“Avangard-Agro” JSC

Consolidated Financial Statements for 2022 and Independent Auditors’ report

Contents

Auditor's report

On annual financial statements of

"Avangard-Agro" Joint Stock Company

for 2022,

prepared in accordance with International Financial Reporting Standards

Auditee Information

Organization name:	"Avangard-Agro" Joint Stock Company
Location:	18, Ulitsa 8 Marta, Urban-Type Settlement of Zmievka, Sverdlovsky district, Orel Region, 303320
PSRN:	1045736000089

Independent Auditor's Report

TO THE SHAREHOLDERS OF "AVANGARD-AGRO" JOINT STOCK COMPANY

OPINION

We have audited the accompanying annual consolidated financial statements of "Avangard-Agro" Joint Stock Company (hereinafter referred to as "Avangard-Agro" JSC) and its subsidiaries (hereinafter referred to as the Group), consisting of:

- ✓ Consolidated statement of financial position for December 31, 2022;
- ✓ Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022;
- ✓ Consolidated statement of changes in equity for the year ended December 31, 2022;
- ✓ Consolidated statement of cash flows for the year ended December 31, 2022;
- ✓ Notes to the consolidated financial statements for December 31, 2022, including a summary of major accounting policies.

In our opinion, the accompanying annual financial statements represents fairly, in all material respects, the financial position of the Bank as at December 31, 2022, its financial performance and cash flows for the year ended December 31, 2022 in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are discussed in the "Auditor's Responsibility for the Audit of the Annual Financial Statements" section of our report. We are independent of the Bank in accordance with the Rules for the Independence of Auditors and Auditing Organizations and the Code of Professional Ethics for Auditors, consistent with the International Code of Ethics for Professional Accountants (including International Standards of Independence) developed by the International Ethics Standards Board for Professional Accountants, and we have complied with other responsibilities in accordance with these requirements of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT ISSUES

Key audit matters are matters that, in our professional judgment, were of most significance to our audit of the 2022 annual financial statements. We have identified the following matters as key audit matters to be disclosed in our report.

In the geopolitical situation in the Russian Federation and in the world, available as of the date of signing the Group's consolidated financial statements for 2022, we considered the issue of the Group's going concern for the foreseeable future as a key audit matter. We have reviewed the soundness of management's judgment in relation to this matter. In the opinion of management, based on the information available at the date of signing of the financial statements, no reduction or termination of activities is planned under the current conditions. The Group's activities are expected to be continuous.

1. As of December 31, 2022, the Group has land plots worth RUB 40,417 million on its balance sheet. The Group accounts for land plots at fair value. Considering the significant value of land reflected in the financial statements and the high volatility of land prices in the market, we consider this issue to be a key audit matter.

We have assessed the fair value methodology for its compliance with IFRS requirements. The Group engaged an independent appraiser to determine the market value of the land. The market value was calculated using the comparative and income method, and the value was determined as 50% of the value determined by the comparative approach and 50% of the value determined by the income approach.

2. In 2022, the Group performed a revaluation of property, plant and equipment used in the activities of malting operations. The total amount of the revaluation amounted to RUB 15,002 million.

This is a key audit matter because the calculation of fair value involves a high degree of subjectivity and requires professional judgment in selecting reasonable assumptions.

We assessed the fair value methodology for its compliance with IFRS requirements. We performed the following fair value measurement procedures: testing the data on which the fair value calculation was based, as well as the data collection process by the Group in compiling the discounted cash flow model; we have reviewed the reasonableness of the assumptions used by the Group in the discounted flows model based on historical data as well as on the basis of independent sources, determining whether these assumptions are within an independently calculated acceptable range of values; analyzed the evaluation models for the accuracy of the calculation in them; assessed the reasonableness of the Group's disclosures in this area.

RESPONSIBILITY OF MANAGEMENT AND MEMBERS OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

When preparing the annual financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, for disclosing information relating to going concern, as appropriate, and for reporting on a going concern basis, unless management intends to liquidate the Bank, terminate its activities or when it has no other viable alternative than liquidation or termination of activities.

Members of the Board of Directors are responsible for overseeing the preparation of the Bank's annual financial statements.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the annual financial statements 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 degree 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 annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we do the following:

a) identify and assess the risks of material misstatement of the annual financial statements due to fraud or error; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement from fraud is greater than the risk of not detecting a material misstatement from an error because fraud may include collusion, forgery, omission, misrepresentation, or circumvention of internal controls;

b) obtain an understanding of the internal control system relevant to the audit in order to develop audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system;

c) assess the appropriate nature of the applied accounting policy, the validity of professional estimates and the relevant disclosure of information prepared by the Bank's management;

d) conclude that the Bank's management is appropriate to use the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 annual financial statements or, if such disclosures are inappropriate, 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 Bank to cease to be able to continue as a going concern;

e) evaluate the presentation of the annual financial statements as a whole, their structure and content, including disclosures, and whether the annual financial statements present underlying transactions and events in such a way as to ensure their fair presentation.

We carry out information interaction with members of the Board of Directors of "Avangard-Agro" JSC, bringing to their attention, among other things, information on the planned scope and timing of the audit, as well as significant comments on the results of the audit, including significant shortcomings in the internal control system, that we identify during the audit.

We also provide the members of the Board of Directors of "Avangard-Agro" JSC with a statement that we have complied with all relevant ethical requirements regarding independence and have informed these persons of all relationships and other matters that can reasonably be considered to affect the independence of the auditor, and where necessary cases, about appropriate precautions.From the issues that we brought to the attention of the members of the Board of Directors of Avangard-Agro JSC, we identified the issues that were most significant for the audit of the annual consolidated financial statements for the current period, and, therefore, are key audit issues.

We describe these matters in our auditor's report, except when public disclosure of information about these matters is prohibited by law or regulation, or when, in extremely rare cases, we conclude that information about a matter should not be disclosed in our conclusion, since it can reasonably be assumed that the negative consequences of the communication of such information will exceed the socially significant benefits of its communication.

Person acting on behalf of "CTC"LLC, (PRNE 10206018011) *By Virtue of Power of Attorney No.5/2022 dated 07.11.2022.*	Bolshakova Olga Vladimirovna *(sq. at. auditor No. 06-000266, issued on the basis of the decision of NP AAS dated January 11,2013, Minutes № 108 for an unlimited period), PRNE 20606013101*
Head of the review audit, on the basis of which the opinion was drawn up	Bolshakova Olga Vladimirovna *(sq. at. auditor No. 06-000266, issued on the basis of the decision of NP AAS dated January 11,2013, Minutes № 108 for an unlimited period), PRNE 20606013101*

Auditing organization: Limited Liability Company "Collegium of Tax Consultants"
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Number in the register of auditors and audit organizations SRO 10206018011
April 28, 2023

