separate pizza-store. If any indication exists, or when annual impairment testing for a CGU is required, the Group estimates the CGU's recoverable amount. A CGU's recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for each CGU as the individual asset does not generate cash inflows that are largely independent. When the carrying amount of a CGU exceeds its recoverable amount, it is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss as other operating expense.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such an indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

h) Taxes

Current income tax

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

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

Deferred tax

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

i) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventory is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Cost comprises the direct cost of goods, transportation and handling costs.

j) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

The Group considers whether there are other clauses in a contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points).

Retail sales

The Group operates corporate owned stores selling and delivering pizzas and other retail products. Revenue from the sale of goods is recognised at a point in time when the store sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product or (and) the product is delivered to the customer.

Customer loyalty programme

The Group has a loyalty points programme, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

Franchise fee

The Group receives a one-off franchise fee from each franchisee that operates under the brand names owned by the Group. Franchise arrangement involves the right to operate in a specific location as well as other goods and services, such as creating restaurant design, franchisee and staff training, menu and know-how. Under the franchise agreement customers receive a right to access the entity's intellectual property as it exists throughout the licence period. The Group accounts a franchise fee as a performance obligation satisfied over time.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Royalties

Royalties are calculated based on franchise-owned store sales to customers, which are recognised on the same basis as the retail sales of the Group. Royalty relates mainly to a licence of intellectual property of the Group. The Group recognises revenue for a sales-based royalty when retail sales in franchise-owned stores occur.

Marketing services

Marketing services revenue is calculated based on actual amounts spent on marketing activities in Russia: broadcast media, social media and digital ads, sponsorship and others. Amounts are allocated to each franchise-owned and corporate store based on the share in overall chain revenues. The Group recognises revenue when the service is provided to a partner.

Call-centre sales

The Group provides call-centre and remote customer support services to franchise-owned stores and corporate-owned stores. Revenue from call-centre sales is recognised when the service is provided.

Significant financing component

Generally, the Group receives short-term advances from its customers. The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (m) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

k) Employee benefits

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (j) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

This category is the most relevant to the Group. The Group's financial assets at amortised cost includes trade receivables, and loan issued included under other non-current and current financial assets.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

Impairment of financial assets

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, lease liabilities, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowing and lease liabilities accounted under IFRS 16.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortised cost (loans and borrowings).

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings of the Group. For more information, refer to Note 17.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iii) Offsetting of financial instruments

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

n) Derivative financial instruments and hedge accounting

The Group does not use derivative financial instruments, such as interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively.

o) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

p) Share capital and share premium

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

Share premium represents the difference between the fair value of consideration received and the nominal value of the issued shares.

q) Earnings per share

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

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

r) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity.
No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

s) Share-based payments

Certain employees (including senior executives) of the Group are participants of Employee Share Options Program, whereby employees are entitled to equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 21.

That cost is recognised in employee benefits expense (Note 6), together with a corresponding increase in equity (Share-based payments), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

When a share option under ESOP is exercised, the accumulated expense is transferred to share capital and share premium in the consolidated statement of changes in equity. When a share option granted by the ultimate controlling party is exercised, the accumulated expense is transferred to share premium in the consolidated statement of changes in equity.

When a share option is expired, the accumulated expense is transferred to retained earnings (accumulated losses) in the consolidated statement of changes in equity.

t) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Forgivable loans

Loans from government, the repayment of which will be waived under certain prescribed conditions, is to be treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. In case the expenses compensated are not specified in loan terms the Group recognises income from government grants in the Consolidated statement of profit and loss over the period of the loan on a timely basis. The outstanding balance is presented in the consolidated statement of financial position.

Loans that have a below-market rate of interest

Loans that have a below-market rate of interest are recognised and measured in accordance with IFRS 9. The difference between the initial carrying value of the loan (its fair value) and the proceeds received is treated as a government grant. Subsequently, interest will be imputed to the loan using the effective interest method, taking into account any transaction costs.

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

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

The new standard had no impact on the Group's consolidated financial statements.

2. Significant accounting policies (continued)

2.4 Changes in accounting policies and disclosures

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

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

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

The amendments have had no impact on the Group's disclosures of accounting policies, the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform-Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately.
The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Judgments

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

Expenses for development of Dodo IS

The Group does not capitalise expenses related to development of Dodo IS. Dodo IS is Group's internally generated IT system developed for QSR management. Dodo IS works as an online web application (SaaS solution) for managing orders (all stages from taking an order from a client to its delivery), kitchen, courier and management staff, inventory, accounting etc. Development of Dodo IS is a continuous process with incremental small changes at short intervals. So it does not meet the criteria to be considered intangible assets according to IAS 38.

Determining the lease term of contracts with renewal and termination options

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

The Group has the option to lease the assets for additional 5-7 years. The Group considers all relevant factors that create an economic incentive for it to exercise the renewal. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Estimates and assumptions

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

Franchise agreement terms

Revenue generated from franchise fees is recognised over time (Note 2). The term of the Group's franchise agreements is determined by term of trademarks. According to the legislations of Russian Federation and European Union a maximum term of registered trademark is 10 year, after that ownership should be prolonged. The Management believes that the trademark ownership will be prolonged for another 10 year, and thereby revenue from franchise fee is deferred considering the probable prolongation term.

Leases – Estimating the incremental borrowing rate

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Because there are normally no borrowings absolutely similar to lease agreements, which interest rates are observable in open market, the Group derives incremental borrowing rates from both internal and external data sources applying significant judgement in such calculations. The Group estimates incremental borrowing rates by adjusting weighted average interest rate for loans provided by financial organizations in a relevant currency and with similar terms by the risk-premium inherent to the Group.

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

Estimates and assumptions (continued)

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 21.

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 25).

Income tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has RUB 193,020 thousand (2022: RUB 187,850 thousand) of tax losses carried forward. These losses mainly relate to subsidiaries in the Russian Federation. Management of the Group has reasonable assurance that these subsidiaries will be capable of generating sufficient taxable profit in the near future against which these losses can be utilised.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

As at 31 December 2023 and 31 December 2022 the Group did not identify any indicators that any cash-generating unit may be impaired at the reporting date.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating) and the likelihood of default over a given time horizon. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 22.

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

Estimates and assumptions (continued)

Impairment of other financial assets

The expected credit losses for other financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions. The information about the ECLs on the Group's other financial assets is disclosed in Note 22.

4. Segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:

- The *franchising* segment, which includes all the services related to franchising of *Dodo Pizza* brand. Such services comprise of brand licensing, software development, support and control, menu and know-how, training and education, consulting services, call-centre services, dough production, brand advertising and national marketing campaign;
- The *corporate-owned stores* under the *Dodo Pizza* brand located in Russia;
- The segment of *venture projects* represented by the Dodo Pizza international operated markets and new foodservice brands: *Drinkit* and *Kebster (inc. Doner 42)*.

