

Independent auditor's report  
on the consolidated financial statements of  
***DP Global Group Limited***  
***and its subsidiaries***  
for 2020

*March 2021*

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## Independent auditor's report

To the Shareholders  
and those in charge 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 2020, 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 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for 2020 in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for opinion**

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

### ***Responsibilities of management 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.

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

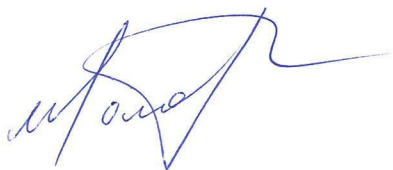
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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.

- 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 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.



M.Y. Golovkina  
Partner  
Ernst & Young LLC

4 March 2021

***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.

***Details of the auditor***

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




## Consolidated statement of financial position

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

	Notes	31 December 2020	31 December 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	341,093	278,819
Right-of-use assets	9	752,465	672,312
Intangible assets	10	17,122	24,654
Finance sublease receivables		6,928	8,009
Non-current financial assets	13.1	23,724	23,306
Deferred tax assets	7	117,088	104,814
		<b>1,258,420</b>	<b>1,111,914</b>
<b>Current assets</b>			
Inventories	11	28,388	16,976
Prepayments		43,534	28,049
Income tax receivables		9,433	9,659
Taxes receivables		13,455	6,817
Trade and other receivables	14	308,905	208,001
Other current financial assets	13.1	10,519	3,907
Cash and cash equivalents	12	303,598	226,359
		<b>717,832</b>	<b>499,768</b>
<b>Total assets</b>		<b>1,976,252</b>	<b>1,611,682</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	20	19.69	19.54
Share premium	20	758,517	737,484
Treasury shares	20	(1,660)	-
Share-based payments reserve	22	220,168	160,958
Foreign currency translation reserve		180,670	59,567
Accumulated losses		(829,374)	(753,104)
<b>Equity attributable to equity holders of the parent</b>		<b>328,341</b>	<b>204,925</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	17	75,000	78,580
Lease liabilities	9	700,198	670,109
Contract liabilities	18	246,833	246,647
Deferred tax liabilities	7	294	-
		<b>1,022,325</b>	<b>995,336</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	17	117,797	21,544
Lease liabilities	9	141,172	89,630
Trade and other payables	16	161,445	152,422
Taxes payables		121,761	88,251
Advances received		4,863	5,056
Government grants	19	26,863	-
Contract liabilities	18	51,685	54,518
		<b>625,586</b>	<b>411,421</b>
<b>Total liabilities</b>		<b>1,647,911</b>	<b>1,406,757</b>
<b>Total equity and liabilities</b>		<b>1,976,252</b>	<b>1,611,682</b>

These consolidated financial statements were authorized for issue on 4 March 2021.

 (Fedor Ovchinnikov, Director)

The notes on pages 10-57 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	2020	2019
Revenue recognised from contracts with customers	5	2,994,360	2,398,236
Other operating income	6.3	71,386	22,088
<b>Total operating income</b>		<b>3,065,746</b>	<b>2,420,324</b>
Raw materials and consumables		(422,534)	(332,209)
Employee benefits	6.1	(1,385,354)	(1,070,593)
Depreciation and amortization	8,9,10	(243,973)	(166,801)
Distribution and advertising	6.2	(384,104)	(318,945)
Expected credit losses on financial assets	23	(2,262)	(18,205)
Other operating expenses	6.4	(460,129)	(488,051)
<b>Operating profit</b>		<b>167,390</b>	<b>25,520</b>
Finance income	6.5	7,244	78,976
Finance costs	6.6	(210,942)	(78,428)
<b>(Loss)/ profit before tax</b>		<b>(36,308)</b>	<b>26,068</b>
Income tax expense	7	(41,799)	(39,369)
<b>Loss for the year</b>		<b>(78,107)</b>	<b>(13,301)</b>
<b>Other comprehensive income/ (loss)</b>			
<i>Other comprehensive income/ (loss) that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange differences on translation of foreign operations		6,357	(2,752)
<b>Net other comprehensive income/ (loss) that may be reclassified to profit or loss in subsequent periods (net of tax)</b>		<b>6,357</b>	<b>(2,752)</b>
<i>Other comprehensive income/ (loss) that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange differences on translation of foreign operations		114,746	(80,334)
<b>Net other comprehensive income/ (loss) that will not be reclassified to profit or loss in subsequent periods (net of tax)</b>		<b>114,746</b>	<b>(80,334)</b>
<b>Other comprehensive income/ (loss) (net of tax)</b>		<b>121,103</b>	<b>(83,086)</b>
<b>Total comprehensive income/ (loss) for the year, net of tax</b>		<b>42,996</b>	<b>(96,387)</b>
<b>Loss attributable to:</b>			
Equity holders of the parent		(78,107)	(13,301)
		<b>(78,107)</b>	<b>(13,301)</b>
<b>Total comprehensive income/ (loss) attributable to:</b>			
Equity holders of the parent		42,996	(96,387)
		<b>42,996</b>	<b>(96,387)</b>
<b>Loss per share</b>			
Basic, loss for the year attributable to equity holders of the parent		-₽1,608	-₽275

## Consolidated statement of changes in equity

for the year ended 31 December 2020

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

	Share capital (Note 20)	Share premium (Note 20)	Treasury shares (Note 20)	Share- based payments reserve (Note 22)	Accumulated losses	Foreign currency translation reserve	Total
As at 1 January 2020	19.54	737,484	-	160,958	(753,104)	59,567	204,925
Loss for the year	-	-	-	-	(78,107)	-	(78,107)
Other comprehensive income	-	-	-	-	-	121,103	121,103
<b>Total comprehensive income/ (loss)</b>	-	-	-	-	(78,107)	121,103	42,996
Exercise of options (Note 20)	0.15	21,033	-	(21,033)	-	-	-
Settlement of loan issued (Note 15)	-	-	(1,660)	-	-	-	(1,660)
Share-based payments reserve (Note 22)	-	-	-	80,243	1,837	-	82,080
<b>As at 31 December 2020</b>	<b>19.69</b>	<b>758,517</b>	<b>(1,660)</b>	<b>220,168</b>	<b>(829,374)</b>	<b>180,670</b>	<b>328,341</b>

for the year ended 31 December 2019

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

	Share capital (Note 20)	Share premium (Note 20)	Treasury shares (Note 20)	Share- based payments reserve (Note 22)	Accumulated losses	Foreign currency translation reserve	Total
As at 1 January 2019	19.50	735,260	-	124,998	(749,163)	142,653	253,768
Loss for the year	-	-	-	-	(13,301)	-	(13,301)
Other comprehensive loss	-	-	-	-	-	(83,086)	(83,086)
<b>Total comprehensive loss</b>	-	-	-	-	(13,301)	(83,086)	(96,387)
Exercise of options (Note 20)	0.04	2,224	-	(2,224)	-	-	-
Share-based payments reserve (Note 22)	-	-	-	38,184	9,360	-	47,544
<b>As at 31 December 2019</b>	<b>19.54</b>	<b>737,484</b>	<b>-</b>	<b>160,958</b>	<b>(753,104)</b>	<b>59,567</b>	<b>204,925</b>