RUB'000 000	Note	December 31, 2022	December 31, 2021
ASSETS			
Fixed assets	9	68,183	43,789
Financial assets	10	1,432	-
Biological assets	12	212	112
Deferred tax assets		12	7
Other non-current assets		1,146	1,346
Non-current assets		**70,985**	**45,254**
Inventories	11	20,542	18,760
Biological assets	12	1,437	2,968
Trade and other receivables	13	4,726	5,611
Financial assets	10	13,328	9,320
Cash and cash equivalents	14	4,212	365
Current assets		**44,245**	**37,024**
Total assets		**115,230**	**82,278**
EQUITY AND RESERVES			
Share capital	15	7	7
Increase in a value from the revaluation of fixed assets		46,586	22,284
Retained earnings		35,271	37,302
Equity attributable to owners of the Company		**81,864**	**59,593**
Total equity and reserves		**81,864**	**59,593**
LIABILITIES			
Loans and borrowings	17	4,813	6,009
Product supply liabilities under land leases		409	297
Other long-term liabilities		-	2
Long-term liabilities		**5,222**	**6,308**
Bonds	17	4,028	5,470
Loans and borrowings	17	22,000	9,273
Trade and other receivables	18	2,116	1,511
Other short-term liabilities	6(b)	-	123
Short-term liabilities		**28,144**	**16,377**
Total liabilities		**33,366**	**22,685**
Total equity and liabilities		**115,230**	**82,278**

The consolidated financial statements were approved by management on April 28, 2023 and signed on its behalf by:

General Director of
"Avangard-Agro" JSC

A.N. Kirkin

Financial Director of
"Avangard-Agro" JSC

T.A. Korolyova

«АВАНГАРД-АГРО»

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated statements set out on pages 14 to 52.

RUB'000 000	Note	2022	2021
Revenue	4	25,578	27,761
Cost of sales		(23,992)	(22,354)
Revaluation of biological assets	12	8,309	11,311
Gross profit		**9,895**	**16,718**
Selling expenses		(746)	(957)
Administrative expenses	5	(1,012)	(922)
Other income/(expenses), net		22	130
Results from operating activities		**8,159**	**14,969**
Financial income	6	3,846	768
Financial expenses	6	(1,715)	(1,954)
Net financial (expenses)/income		**2,131**	**(1,186)**
Profit before taxation		**10,290**	**13,783**
Income tax expense		(23)	(21)
Profit for the year		**10,267**	**13,762**
Other comprehensive income			
Revaluation of fixed assets	9	24,302	1,536
Other comprehensive income for the year		**24,302**	**1,536**
Total comprehensive income for the year		**34,569**	**15,298**
Profit attributable to:			
Owners of the Company		10,267	13,762
Profit for the year		**10,267**	**13,762**
Total comprehensive income attributable to:			
Owners of the Company		34,569	15,298
Total comprehensive income for the year		**34,569**	**15,298**

The consolidated financial statements were approved by management on April 28, 2023 and signed on its behalf by:

General Director of
"Avangard-Agro" JSC

A.N. Kirkin

«АВАНГАРД-АГРО»

Financial Director of
"Avangard-Agro" JSC

T.A. Korolyova

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated statements set out on pages 14 to 52.

RUB'000 000	Note	Share capital	Retained earnings	Property, plant and equipment revaluation surplus	Total equity and reserves
Balance at January 1, 2021		7	**31,750**	**20,748**	**52,505**
Profit for the year			13,762	-	**13,762**
Other comprehensive income					
Increase in revaluation value		-	-	1,590	1,590
Decrease in value upon disposal of assets		-	-	(54)	(54)
Total other comprehensive income		-	-	**1,536**	**1,536**
Total comprehensive income for the year		-	**13,762**	**1,536**	**15,298**
Transactions with shareholders of the Company					
Shareholders payouts	0	-	(8,210)	-	(8,210)
Total transactions with shareholders of the Company		-	**(8,210)**	-	**(8,210)**
Balance at December 31, 2021		7	**37,302**	**22,284**	**59,593**
Balance at January 1, 2022		7	**37,302**	**22,284**	**59,593**
Profit for the year			10,267	-	**10,267**
Other comprehensive income					
Revaluation surplus	9(a)	-	-	24,336	24,986
Decrease in value upon disposal of assets		-	-	(34)	(34)
Total other comprehensive income		-	-	**24,302**	**24,302**
Total comprehensive income for the year		-	**10,267**	**24,302**	**34,569**
Transactions with shareholders of the Company			-	-	-
Shareholders payouts	0	-	(12,298)	-	(12,298)
Total transactions with shareholders of the Company		-	**(12,298)**	-	**(12,298)**
Balance at December 31, 2022		7	**35,271**	**46,586**	**81,864**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated statements set out on pages 14 to 52.

RUB'000 000	Note	2022	2021
Cash flows from operating activities			
Profit for the year		10,267	13,762
Adjustments			
Depreciation	9	1,513	1,574
Government grants	6(a)	(335)	(336)
Loss/(gain) from foreign exchange	6	(1,665)	46
Interest income and income on forward contracts	6	(544)	(391)
Interest expenses and expenses on forward contracts	6	421	1,908
(Recovery)/accrual of allowance for financial assets impairment	6	23	(41)
Change in the fair value of current biological assets and finished products	12	(686)	(2,815)
(Recovery)/accrual of provision for impairment of net realizable value of inventories	11	4,111	(54)
Write-offs of receivables		3	9
Write-offs of accounts payable		(2)	-
Loss/(income) on disposal of fixed assets		(30)	(58)
Death of crops, damage of products, shortages according to the results and inventory		(15)	(164)
Income/loss on financial assets carried at fair value		(31)	-
Other non-cash transactions		-	6
Income tax expense		23	21
Cash flows from operating activities excluding changes in working capital		**13,053**	**13,467**
Change in inventories		(4,332)	(2,423)
Change in biological assets		572	172
Change in trade and other receivables		379	(2,447)
Change in trade and other payables		654	697
Cash flows from operating activities changes before income taxes		**10,326**	**9,466**
Income tax paid		-	-
Net cash flow from operating activities		**10,326**	**9,466**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated statements set out on pages 14 to 52.

RUB'000 000	**Note**	**2022**	**2021**
Cash flows from investing activities			
Acquisition of fixed assets		(1,535)	(2,586)
Bills paid/(received)		(2,905)	8,890
Acquisition of other financial assets		-	(112)
(Receipt)/disposal of other non-current assets		195	(1,332)
Proceeds from the sale of fixed assets		17	135
Cash reipts /(payments) from foreign exchange forward contracts		1,146	(423)
Net cash flow from / (used in) investing activities		**(3,082)**	**4,572**
Cash flows from investing activities			
State grants at interest rates	6	335	336
Interest paid		(1,582)	(1,266)
Borrowings		35,065	12,884
Placement of previously purchased bonds		(1,447)	1,316
Repayment of borrowings		(23,411)	(19,548)
Lease payments		(59)	(81)
Distributions to shareholders		(12,298)	(8,210)
Net cash flow from / (used in) investing activities		**(3,397)**	**(14,569)**
Net (decrease)/increase in cash and cash equivalents		**3,847**	**(531)**
Cash and cash equivalents at the beginning of the reporting year	14	365	896
Cash and cash equivalents at the end of the reporting year	14	**4,212**	**365**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated statements set out on pages 14 to 52.

1 Reporting entity

(a) Organisation and operations

Avangard-Agro Joint-Stock Company (the "Company") and its subsidiaries (the "Group") comprise Russian open joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation and companies located abroad.

The Company's registered office is 18, Ulitsa 8 Marta, Urban-Type Settlement of Zmievka, Orel Region, 303320, the Russian Federation.

The ultimate beneficiary of the Group is K.V. Minovalov.

The Group's principal activities are production, processing and sale of agricultural produce. The Group carries out its activities in Voronezh, Kursk, Orel, Belgorod, Lipetsk and Tula regions. The Group's products are sold in the Russian Federation and abroad.