The Group's Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on its adjusted earnings before interest, taxes, depreciation, amortisation (EBITDA). The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. The Group's management does not monitor balances on a segment basis, thus the assets and liabilities of segments are not available.

Adjustments and eliminations

- Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.
- Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.
- Finance costs and finance income (Note 6) are not allocated to individual segments as the underlying instruments are managed on a group basis.
- Current taxes, deferred taxes (Note 7) and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.
- Management accounts do not include expenses from share-based payments (Note 21) as these expenses are also managed on a group basis.
- In management accounts revenue from franchise fee and marketing services is recognised at the moment of cash payment from a franchisee, so this approach differs from the one required by IFRS 15 (Note 5).
- In the consolidated financial statements rent of premises accounts in accordance with IFRS 16 with the recognition of depreciation and interest expenses in the consolidated profit and losses. Segments EBITDA accounts for rent expense by monthly installments payable to the lessors.
- In management accounting part of the expenditures arose before the store opening are considered as CAPEX. In IFRS accounting such expenditures are splitted between CAPEX and costs according to their nature.

4. Segment information (continued)

Adjustments and eliminations (continued)

The tables below illustrate financial information of the reportable segments reviewed by management for the years ended 31 December 2023 and 2022:

For the year ended 31 December 2023	Franchising	Corporate-owned stores (Russia)	Venture projects	Total segments	Adjustments and eliminations	Consolidated
Revenue						
External customers	7,066,746	2,936,584	350,768	10,354,098	(401,402)	9,952,696
Inter-segment	370,825	–	–	370,825	(370,825)	–
Total revenue	**7,437,571**	**2,936,584**	**350,768**	**10,724,923**	**(772,227)**	**9,952,696**
Raw materials and consumables	(152,912)	(1,026,905)	(139,862)	(1,319,679)	15,944	(1,303,735)
Employee benefits	(2,323,475)	(865,872)	(477,183)	(3,666,530)	(136,739)	(3,803,269)
Distribution and advertising	(1,846,263)	(105,821)	(13,085)	(1,965,169)	(52,280)	(2,017,449)
Rent and utilities	(121,247)	(313,111)	(80,123)	(514,481)	298,048	(216,433)
Other operating income and expenses	(1,164,392)	(346,097)	(121,834)	(1,632,323)	402,924	(1,229,399)
EBITDA	**1,829,282**	**278,778**	**(481,319)**	**1,626,741**	**(244,330)**	**1,382,411**
Finance income						115,976
Finance costs						(129,455)
Depreciation and amortization						(446,640)
Expected credit losses on financial assets						(4,041)
Profit before tax						**918,251**

For the year ended 31 December 2022	Franchising	Corporate-owned stores (Russia)	Venture projects	Total segments	Adjustments and eliminations	Consolidated
Revenue						
External customers	4,682,059	2,627,124	130,074	7,439,257	(358,382)	7,080,875
Inter-segment	256,298	–	–	256,298	(256,298)	–
Total revenue	**4,938,357**	**2,627,124**	**130,074**	**7,695,555**	**(614,680)**	**7,080,875**
Raw materials and consumables	(120,800)	(948,672)	(55,025)	(1,124,497)	(29,620)	(1,154,117)
Employee benefits	(1,611,657)	(682,542)	(260,214)	(2,554,413)	(201,503)	(2,755,916)
Distribution and advertising	(1,222,185)	(95,771)	(5,032)	(1,322,988)	40,025	(1,282,963)
Rent and utilities	(99,846)	(274,337)	(37,266)	(411,449)	241,389	(170,060)
Other operating income and expenses	(605,896)	(292,683)	(48,791)	(947,370)	207,228	(740,142)
EBITDA	**1,277,973**	**333,119**	**(276,254)**	**1,334,838**	**(357,161)**	**977,677**
Finance income						49,433
Finance costs						(128,798)
Depreciation and amortization						(359,442)
Expected credit losses on financial assets						(598)
Profit before tax						**538,272**

5. Revenue from contracts with customers

5.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the year ended 31 December 2023

Segments	Franchising	Corporate-owned stores (Russia)	Venture projects	Total
Type of goods or service				
Franchise fee	40,147	–	–	**40,147**
Marketing fee	1,828,733	–	–	**1,828,733**
Royalties	3,791,104	–	–	**3,791,104**
Retail sales	–	2,949,829	277,724	**3,227,553**
Call-centre services	511,808	–	–	**511,808**
Other sales	553,351	–	–	**553,351**
Total revenue from contracts with customers	**6,725,143**	**2,949,829**	**277,724**	**9,952,696**
Timing of revenue recognition				
Goods and services transferred at a point in time	6,684,996	2,949,829	277,724	**9,912,549**
Services transferred over time	40,147	–	–	**40,147**
Total revenue from contracts with customers	**6,725,143**	**2,949,829**	**277,724**	**9,952,696**

For the year ended 31 December 2022

Segments	Franchising	Corporate-owned stores (Russia)	Venture projects	Total
Type of goods or service				
Franchise fee	26,640	–	–	**26,640**
Marketing fee	1,104,871	–	–	**1,104,871**
Royalties	2,436,019	–	–	**2,436,019**
Retail sales	–	2,579,197	151,784	**2,730,981**
Call-centre services	380,995	–	–	**380,995**
Other sales	401,369	–	–	**401,369**
Total revenue from contracts with customers	**4,349,894**	**2,579,197**	**151,784**	**7,080,875**
Timing of revenue recognition				
Goods and services transferred at a point in time	4,323,254	2,579,197	151,784	**7,054,235**
Services transferred over time	26,640	–	–	**26,640**
Total revenue from contracts with customers	**4,349,894**	**2,579,197**	**151,784**	**7,080,875**

5. Revenue from contracts with customers (continued)

5.1 Disaggregated revenue information (continued)

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information (Note 4):

For the year ended 31 December 2023

	Franchising	Corporate-owned stores (Russia)	Venture projects
Revenue			
External customer	7,066,746	2,936,584	350,768
Inter-segment	370,825	–	–
	7,437,571	**2,936,584**	**350,768**
Inter-segment and other adjustments and eliminations	(712,428)	13,245	(73,044)
Total revenue from contracts with customers	**6,725,143**	**2,949,829**	**277,724**

For the year ended 31 December 2022

	Franchising	Corporate-owned stores (Russia)	Venture projects
Revenue			
External customer	4,682,059	2,627,124	130,074
Inter-segment	256,298	–	–
	4,938,357	**2,627,124**	**130,074**
Inter-segment and other adjustments and eliminations	(588,463)	(47,927)	21,710
Total revenue from contracts with customers	**4,349,894**	**2,579,197**	**151,784**

5.2 Performance obligations

Franchise fee

The Group receives a one-off franchise fee from each franchisee that operates under the brand name of Dodo Pizza. Franchise arrangement grants the right to operate in a specific location as well as other goods and services, such as creating restaurant design, franchisee and staff training and education, menu and know-how. The performance obligation of the Group is satisfied during the agreement. Revenue generated from franchise fees is generated in proportion to time passed since the inception of the franchise agreement. Franchise fee is generally paid within 20 to 30 days after signing a franchise agreement.