## Consolidated statement of cash flows

for the year ended 31 December

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

	Notes	2020	2019
<b>Operating activities</b>			
(Loss)/ profit before tax		(36,308)	26,068
Adjustments to reconcile (loss)/ profit before tax to net cash flows:			
Depreciation of property, plant and equipment	8	84,402	63,001
Depreciation of right-of-use assets	9	151,533	96,062
Amortisation of intangible assets	10	8,038	7,738
Share-based payments expense	22	82,080	47,544
Unrealised exchange differences on translation of foreign operations		(15,478)	(3,931)
Loss on disposal of property, plant and equipment	8	359	206
Inventory shortage		26,109	15,563
Finance income	6.5	(7,244)	(78,976)
Finance costs	6.6	210,942	78,428
COVID-19 rent concessions	6.3	(28,194)	-
Expected credit losses on financial assets	23	2,262	18,205
Other non-cash income		(6,601)	-
Working capital adjustments:			
Change in trade and other receivables	14	(102,405)	(82,145)
Change in prepayments and taxes receivables		(28,401)	17,959
Change in inventories	11	(37,521)	(21,034)
Change in trade and other payables	16	14,872	25,473
Change in government grants	19	26,863	-
Change in advances received and taxes payables		33,595	43,426
Change in contract liabilities	18	995	46,859
		<b>379,898</b>	<b>300,446</b>
Interest received		3,877	3,431
Income tax paid	7	(53,101)	(33,537)
Net cash flows from operating activities		<b>330,674</b>	<b>270,340</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	8	4,581	1,107
Purchase of property, plant and equipment	8,9	(174,824)	(166,765)
Purchase of intangible assets	10	(192)	(2,136)
Loans granted	17	(1,000)	(2,479)
Repayment of loans issued	15	1,160	-
Proceeds from sublease	9	1,617	1,474
Net cash flows used in investing activities		<b>(168,658)</b>	<b>(168,799)</b>
<b>Financing activities</b>			
Payment of principal portion of the lease liabilities	9	(85,374)	(65,736)
Interest paid		(100,107)	(78,304)
Proceeds from borrowings	17	115,838	120,000
Repayment of borrowings	17	(25,020)	(20,000)
Net cash flows from/(used in) financing activities		<b>(94,663)</b>	<b>(44,040)</b>
Net increase in cash and cash equivalents		<b>67,353</b>	<b>57,501</b>
Net foreign exchange difference		9,886	(4,845)
Cash and cash equivalents at 1 January	12	<b>226,359</b>	<b>173,703</b>
Cash and cash equivalents at 31 December	12	<b>303,598</b>	<b>226,359</b>

## Notes to the consolidated financial statements

for the year ended 31 December 2020

(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 2020 were authorised for issue on 4 March 2021. 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 14 countries. As at 31 December 2020, the Group operates 679 stores (644 franchised stores, 35 company-owned stores), as at 31 December 2019: 576 stores (550 franchised stores, 26 company-owned stores).

#### Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest	
			31 December 2020	31 December 2019
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 Kazakhstan LLP	Call centres	The Republic of Kazakhstan	100	100
Dodo Pizza China Co Ltd	Restaurants and food delivery services/ Retail	People's Republic of China	100	100
Dodo International Group Limited	Franchising services/ Restaurants and food delivery services/ Retail	The United Kingdom of Great Britain and Northern Ireland	100	100
Dodo Engineering LLC	IT development	The Russian Federation	100	-

In October 2020 DP Global Group Limited founded Dodo Engineering LLC with 100% ownership. The subsidiary is a limited liability company incorporated and domiciled in Russia.

### 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).

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*)

### 2.1 Basis of preparation (*continued*)

#### Going concern and COVID-19 update

Management has considered the Group's cash flow forecasts for the foreseeable future, which take into account impact of COVID-19 pandemic, the current and expected economic situation in Russia and other countries of presence, available borrowing facilities, planned store opening program including stores under new foodservice brands, the Group's financial position and anticipated cash flows. Group's performance in March-June 2020 was affected by the new COVID-19. However, the changes in customer behaviour and sales channel mix caused the recovery in 2nd half of 2020.

For the year ended 31 December 2020, the Group made a net loss of RUB 78,107 thousand (year ended 31 December 2019: net loss RUB 13,301 thousand). Higher loss is mostly explained by higher financial costs caused by exchange differences on intragroup currency loans due to high volatility of the Russian rouble against the US dollar in the 2020 year. The exchange differences were not eliminated in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* (Note 6.6).

Cash and cash equivalents increased from RUB 226 million as at 31 December 2019 to RUB 304 million as at 31 December 2020. The Group's management has taken a series of steps to strengthen the Group's liquidity and increase the resilience of the balance sheet:

- In June 2020 the Group has attracted the long-term loan from the ultimate controlling shareholder (Note 17) in the amount of RUB 116 million. The purpose of the loan is to continue active investment program to new venture projects as well as support current operations of the Group;
- In the third quarter 2020 Sberbank OJSC approved the issue of a loan subsidised by the government of Russian Federation in amount RUB 44 million as a part of supportive programs for industries affected by the COVID-19 recession. The Group has reasonable assurance that it will meet all conditions for the forgiveness of the loan (Note 19).
- Cash flows forecast for all segments were reviewed and updated with reduction in all non-vital expenses;

Together this package of measures will reduce the leverage and strengthen financial liquidity. By increasing the resilience these measures allow the Group to weather the crisis whilst continuing to invest in the business to enhance competitive advantages and support long-term growth prospects.

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

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

## 2. Significant accounting policies *(continued)*

### 2.2 Basis of consolidation *(continued)*

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

Profit or loss and each component of other comprehensive income (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.

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

The Group measures financial instruments at fair value at each balance sheet date. 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.

## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

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.

#### 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 ("CHY"), a Group entity located in United Kingdom is the Pound Sterling ("GBP"). 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.



## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

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.

#### **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.

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:

	<u>Useful life in years</u>
Retail and dough production equipment and furniture	from 1 to 10
Leasehold improvements	from 3 to 10
Office equipment and furniture	from 2 to 7
Transport and vehicles	3 years

#### **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.

## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

#### *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.

#### *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.

#### *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:

	<u>Useful life in years</u>
Premises and offices	from 3 to 15
Equipment	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 (n) Impairment of non-financial assets.

#### *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.

## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

#### ***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.

#### **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.

Intangible assets with finite lives are amortised over the useful economic life (which is from 1 to 9 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 located in Russia.

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.

## 2. Significant accounting policies (*continued*)

### 2.3 Summary of significant accounting policies (*continued*)

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

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.

#### 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.

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 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.

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). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

#### *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 (*DodoRubles*), 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.



## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

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 name of Dodo Pizza. 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 and education, 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.

#### *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 fee*

Marketing fee is calculated based on franchise-owned store sales to customers, which are recognised on the same basis as the retail sales of the Group. The Group spends collected marketing fee on supporting marketing activities in Russia: broadcast media, social media and digital ads, sponsorship and others. The Group recognises revenue for a marketing fee when retail sales in franchise-owned stores occur.

#### *Call-center sales*

The Group provides call-center and remote customer support services to franchise-owned stores and corporate-owned stores. Revenue from call-center 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 (n) Financial instruments – initial recognition and subsequent measurement.

## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

#### *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.

#### **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) 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 22.

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.

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.

## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

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

#### **n) 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.

###### ***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.

## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

#### *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.

The Group doesn't have debt instruments at fair value through OCI.

#### *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.

The Group doesn't have equity instruments designated at fair value through OCI.

#### *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.

The Group doesn't have financial assets at fair value through profit and loss.

### **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.

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.

## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

#### 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).

##### *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.



## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

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)*

This is the category most relevant to the Group. 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. 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.

#### ***(iv) Equity instruments***

##### *Share capital*

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

##### *Share premium*

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

##### *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.

## 2. Significant accounting policies *(continued)*

### 2.3 Summary of significant accounting policies *(continued)*

#### *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.

#### **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of transaction costs.

#### **o) 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.

#### **p) 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.

#### **q) Government grants**

The Group received a forgivable loan as a part of a government support program for entities mostly affected by COVID-19 recession. As the expenses compensated are not specified in loan terms the Group recognises such forgivable loan in 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.

## 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 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **Amendments to IFRS 3: *Business Combinations***

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

## 2.4 Changes in accounting policies and disclosures *(continued)*

### **Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform (Phase 1)***

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

### **Amendments to IAS 1 and IAS 8 *Definition of Material***

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

### **Amendments to References to the Conceptual Framework in IFRS Standards issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

### **Amendments to IFRS 16 *Covid-19 Related Rent Concessions***

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

- Accounting for a concession in the form of forgiveness or deferral of lease payments, as a negative variable lease payment
- Accounting for a concession in the form of forgiveness or deferral of lease payments, as a resolution of a contingency that fixes previously variable lease payments
- Accounting for a concession in the form of a deferral of payments as if the lease is unchanged

The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions described in IFRS 16 paragraph 46B are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The Group applied the amendment in the consolidated financial statements for the years ended 31 December 2020 and selected the approach to account for a concession in the form of forgiveness or deferral of lease payments, as a negative variable lease payment.

### 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.

#### 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 managing a pizza delivery chain. 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).

##### *Government grants*

The Group received a forgivable loan as a part of a government support program for entities mostly affected by COVID recession. An arrangement meets the definition of a forgivable loan as its terms provide for circumstances where repayment would be waived (i.e. forgiven), without any other form of settlement. The entity accounts for this type of a government grant as follows:

- Initially recognise the government grant as a current liability.
- Apply the principles of recognition on a systematic basis: the Group recognises such forgivable loan in Consolidated statement of profit and loss over the period of the loan on a timely basis as the expenses compensated are not specified in loan terms and the amount of loan cannot be matched to the exact expense item. The outstanding balance is presented in the consolidated statement of financial position.
- Review at each reporting date whether there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

#### 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.

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

#### *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.

#### *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 22.

#### *Tax legislation*

Russian tax, currency and customs legislation is subject to varying interpretations (Note 26).