In 2022, Avangard-Agro Joint-Stock Company has been rated BBB(RU) by the Analytical Credit Rating Agency (ACRA (JSC)) based on the results of 2021.

The subsidiaries of the Group are:

		Ownership and voting rights	
Subsidiary	**Country of registration**	**December 31, 2022**	**December 31, 2021**
Avangard-Agro-Voronezh LLC	Russia	100%	100%
Avangard-Agro-Orel LLC	Russia	100%	100%
Avangard-Agro-Kursk LLC	Russia	100%	100%
Avangard-Agro-Belgorod LLC	Russia	100%	100%
Avangard-Agro-Lipetsk LLC	Russia	100%	100%
Avangard-Agro-Trade LLC	Russia	100%	100%
Avangard-Agro-Tula LLC	Russia	100%	100%
Avangard Agro Trade AG	Switzerland	100%	100%

(b) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute, together with other legal and fiscal impediments, to the challenges faced by entities operating in the Russian Federation.

Starting from 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

At present, the international community is faced with an aggravation of global world problems, including those related to the conduct of a Special Military Operation by the Russian Federation. As a result, there are serious changes in global markets due to geopolitical factors, which result in sanctions that have and may have in the future a significant negative impact on both the financial system of the Russian Federation and the economy as a whole.
The financial condition of organizations in the Russian Federation, their ability to fulfill their obligations in full, maintaining the volume of activities, will largely depend on the future macroeconomic situation, including the state of the stock markets, business activity and solvency of counterparties. At the same time, at the time of preparation of the annual accounting (financial) statements, there is no information on further developments in the foreign policy arena, as a result of which it is not possible to predict the consequences for the Group in the medium and long term.
Based on the information available at the date of signing the financial statements, the Group's management does not plan to reduce or terminate operations under the current conditions. The Group's activities are expected to be continuous.
These consolidated financial statements reflect management's view of the impact that business conditions in the Russian Federation have on the Group's operations and financial position. The actual impact of future business conditions may differ from management's estimates.

2 Basis of accounting

Statement of compliance with IFRS

(a) These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("rouble" or "RUB"), which is the functional currency of the Company and all its subsidiaries and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million, except when otherwise indicated.

(c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most critical judgment formed by management in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements concerns the recognition of government grants based on actual amounts received rather than using an accrual basis; this choice is preconditioned by irregular payment of such grants by the state authorities.

Critical accounting judgments applied by management in the course of preparing these consolidated financial statements are included in the following notes:

- Note 26 (e)(iv)– useful life of property, plant and equipment.
- Note 9 (a)(b) – revaluation of land plots and fixed assets used in the activities of malt production
- Note 11–– evaluation of agricultural produce.
- Note 12 – revaluation of biological assets.

(c) Fair value measurement

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is - as prices) or indirectly (that is - derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 9 (a)(b) – revaluation of land plots and fixed assets used in the activities of malt production
- Note 12 – revaluation of biological assets.
- Note 19(e) – fair value of financial instruments

2 Changes in significant accounting policies

The Group has revised its accounting in relation to the valuation of a certain class of property, plant and equipment. Previously, the Group measured property, plant and equipment used in malting operations at cost less accumulated depreciation and accumulated impairment losses. From January 1, 2022, the Group applies the revalued accounting model for property, plant and equipment used in malting operations. The Group believes that this property, plant and equipment model provides more up-to-date information to users about the value of property, plant and equipment used in malting operations. The Group has applied the revaluation model prospectively. Similarities in Note 9(b).

The Group has consistently applied the accounting policies set out in Note 26 to all the periods presented in these consolidated financial statements.

4 Revenue

	Russia		Export		Total	
RUB'000 000	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Agricultural produce	**5,783**	**6,654**	**3,579**	**5,891**	**9,362**	**12,544**
Wheat	1,300	1,588	3,167	4,487	4,467	6,075
Sunflower	3,089	3,515	-	-	3,089	3,515
Corn	595	727	412	1,404	1,007	2,131
Sugar beet	595	410	-	-	595	410
Barley	6	113	-	-	6	113
Other	198	301	-	-	198	301
Processed agricultural produce	**10,941**	**7,940**	**5,275**	**7,276**	**16,216**	**15,217**
Malt	10,752	6,931	5,275	7,276	16,027	14,207
Sugar	-	861	-	-	-	861
Milk	189	148	-	-	189	149
Total	**16,724**	**14,594**	**8,854**	**13,167**	**25,578**	**27,761**

The Group identifies two operating segments:

Agricultural production includes production and sale of agricultural produce, as well as sale of other processed agricultural produce, such as sugar and milk, in the Russian Federation and abroad.

Malt production includes production and sale of barley and wheat malt in the Russian Federation and abroad. Detailed information is provided in Note 28.

5 Administrative expenses

RUB'000 000	**2022**	**2021**
Wages and salaries	461	382
Software	66	101
Other taxes and duties	99	82
Depreciation of property, plant and equipment	57	61
Legal, advisory and audit services	61	33
Other administrative expenses	268	263
	1,012	**922**

6 Finance income and finance costs

RUB'000 000	**2022**	**2021**
Government grants (refer to Note 6(a))	335	336
Interest income	544	391
Reversal of allowance for financial assets impairment (refer to Note 10)	-	41
Change in fair value of financial assets	31	-

Net change in fair value of of foreign exchange forward contracts measured at fair value through profit or loss	1,271	-
Foreign exchange gain	1,665	-
Finance income	**3,846**	**768**
Interest expense	(1,648)	(1,398)
Interest expenses for lease of land plots (refer to Note 20)	(44)	(27)
Allowance for financial assets impairment (refer to Note 10)	(23)	-
Net change in fair value of foreign exchange forward contracts measured at fair value through profit or loss(see Note 6(b))	-	(483)
Foreign exchange loss	-	(46)
Finance costs	**(1,715)**	**(1,954)**
Net finance (costs)/ income	**2,131**	**(1,186)**

(a) Government grants

Government grants represent a compensation by state authorities for interest expenses on the Group's bank loans. All of these grants were received in cash.

Also, in 2022, the Group received government grants to partially compensate for insurance premiums paid under crop insurance contracts, unrelated support, elite seed production and livestock totaling 526 RUB'000 000 recognized in the cost of sales (2021: RUB 373 million). Out of them, government grants in the amount of RUB 119 million were received in cash.

(b) Currency forward contracts

During 2021, the Group entered into several currency forward contracts with a related party. As at December 31, 2021, the Group has opened forward contracts for purchase of USD 94,930 thousand at the average exchange rate of RUB/USD 77.89 and EUR 19,750 thousand at the average exchange rate of RUB/EUR 93.04. The fair value of currency forward contracts as at December 31, 2021 was recognized in other financial assets and other short-term liabilities and amounted to RUB 271 million and RUB 123 million respectively.

7 Employee benefits expenses

RUB'000 000	2022	2021
Production personnel wages and salaries including mandatory contributions to extra-budgetary funds	3,126	2,523
Administrative personnel wages and salaries including mandatory contributions to extra-budgetary funds	462	382
Commercial personnel wages and salaries including mandatory contributions to extra-budgetary funds	77	74
	3,665	**2,979**

The Group's average number of employees during the years ended December 31, 2022 and 2021 was 4,335 employees and 4,370 employees, respectively.