Royalties

Royalties are calculated based on franchise-owned store sales to customers, which are recognised on the same basis as the retail sales of the Group. Royalty relates mainly to a licence of intellectual property of the Group. The Group recognises revenue for a sales-based royalty when retail sales in franchise-owned stores occur. Payment is generally due within 20 to 30 days from the month-end.

Marketing services

The Group provides marketing services only in Russia. The Group spends collected marketing fees on supporting marketing activities in Russia (National advertising campaign): broadcast media, social media and digital ads, sponsorship and others. The Group recognises revenue for a marketing fee when the service is provided to a partner. Payments are made based on franchise-owned store sales to customers.

5. Revenue from contracts with customers (continued)

5.2 Performance obligations (continued)

Retail sales

The Group operates corporate-owned stores selling and delivering pizzas and other retail products. Revenue from the sale of goods is recognised at a point in time when the store sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases a product or (and) product is delivered to the customer. Customers are entitled to loyalty points which are accumulated by allocation of a portion of the transaction price. Revenue is recognised when the points are redeemed.

Call-centre sales

The Group provides call-centre and remote customer support to franchisee-owned stores and corporate-owned stores. Revenue from call-centre sales is when the service is provided. Payment is generally due within 20 to 30 days from the month end.

Other sales

The Group also has revenue from centralised dough production centres in Moscow and Saint-Petersburg and revenue from other one-off services for franchisees. Revenue from other sales is recognised at a point in time. Payment is generally due within 20 to 30 days from the month end.

6. Other income and expenses

6.1 Employee benefits

	2023	2022
Wages and salaries	3,052,999	2,190,614
Social security costs	429,450	336,696
Share-based payment expense	168,925	119,952
Other expenses	151,895	108,654
Total employee benefits	**3,803,269**	**2,755,916**

6.2 Distribution and advertising

	2023	2022
National marketing campaign	1,855,021	1,157,065
Local marketing of corporate-owned stores	14,565	11,013
Other distribution and advertising	147,863	114,885
Total distribution and advertising	**2,017,449**	**1,282,963**

6.3 Other operating income

	2023	2022
Income from operating sublease	67,190	66,703
Income on derecognition of ROU assets and lease liabilities	10,710	10,524
Rent concessions	2,022	1,162
Income from government grants	1,055	6,220
Other income	4,650	9,443
Total other operating income	**85,627**	**94,052**

6. Other income and expenses (continued)

6.4 Other operating expenses

	2023	2022
Professional services	264,172	159,109
Utilities and maintenance of premises and offices	216,433	170,060
Hosting and infrastructure	216,163	136,520
Program software and licenses	162,855	111,456
Internet and phone services	119,095	79,581
Non-deductible taxes	104,899	73,295
Maintenance of production equipment	88,402	57,453
Business trips	83,724	36,227
Recruiting costs	78,487	21,143
Bank charges	62,131	48,506
Transportation costs	53,739	35,312
Representative expenses	20,824	14,291
Loss on derecognition of non-current assets	8,470	2,808
Impairment of non-current assets	–	35,803
Other expenses	52,065	22,690
Total other operating expenses	**1,531,459**	**1,004,254**

6.5 Finance income

	2023	2022
Interest income from loans and deposits	88,023	34,958
Net exchange difference	25,113	12,364
Interest income on lease deposits	1,803	1,534
Finance income on finance sublease	1,037	577
Total finance income	**115,976**	**49,433**

6.6 Finance costs

	2023	2022
Interest expense on lease liabilities	124,774	113,241
Interest expense on borrowings	4,681	15,557
Total finance costs	**129,455**	**128,798**

7. Income tax

DP Global Group Limited is a resident of the British Virgin Islands. The Group's key subsidiaries are residents of the Russian Federation and are taxed at a rate of 20%. Income from other jurisdictions is insignificant.

7. Income tax (continued)

Reconciliation of tax expense and the accounting loss multiplied by tax rate applicable in the Russian Federation is as follows:

	2023	2022
Income before tax	**918,251**	**538,272**
Theoretical income tax expense at 20% tax rate	**(183,650)**	**(107,654)**
Adjustments for:		
Tax effect of income and expenses that are not deductible in determining taxable profit	(66,556)	(74,526)
Effect of different tax rates applicable to the Parent and Group's subsidiaries	19,887	11,238
Income tax expense reported in the statement of profit or loss and other comprehensive income	**(230,319)**	**(170,942)**

Non-deductible expenses are presented mainly by share-based payments and other expenses not included in the calculation of income tax in accordance with the tax law.

The major components of income tax expense for the years ended 31 December 2023 and 2022 are:

	2023	2022
Current income tax		
Current income tax charge	(266,184)	(170,376)
Deferred tax		
Relating to origination and reversal of temporary differences	35,865	(566)
Income tax expense reported in the statement of profit or loss and other comprehensive income	**(230,319)**	**(170,942)**

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	31 December 2023	31 December 2022	2023	2022
Property, plant and equipment	41,346	9,521	31,825	38,282
Right-of-use assets	(285,622)	(222,013)	(63,609)	(20,493)
Intangible assets	1,246	2,643	(1,397)	(4,143)
Finance sublease receivables	(2,624)	(870)	(1,754)	273
Trade and other receivables	(6,623)	1,365	(7,988)	1,244
Prepayments	(6,452)	(416)	(6,036)	(363)
Other financial assets	2,610	1,756	854	(476)
Lease liabilities	230,230	197,117	33,113	(27,282)
Trade and other payables	49,230	20,439	28,791	5,396
Advances received	(13,362)	(5,153)	(8,209)	(5,541)
Contract liabilities	113,354	84,113	29,241	24,617
Tax losses carry forward	38,604	37,570	1,034	(12,080)
Deferred tax benefit			**35,865**	**(566)**
Net deferred tax assets	**161,937**	**126,072**		

7. Income tax (continued)

Deferred tax (continued)

Reflected in the statement of financial position as follows:

	31 December 2023	31 December 2022
Deferred tax assets	161,937	126,093
Deferred tax liabilities	–	(21)
Deferred tax assets, net	**161,937**	**126,072**

Reconciliation of deferred tax assets, net	2023	2022
As at 1 January	**126,072**	**126,638**
Change in deferred tax recognised in profit or loss during the period	35,865	(566)
As at 31 December	**161,937**	**126,072**