#### *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 263,883 thousand (2019: RUB 175,949 thousand) of tax losses carried forward. These losses relate to subsidiaries in the Russian Federation and the United Kingdom. Management of the Group has reasonable assurance that these subsidiaries will be capable of generating profit in the near future and will be able to use these losses for understatement of taxable income. Thus, Group has a reason for the recognition of these losses as deferred tax assets in contrast to losses accumulated by Group's subsidiary in China because these losses may not be used to offset taxable income elsewhere in the Group and in accordance with the business plan the Company will not make a profit within several years. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward by Chinese company in the amount of RUB 59,094 thousand (2019: RUB 25,967 thousand). Further details on taxes are disclosed in Note 7.

#### *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.

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

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.

The Group identified indications that several cash-generating units (CGU) may be impaired at the reporting date. As at 31 December 2020 the Group has conducted impairment tests for these CGUs. No impairment was identified. The key assumptions used to determine the recoverable amount for the different CGUs, are disclosed and further explained in Note 8.

#### *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 23.

#### *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 23.

## 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 (China and the United Kingdom) and new foodservice brands (*Drinkit* and *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.



#### 4. Segment information *(continued)*

The tables below illustrate financial information of the reportable segments reviewed by management for the years ended 31 December 2020 and 2019.

For the year ended 31 December 2020	Franchising	Corporate- owned stores (Russia)	Venture projects	Total segments	Adjustments and eliminations	Consolidated
<b>Revenue</b>						
External customers	1,908,952	1,082,895	28,126	3,019,973	(25,613)	2,994,360
Inter-segment	90,474	-	-	90,474	(90,474)	-
<b>Total revenue</b>	<b>1,999,426</b>	<b>1,082,895</b>	<b>28,126</b>	<b>3,110,447</b>	<b>(116,087)</b>	<b>2,994,360</b>
Raw materials and consumables	(37,735)	(367,925)	(15,138)	(420,798)	(1,736)	(422,534)
Employee benefits	(794,366)	(365,057)	(139,544)	(1,298,967)	(86,387)	(1,385,354)
Distribution and advertising	(388,039)	(39,873)	(10,887)	(438,799)	54,695	(384,104)
Rent and utilities	(50,732)	(158,766)	(16,790)	(226,288)	145,795	(80,493)
Other operating income and expenses	(271,429)	(107,406)	(46,906)	(425,741)	117,491	(308,250)
<b>EBITDA</b>	<b>457,125</b>	<b>43,868</b>	<b>(201,139)</b>	<b>299,854</b>	<b>113,771</b>	<b>413,625</b>
Finance income						7,244
Finance costs						(210,942)
Depreciation and amortization						(243,973)
Expected credit losses on financial assets						(2,262)
<b>Loss before tax</b>						<b>(36,308)</b>

Year ended 31 December 2019	Franchising	Corporate- owned stores (Russia)	Venture projects	Total segments	Adjustments and eliminations	Consolidated
<b>Revenue</b>						
External customers	1,563,603	889,132	9,453	2,462,188	(63,952)	2,398,236
Inter-segment	82,833	-	-	82,833	(82,833)	-
<b>Total revenue</b>	<b>1,646,436</b>	<b>889,132</b>	<b>9,453</b>	<b>2,545,021</b>	<b>(146,785)</b>	<b>2,398,236</b>
Raw materials and consumables	(35,874)	(298,029)	(10,129)	(344,032)	11,823	(332,209)
Employee benefits	(680,991)	(267,262)	(23,952)	(972,205)	(98,388)	(1,070,593)
Distribution and advertising	(288,045)	(49,021)	(2,895)	(339,961)	21,016	(318,945)
Rent and utilities	(45,511)	(125,145)	(7,992)	(178,648)	117,720	(60,928)
Other operating income and expenses	(322,613)	(138,292)	(22,678)	(483,583)	78,548	(405,035)
<b>EBITDA</b>	<b>273,402</b>	<b>11,383</b>	<b>(58,193)</b>	<b>226,592</b>	<b>(16,066)</b>	<b>210,526</b>
Finance income						78,976
Finance costs						(78,428)
Depreciation and amortization						(166,801)
Expected credit losses on financial assets						(18,205)
<b>Profit before tax</b>						<b>26,068</b>

#### 4. Segment information *(continued)*

##### 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 22) as these expenses are also managed on a group basis.
- In management accounts revenue from franchise fee 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 differently as monthly instalments payable to the lessors.
- In management accounting all 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.

#### 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 2020

Segments	Franchising	Corporate- owned stores (Russia)	Venture projects	Total
<b>Type of goods or service</b>				
Franchise fee	44,837	-	-	44,837
Marketing fee	340,632	-	-	340,632
Royalties	1,107,956	-	-	1,107,956
Retail sales	-	1,090,366	28,126	1,118,492
Call-centre services	208,859	-	-	208,859
Other sales	173,584	-	-	173,584
<b>Total revenue from contracts with customers</b>	<b>1,875,868</b>	<b>1,090,366</b>	<b>28,126</b>	<b>2,994,360</b>
<b>Timing of revenue recognition</b>				
Goods and services transferred at a point in time	1,831,031	1,090,366	28,126	2,949,523
Services transferred over time	44,837	-	-	44,837
<b>Total revenue from contracts with customers</b>	<b>1,875,868</b>	<b>1,090,366</b>	<b>28,126</b>	<b>2,994,360</b>

## 5. Revenue from contracts with customers *(continued)*

### 5.1 Disaggregated revenue information *(continued)*

for the year ended 31 December 2019

Segments	Franchising	Corporate- owned stores (Russia)	Venture projects	Total
<b>Type of goods or service</b>				
Franchise fee	21,107	-	-	21,107
Marketing fee	339,575	-	-	339,575
Royalties	832,756	-	-	832,756
Retail sales	-	881,709	10,686	892,395
Call-centre services	176,378	-	-	176,378
Other sales	136,025	-	-	136,025
<b>Total revenue from contracts with customers</b>	<b>1,505,841</b>	<b>881,709</b>	<b>10,686</b>	<b>2,398,236</b>
<b>Timing of revenue recognition</b>				
Goods and services transferred at a point in time	1,484,734	881,709	10,686	2,377,129
Services transferred over time	21,107	-	-	21,107
<b>Total revenue from contracts with customers</b>	<b>1,505,841</b>	<b>881,709</b>	<b>10,686</b>	<b>2,398,236</b>

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 2020	Franchising	Corporate- owned stores (Russia)	Venture projects
<b>Revenue</b>			
External customer	1,908,952	1,082,895	28,126
Inter-segment	90,474	-	-
	<b>1,999,426</b>	<b>1,082,895</b>	<b>28,126</b>
Inter-segment and other adjustments and eliminations	(123,558)	7,471	-
<b>Total revenue from contracts with customers</b>	<b>1,875,868</b>	<b>1,090,366</b>	<b>28,126</b>
<b>for the year ended 31 December 2019</b>	<b>Franchising</b>	<b>Corporate- owned stores (Russia)</b>	<b>Venture projects</b>
<b>Revenue</b>			
External customer	1,563,603	889,132	9,453
Inter-segment	82,833	-	-
	<b>1,646,436</b>	<b>889,132</b>	<b>9,453</b>
Inter-segment and other adjustments and eliminations	(140,595)	(7,423)	1,233
<b>Total revenue from contracts with customers</b>	<b>1,505,841</b>	<b>881,709</b>	<b>10,686</b>

### 5.2 Contract balances

	31 December 2020	31 December 2019
Trade receivables (Note 14)	299,513	201,171
Contract liabilities (Note 18)	298,518	301,165

## 5. Revenue from contracts with customers *(continued)*

### 5.2 Contract balances *(continued)*

In 2020 RUB 2,825 thousand (2019: RUB 1,834 thousand) was recognised as provision for expected credit losses on trade receivable.

Set out below is the amount of revenue recognised from:

For the year ended 31 December	2020	2019
Amounts included in contract liabilities at the beginning of the year	37,867	33,805
Performance obligations satisfied in previous years	-	-

### 5.3 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 fee*

Marketing fee is calculated based on franchise-owned store sales to customers, which are recognised on the same basis as the retail sales of the Group. The Group collects marketing fees only in Russia. The Group spends collected marketing fees on supporting marketing activities in Russia: broadcast media, social media and digital ads, sponsorship and others. The Group recognises revenue for a marketing fee when retail sales in franchise-owned stores occur (the same approach as for royalty). Payment is generally due within 20 to 30 days from the month-end.