8 Income tax expense

In accordance with Russian legislation, the income tax rate for agricultural companies is 0%. The income tax rate for companies taxable at the standard rate is 20%.

9 Fixed assets

RUB'000 000	Land	Lease right-of-use assets	Buildings and constructions	Machinery and equipment, vehicles	Other fixed assets	Under construction	Total
Initial cost							
Balance at January 1, 2021	**28,834**	**591**	**9,346**	**14,226**	**72**	**448**	**53,517**
Income	461	68	923	995	12	195	2,654
Disposals	(61)	(64)	(21)	(310)	-	-	(456)
Movements	8	-	1	307	1	(317)	-
Revaluation	1,590	-	-		-	-	1,590
Balance at December 31, 2021	**30,832**	**595**	**10,249**	**15,218**	**85**	**326**	**57,305**
Income	245	88	810	460	8	11	1,622
Disposals	(2)	(40)	(6)	(47)	-	(3)	(98)
Movements	8	-	23	(23)	1	(9)	-
Revaluation	9,334	-	12,994	1,993	15	-	24,336
Balance at December 31, 2022	**40,417**	**643**	**24,070**	**17,601**	**109**	**325**	**83,165**
Depreciation and amortization							
Balance at December 31, 2021	-	**(95)**	**(2,100)**	**(9,994)**	**(42)**	-	**(12,231)**
Depreciation for the reporting year	-	(55)	(407)	(1,105)	(7)	-	(1,574)
Disposals	-	28	10	251	-	-	289
Balance at December 31, 2021	-	**(122)**	**(2,497)**	**(10,848)**	**(49)**	-	**(13,516)**
Depreciation for the reporting year	-	(52)	(472)	(981)	(8)	-	(1,513)
Movements	-	-	(13)	13	-	-	-
Disposals	-	9	2	36	-	-	47
Balance at December 31, 2022	-	**(165)**	**(2,980)**	**(11,780)**	**(57)**	-	**(14,982)**
Book value							
At January 1, 2021	**28,834**	**496**	**7,246**	**4,232**	**30**	**448**	**41,286**
At December 31, 2021	**30,832**	**473**	**7,752**	**4,370**	**36**	**326**	**43,789**
At December 31, 2022	**40,417**	**478**	**21,091**	**5,821**	**56**	**325**	**68,183**

In 2022, the cost of sales included depreciation charges in the total amount of RUB 1,454 million. (in 2021: RUB 1,508 million).
As at December 31, 2022, property, plant and equipment under construction does not include land acquisitions in progress (as at December 31, 2021 - RUB 0 million).

(a) Land plots

In accordance with the accounting policy, the management of the Group engaged an independent appraiser to determine the fair value of the land plots as at December 31, 2022. The fair value of the land plots was determined at RUB 40,417 million and reflected the market prices of recent transactions with peers, adjusted for a bargaining discount.

According to the appraiser's report, there was no adjustment for location. "All analogue objects and the object of assessment are in the same area, no adjustment is required".
The market value was calculated using the comparative and income method, and the value was determined as 50% of the value determined by the comparative approach and 50% of the value determined by the income approach.
The fair value measurement of land belongs to Level 3 of the fair value hierarchy: inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

(b) Fixed assets used in malt operations

In 2022, the Group's management reassessed land as at December 31, 2022 using a discounted cash flow model in accordance with the Group's accounting policy.

The estimated fair value of land plots refers to Level 3 of the fair value hierarchy: input data for assets and liabilities that are not based on observable market data (unobservable inputs).

The following key assumptions were used in performing the cash flow testing:

- Cash flows were projected based on past experience, actual operating results and the Group's four-year business plan.
- According to this business plan in 2023 and subsequent years, total production was projected at 2022.
- For discounting purposes, a conservative rate of 22% is chosen in the 2022 models.

The increase in value amounted to RUB 15,002 million and was recognized in other comprehensive income.

Management identified two key assumptions, the change of which is reasonably possible and may lead to a significant change in the fair value of the land plots owned:

— An increase in the applicable discount rate by 3 percentage points (up to 25%) would result in a decrease in the total cost of fixed assets used in malting operations by 5% or RUB 1,020 million.
— A decrease in return on assets by 3 percentage points would lead to a decrease in the total cost of land plots by 3% or RUB 566 million.

(c) Collateral

As at December 31, 2022 property, plant and equipment with a carrying amount of RUB 12,252 million (December 31, 2021: RUB 7,749 million) served as collateral for bank loans issued to the Group (see Note 17).

10 Financial assets

RUB'000 000	December 31, 2022	December 31, 2021
Non-current		
Third-party bonds	1,432	-
	1,432	**-**
Current		
Promissory notes acquired from related parties	11,879	8,937
Currency forward contracts	-	271
Bank deposits	1,449	-
Third-party bonds	-	112
	13,328	**9,320**
	14,760	**9,320**

Third-party bonds are measured at fair value through profit or loss. Fair value is determined based on quoted market prices.
Promissory notes received from related parties are rouble-denominated, with a rate of 0-17% The allowance for expected impairment losses on promissory notes received as at December 31, 2022 amounted to RUB 58 million. (as of December 31, 2021: 34 million rubles).

Information about the Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 19.

11 Inventories

RUB'000 000	December 31, 2022	December 31, 2021
Agricultural produce	15,739	14,354
Processed agricultural produce	1,064	936
Fallow land and spring crop costs	2,478	2,395
Raw materials and consumables	1,261	1,075
	20,542	**18,760**

In 2022, raw materials, consumables recognised within the cost of production amounted to RUB 6,677 million (2021: RUB 6,137 million).

In 2022, the amount received from the use of the allowance for markdown of inventories to net realizable value resulted in a decrease in the cost of sales and amounted to RUB 4,111 million (in 2021: RUB 54 million).

Inventories with the carrying amount of RUB 11,606 million as at December 31, 2022 (as at December 31, 2021: RUB 10,305 million) were pledged to secure bank loans (refer to Note 17).

As at December 31, 2022, fallow land and spring crop land plots amounted to 333,534 ha (as at December 31, 2021: 283,845 ha).

At the reporting dates the agricultural produce comprised the following:

	December 31, 2022		December 31, 2021	
	RUB'000 000	Tons	RUB'000 000	Tons
Wheat	6,701	595,957	4,566	310,640
Barley	4,590	306,018	4,038	247,528
Sunflower	3,894	175,841	4,447	123,585
Corn	411	37,238	1,301	95,834
Sugar beet	1	320	-	-
Buckwheat	36	1,587	-	-
Other	106	5,189	2	1,808
	15,739	**1,122,150**	**14,354**	**779,395**

At the reporting dates the processed agricultural produce comprised the following:

	December 31, 2022		December 31, 2021	
	RUB'000 000	Tons	RUB'000 000	Tons
Malt	1,064	47,850	936	37,754
	1,064	**47,850**	**936**	**37,754**

12 Biological assets

As at December 31, 2022, biological assets classified as non-current assets comprised oxen and milk cows of 3,505 heads and had a fair value of RUB 212 million (December 31, 2021: 2,939 heads, fair value of RUB 112 million).

As at December 31, 2022, biological assets classified as current assets comprised winter wheat and had a fair value of RUB 1,437 million; the land area was 63,672 ha (December 31, 2021: RUB 2,968 million, area of 101,584 ha).