8. Property, plant and equipment

	Leasehold improvements	Retail and dough production equipment and furniture	Office equipment and furniture	Transport and vehicles	Construction in progress	Total
Cost						
As at 1 January 2022	**212,856**	**293,481**	**92,356**	**2,591**	**49,347**	**650,631**
Additions	93,888	79,390	27,857	–	58,169	**259,304**
Disposals	(9,069)	(34,016)	(10,202)	(102)	(1,326)	**(54,715)**
Transfer	38,141	2,388	4,348	–	(44,877)	**–**
Translation differences	(21,333)	(12,847)	(275)	(437)	(814)	**(35,706)**
Disposal of subsidiaries	(35,561)	(21,374)	(455)	(725)	(1,384)	**(59,499)**
As at 31 December 2022	**278,922**	**307,022**	**113,629**	**1,327**	**59,115**	**760,015**
Additions	134,226	119,029	48,672	2,831	78,855	**383,613**
Disposals	(15,071)	(39,985)	(6,539)	(121)	–	**(61,716)**
Transfer	23,245	12,627	6,309	–	(42,181)	**–**
Transfer from right-of-use assets	–	1,395	–	–	–	**1,395**
Translation differences	4,096	242	1,691	–	25,240	**31,269**
Disposal of subsidiaries	–	–	–	–	–	**–**
As at 31 December 2023	**425,418**	**400,330**	**163,762**	**4,037**	**121,029**	**1,114,576**
Depreciation and impairment						
As at 1 January 2022	**(92,320)**	**(155,313)**	**(46,642)**	**(2,436)**	**(2,218)**	**(298,929)**
Depreciation charge	(40,063)	(43,295)	(19,955)	(200)	–	**(103,513)**
Impairment	(15,846)	(3,253)	(10)	76	–	**(19,033)**
Disposals	4,858	17,010	7,971	102	–	**29,941**
Translation differences	11,881	10,917	269	483	834	**24,384**
Disposal of subsidiaries	35,561	21,374	455	725	1,384	**59,499**
As at 31 December 2022	**(95,929)**	**(152,560)**	**(57,912)**	**(1,250)**	**–**	**(307,651)**
Depreciation charge	(49,490)	(61,620)	(37,204)	(152)	–	**(148,466)**
Depreciation transfer	–	(817)	–	–	–	**(817)**
Disposals	7,534	33,977	6,479	121	–	**48,111**
Translation differences	(138)	(295)	(166)	–	–	**(599)**
As at 31 December 2023	**(138,023)**	**(181,315)**	**(88,803)**	**(1,281)**	**–**	**(409,422)**
Net book value						
As at 31 December 2023	**287,395**	**219,015**	**74,959**	**2,756**	**121,029**	**705,154**
As at 31 December 2022	**182,993**	**154,462**	**55,717**	**77**	**59,115**	**452,364**

9. Right-of-use assets and lease liabilities

The Group has lease contracts for premises (stores, offices, dough production centers and other premises) and equipment for dough production centers. As of 31 December 2023 the Group had arrangements (subject to IFRS 16) for 57 corporate-owned stores (31 December 2022: 50), 3 dough production centers (31 December 2022: 2), 6 management offices (31 December 2022: 5) and 4 warehouses (31 December 2022: 4).

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets			Lease liabilities
	Premises and offices	Equipment	Total	Total
As at 1 January 2022	**1,059,652**	**125,279**	**1,184,931**	**(1,278,100)**
Additions	141,340	19,055	**160,395**	**(156,493)**
Depreciation expense of right-of-use assets	(221,735)	(25,528)	**(247,263)**	–
Change as a result of modification and revaluation	35,562	(951)	**34,611**	**(36,020)**
Derecognition of lease contracts	(86,872)	–	**(86,872)**	**97,311**
Translation differences	8,555	–	**8,555**	**(8,577)**
Interest expense on lease liabilities	–	–	–	**(113,241)**
COVID-19 rent concessions	–	–	–	**1,162**
Total cash flows	–	–	–	**331,030**
As at 31 December 2022	**936,502**	**117,855**	**1,054,357**	**(1,162,928)**
Additions	433,902	–	**433,902**	**(436,788)**
Depreciation expense of right-of-use assets	(267,462)	(25,725)	**(293,187)**	–
Change as a result of modification and revaluation	56,195	–	**56,195**	**(55,956)**
Transfer right-of-use assets to PPE	–	(1,395)	**(1,395)**	–
Transfer right-of-use assets depreciation to PPE depreciation	–	817	**817**	–
Derecognition of lease contracts	(45,719)	–	**(45,719)**	**56,429**
Translation differences	16,884	–	**16,884**	**(16,795)**
Interest expense on lease liabilities	–	–	–	**(124,774)**
Income from temporary rent discounts	–	–	–	**2,022**
Total cash flows	–	–	–	**391,820**
As at 31 December 2023	**1,130,302**	**91,552**	**1,221,854**	**(1,346,970)**

The additions of premises during the period are represented by stores in amount of RUB 345,091 thousand and other premises in amount of RUB 88,811 thousand.

The following are the amounts recognised in profit or loss:

	For the year ended 31 December	
	2023	2022
Depreciation expense of right-of-use assets	(293,187)	(247,263)
Interest expense on lease liabilities (Note 6.6)	(124,774)	(113,241)
Expense relating to short-term leases	(45,325)	(36,514)
Income from subleasing right-of-use assets	1,037	577
Rent concessions	2,022	1,162
Income on derecognition of ROU assets and lease liabilities (Note 6.3)	10,710	10,524
Total expense recognised in profit or loss	**(449,517)**	**(384,755)**

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

As at 31 December 2023 the Group had lease arrangements for which leases had not yet commenced. Future cash outflows from leases not yet commenced to which the lessee is committed are RUB 96,656 thousand: RUB 19,331 thousand within one year, RUB 77,325 thousand within five years (31 December 2022: RUB 100,022 thousand: RUB 10,092 thousand within one year, RUB 89,930 thousand within six years).

There are no current, pending or threatened material claims, disputes or liabilities in relation to the leased premises.

The maturity analysis of undiscounted lease liabilities is disclosed in Note 22.

As of 31 December 2023 and 31 December 2022 the Group didn't identify indicators that impairment may be in place at the reporting date for all CGUs and the detailed analysis was not conducted.

10. Intangible assets

	Computer software	Licences and franchises	Other intangible assets	Intangible assets under development	Total
Cost					
As at 1 January 2022	**35,338**	**–**	**–**	**–**	**35,338**
Additions	4,869	–	1,974	–	**6,843**
Disposals	1	–	–	–	**1**
Translation differences	(6)	–	–	–	**(6)**
As at 31 December 2022	**40,202**	**–**	**1,974**	**–**	**42,176**
Additions	4,806	8,932	10,894	6,634	**31,266**
Disposals	(3,564)	–	–	–	**(3,564)**
Translation differences	(64)	–	–	–	**(64)**
As at 31 December 2023	**41,380**	**8,932**	**12,868**	**6,634**	**69,814**
Amortisation					
As at 1 January 2022	**(28,075)**	**–**	**–**	**–**	**(28,075)**
Amortisation	(8,512)	–	(154)	–	**(8,666)**
Disposals	(1)	–	–	–	**(1)**
Translation differences	6	–	–	–	**6**
As at 31 December 2022	**(36,582)**	**–**	**(154)**	**–**	**(36,736)**
Amortisation	(2,850)	(1,243)	(894)	–	**(4,987)**
Disposals	3,564	–	–	–	**3,564**
As at 31 December 2023	**(35,868)**	**(1,243)**	**(1,048)**	**–**	**(38,159)**
Net book value					
As at 31 December 2023	**5,512**	**7,689**	**11,820**	**6,634**	**31,655**
As at 31 December 2022	**3,620**	**–**	**1,820**	**–**	**5,440**

Computer software mainly includes internally-generated software: global website, mobile app and marketplace. Useful life of these intangibles is up to ten years.