#### *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-center sales*

The Group provides call-center 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.

## 5. Revenue from contracts with customers *(continued)*

### 5.3 Performance obligations *(continued)*

#### *Other sales*

The Group also has revenue from centralised dough production centers 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.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	31 December 2020	31 December 2019
Within one year	51,685	54,518
More than one year	246,833	246,647

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 have no expiration and redemptions can also go beyond one year (Note 18), but as the Group does not have an unconditional right to defer customer loyalty points performance obligation this contract liability fully presented as a current liability.

## 6. Other income and expenses

### 6.1. Employee benefits

	2020	2019
Wages and salaries	1,047,592	802,542
Social security costs	237,309	197,211
Share-based payment expense (Note 22)	82,080	47,544
Other expenses	18,373	23,296
<b>Total employee benefits</b>	<b>1,385,354</b>	<b>1,070,593</b>

### 6.2. Distribution and advertising

	2020	2019
National marketing campaign	332,283	275,329
Local marketing of corporate-owned stores	21,895	26,494
Other expenses	29,926	17,122
<b>Total distribution and advertising</b>	<b>384,104</b>	<b>318,945</b>

### 6.3. Other operating income

	2020	2019
COVID-19 rent concessions (Note 9)	28,194	-
Income from government grants (Note 19)	16,786	-
Income from operating sublease	16,580	21,728
Income on derecognition of ROU assets	6,854	-
Other income	2,972	360
<b>Total other operating income</b>	<b>71,386</b>	<b>22,088</b>

## 6. Other income and expenses *(continued)*

### 6.4. Other operating expenses

	2020	2019
Professional services	89,933	113,052
Hosting and infrastructure	83,264	79,736
Utilities and maintenance of premises and offices	80,493	60,928
Internet and phone services	58,375	50,721
Program software and licenses	51,604	41,455
Bank charges	20,821	17,074
Business trips	18,088	37,887
Maintenance of production equipment	16,633	15,252
Transportation costs	16,561	13,607
Other expenses	24,357	58,339
<b>Total other operating expenses</b>	<b>460,129</b>	<b>488,051</b>

### 6.5. Finance income

	2020	2019
Interest income from loans and deposits	5,392	4,784
Net exchange difference	-	72,439
Interest income on lease deposits	993	791
Finance income on finance sublease	859	962
<b>Total finance income</b>	<b>7,244</b>	<b>78,976</b>

### 6.6. Finance costs

	2020	2019
Net exchange difference	108,980	-
Interest expense on lease liabilities	89,540	76,925
Interest expense on borrowings	12,422	1,503
<b>Total finance costs</b>	<b>210,942</b>	<b>78,428</b>

## 7. Income tax

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	2020	2019
<b>Current income tax:</b>		
Current income tax charge	(53,779)	(37,884)
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	11,980	(1,485)
<b>Income tax benefit (expense) reported in the statement of profit or loss</b>	<b>(41,799)</b>	<b>(39,369)</b>

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%. The Group's subsidiary in China is taxed at a rate of 25%. The Group's subsidiary in the United Kingdom is taxed at a rate of 19%. 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:

	2020	2019
(Loss)/ income before tax	(36,308)	26,068
Theoretical income tax benefit at 20% tax rate	7,262	(5,214)
Adjustments for:		
Tax effect of expenses that are not deductible in determining taxable profit	(30,469)	(17,330)
Effect of different tax rates in jurisdictions of the Parent and Group's subsidiaries	(18,592)	(16,825)
Income tax benefit (expense) reported in the statement of profit or loss	(41,799)	(39,369)

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

### Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	31 December 2020	31 December 2019	For the year ended 31 December	
			2020	2019
Property, plant and equipment	(27,236)	(19,761)	(7,475)	(3,868)
Right-of-use assets	(136,056)	(134,835)	(1,221)	(58,891)
Intangible assets	10,464	12,132	(1,668)	(4,249)
Finance sublease receivables	(1,386)	(1,602)	216	697
Trade and other receivables	(12,419)	(8,605)	(3,814)	(8,733)
Prepayments	328	148	180	(2,506)
Other financial assets	2,036	1,937	99	3,512
Lease liabilities	154,134	154,000	134	65,267
Trade and other payables	14,852	14,030	822	895
Advances received	(4,651)	(5,639)	988	(5,545)
Contract liabilities	53,207	58,129	(4,922)	7,229
Government grants	(3,357)	-	(3,357)	-
Tax losses carry forward	66,878	34,880	31,998	4,707
Deferred tax benefit (expense)			11,980	(1,485)
Net deferred tax assets	116,794	104,814		

Reflected in the statement of financial position as follows:

	31 December 2020	31 December 2019
Deferred tax assets	117,088	104,814
Deferred tax liabilities	(294)	-
Deferred tax assets, net	116,794	104,814

Reconciliation of deferred tax assets, net	2020	2019
As at 1 January	104,814	106,299
Tax benefit (expense) recognised in profit or loss during the period	11,980	(1,485)
As at 31 December	116,794	104,814

## 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
<b>Cost</b>						
As at 1 January 2019	67,201	130,461	33,658	1,843	5,939	239,102
Additions	39,604	69,927	18,527	303	39,141	167,502
Disposals	-	(5,936)	(909)	(340)	-	(7,185)
Transfer	1,518	4,097	46	-	(5,661)	-
Translation differences	-	(1,109)	(54)	(3)	(340)	(1,506)
<b>As at 31 December 2019</b>	<b>108,323</b>	<b>197,440</b>	<b>51,268</b>	<b>1,803</b>	<b>39,079</b>	<b>397,913</b>
Additions	59,037	75,444	17,526	954	16,014	168,975
Disposals	(4,280)	(13,491)	(4,958)	(370)	(27,300)	(50,399)
Transfer	6,009	3,435	56	-	(9,500)	-
Translation differences	2,326	7,094	321	112	693	10,546
<b>As at 31 December 2020</b>	<b>171,415</b>	<b>269,922</b>	<b>64,213</b>	<b>2,499</b>	<b>18,986</b>	<b>527,035</b>
<b>Depreciation and impairment</b>						
As at 1 January 2019	(10,237)	(36,724)	(13,857)	(1,192)	-	(62,010)
Depreciation charge	(12,438)	(33,851)	(16,445)	(267)	-	(63,001)
Disposals	-	4,908	835	129	-	5,872
Translation differences	-	40	5	-	-	45
<b>As at 31 December 2019</b>	<b>(22,675)</b>	<b>(65,627)</b>	<b>(29,462)</b>	<b>(1,330)</b>	<b>-</b>	<b>(119,094)</b>
Depreciation charge	(20,602)	(47,505)	(16,089)	(206)	-	(84,402)
Disposals	1,354	11,810	4,807	188	-	18,159
Translation differences	(73)	(477)	(43)	(12)	-	(605)
<b>As at 31 December 2020</b>	<b>(41,996)</b>	<b>(101,799)</b>	<b>(40,787)</b>	<b>(1,360)</b>	<b>-</b>	<b>(185,942)</b>
<b>Net book value</b>						
<b>As at 31 December 2020</b>	<b>129,419</b>	<b>168,123</b>	<b>23,426</b>	<b>1,139</b>	<b>18,986</b>	<b>341,093</b>
<b>As at 31 December 2019</b>	<b>85,648</b>	<b>131,813</b>	<b>21,806</b>	<b>473</b>	<b>39,079</b>	<b>278,819</b>

The Group identified indicators that impairment may be in place at the reporting date for several CGUs. For such CGU the Group performed an impairment test. The recoverable amount of RUB 129,419 thousand as at 31 December 2020 was based on value in use and was determined at the level of the CGU. The CGU consisted of the pizza-stores located in Russia. ROU assets were also included in the carrying value of CGUs. In determining value in use for the CGU, the cash flows were discounted at a rate of 19.6% on a pre-tax basis.

Significant assumptions relating to valuation are set out below as at 31 December 2020:

- In line with IAS 36 *Impairment of assets* stores opened in 4th quarter of 2020 and venture projects were out of scope.
- Cash-flow projection was made on the basis of most recent financial plans of the Group. These budgets and forecast calculations cover a period of five years. Actual rent terms were used to expand the period where applicable. Terminal value was not calculated.
- Average revenue growth was estimated as 8% per year.
- Operating costs growth was estimated as 7% per year.