(a) Movements in biological assets classified as non-current

	Livestock	Fair value
RUB'000 000	Farm animals	RUB'000 000
Fair value less costs of sale as at January 1, 2021	**2,651**	**126**
Natural increase	1,299	51
Increase due to asset acquisition	141	-
Loss due to loss of livestock	(172)	(7)
Loss due to sale of assets	(980)	(42)
Net change in fair value	-	(16)
Fair value less costs to sell at December 31, 2021	**2,939**	**112**
Natural increase	1,262	65
Increase due to asset acquisition	98	-
Loss due to loss of livestock	(162)	(6)

	Livestock	Fair value
RUB'000 000	**Farm animals**	**RUB'000 000**
Loss due to sale of assets	(632)	(32)
Net change in fair value	-	73
Fair value less costs to sell at December 31, 2022	**3,505**	**212**

(b) Movements in biological assets classified as current assets

The following represents the changes in current value of biological assets classified as current assets during the years, ended December 31, 2022 and 2021:

	2022	2021
At the beginning of the year	**2,968**	**3,168**
Increase due to growth costs	11,450	10,273
Net change in fair value less estimated costs to sell	8,309	11,327
Decrease due to crop	(21,290)	(21,800)
At the end of the year	**1,437**	**2,968**

As at December 31, 2022, an unrealized part of revaluation of current biological assets and finished goods amounted to RUB 8,711 million (December 31, 2021: RUB 8,097 million).

(c) Fair value

The estimated fair value of biological assets refers to Level 3 of the fair value hierarchy: input data for assets and liabilities that are not based on observable market data (unobservable inputs).

Biological assets classified as non-current assets

Fair value of oxen and milk cows was calculated on the basis of simplified DCF model. Calculation of expected milk yield, milk and meat prices was based on actual data of companies for 2022. Calculated income and costs were discounted to the date of determining fair value depending on the period that they are originated. Discount rate as at December 31, 2022 was 11.9%.

Biological assets classified as current assets

The fair value of biological assets as at December 31, 2022 and 2021 was determined using a DCF method.

When determining the fair value, the following main assumptions were used:

- revenue is forecast based on the estimated wheat yield, which is determined based on factors such as location of farmland, natural-climatic conditions and other conditions as well as price growth rates on the valuation date. Average crop yield for the areas was determined as 48,1 q/ha (2021: 45,4 q/ha).
- expected market prices of wheat based on data from open sources at the end of the reporting period. The expected export price per ton of crop was determined as RUB 13,3 thousand with the expected exchange rate at the date of sale of 92,33 RUB/EUR (2021: RUB 16,4 thousand with the expected exchange rate at the date of sale of 93,89 RUB/EUR).
- cost of production and sales costs were forecast based on actual operating expenses.
- for the purpose of determining the fair value of biological assets at the reporting dates a discount rate of 8.5% was applied.
- risks related to a biological transformation subsequent to the reporting period end were considered when generating flows.

The above-mentioned main assumptions represent management's assessment of future trends in agriculture and are based on data from both external and internal sources.

Based on management's assessment, reasonably possible changes to the main assumptions used to determine the fair value of biological assets would have affected their value by the amounts shown below:

RUB'000 000	2022	2021
Increase in discount rate by 1% (in absolute terms)	(14)	(62)
Decrease in discount rate by 1% (in absolute terms)	14	62
Increase in grain harvest prices by 10%	134	372
Decrease in grain harvest prices by 10%	(134)	(372)
Increase in yields by 10%	132	250
Decrease in yields by 10%	(132)	(250)

(d) Harvest quantity (in tons)

Annual harvest of agricultural produce (in tons) was as follows:

	2022	2021
Wheat	547,306	412,025
Barley	569,297	467,314

Sugar beet	120,761	110,858
Sunflower	138,094	163,974
Corn	17,830	143,154
Other	4,943	-
	1,398,231	**1,297,325**

(e) Risk management in agricultural business

The Group is exposed to a number of risks related to agricultural assets:

Raw materials price risk

The Group's operating results are particularly sensitive to fluctuations in prices on core raw materials, including seeds, fertilizers and agrochemicals. In order to manage this risk, the Group takes measures aimed at optimizing its consumption of fertilizers and agrochemicals, and in order to guarantee the best bid price, the Group runs purchases on a tender basis.

Soil and climatic risks

Biological assets are exposed to a risk of deterioration caused by climatic conditions and changes to soil fertility of territories where the Group is having its business. The Group regularly monitors its exposure to these risks; measures taken include diversification of land masses in regions with varying soil and climatic characteristics, cultivation of spring and winter crops within the framework of a crop rotation link, and farming rotation of crops with varying sensitivity to soil fertility.

13 Trade and other receivables

RUB'000 000	December 31, 2022	December 31, 2021
Trade receivables	3,665	4,209
Other receivables	176	25
VAT receivable	49	24
Advances issuedансы выданные	819	1,336
Prepayment of other taxes and duties	17	17
	4,726	**5,611**

(a) Overdue trade and other receivables

The ageing analysis of accounts receivable is presented in the table below:

RUB'000 000	December 31, 2022	December 31, 2021
Not overdue	3,817	4,187
Past due not more than 30 days	5	19
From 30 to 180 days	0	15
From 180 to 360 days	7	1
Over 360 days	12	12
	3,841	**4,234**

As at December 31, 2022, an allowance was accrued in respect of the expected credit losses on accounts receivable in the amount of RUB 10 million (as at December 31, 2021, an allowance was accrued: RUB 14 million). The write-off of accounts receivable during the 12 months ended December 31, 2022 amounted to RUB 8 million (during the year ended December 31, 2021: RUB 9 million). The Group's exposure to credit and currency risks is disclosed in Note 19.

14 Cash and cash equivalents

RUB'000 000	Currency	December 31, 2022	December 31, 2021
Bank balances	RUB	90	37
Bank balances	EUR	1,782	321
Bank balances	USD	2,298	5
Cash on hand		1	2
Bank deposits less than 3 months	RUB	41	-
		4,212	**365**

As at December 31, 2022, bank balances with a related party bank rated BB+(RU) by the Analytical Credit Rating Agency (ACRA (JSC)) amounted to RUB 101 million. (December 31, 2021: RUB 363 million), see Note 23.
Information about the Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in Note 19.

15 Capital and reserves

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	December 31, 2022	December 31, 2021
Authorized shares	7,290	7,290
Nominal value	RUB 1,000	RUB 1,000
Outstanding at the beginning of the year	7,290	7,290
Outstanding at the end of the year, fully paid	**7,290**	**7,290**

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group companies, all rights are suspended until those shares are reissued.

(b) Revaluation of land

In 2022, the Group revalued land plots in accordance with the accounting policy. The increase in value amounted to RUB 9,334 million and was recognized as other comprehensive income. For more detail, please see Note 9(a).

(c) Revaluation of fixed assets used in malt operations

In 2022, the Group performed a revaluation of property, plant and equipment used in malt operations as at December 31, 2022 using a discounted cash flow model in accordance with the Group's accounting policy.

The increase in value amounted to RUB 15,002 million and was recognized in other comprehensive income. For more detail, please see Note 9(b).

Dividends and other distributions to shareholders

In accordance with the Russian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with Russian Accounting and Reporting Principles.