11. Inventories

Set out below, are the carrying amounts of the Group's inventories accounted at cost:

	31 December 2023	31 December 2022
Raw materials and other inventories	68,318	27,095
Finished goods and goods for resale	7,308	10,233
Semifinished goods	4,483	1,295
Total inventories at cost	**80,109**	**38,623**

12. Cash and cash equivalents

	31 December 2023	31 December 2022
Short-term deposits	703,122	59,363
Cash at bank and on hand	489,006	759,703
Cash in transit	7,804	50,637
Total cash and cash equivalents	**1,199,932**	**869,703**

Cash account balances are presented mainly in RUB and AED.

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

13. Financial assets and financial liabilities

13.1 Financial assets

	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Trade and other receivables (Note 14)	1,007,223	–	691,281	–
Net investment in sublease	–	13,122	–	4,351
Other financial assets	**137,065**	**37,831**	**–**	**26,517**
Loans issued	–	3,624	–	3,336
Lease prepayments	2,525	34,207	–	23,181
Other financial assets	134,540	–	–	–
Total current and non-current financial assets	**1,144,288**	**50,953**	**691,281**	**30,868**
Total financial assets		**1,195,241**		**722,149**

Other financial assets include financial asset at fair value through profit or loss. This financial instrument is not intended for long-term investment.

13.2 Financial liabilities

	31 December 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Trade and other payables (Note 15)	651,342	–	426,255	–
Lease liabilities (Note 9)	280,768	1,066,202	237,173	925,755
Interest-bearing loans and borrowings (Note 17)	–	–	67,145	–
Total current and non-current financial liabilities	**932,110**	**1,066,202**	**730,573**	**925,755**
Total financial liabilities		**1,998,312**		**1,656,328**

Carrying amount of the current financial assets and liabilities of the Group is a reasonable approximation of their fair values.

14. Trade and other receivables

	31 December 2023	31 December 2022
Trade receivables	921,026	650,684
Other receivables	98,810	49,168
	1,019,836	**699,852**
Allowance for expected credit losses	(12,613)	(8,571)
Total current receivables	**1,007,223**	**691,281**

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

	2023	2022
As at 1 January	8,571	10,088
Provision for expected credit losses	12,613	8,571
Recovery of provision	(8,571)	(10,088)
As at 31 December	**12,613**	**8,571**

Trade and other receivables are non-interest bearing and are generally paid on terms of 30 to 90 days. For terms and conditions relating to related party receivables, refer to Note 24.

15. Trade and other payables

	31 December 2023	31 December 2022
Trade payables	345,402	188,827
Payables to employees	278,348	191,361
Other payables	27,592	46,067
Total trade and other payables	**651,342**	**426,255**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms;
- Payables to employees are non-interest bearing and are normally settled on 30-day terms;
- Other payables are non-interest bearing and have an average term of 2-3 months.

For explanations of the Group's liquidity risk management processes, refer to Note 22.

16. Taxes payables

	31 December 2023	31 December 2022
VAT payables	242,507	158,162
Payables for insurance contributions	120,480	155,905
Income tax payables	27,107	–
Payables for other taxes	19,993	13,372
Total taxes payables	**410,087**	**327,439**

17. Interest-bearing loans and borrowings

	Interest rate	Maturity	31 December 2023	31 December 2022
Loan from the ultimate controlling shareholder	15.6%	Dec 2023	–	35,464
Bank credit from Sberbank	3%	Jun 2023	–	31,681
Total current interest-bearing loans and borrowings			**–**	**67,145**

Terms and conditions of the interest-bearing loans and borrowings:

- ***Loan from the ultimate controlling shareholder (15.6% loan):*** the loan in amount of RUB 115,838 thousand was received in June 2020. During 2022 and 2023 the loan was repaid in accordance with the schedule.
- ***Bank credit from Sberbank (3% loan):*** In December 2021 the Group signed an agreement with Sberbank OJSC for the credit line in the amount RUB 69,077 thousand. The loan was provided at below-market rate as a part of the Government support programm. Loan was accounted for using EIR-method. The effective interest rate is equal to 12.75% as specified by the loan contract. The balance was repaid by instalments during 2022 and the 1st half of 2023.

Changes in liabilities arising from financing activities

	1 January 2023	Interest accrued	Cash out-flows	31 December 2023
Current interest-bearing loans and borrowings				
Loan from the ultimate controlling shareholder	35,464	3,786	(39,250)	–
Bank credit from Sberbank	31,681	895	(32,576)	–
Total current interest-bearing loans and borrowings	**67,145**	**4,681**	**(71,826)**	**–**

	1 January 2022	Reclass	Cash in-flows	Interest accrued	Cash out-flows	31 December 2022
Current interest-bearing loans and borrowings						
Loan from the ultimate controlling shareholder	50,755	50,000	–	6,607	(71,898)	35,464
Bank credit from Sberbank	77,567	–	40,856	8,950	(95,692)	31,681
Total current interest-bearing loans and borrowings	**128,322**	**50,000**	**40,856**	**15,557**	**(167,590)**	**67,145**
Non-current interest-bearing loans and borrowings						
Loan from the ultimate controlling shareholder	50,000	(50,000)	–	–	–	–
Total non-current interest-bearing loans and borrowings	**50,000**	**(50,000)**	**–**	**–**	**–**	**–**
Total interest-bearing loans and borrowings	**178,322**	**–**	**40,856**	**15,557**	**(167,590)**	**67,145**

18. Contract liabilities

The remaining performance obligations expected to be recognised in more than one year relate to the services provided under franchise fee.

The customer loyalty points could be used at any time, therefore customer loyalty points performance obligation is fully presented as a current contract liability.

	31 December 2023	31 December 2022
Franchise fee contract liability	625,305	329,133
Customer loyalty points	102,999	115,980
Total contract liabilities	**728,304**	**445,113**
Current	148,315	143,784
Non-current	579,989	301,329

	Franchise fee contract liability		Customer loyalty points	
Contract liabilities transactions	**2023**	**2022**	**2023**	**2022**
As at 1 January	**329,133**	**281,056**	**115,980**	**49,753**
Deferred	313,081	81,330	84,919	124,043
Recognised as revenue	(39,028)	(26,617)	(97,900)	(57,816)
Translation difference	22,119	(6,636)	–	–
As at 31 December	**625,305**	**329,133**	**102,999**	**115,980**
Current	45,316	27,804	102,999	115,980
Non-current	579,989	301,329	–	–

19. Share capital and reserves

Share capital of the Group fully consists of ordinary shares with nominal value $0.0001. All ordinary shares are fully paid.