As a result of the analysis performed no impairment was identified. Value in use is sensitive to the estimated revenue growth. The 12.2% decrease in total revenue will cause the total value in use for all CGUs to be equal to the carrying amount of all CGUs.

## 9. Right-of-use assets and lease liabilities

The Group has lease contracts for premises (stores, offices and dough production centers in Russia and China) and equipment for dough production centers. As of 31 December 2020 the Group had arrangements (subject to IFRS 16):

- 38 corporate-owned stores (31 December 2019: 25),
- 3 dough production centers (31 December 2019: 3),
- 1 research laboratory in China (31 December 2019: 0) and
- 5 management offices (31 December 2019: 5).

The Group also has a lease agreement for one corporate-owned store in China (31 December 2019: 1), which is not subject to IFRS 16 based on criteria of the standard.

In May 2020, the IASB issued an amendment to IFRS 16 Leases, which provides optional relief to lessees that have been granted coronavirus-pandemic related rent discounts and other concessions from applying IFRS16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the coronavirus pandemic. As a practical expedient, a lessee may elect not to assess whether a coronavirus-pandemic related lease concession from a lessor is a lease modification. If a change in lease payments does not result from a lease modification, that change would be accounted for as a variable lease payment. In this case, a lessee applies paragraph 38 of IFRS 16 and generally recognises the effect of the rent concession in profit or loss. The Group has met the criteria for application of the amendment in preparing these consolidated financial statements and recognised received rent concessions in amount of RUB 28,194 thousand as a part of other income (Note 6.3)

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
<b>As at 1 January 2019</b>	<b>385,361</b>	-	<b>385,361</b>	<b>(448,356)</b>
Additions	356,645	-	356,645	(352,068)
Depreciation expense of right-of-use assets	(96,062)	-	(96,062)	-
Change in right-of-use assets due to sublease	812	-	812	-
Change as a result of modification and revaluation	26,452	-	26,452	(25,583)
Translation differences	(896)	-	(896)	532
Interest expense on lease liabilities	-	-	-	(76,925)
Total cash flows	-	-	-	142,661
<b>As at 31 December 2019</b>	<b>672,312</b>	-	<b>672,312</b>	<b>(759,739)</b>
Additions	179,064	108,284	287,348	(259,394)
Depreciation expense of right-of-use assets	(139,118)	(12,415)	(151,533)	-
Change as a result of modification and revaluation	(33,617)	-	(33,617)	34,695
Derecognition of lease contracts	(27,847)	-	(27,847)	34,701
Translation differences	5,802	-	5,802	(5,201)
Interest expense on lease liabilities	-	-	-	(89,540)
COVID-19 rent concessions	-	-	-	28,194
Total cash flows	-	-	-	174,914
<b>As at 31 December 2020</b>	<b>656,596</b>	<b>95,869</b>	<b>752,465</b>	<b>(841,370)</b>

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

The following are the amounts recognised in profit or loss:

	2020	2019
Depreciation expense of right-of-use assets	(151,533)	(96,062)
Interest expense on lease liabilities	(89,540)	(76,925)
Expense relating to short-term leases	(9,407)	(5,920)
Income from subleasing right-of-use assets	859	962
COVID-19 rent concessions	28,194	-
Income on derecognition of ROU assets	6,854	-
COVID-19 sublease rent concessions	(323)	-
<b>Total expense recognised in profit or loss</b>	<b>(214,896)</b>	<b>(177,945)</b>

As at 31 December 2020 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 113,055 thousand: RUB 17,944 thousand within one year, RUB 95,111 thousand within five years (31 December 2019: RUB 101,031 thousand).

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 23.

The Group identified indicators that impairment may be in place at the reporting date for several CGUs. For such CGU the Group performed an impairment test. The recoverable amount of RUB 752,465 thousand as at 31 December 2020 was based on value in use and was determined at the level of the CGU. The CGU consisted of the pizza-stores located in Russia. ROU assets were also included in the carrying value of CGUs. In determining value in use for the CGU, the cash flows were discounted at a rate of 19.6% on a pre-tax basis.

Significant assumptions relating to valuation are set out below as at 31 December 2020:

- In line with IAS 36 *Impairment of assets* stores opened in 4th quarter of 2020 and venture projects were out of scope.
- Cash-flow projection was made on the basis of most recent financial plans of the Group. These budgets and forecast calculations cover a period of five years. Actual rent terms were used to expand the period where applicable. Terminal value was not calculated.
- Average revenue growth was estimated as 8% per year.
- Operating costs growth was estimated as 7% per year.

As a result of the analysis performed no impairment was identified. Value in use is sensitive to the estimated revenue growth. The 12.2% decrease in revenue will cause the total value in use for all CGUs to be equal to the carrying amount of all CGUs.

## 10. Intangible assets

	Computer software	Other intangible assets	Intangible assets under development	Total
<b>Cost</b>				
As at 1 January 2019	36,165	400	3,004	39,569
Additions	-	-	2,136	2,136
Disposals	(1,785)	-	-	(1,785)
Transfer	5,140	-	(5,140)	-
Translation differences	(108)	-	-	(108)
As at 31 December 2019	39,412	400	-	39,812
Additions	192	-	-	192
Disposals	(56)	(400)	-	(456)
Transfer	-	-	-	-
Translation differences	401	-	-	401
As at 31 December 2020	39,949	-	-	39,949
<b>Amortisation and impairment</b>				
As at 1 January 2019	(8,978)	(248)	-	(9,226)
Amortisation	(7,662)	(76)	-	(7,738)
Disposals	1,785	-	-	1,785
Translation differences	21	-	-	21
As at 31 December 2019	(14,834)	(324)	-	(15,158)
Amortisation	(7,962)	(76)	-	(8,038)
Disposals	56	400	-	456
Translation differences	(87)	-	-	(87)
As at 31 December 2020	(22,827)	-	-	(22,827)
<b>Net book value</b>				
As at 31 December 2020	17,122	-	-	17,122
As at 31 December 2019	24,578	76	-	24,654

Computer software mainly includes internally-generated software: global website and mobile app and WeChat mini program. Useful life of these intangibles is five years.

The Group does not capitalise expenses related to development of Dodo IS (Note 3). Dodo IS is Group's internally generated IT system developed for managing restaurants and delivery operations. 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. Expenses included in the consolidated statement of profit and loss (mainly employee benefits): RUB 321,955 thousand in 2020, RUB 242,338 thousand in 2019.

## 11. Inventories

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

	31 December 2020	31 December 2019
Raw materials	23,020	13,609
Semifinished goods	1,009	964
Finished goods and goods for resale	4,359	2,403
<b>Total inventories</b>	<b>28,388</b>	<b>16,976</b>

## 12. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash at bank and on hand	246,975	116,473
Short-term deposits	50,922	108,014
Cash in transit	5,701	1,872
<b>Total cash and cash equivalents</b>	<b>303,598</b>	<b>226,359</b>

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 2020		31 December 2019	
	Current	Non-current	Current	Non-current
Trade and other receivables (Note 14)	308,905	-	208,001	-
<b>Other financial assets:</b>	<b>10,519</b>	<b>23,724</b>	<b>3,907</b>	<b>23,306</b>
Loans issued (Note 15)	7,955	10,615	3,907	12,736
Lease prepayments	2,564	13,109	-	10,570
<b>Total current and non-current financial assets</b>	<b>319,424</b>	<b>23,724</b>	<b>211,908</b>	<b>23,306</b>
<b>Total financial assets</b>		<b>343,148</b>		<b>235,214</b>

### 13.2 Financial liabilities

	31 December 2020		31 December 2019	
	Current	Non-current	Current	Non-current
Trade and other payables (Note 16)	161,445	-	152,422	-
Lease liabilities (Note 9)	141,172	700,198	89,630	670,109
Interest-bearing loans and borrowings (Note 17)	117,797	75,000	21,544	78,580
<b>Total current and non-current financial liabilities</b>	<b>420,414</b>	<b>775,198</b>	<b>263,596</b>	<b>748,689</b>
<b>Total financial liabilities</b>		<b>1,195,612</b>		<b>1,012,285</b>

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

## 14. Trade and other receivables

	31 December 2020	31 December 2019
Trade receivables	302,793	203,005
Other receivables	9,392	6,830
	<b>312,185</b>	<b>209,835</b>
Allowance for expected credit losses	(3,280)	(1,834)
<b>Total current receivables</b>	<b>308,905</b>	<b>208,001</b>



#### 14. Trade and other receivables *(continued)*

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

	2020	2019
As at 1 January	1,834	505
Provision for expected credit losses	2,825	1,834
Recovery of provision	(1,324)	(427)
Translation difference	(55)	(78)
As at 31 December	3,280	1,834

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 25.