In 2022, there were dividends payments to the shareholders in the amount of RUB 12,000 million and other payments in the amount of RUB 298 million. (In 2021, there were dividends payments to the shareholders in the amount of RUB 8,000 million and other payments in the amount of RUB 210 million).

16 Capital management

The Group has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth. Management of the Group regularly assesses an EBITDA/total borrowed funds ratio. EBITDA is determined as profit for the period excluding depreciation and amortization and net financial income/costs. Total borrowed funds are determined as the total of current and non-current loans and borrowings, bonds, trade and other payables. Provided that the method of calculating EBITDA and total borrowed funds is not prescribed by IFRS and there are no uniform rules for determining these indicators, other companies may calculate them differently.

RUB'000 000	2022	2021
Profit for the reporting year	10,267	13,762
Income tax expense	23	21
Net finance expenses/(income)	(2,131)	1,186
Depreciation of property, plant and equipment	1,513	1,574
EBITDA	**9,672**	**16,543**
Total liabilities	33,366	22,685
Total liabilities/ EBITDA	**3,45**	**1,37**

17 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortized cost. For more information about the Group's exposure to interest rate, currency and liquidity risks, refer to Note 19.

RUB'000 000	**December 31, 2022**	**December 31, 2021**
Long-term		
Long-term bank loans from related parties	2,773	6,009
Long-term borrowings from related parties	2,040	-
	4,813	**6,009**

RUB'000 000	December 31, 2022	December 31, 2021
Short-term		
Long-term bank loans from related parties	6,682	3,039
Long-term bank loans from third parties	8,868	4,518
Bonds	4,028	5,470
Short-term promissory notes issued to third parties	1,558	1,716
Short-term borrowings from non-banking companies	2,750	-
Short-term borrowings from related parties	2,142	-
	26,028	**14,743**
	30,841	**20,752**

The Group is financed, among other things, through loans issued by a bank that is a related party and has a rating of BB+(RU) according to the Analytical Credit Rating Agency (ACRA (JSC)).

In 2022, the Group entered into agreements for the purchase of previously issued bonds in the amount of RUB 1,447 million (in 2021 the Group entered into agreements for the sale of previously purchased bonds in the amount of RUB 1,316 million), including the repayment of previously accumulated coupon income - RUB 5 million (in 2021 – RUB 21 million). At December 31, 2022, bonds repurchased by the Group at the end of the period amounted to RUB 5,000 million (December 31, 2021 - RUB 554 million) in the amount of 4,993,531 bonds (December 31, 2021 - 553,856 bonds), excluding coupon income of RUB 58 million (as of December 31, 2021 –RUB 9 million).

The terms of the issue do not provide for the possibility of early redemption of bonds. However, since at the time of issue the Group announced the rates only for the first six coupons, the bondholders have the right to claim the bonds for redemption within 5 business days of the last in series bond coupon, the amount of which was determined by the Group. As a result, at December 31, 2022 the Group has classified bond payables as short-term.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	December 31, 2022				
RUB'000 000	Currency	Nominal interest rate	Year of maturity	Nominal value	Book value
Secured bank loans from related parties	RUB	1-11.25%	2023-2030	9,346	9,346
Secured bank loans from third parties	RUB	5-9.4%	2023	3,450	3,458
Unsecured bank loans from related parties	RUB	1-20%	2023	109	109
Unsecured bank loans from third parties	RUB	2.1-10%	2023	5,396	5,410
Unsecured borrowings from related parties	USD, EUR	0.5-2%	2023-2032	4,136	4,182
Unsecured borrowings from other companies	RUB	0%	2023	2,750	2,750
Bonds	RUB	9.5%	2027-2032	4,000	4,028
Promissory notes issued to third parties	RUB	0-9.5%	2023	1,544	1,558
Total liabilities				**30,731**	**30,841**

	December 31, 2022				
RUB'000 000	**Currency**	**Nominal interest rate**	**Year of maturity**	**Nominal value**	**Book value**
Secured bank loans from related parties	RUB	1-11.25%	2022-2030	8,980	8,980
Secured bank loans from third parties	RUB	2.1-9.9%	2022	1,810	1,814
Unsecured bank loans from related parties	RUB	0,5-11.5%	2022-2023	68	68
Unsecured bank loans from third parties	RUB	2.1-11%	2022	2,700	2,705
Unsecured borrowings from other companies	RUB	0%	2022	-	-
Bonds	RUB	6%	2027	5,446	5,470
Promissory notes issued to third parties	RUB	6-8%	2022	1,688	1,716
Total liabilities				**20,692**	**20,752**

Low interest rates apply to subsidized loan agreements. The Group receives grants through accredited banks that provide loans to farmers at a reduced rate. The reduced rate can be cancelled if the Group does not fulfill certain contract terms or if the budget is insufficient to provide a grant. The Group recognizes such government grants as financial income (Note 6(a)).

Bank loans are secured by the following assets:

- fixed assets with the book value of RUB 12,252 million (December 31,2021: RUB 7,749 million) – refer to Note 9
- reserves with the book value of RUB 11,606 million (December 31, 2021: RUB 10,305 million) – refer to Note 11.

(b) Reconciliation of movements in liabilities and cash flows from financing activities

	Liabilities		
RUB'000 000	**Loans and borrowings**	**Bonds**	**Total**
Balance at January 1, 2022	**15,282**	**5,470**	**20,752**
Changes from financing cash flows			
Interest paid on loans and borrowings	(1,275)	(307)	(1,582)
Proceeds from borrowings	34,896	-	34,896
Repayment of borrowings	(23,411)	-	(23,411)
Bonds issued, net		(1,447)	(1,447)
Total changes from financing cash flows	**10,210**	**(1,754)**	**8,456**
Other changes			
Interest expense on loans and borrowings	1,320	312	1,632
Exchange of bills	1		1
Total other changes	**1,321**	**312**	**1,633**
Balance at December 31, 2022	**26,813**	**4,028**	**30,841**

	Liabilities		
RUB'000 000	**Loans and borrowings**	**Bonds**	**Total**
Balance at January 1, 2021	**21,826**	**4,140**	**25,967**
Changes from financing cash flows			
Interest paid on loans and borrowings	(997)	(269)	(1,266)
Proceeds from borrowings	12,884	-	12,884
Repayment of borrowings	(19,548)	-	(19,548)
Bonds issued, net	-	1,316	1,316
Total changes from financing cash flows	**(7,661)**	**1,047**	**(6,614)**
Other changes			
Interest expense on loans and borrowings	1,115	283	1,398
Exchange of bills	2	-	2
Total other changes	**1,117**	**283**	**1,400**
Balance at December 31, 2021	**15,282**	**5,470**	**20,752**

18 Trade and other payables

RUB'000 000	**December 31, 2022**	**December 31, 2021**
Trade payables	1,041	370
Short-term liabilities to deliver the products for lease of land plots	29	97
Other payables	196	348
Other taxes payable	697	402
Advances received	153	294
	2,116	**1,511**

As at December 31, 2022, trade and other payables from related parties amounted to RUB 12 million (December 31, 2021: RUB 1 million), refer to Note 23.

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 19.

19 Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

• credit risk;

• liquidity risk;

• market risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure of the Group. The maximum exposure to credit risk at the reporting date was:

RUB'000 000	December 31, 2022	December 31, 2021
Bills	11,879	8,937
Bonds	1,432	-
Trade and other receivables	3,841	4,234
Cash and cash equivalents	4,212	363
Bank deposits	1,449	-
Other financial assets	-	383
	22,813	**13,917**

As at December 31, 2022, cash in the amount of RUB 101 million was held by a related party bank rated BB+(RU) by the Analytical Credit Rating Agency (ACRA (JSC)). (December 31, 2021: cash in the amount of RUB 363 million).