	Number of shares		Balanced value		
	Share capital	Treasury shares	Share capital	Share premium	Treasury shares
As at 1 January 2022	**4,903,600**	**11,700**	**20.03**	**799,117**	**(20,906)**
Exercise of share options (Note 21)	69,157	–	0.37	51,277	–
Shares buyback	–	5,650	–	–	(14,610)
As at 31 December 2022	**4,972,757**	**17,350**	**20.40**	**850,394**	**(35,516)**
Exercise of share options (Note 21)	51,950	–	0.52	43,691	–
Shares buyback	–	34,052	–	–	(88,786)
As at 31 December 2023	**5,024,707**	**51,402**	**20.92**	**894,085**	**(124,302)**

DP Global Group Limited was incorporated in December 2013. Between 2013 and 2017 the Company went through a series of fundraising campaigns in the form of sale of newly issued shares and issuance of convertible loans to finance its development. All loans were converted to the capital before 31 December 2018. In 2023 Dodo Franchising LLC (100% subsidiary of DP Global Group Limited) purchased ca 0.7% of the Company's share capital for the total sum of ca RUB 84 million. The purchase price amounted to RUB 2,500 per share.

19. Share capital and reserves (continued)

Share option plan

The Group has the share option plan under which options to subscribe for the Group's shares have been granted to employees. Refer to Note 21 for further details. The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Share options can be granted under Employee Share Option Plan (ESOP) or by the ultimate controlling shareholder from his personal shares (Note 21). Exercised share options granted under ESOP are settled by the issuance of additional shares and increase of share capital. Exercise of share options granted by the ultimate controlling shareholder from his personal shares doesn't affect share capital. The increase in share premium is equal to the cost of exercised share options for the Group less nominal value of shares reflected in share capital.

20. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

The following table reflects the income and share data used in the basic EPS calculations:

	For the year ended 31 December	
	2023	2022
Profit attributable to ordinary equity holders of the parent for basic earnings	687,932	367,330
Weighted average number of ordinary shares for basic EPS	4,951,753	4,948,815
Effect of dilution from share options granted to employees, number of shares	213,595	230,691
Weighted average number of ordinary shares adjusted for the effect of dilution	**5,165,348**	**5,179,506**
Basic earnings per share	₽139	₽74
Diluted earnings per share	₽133	₽71

21. Share-based payments

The Group has Employee Share Option Plan (ESOP) which was firstly approved in 2017 and amended in 2021. Under the ESOP the Group, at its discretion, may grant share options of the parent to employees including key management employees. The maximum potential number of shares to be issued under the Plan is 726,500 shares. The fair value of share options granted is estimated at the date of grant using a Black-Scholes model, taking into account the terms and conditions on which the share options were granted and the share price volatility of the Group.

Apart from the Employee Share Option Plan some options may also be granted by the ultimate controlling shareholder from his personal shares. These share options have the same conditions as ESOP, and also don't dilute the total amount of shares of the Group.

21. Share-based payments (continued)

The exercise price of the most share options is equal to $0.01, the exercise price of the remaining part is equal to the nominal price of shares ($0.0001). The contractual term of the most granted options is up to five years, so employees must remain in service for this period from the date of grant to exercise full amount of granted options, but options are becoming exercisible during the period based on proportion of time passed and total amount of granted options. There are no cash settlement alternatives for the employee and the Group does not have a past practice of cash settlement for these awards. There were no cancellations or modifications of the awards in 2023 or 2022.

The expense recognised for employee services received during the year:

	2023	2022
Expense arising from equity-settled share-based payment transactions	168,925	119,952
Total expense arising from share-based payment transactions	**168,925**	**119,952**

Movements during the year

The following table illustrates the number, weighted average exercise price (WAEP) and weighted average fair value (WAFV) of, and movements in, share options during the year.

	ESOP			ESOP granted by the ultimate shareholder		
	Number	WAEP	WAFV	Number	WAEP	WAFV
		$0	$0		$0	$0
Outstanding at 1 January 2022	**500,323**	**0.01**	**14.89**	**68,400**	**1.02**	**10.77**
Granted during the period	41,200	0.01	30.40	3,000	0.01	35.29
Exercised during the period	(69,157)	0.01	11.27	(772)	0.01	6.13
Buyback during the period	(14,350)	–	–	(1,400)	–	–
Expired during the period	(50,278)	0.01	20.48	(228)	0.01	6.13
Outstanding at 31 December 2022	**407,738**	**0.01**	**16.91**	**69,000**	**1.01**	**12.12**
Exercisable at 31 December 2022	*230,691*	*0.01*	*12.88*	*16,700*	*3.35*	*6.28*
Outstanding at 1 January 2023	**407,738**	**0.01**	**16.91**	**69,000**	**1.01**	**12.12**
Granted during the period	81,720	0.01	25.05	30,000	0.01	20.40
Exercised during the period	(51,950)	0.01	11.71	–	–	–
Buyback during the period	(13,894)	–	–	(1,500)	–	–
Expired during the period	(29,313)	0.01	24.95	(12,000)	0.01	20.40
Outstanding at 31 December 2023	**394,301**	**0.01**	**19.28**	**85,500**	**0.82**	**14.08**
Exercisable at 31 December 2023	*213,595*	*0.01*	*16.85*	*67,300*	*15.33*	*11.33*

The weighted average remaining contractual life for the share options outstanding as at 31 December 2023 was 0.61 years (2022: 0.74 years).

The following table lists the model's inputs used for the plans for the years ended 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Expected volatility (%)	81.97	73.62
Risk-free interest rate (%)	7.77	14.46
Weighted average share price ($)	29.24	37.30

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

22. Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. Policies for managing each of these risks are summarised below.

22.1 Market risk

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

Foreign currency risk

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

The companies of the Group attracted foreign currency denominated borrowings (mainly intra-group borrowing), and as a consequence are exposed to foreign currency risk. Accounts payable to several foreign suppliers (including intra-group payable), accounts receivable from foreign suppliers (including intra-group receivable) and cash denominated in foreign currency are also exposed to foreign currency risk.

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

Foreign currency sensitivity

The following balances of Parent and subsidiaries are considered as significant in terms of the currency risk.

The balances of the Parent nominated in RUB recalculated to the functional currency of the Group at the year end are presented below:

	31 December 2023	31 December 2022
Net foreign currency position	**(184,766)**	**(52,492)**
Current assets		
Cash and cash equivalents	8,966	–
Non-current liabilities		
Long-term loans and borrowings	(100,286)	(48,585)
Current liabilities		
Trade and other payables	(93,446)	(3,907)

The effect of change in currency pair of USD/RUB was considered below.