#### 15. Loans issued

	Interest rate	Maturity	31 December 2020		31 December 2019	
			Current	Non-current	Current	Non-current
Yukon Ltd	2%	Oct 2021	1,838	-	1,110	1,334
Private individual	4%	Jan 2039	3,746	10,344	2,093	8,586
Loan to an employee	9%	Dec 2021	1,026	-	-	-
Dodo Pizza USA Retail Inc	7%	Feb 2025	1,345	271	704	2,816
Total loans issued			7,955	10,615	3,907	12,736

##### Details of loan agreements:

- **Yukon Ltd (2% loan):** the loan is GBP denominated and not secured.
- **Private individual (4% loan):** the loan is USD denominated and secured by 13,905 shares in Dodo Pizza USA Retail Inc and 115 shares in DP Global Group Limited. As at 31 December 2020 the loan is stated as a less expected credit losses. Expected credit losses are calculated for unsecured part of the loan using estimated share price as at 31 December 2020 for shares pledged.

During the year parties agreed to make a partial loan settlement by the transfer of 9 pledged shares of DP Global Group Limited. The amount of settlement was determined on the base of estimated share price USD 1,873 as at 31 December 2019 (Note 23). This transfer partially covered payments for the 2020 year in amount RUB 1,245 thousand. For more information, refer to the table below.

- **Loan to an employee (9% loan):** the loan is RUB denominated and secured by the vested option on 6 shares in DP Global Group Limited.
- **Dodo Pizza USA Retail Inc (7% loan):** the loan is USD denominated and secured by the pledged equipment in the amount of USD 144 thousand and 115 shares in DP Global Group Limited. As at 31 December 2020 the loan is stated as a less expected credit losses. Expected credit losses are calculated for unsecured part of the loan using estimated share price as at 31 December 2020 for shares pledged.

During the year parties agreed to make a partial loan settlement by the transfer of 3 pledged shares of DP Global Group Limited. The amount of settlement was determined on the base of estimated share price USD 1,873 as at 31 December 2019 (Note 23). This transfer partially covered payments for the 2020 year in amount RUB 415 thousand. For more information, refer to the table below.

## 15. Loans issued (continued)

### Changes in loans issued:

	1 January 2020	Reclass	Cash out- flows	Interest charged	Cash in- flows	Loan settlement by shares	Expected credit losses	Translation differences	31 December 2020
<b>Current loans issued</b>									
Yukon Ltd (2% loan)	1,110	1,644	-	50	(1,143)	-	-	177	1,838
Private individual (4% loan)	2,093	1,185	-	1,227	-	(1,245)	-	486	3,746
Private individual (9% loan)	-	-	1,000	26	-	-	-	-	1,026
Dodo Pizza USA Retail Inc (7% loan)	704	728	-	274	(82)	(415)	-	136	1,345
<b>Total current loans issued</b>	<b>3,907</b>	<b>3,557</b>	<b>1,000</b>	<b>1,577</b>	<b>(1,225)</b>	<b>(1,660)</b>	<b>-</b>	<b>799</b>	<b>7,955</b>
<b>Non-current loans issued</b>									
Yukon Ltd (2% loan)	1,334	(1,644)	-	-	-	-	-	310	-
Private individual (4% loan)	8,586	(1,185)	-	-	-	-	1,435	1,508	10,344
Private individual (9% loan)	-	-	-	-	-	-	-	-	-
Dodo Pizza USA Retail Inc (7% loan)	2,816	(728)	-	-	-	-	(2,196)	379	271
<b>Total non-current loans issued</b>	<b>12,736</b>	<b>(3,557)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(761)</b>	<b>2,197</b>	<b>10,615</b>
<b>Total loans issued</b>	<b>16,643</b>	<b>-</b>	<b>1,000</b>	<b>1,577</b>	<b>(1,225)</b>	<b>(1,660)</b>	<b>(761)</b>	<b>2,996</b>	<b>18,570</b>

	1 January 2019	Reclass	Cash out- flows	Interest charged	Expected credit losses	Translation differences	31 December 2019
<b>Current loans issued</b>							
Yukon Ltd (2% loan)	-	-	1,120	10	-	(20)	1,110
Private individual (4% loan)	-	1,032	-	1,110	-	(49)	2,093
Dodo Pizza USA Retail Inc (7% loan)	-	462	-	253	-	(11)	704
<b>Total current loans issued</b>	<b>-</b>	<b>1,494</b>	<b>1,120</b>	<b>1,373</b>	<b>-</b>	<b>(80)</b>	<b>3,907</b>
<b>Non-current loans issued</b>							
Yukon Ltd (2% loan)	-	-	1,359	-	-	(25)	1,334
Private individual (4% loan)	28,821	(1,032)	-	-	(16,798)	(2,405)	8,586
Dodo Pizza USA Retail Inc (7% loan)	3,678	(462)	-	-	-	(400)	2,816
<b>Total non-current loans issued</b>	<b>32,499</b>	<b>(1,494)</b>	<b>1,359</b>	<b>-</b>	<b>(16,798)</b>	<b>(2,830)</b>	<b>12,736</b>
<b>Total loans issued</b>	<b>32,499</b>	<b>-</b>	<b>2,479</b>	<b>1,373</b>	<b>(16,798)</b>	<b>(2,910)</b>	<b>16,643</b>

## 16. Trade and other payables

	31 December 2020	31 December 2019
Trade payables	77,160	72,329
Payables to employees	77,881	72,478
Other payables	6,404	7,615
<b>Total trade and other payables</b>	<b>161,445</b>	<b>152,422</b>

## 16. Trade and other payables (continued)

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 terms and conditions with related parties see Note 25.

For explanations of the Group's liquidity risk management processes, refer to Note 23.

## 17. Interest-bearing loans and borrowings

	Interest rate	Maturity	31 December 2020		31 December 2019	
			Current	Non-current	Current	Non-current
Letter of credit from Sberbank	9.85%	Oct 2022	79,068	-	21,544	78,580
Loan from the ultimate controlling shareholder	9%	Jun 2023	38,729	75,000	-	-
<b>Total interest-bearing loans and borrowings</b>			<b>117,797</b>	<b>75,000</b>	<b>21,544</b>	<b>78,580</b>

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

- **Letter of credit from Sberbank (9.85% credit):** according to the agreement dated 31 October 2019, the total credit line is RUB 100,000 thousand. The date of full repayment of the credit is 20 October 2022. The credit subjected to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the requirement on the turnover level of its cash accounts in the bank. As a result the bank is contractually entitled to request for immediate repayment of the outstanding loan amount. The outstanding balance is presented as a current liability as at 31 December 2020. The bank had not requested early repayment of the loan. The management is negotiating with the bank and doesn't expect early redemption.
- **Loan from the ultimate controlling shareholder (9% loan):** the loan in amount of RUB 115,838 was received in June 2020. Short-term part of the loan has to be fully repaid in June 2021 and the long-term part will be repaid by instalments till June 2023.