The allowance for impairment losses on promissory notes received as at December 31, 2022 amounted to RUB 58 million. The tax effect from the accrual of the provision amounted to RUB 5 million.

(ii) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers factors that could affect the credit risk of the Group's customer base, including the default risk of the specific industry or country in which customers operate, as these factors may have an impact on credit risk, particularly in the currently deteriorating economic circumstances.

As a rule, sales of agricultural products are carried out on a prepaid basis, and sales of malt are carried out on a deferred payment basis. The Group does not require collateral for trade receivables. To mitigate credit risk for such counterparties, the Group enters into factoring agreements. As of December 31, 2022, the total amount of debt transferred on them amounted to RUB 1.467 million. (December 31, 2021: RUB 623 million).

As at December 31, 2022, 78% of trade receivables are from multiple counterparties which are part of the same Group (December 31, 2021: 76%), with which the Group has had a trading relationship for more than 5 years. According to Moody's rating agency, the counterparty rating is Baa1.

In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are individual or legal entity, wholesale, retail or end-user customer, as well as their location, industry, ageing profile, maturity and existence of previous financial difficulties. Trade and other receivables relate only to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Board of Directors, and future sales are made on a prepayment basis with approval of the Board of Directors.

The expected credit loss level is calculated for receivables based on each customer's credit rating, the status of overdue amount and actual experience of credit losses over the past three years. The estimated allowance for losses from impairment of receivables as at December 31, 2021 made up RUB 10 million (as at December 31, 2021: RUB 14 million).

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has contractual commitments for the purchase of property, plant and equipment (refer to Note 21).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

RUB'000 000	Book value	Contractual cash flows	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years
December 31, 2022							
Loans and borrowings	26,813	28,408	-	7,284	15,765	3,153	2,206
Bonds	4,028	4,408	-	124	4,284	-	-
Trade and other payables	1,237	1,237	888	210	137	1	1
Currency forward contracts used for hedging(refer to Note 6(b))	-	-	-	-	-	-	-
Outflow	-	-	-	-	-	-	-
Inflow	-	-	-	-	-	-	-
Balance at 31 December 2022	**32,078**	**34,053**	**888**	**7,618**	**20,186**	**3,154**	**2,207**
December 31, 2021							
Loans and borrowings	15,282	16,568	-	2,355	7,654	6,516	43
Bonds	5,470	5,906	-	133	5,773	-	-
Trade and other payables	814	813	523	168	113	8	1
Currency forward contracts used for hedging(refer to Note 6(b))	123	48	-	19	29	-	-
Outflow	-	*9,170*	-	*3,563*	*5,607*	-	-
Inflow	-	*(9,122)*	-	*(3,544)*	*(5,578)*	-	-
Balance at 31 December 2021	**21,689**	**23,335**	**523**	**2,675**	**13,569**	**6,524**	**44**

The gross inflows (outflows) disclosed in the table above represent the contractual undiscounted cash flows related to derivative financial liabilities held to manage risks. These liabilities are not usually closed out before maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement, for example forward exchange contracts.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

The Group generates foreign currency revenues from sales of agricultural produce at European markets, the majority of which is aimed at conclusion of currency forward contracts. Net foreign exchange loss for 2022 amounted to RUB 1,665 million (for 2021, net gain was RUB 46 million). Also, net expense from changes in the fair value of currency forward contracts for 2022 amounted to RUB 1,271 million (for 2021, income was RUB 483 million). Please refer to Note 6.

Exposure to currency risk

The Group's exposure to foreign currency risk, based on nominal values, was as follows:

	31 December 2022	
RUB'000 000	**USD-denominated**	**EUR-denominated**
Trade and other receivables	1,484	308
Cash and cash equivalents	2,298	1,781
Currency forward contracts	-	-
Long-term borrowings from the related party	(2,040)	-
Short-term borrowings from the related party	(1,298)	(844)
Trade and other receivables	-	(42)
	444	**1,203**

	31 December 2021	
RUB'000 000	**USD-denominated**	**EUR-denominated**
Trade and other receivables	3,128	83
Cash and cash equivalents	5	321
Currency forward contracts used for hedging	192	(40)
Trade and other receivables	(169)	(69)
	3,156	**295**

The following significant exchange rates have been applied during the year:

RUB	Average exchange rate		Spot rate at the reporting date	
	2022	2021	2022	2021
USD 1	68,55	73,65	70,34	74,29
EUR 1	72,53	87,18	75,66	84,06

Sensitivity analysis

Strengthening/(weakening) of the RUB, as indicated below, against foreign currencies at December 31, 2022 would have increased/(decreased) equity and profit or loss before taxes by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The indicators as at December 31, 2021 were analysed, using the same principles, although reasonably possible changes to foreign currency exchange rates were different (see below):

RUB'000 000	Strengthening		Weakening	
	Equity	Profit or (loss)	Equity	Profit or (loss)
December 31, 2022				
USD (10% movement)	(45)	(45)	45	45
EUR (10% movement)	(120)	(120)	120	120
Other (10% movement)	-	-	-	-
December 31, 2021				
USD (10% movement)	(1,208)	(1,208)	1,208	1,208
EUR (10% movement)	(769)	(769)	769	769
Other (10% movement)	(8)	(8)	8	8

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group' s management has no formal policy as to how much of the Group's exposure should be divided between fixed and variable interest rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether a fixed or variable rate would be more favourable to the Group for the expected period until maturity

Structure

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

RUB'000 000	Book value	
	December 31, 2022	December 31, 2021
Fixed-rate instruments		
Financial assets	13,328	9,049
Financial liabilities	(25,432)	(11,703)
Total fixed-rate instruments	**(12,104)**	**(2,654)**

RUB'000 000	Book value	
	December 31, 2022	December 31, 2021
Variable rate instruments		
Financial liabilities	(5,409)	(9,049)
Total variable rate instruments	**(5,409)**	**(9,049)**
Total	**(17,513)**	**(11,703)**

(iii) Other market price risk

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

(e) Fair value of financial instruments

Management of the Group believes that the carrying amounts of such financial instruments as cash and cash equivalents (refer to Note 14), short-term receivables (refer to Note 13), payables (refer to Note 18) and short-term promissory notes received (refer to Note 10) approximate their fair values.

Bonds of third parties are measured at fair value through profit or loss. Fair value is determined based on quoted market prices.

As at December 31, 2022 and 2021 fair values of short-term bank loans, borrowings and promissory notes issued and bonds determined on the basis of the current value of future cash flows using discount rates which represent the best management assessment does not differ significantly from their carrying amounts.

Financial instruments with carrying amounts different from their fair values are presented below:

	December 31, 2022		December 31, 2021	
RUB'000 000	Book value	Fair value	Book value	Fair value
Long-term loans and borrowings	4,813	4,464	6,009	5,546
	4,813	**4,464**	**6,009**	**5,546**

20 Lease

(a) Leases as lessee

The Group leases land plots with an area of 59,503 ha (in 2021: 67,198 ha). Lease agreements are concluded for a term from 1 to 50 years with the right of its subsequent extension. A number of lease agreements provide for additional payments depending on changes in local price index.