22. Financial instruments risk management objectives and policies (continued)

22.1 Market risk (continued)

The balances of subsidiaries in Russia nominated in USD and CNY recalculated to the functional currency of the Group at the year end are presented below:

	31 December 2023		31 December 2022	
	USD	CNY	USD	CNY
Net foreign currency position	**88,797**	**–**	**60,227**	**46,366**
Non-current assets				
Non-current financial assets	89,834	–	62,741	–
Current assets				
Trade and other receivables	811	–	197	–
Cash and cash equivalents	–	–	–	46,366
Current liabilities				
Trade and other payables	(1,848)	–	(2,711)	–

As at 31 December 2023, if the RUB had strengthened by 10% against USD, with all the variables held constant, net profit for the year would have been RUB 27,357 thousand lower. If the RUB had weakened by 30% against USD, with all the variables held constant, net profit for the year would have been RUB 82,069 thousand higher (31 December 2022: if the RUB had strengthened/weakened by 25% against USD, with all the variables held constant, net profit for the year would have been RUB 28,181 thousand lower/higher).

As at 31 December 2023 there are no RUB transactions denominated in CNY (31 December 2022: if the RUB had weakened/strengthened by 20% against CNY, with all the variables held constant, net profit for the year would have been RUB 9,273 thousand higher/lower).

The balances of subsidiaries in the Republic of Kazakhstan nominated in USD, RUB and EUR recalculated to the functional currency of the Group at the year end are presented below:

	31 December 2023			31 December 2022		
	USD	RUB	EUR	USD	RUB	EUR
Net foreign currency position	**(94,293)**	**(18,899)**	**68,926**	**(59,211)**	**(9,062)**	**–**
Non-current assets						
Non-current financial assets	–	–	–	3,530	–	–
Current assets						
Cash and cash equivalents	95	–	61,689	–	–	
Other current financial assets	4,835	–	–	–	–	–
Trade and other receivables	–	–	7,237	–	961	–
Non-current liabilities						
Long-term loans and borrowings	(99,177)	(10,082)	–	(62,741)	(10,023)	–
Current liabilities						
Trade and other payables	(46)	(7,451)	–	–	–	–
Interest-bearing loans and borrowings	–	(1,366)	–	–	–	–

22. Financial instruments risk management objectives and policies (continued)

22.1 Market risk (continued)

As at 31 December 2023, If the KZT had weakened by 6% against USD with all the variables held constant, net profit for the year would have been RUB 5,174 thousand lower (31 December 2022: if the KZT had strengthened by 14% against USD with all the variables held constant, net profit for the year would have been RUB 7,863 thousand lower. If the KZT had weakened by 9% against USD with all the variables held constant, net profit for the year would have been RUB 5,051 thousand higher).

As at 31 December 2023, if the KZT had weakened by 33% against RUB with all the variables held constant, net profit for the year would have been RUB 6,237 thousand lower. If the KZT had strengthened by 4% against RUB with all the variables held constant, net profit for the year would have been RUB 841 thousand higher (31 December 2022: if the KZT had weakened by 37% against RUB with all the variables held constant, net profit for the year would have been RUB 3,353 thousand lower. If the KZT had strengthened by 34% against RUB with all the variables held constant, net profit for the year would have been RUB 3,081 thousand higher).

As at 31 December 2023, If the KZT had weakened by 6% against EUR with all the variables held constant, net profit for the year would have been RUB 3,723 thousand higher (31 December 2022: no KZT transactions denominated in EUR).

The balances of subsidiaries in the UAE nominated in RUB recalculated to the functional currency of the Group at the year end are presented below:

	31 December 2023		31 December 2022	
	RUB	USD	RUB	USD
Net foreign currency position	**(463,456)**	**439,509**	**(100,241)**	**2,077**
Current assets				
Other financial assets	–	134,540	–	2,077
Cash and cash equivalents	–	245,176	–	–
Trade and other receivables	–	59,793	–	–
Non-current liabilities				
Long-term loans and borrowings	(463,456)	–	(100,241)	–

As at 31 December 2023, if the AED had weakened by 10% against RUB, with all the variables held constant, net profit for the year would have been RUB 44,047 thousand lower. If the AED had strengthened by 30% against RUB, with all the variables held constant, net profit for the year would have been RUB 132,141 thousand higher (31 December 2022: if the AED had weakened/strengthened by 25% against RUB, with all the variables held constant, net profit for the year would have been RUB 24,420 thousand lower/higher).

The currency pairs of AED/USD and EUR/USD we do not consider to have significant currency risk on the financial statements of 31 December 2023 and 31 December 2022.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group did not have any exposure to this risk because there were no financial instruments with floating variable interest rate.

22.2 Credit risk

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

22. Financial instruments risk management objectives and policies (continued)

22.2 Credit risk (continued)

Trade receivables

The Group has no significant concentrations of credit risk. Concentration of credit risk with respect to receivables is limited due to the Company's customer and vendor base being large and unrelated. Credit is only extended to counterparties subject to strict approval procedures. The Group trades only with recognised and creditworthy third parties. The Group also requires these customers to provide certain documents such as incorporation documents and financial statements. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. In case of payment delay from a franchisee side, access to all provided resources including necessary for operational activity software (Dodo IS, website, mobile app) might be closed. Sales to retail customers are made in cash and debit cards.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by geographical region. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and other receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14. The Group does not hold collateral as security.

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

		Days past due			
As at 31 December 2023	**Current**	**<90 days**	**90-365 days**	**>365 days**	**Total**
Expected credit loss rate, %	0.65	1.23	100	100	
Estimated total gross carrying amount at default	941,940	17,284	3,744	2,501	**965,469**
Expected credit loss	6,155	213	3,744	2,501	**12,613**

		Days past due			
As at 31 December 2022	**Current**	**<90 days**	**90-365 days**	**>365 days**	**Total**
Expected credit loss rate, %	0.72	1.23	100	100	
Estimated total gross carrying amount at default	660,278	14,859	3,161	452	**678,750**
Expected credit loss	4,775	183	3,161	452	**8,571**

Expected credit losses on financial assets and cash and cash equivalents recognised in profit or loss

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

During the year, the following changes in expected credit losses were recognised in profit or loss:

	2023	**2022**
Expected credit losses		
Increase in expected credit losses for trade receivables	12,613	8,571
Recognised expected credit losses for trade receivables	(8,572)	(9,881)
Recognised expected credit losses for cash and cash equivalents	–	1,908
Expected credit losses on financial and contract assets	**4,041**	**598**

22. Financial instruments risk management objectives and policies (continued)

22.3 Liquidity risk

The Group objective is to maintain a continuity of funding and flexibility through the use of finance lease and managing the balance between receivables and payables. The Group on continuous basis analyses its funding needs and anticipated cash flows. The most Group's liabilities except lease liabilities are payable within the next 12 months after the reporting date. Lease liabilities are mostly payable within 1-5 years after the reporting date.