Changes in liabilities arising from financing activities:

	1 January 2020	Reclass	Cash in-flows	Interest accrued	Cash out-flows	31 December 2020
<b>Current interest-bearing loans and borrowings</b>						
Loan from the ultimate controlling shareholder	-	25,000	15,838	5,489	(7,598)	38,729
Letter of credit from Sberbank	21,544	78,580	-	6,933	(27,989)	79,068
<b>Total current interest-bearing loans and borrowings</b>	<b>21,544</b>	<b>103,580</b>	<b>15,838</b>	<b>12,422</b>	<b>(35,587)</b>	<b>117,797</b>
<b>Non-current interest-bearing loans and borrowings</b>						
Loan from the ultimate controlling shareholder	-	(25,000)	100,000	-	-	75,000
Letter of credit from Sberbank	78,580	(78,580)	-	-	-	-
<b>Total non-current interest-bearing loans and borrowings</b>	<b>78,580</b>	<b>(103,580)</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>75,000</b>
<b>Total interest-bearing loans and borrowings</b>	<b>100,124</b>	<b>-</b>	<b>115,838</b>	<b>12,422</b>	<b>(35,587)</b>	<b>192,797</b>

**17. Interest-bearing loans and borrowings (continued)**

	1 January 2019	Cash in-flows	Interest accrued	Cash out-flows	31 December 2019
<b>Current interest-bearing loans and borrowings</b>					
Loan from the ultimate controlling shareholder	-	20,000	970	(20,970)	-
Letter of credit from Sberbank	-	21,420	533	(409)	21,544
<b>Total interest-bearing loans and borrowings</b>	-	<b>41,420</b>	<b>1,503</b>	<b>(21,379)</b>	<b>21,544</b>
<b>Non-current interest-bearing loans and borrowings</b>					
Letter of credit from Sberbank	-	78,580	-	-	78,580
<b>Total non-current interest-bearing loans and borrowings</b>	-	<b>78,580</b>	<b>-</b>	<b>-</b>	<b>78,580</b>
<b>Total interest-bearing loans and borrowings</b>	-	<b>120,000</b>	<b>1,503</b>	<b>(21,379)</b>	<b>100,124</b>

**18. Contract liabilities**

	31 December 2020	31 December 2019
Franchise fee contract liability	269,882	267,990
Customer loyalty points	28,636	33,175
<b>Total contract liabilities</b>	<b>298,518</b>	<b>301,165</b>
Current	51,685	54,518
Non-current	246,833	246,647

Contract liabilities transactions	Franchise fee contract liability		Customer loyalty points	
	2020	2019	2020	2019
As at 1 January	267,990	233,783	33,175	20,707
Deferred	42,509	54,613	18,295	44,496
Recognised as revenue	(44,188)	(20,222)	(22,834)	(32,028)
Translation difference	3,571	(184)	-	-
<b>As at 31 December</b>	<b>269,882</b>	<b>267,990</b>	<b>28,636</b>	<b>33,175</b>
Current	23,049	21,343	28,636	33,175
Non-current	246,833	246,647	-	-

**19. Government grants**

In third quarter 2020 Sberbank OJSC approved the issue of a loan subsidised by the government of Russian Federation in amount RUB 43,649 thousand as a part of supportive programs for industries affected by the COVID-19 recession. As of 31 December 2020 the loan was fully received. The repayment will be waived on the 30 June 2021 under the following conditions: absence of bankruptcy procedures, fulfilment of headcount requirements, retention of a salary level. The Group has reasonable assurance that these conditions for the forgiveness of the loan will be met.

## 19. Government grants *(continued)*

The government grant was accounted under IAS 20 with the implementation of the income approach. The purpose of the loan was to maintain operating activity, therefore it shall be recognised in profit or loss as Other operating income (Note 6.3) on a systematic basis over the term stated in the loan agreement (as a proportion with actual period of use). The outstanding balance is presented separately in the consolidated statement of financial position.

	<u>Forgivable loan</u>
As at 1 January 2020	-
Received	43,649
Income recognised for the year	<u>16,786</u>
As at 31 December 2020	<b>26,863</b>

## 20. Share capital and reserves

Share capital of the Group fully consists of ordinary shares with nominal value \$0.01.

All ordinary shares are fully paid.

	<u>Number of shares</u>		<u>Balanced value</u>		
	<u>Share capital</u>	<u>Treasury shares</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>
As at 1 January 2019	48,346	-	19.50	735,260	-
Exercise of share options (Note 22)	40	-	0.04	2,224	-
As at 31 December 2019	<u>48,386</u>	<u>-</u>	<u>19.54</u>	<u>737,484</u>	<u>-</u>
Exercise of share options (Note 22)	198	-	0.15	21,033	-
Settlement of loan issued (Note 15)	-	12	-	-	(1,660)
As at 31 December 2020	<u>48,584</u>	<u>12</u>	<u>19.69</u>	<u>758,517</u>	<u>(1,660)</u>

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. There were no capital transactions except the exercise of share options and the settlement of loans issued for the year ended 31 December 2020.

### *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 22 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 22). 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.

## 21. Loss per share (LPS)

Basic LPS 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 LPS 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. As the Group incurred a loss in the year ended 31 December 2020 and 31 December 2019, share options do not have a dilutive effect because bringing 'in more' shares will increase the denominator and thus reduce the loss per share.

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

	2020	2019
Loss attributable to ordinary equity holders of the parent for basic earnings	(78,107)	(13,301)
Weighted average number of ordinary shares for basic LPS	48,582	48,353
<b>Basic loss per share</b>	<b>-P1,608</b>	<b>-P275</b>

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.

## 22. Share-based payments

The Group has Employee Share Option Plan (ESOP) which was approved in 2017. 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 4,635 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.

The exercise price of the most share options is equal to \$1, the exercise price of the remaining part is equal to the nominal price of shares (\$0.01). 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 exercisable 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 2020 or 2019.

The expense recognised for employee services received during the year:

	2020	2019
Expense arising from equity-settled share-based payment transactions	82,080	47,544
<b>Total expense arising from share-based payment transactions</b>	<b>82,080</b>	<b>47,544</b>



## 22. Share-based payments *(continued)*

### 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
<b>Outstanding at 1 January 2019</b>	<b>2,646</b>	<b>1.00</b>	<b>919</b>	<b>839</b>	<b>0.02</b>	<b>1,003</b>
Granted during the year	435	1.00	1,359	60	1,167	753
Exercised during the year	(40)	1.00	1,059	(109)	0.01	763
Expired during the year	(66)	1.00	1,328	(20)	0.01	653
<b>Outstanding at 31 December 2019</b>	<b>2,975</b>	<b>1.00</b>	<b>968</b>	<b>770</b>	<b>90.93</b>	<b>1,026</b>
Exercisable at 31 December 2019	1,180	1.00	984	199	70.41	575
 <b>Outstanding at 1 January 2020</b>	 <b>2,975</b>	 <b>1.00</b>	 <b>968</b>	 <b>770</b>	 <b>90.93</b>	 <b>1,026</b>
Granted during the year	1,144	1.00	1,652	-	-	-
Exercised during the year	(198)	1.00	1,048	(59)	0.26	660
Expired during the year	(312)	1.00	1,470	-	-	-
<b>Outstanding at 31 December 2020</b>	<b>3,609</b>	<b>1.00</b>	<b>1,137</b>	<b>711</b>	<b>98.45</b>	<b>1,056</b>
Exercisable at 31 December 2020	1,739	1.00	1,060	182	153.86	565

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 was 0.91 years (2019: 1.25 years).

The following table lists the model's inputs used for the plans for the years ended 31 December 2020 and 2019:

	31 December 2020	31 December 2019
Dividend yield (%)	-	-
Expected volatility (%)	49.23	62.93
Risk-free interest rate (%)	4.14	4.14
Weighted average share price (\$)	1,921	1,873

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.

## 23. 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.

**23. Financial instruments risk management objectives and policies *(continued)******Market risk***

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

In previous reporting periods 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, accounts receivable from foreign suppliers 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***

As at 31 December 2020, if the RUB had weakened/strengthened by 16% against USD, with all the variables held constant, net profit for the year would have been RUB 49,052 thousand higher/lower (31 December 2019: if the RUB had weakened by 13%/strengthened by 11% against USD, with all the variables held constant, net profit for the year would have been RUB 70,608 thousand higher/ RUB 59,745 thousand lower).

As at 31 December 2020, if the RUB had weakened/strengthened by 16% against EUR, with all the variables held constant, net profit for the year would have been RUB 1,489 thousand higher/lower (31 December 2019: if the RUB had weakened by 13%/strengthened by 11% against EUR, with all the variables held constant, net profit for the year would have been RUB 1,061 thousand higher/ RUB 898 thousand lower).

As at 31 December 2020, if the GBP had weakened/strengthened by 10% against USD, with all the variables held constant, net profit for the year would have been RUB 8,550 thousand higher/ lower (31 December 2019: if the GBP had weakened/strengthened by 9% against USD, with all the variables held constant, net profit for the year would have been RUB 575 thousand higher/ lower).

As at 31 December 2020, if the KZT had weakened by 14%/strengthened by 11% against USD, with all the variables held constant, net profit for the year would have been RUB 16 thousand higher/ RUB 13 thousand lower (31 December 2019: if the KZT had weakened by 12%/strengthened by 9% against USD, with all the variables held constant, net profit for the year would have been RUB 423 thousand higher/ RUB 317 thousand lower).

As at 31 December 2020, if the EUR had weakened by 10%/strengthened by 9% against USD, with all the variables held constant, net profit for the year would have been RUB 182 thousand higher/ RUB 164 thousand lower (there were no USD transactions denominated in EUR).

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.

## 23. Financial instruments risk management objectives and policies *(continued)*

### *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.

### *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:

#### As at 31 December 2020

	Current	Days past due			Total
		<90 days	90 - 365 days	>365 days	
Expected credit loss rate, %	0.24	0.48	100	100	
Estimated total gross carrying amount at default	305,932	3,715	2,090	449	312,186
Expected credit loss	723	19	2,090	449	3,281

#### As at 31 December 2019

	Current	Days past due			Total
		<90 days	90 - 365 days	>365 days	
Expected credit loss rate, %	0.25	0.44	100	100	
Estimated total gross carrying amount at default	207,053	1,483	1,299	-	209,835
Expected credit loss	528	7	1,299	-	1,834

### *Other financial assets at amortised cost*

Other financial assets at amortised cost include loans issued to third parties and lease prepayments. For more information, refer to Note 13.1. The expected credit losses for other financial assets at amortised cost as at 31 December reconciles to the opening expected credit losses as follows:

	2020	2019
Expected credit losses as at 1 January	16,064	-
Decrease in expected credit losses on loans issued recognised in profit or loss	761	16,798
Translation difference	3,379	(734)
Closing expected credit losses as at 31 December	20,204	16,064

## 23. Financial instruments risk management objectives and policies *(continued)*

### *Expected credit losses on financial assets recognised in profit or loss*

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

	2020	2019
<b>Expected credit losses</b>		
Increase in expected credit losses for trade receivables	2,825	1,834
Increase in expected credit losses on other financial assets	761	16,798
Reversal of previously recognised expected credit losses for trade receivables	(1,324)	(427)
<b>Expected credit losses on financial and contract assets</b>	<b>2,262</b>	<b>18,205</b>

### *Cash and cash equivalents*

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

As at the reporting date the maximum exposure to credit risk is represented by the carrying amount of financial assets as reported in the statement of financial position.

### *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 2020	On demand	Less 1 year	1 - 5 years	Over 5 years	Total
Interest-bearing loans and borrowings (Note 17)	88,430	47,759	80,177	-	216,366
Trade and other payables (Note 16)	-	161,445	-	-	161,445
Lease liabilities (Note 9)	-	245,234	813,509	210,748	1,269,491
Government grant in form of a forgivable loan (Note 19)	-	43,649	-	-	43,649
	<b>88,430</b>	<b>498,087</b>	<b>893,686</b>	<b>210,748</b>	<b>1,690,951</b>

As at 31 December 2019	On demand	Less 1 year	1 - 5 years	Over 5 years	Total
Interest-bearing loans and borrowings (Note 17)	-	27,883	96,337	-	124,220
Trade and other payables (Note 16)	-	152,422	-	-	152,422
Lease liabilities (Note 9)	-	181,245	688,374	213,742	1,083,361
	<b>-</b>	<b>361,550</b>	<b>784,711</b>	<b>213,742</b>	<b>1,360,003</b>

## 24. 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, debt includes only interest-bearing loans and borrowings received from third parties. Lease liabilities and trade and other payables are the parts of working capital. The Group does not have any regulatory requirements for capital management.

The Group is in the active investment stage and the primary objective is to provide sufficient liquidity for further development of both mature segments and new venture projects. In October 2019 one of the Russian entities of the Group received a bank credit in the amount of RUB 100 million aimed at a developing segment of corporate-owned stores in Russia. In June 2020 the Group has attracted the long-term loan from the ultimate controlling shareholder (Note 17) in an amount of RUB 116 million. The purpose of the loan is to continue an active investment program to new venture projects as well as support current operations of the Group.

## 25. Related parties

Note 1 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties during the year ended 31 December 2020 and 2019, as well as balances with related parties as at 31 December 2020 and 2019:

		<u>Sales to related parties</u>	<u>Amounts owed by related parties</u>	<u>Amounts owed to related parties</u>
Other related parties	2020	4,658	296	209
	2019	5,259	257	318
Key management personnel of the Group	2020	-	-	1,302
	2019	-	127	996
			<u>Interest accrued</u>	<u>Amounts owed to related parties</u>
Loans from related parties				
The ultimate controlling shareholder (Note 17)	2020		5,489	113,729
	2019		970	-

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

	<u>2020</u>	<u>2019</u>
Wages and salaries	19,276	22,996
Share-based payment transactions	7,097	8,771
<b>Total compensation paid to key management personnel</b>	<b>26,373</b>	<b>31,767</b>

## 25. Related parties *(continued)*

Share options held by key management personnel under the Employee Share Options Plan (Refer to Note 22 for further details on the plan) to purchase ordinary shares have the following expiry dates and exercise prices:

<u>Date of grant</u>	<u>Vesting date</u>	<u>Exercise price</u>	<u>31 December 2020</u> Number outstanding	<u>31 December 2019</u> Number outstanding
2016	2016	\$ 0.01	2	2
2017	2018	\$ 1.00	123	123
2017	2019	\$ 1.00	129	129
2017	2020	\$ 1.00	89	89
2017	2021	\$ 1.00	89	89
2017	2022	\$ 1.00	3	3
2019	2020	\$ 1.00	20	20
2019	2021	\$ 1.00	20	20
2019	2022	\$ 1.00	20	20
2019	2023	\$ 1.00	20	20
2019	2024	\$ 1.00	20	20
2020	2020	\$ 1.00	6	-
<b>Total</b>			<b>541</b>	<b>535</b>

## 26. 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.

Starting 2020 year the Russian and worldwide economy is also seriously influenced by the COVID-19 global pandemic. There is uncertainty over the magnitude of the global slowdown that will result from this pandemic and its impact on Russian economy. The threats posed by the coronavirus outbreak are currently under investigation and assessment. Russia and other countries have imposed travel bans on millions of people and more people in more locations are placed with quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. The disruption to global supply chains due to factory shutdowns has already exposed the vulnerabilities of many organizations, including retail business. The outbreak has also resulted in significant volatility in the financial and commodities markets worldwide.

The Group is monitoring the impact of coronavirus (COVID-19) outbreak on its business, customers and employees and follows the official guidance introduced by the Government of Russia to safeguard its people and to maintain business continuity.



## 26. Contingencies *(continued)*

### COVID-19 impact on financial statements

Due to the rapid development of the coronavirus pandemic (COVID-19), many countries, including Russia, have introduced quarantine measures, which has had a significant impact on the business. Both the pandemic itself and measures to minimize its consequences have already affected the activities of companies from various industries. Group's performance in March-June 2020 was affected by the new COVID-19. However the changes in customer behaviour and sales channel mix caused the recovery in 2nd half of 2020.

Uncertainty will remain and the Group is unable to reasonably estimate the future impact. However, the Group has prepared financial forecasts which include the impact of COVID-19.

### Taxation

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

Russian tax, currency and customs legislation is subject to frequent changes and varying interpretations. Management's interpretation of such legislation in applying it to business transactions of the Group may be challenged by the relevant regional and federal authorities enabled by law to impose fines and penalties.

The Group comprises companies incorporated outside of Russia. The tax liabilities of the Group were determined on the assumption that these companies were not subject to Russian profits tax, because they did not have a permanent establishment in Russia and were not Russian tax residents by way of application of the new tax residency rules. This interpretation of relevant legislation in regard to the Group companies incorporated outside of Russia may be challenged. Given that the concept of the Russian broader rules for determining the tax residency of legal entities is rather new and the practice is not yet developed, the impact of any such challenge cannot be precisely estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that the transactions that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods.

While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group. The management believes that potential tax liabilities as at 31 December 2020 do not exceed 2% of the Group's assets.

### Commitments

The Group does not have any contractual commitments.

### 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.

## 27. 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.

**27. Standards issued but not yet effective (continued)****IFRS 17 Insurance Contracts**

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: *Disclosure of Accounting policies***

In February 2021 the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments are not expected to have a material impact on the Group.

**Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: *Definition of Accounting Estimates***

In February 2021 the IASB issued amendments to IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments are not expected to have a material impact on the Group.

**27. Standards issued but not yet effective (continued)****Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. There is no subsidiary as a first-time adopter within the Group.

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

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

**27. Standards issued but not yet effective *(continued)***

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

**IAS 41 *Agriculture* – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued an amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. IAS 41 is not applicable for the Group so the amendments are not expected to have any material impact.

**Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform (Phase 2)***

The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships or financial liabilities under floating rates.

**28. Events after reporting date**

There were no significant events after the reporting date.