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows of the financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

As at 31 December 2023	On demand	Less 1 year	1-5 years	Over 5 years	Total
Trade and other payables (Note 15)	–	651,342	–	–	**651,342**
Lease liabilities (Note 9)	–	461,129	1,111,990	186,681	**1,759,800**
	–	**1,112,471**	**1,111,990**	**186,681**	**2,411,142**

As at 31 December 2022	On demand	Less 1 year	1-5 years	Over 5 years	Total
Interest-bearing loans and borrowings (Note 17)	–	73,955	1,825	–	**75,780**
Trade and other payables (Note 15)	–	426,255	–	–	**426,255**
Lease liabilities (Note 9)	–	375,820	1,071,540	168,845	**1,616,205**
	–	**876,030**	**1,073,365**	**168,845**	**2,118,240**

23. Capital management

For the purpose of the Group's capital management, capital includes share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group includes within net debt only interest-bearing loans and borrowings received less cash and short-term deposits, excluding discontinued operations. Trade and other payables are the parts of working capital. Lease liabilities are excluded from net debt due to their nature. The Group does not have any regulatory requirements for capital management.

24. Related parties

Note 1 provides information about the Group's structure, including details of the subsidiaries and the holding company.

As at 31 December 2023 amounts owed by key management personnel of the Group are RUB 6 thousand (31 December 2022: RUB 314 thousand). As at 31 December 2023 amounts owed to key management personnel of the Group are RUB 3,691 thousand (31 December 2022: RUB 2,002 thousand).There were no sales to other related parties for the twelve months ended 31 December 2023 (for the twelve months ended 31 December 2022: RUB 2,244 thousand).

24. Related parties (continued)

The following table provides the total amount of loans transactions that have been entered into with related parties during the twelve months ended 31 December 2023 and 2022, as well as balances with related parties as at 31 December 2023 and 31 December 2022:

		Interest accrued	Amounts owed to related parties
Loans from related parties			
The ultimate controlling shareholder (Note 17)	2023	3,786	–
	2022	6,607	35,464

		Interest accrued	Amounts owed by related parties
Loans to related parties			
The ultimate controlling shareholder (Note 13)	2023	288	3,624
	2022	332	3,336

Compensation of key management personnel of the Group (recognised as an expense)

	2023	2022
Wages and salaries	113,685	52,218
Share-based payment transactions	33,983	15,753
Total compensation paid to key management personnel	**147,669**	**67,971**

25. Contingencies

Operating environment of the Group

The Group's operations are primarily located in Russia, which continues to develop its market economy and the corresponding political, legal, tax and regulatory frameworks and institutions. The future growth and stability of the Group's markets are, therefore, largely dependent upon this development and the effectiveness of economic, financial and monetary measures undertaken by the Russian government.

The Russian economy has been negatively impacted by falling oil prices and sanctions imposed on Russia by a number of countries, which have been partly responsible for foreign exchange rate volatility, elevated interest rates and inflation, sluggish domestic consumption, reduced access to capital and higher cost of capital for Russian businesses, as well as for uncertain economic growth outlook, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, however, future impact of current political or economic developments may be difficult to predict and the management's current expectations and estimates may end up different from actual outcomes and results.

Taxation

The Group's main subsidiaries, from which the Group's income is derived, operate in Russia.

Russian tax and customs legislation allows for various interpretations and is subject to frequent changes. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional or federal authorities.

25. Contingencies (continued)

Taxation (continued)

The main changes in Russian tax, customs and other legislation in 2023 resulted from the existing geopolitical situation and, primarily, the economic sanctions imposed on Russia by some foreign countries. In particular, the main changes in tax legislation have affected the application of Double Tax Treaties with 'unfriendly' countries, transfer pricing rules, withholding tax, taxation of intellectual property, investments, and other tax aspects.

The Group operates in a number of foreign jurisdictions and includes entities established outside the Russian Federation. These entities are taxed at the rates and in accordance with the laws applicable in jurisdictions where the Group's entities are considered tax residents. Tax liabilities of the Group's foreign entities are determined on the basis that they are not Russian tax residents, do not have a permanent establishment in Russia and, therefore, are not subject to income tax under Russian tax legislation, except for withholding tax on certain kinds of income (such as dividends, interest, capital gains, etc.).

In 2023, the Russian tax authorities applied anti-evasion mechanisms to counter the use of low-tax jurisdictions and aggressive tax planning structures. Special attention should be paid to the application of any tax benefits under Double Tax Treaties (in the context of the beneficial owner concept and the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI); cross-border structures used for intra-group financing, licensing and service provision; the tax residence concept; and permanent establishments both in Russia and abroad.

In August 2023, certain provisions of 38 Double Tax Treaties were suspended by the Presidential Decree. In particular, the Decree suspended provisions that relate to the beneficial taxation of income, permanent establishments, capital taxation and non-discrimination. Provisions concerning the elimination of double taxation, exchange of information, taxation of income of diplomatic staff, and the scope, enactment and termination of agreements/treaties remain in force.

The Russian tax authorities continue to keep a close eye on transactions between Russian companies and foreign entities of the Group and carefully analyze them for economic substance and transparent documentation using various sources of information (documents received from taxpayers, testimony of witnesses and counterparties, public data sources, results of the business purpose test, etc.). The Russian tax authorities continue to cooperate with foreign tax authorities where possible in the international exchange of tax information, which makes the worldwide operations of companies more transparent and requires a thorough approach to demonstrate the economic rationale for the structure and functioning of a multinational organization for the purposes of tax control procedures. Such cooperation was difficult to maintain in 2023 due to the current geopolitical situation; however, it would be reasonable to presume that, in the future, the tax authorities may be able to obtain access to information about companies' foreign operations.

These developments as well as recent trends in the application and interpretation of certain provisions of Russian tax legislation indicate that the tax authorities may take a more assertive position in interpreting the legislation as part of control activities. The tax authorities may thus challenge transactions and approaches to applying the legislation that have not been challenged before. As a result, significant taxes, penalties and interest may be assessed. It is not possible to determine the amounts of potential claims that have not been filed or assess the probability of a negative outcome. Tax audits may cover three calendar years immediately preceding the year of audit. Under certain circumstances, earlier tax periods may also be reviewed.

As at 31 December 2023, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group. The management believes that potential tax liabilities as at 31 December 2023 do not exceed 2% of the Group's revenue.

Commitments

The Group does not have any contractual commitments.

25. Contingencies (continued)

Legal claim contingency

The Group has been participating in some legal cases, but has been advised by its legal counsel that there are no claims with high probability of losing. Accordingly, no possible legal risks to be disclosed and no provision for any liability has been made in these financial statements.

26. Standards issued but not yet effective

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

26. Standards issued but not yet effective (continued)

Amendments to IAS 21: Lack of Exchangeability

On 15 August 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

27. Events after reporting date

On 26 January 2024, shareholders of DP Global Group Limited approved redomiciliation of the Company from the BVI to the Astana International financial Centre (AIFC).