Payments under lease agreements for land plots were usually made in kind.

(i) Right-of use assets

Right-of-use assets that do not meet the definition of investment property are presented within property, plant and equipment (see Note 9).

(ii) Amounts recognized in profit or loss

RUB'000	2022
Leases under IFRS 16	

RUB'000	**2022**
Interest on lease liabilities	(44)
Depreciation of right-of-use assets	(52)
Municipal lease expenses	(47)

(iii) Extension options

The Group has applied judgment to some lease contracts as a lessee to determine the lease term by reference to the period during which the contract is enforceable. The Group considers that enforceability of the lease is established not only by the written agreement (including penalty clauses) in combination with applicable legislation related to renewal or termination rights, but also by economic disincentives for the lessee and/or the lessor that might create a 'penalty' in a broader meaning. This might result in the lease enforceability period going beyond the boundaries of the written agreement because of inclusion of additional period which lasts until the moment when the 'penalty' becomes insignificant for both parties. The 'penalty' in the Group's interpretation includes, in addition to "contractual penalties", investments in land cultivation and fertilisation.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

21 Capital commitments

As at December 31, 2022, the Group entered into agreements for acquisition of agricultural machinery in the amount of RUB 74 million (as at December 31, 2021: RUB 76 million).

22 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

During the year, the Group was involved in various claims and legal proceedings arising in the normal course of business, both as a plaintiff and a defendant. Management does not believe that the Group has claims which could have a material adverse impact on its operating results, financial condition of cash flows and which are not recognized in these IFRS consolidated financial statements or in notes thereto.

(c) Tax risks

The taxation system in the Russian Federation continuous to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

The tax authorities have the power to impose severe fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation.

Current Russian transfer pricing legislation requires transfer pricing analysis for the majority of cross-border intercompany and major domestic intercompany transactions. Starting from 2019, transfer pricing control, as a general rule, is applied to domestic transactions only if both criteria are met: the parties apply different tax rates, and the annual turnover of transactions between them exceeds RUB 1 billion.

The Russian transfer pricing rules are close to OECD guidelines, but have certain differences that create uncertainty in practical application of tax legislation in specific circumstances. A very limited number of publicly available transfer pricing court cases in Russia does not provide enough certainty as to the approach to applying transfer pricing rules in Russia. The impact of any transfer pricing assessment may be material to financial statements of the Group, however, the probability of such impact cannot be reliably assessed.

Russian tax authorities may review prices used in intra-group transactions, in addition to transfer pricing audits. They may charge additional taxes payable if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions.

Russian tax authorities continue to exchange transfer pricing as well as other tax related information with tax authorities of other countries. This information may be used by the tax authorities to identify transactions for additional in-depth analysis.

In addition, changes aimed at regulating tax consequences of transactions with foreign companies have been introduced, such as concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks.

All these circumstances may create tax risks in the Russian Federation that are substantially higher than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations, could be significant. According to the Group's management, the amount of possible contingencies will not exceed 2% of the Group's revenue.

23 Related party transactions

(a) Beneficiaries of the group

The controlling shareholder of Avangard-Agro JSC is K.V. Minovalov.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management personnel received the following remuneration during the year, which is included in personnel costs (see Note 0):

RUB'000 000	2022	2021
Salaries and bonuses	20	18
Contributions to State Pension Fund	4	3

	24	**21**

Key management personnel of the Group holds positions in other entities being related parties to the Group, and part of such remuneration is paid by respective entities.

(c) Other related party transactions

(i) Related party balances

RUB'000 000	2022	2021
Promissory notes	11,879	8,937
Bank deposits	1,490	-
Other financial assets	-	271
Balances on settlement accounts	101	363
Trade and other receivables	130	2
Trade and other payables	(12)	(1)
Other short-term liabilities	-	(123)
Borrowings received	(4,181)	
Loans received	(9,456)	(9,048)
	(49)	**401**

In 2022, insurance indemnities were received from a related party in the amount of RUB 1,262 million (in 2021: RUB 496 million), loans in the amount of RUB 17,468 million and RUB 11,761 million were received and repaid, respectively (in 2021: RUB 2,600 million and RUB 5,817 million, respectively). During 2022, interest expenses of RUB 685 million were accrued on agreements with related parties. (in 2021: RUB 593 million). During the period ended December 31, 2022, promissory notes in the amount of RUB 4,021 million were sold for cash (in 2021 were purchased for cash: RUB 9,008 million) and purchases from related parties in the amount of RUB 783 million were performed (in 2021: RUB 1,448 million).

24 Subsequent events

In 2023, the Group entered into agreements for the sale of agricultural products for more than RUB 9 billion.

For the period after the reporting date, the Group repaid loans from third parties in the amount of RUB 750 million. and attracted new loans from third parties in the amount of RUB 3.450 million.

25 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets measured at fair value through profit or loss, biological assets, agricultural produce at the harvest point, and property, plant and equipment, which were independently appraised as at 1 January 2012 to determine their deemed cost as part of the adoption of IFRS and also land plots from 2015, and fixed assets used in the activities of the malt production, starting from 2022.

26 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see Note 26(a)(ii)).

The Group measures goodwill at the acquisition date as:

• the fair value of the consideration transferred; plus

• the recognized amount of any non-controlling interests in the acquiree; plus

• if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less

• the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss for the period.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If the contingent consideration is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated in full to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Acquisitions from entities under common control

Business combinations arising from acquisition of assets and liabilities of business under control of Avangard-Agro JSC Notes to the Consolidated Financial Statements for 2021 43 the Group's shareholder are accounted for using the acquisition method as at the date of control transfer to the Group at fair value at the transfer date according to IFRS 3. If a bargain purchase gain arose during the process of recognition of such transaction using the acquisition method, it is recognized in equity as shareholder contribution.

(iv) Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, which are recognized in other comprehensive income.

(c) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component are initially measured at the transaction price

(ii) Classification and subsequent measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of 'held to maturity', 'loans and receivables' and 'available-for-sale'.

Financial assets classification depends on the Group's business model for managing financial assets and contractual characteristics of cash flows from financial assets. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's assets carried at amortized cost consist of trade and other receivables, promissory notes received, cash and cash equivalents. These assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Group measures a financial asset at fair value through profit or loss, except when a financial asset is measured at amortized cost or fair value through other comprehensive income.

The Group's assets at fair value through profit or loss consist of publicly traded third party bonds.

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

The Group's financial liabilities are measured at amortized cost using the effective interest rate method. The Group has loans and borrowings, bank overdrafts and trade and other payables.

(iii) ***De-recognition and offsetting***

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Financial assets and liabilities are offset and presented in the consolidated statement of financial position in the net amount only if the Group has a legally enforceable right to offset them and intends either to settle on them on a net basis or to realize the asset and fulfill the obligation simultaneously.

(iv) ***Derivatives***

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Group holds forward derivative financial instruments to hedge its currency risk. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in the profit or loss.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of certain items of property, plant and equipment at 1 January 2012, the Group's date of transition to IFRS, was determined by reference to its fair value at that date. Information about fair values of property, plant and equipment is disclosed in Note 9.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When certain parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net within other income/other expenses in profit or loss.

(ii) Subsequent expenditures

The cost of replacing a major component of an item of property, plant and equipment increases the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Revaluation of land

Land is measured at fair value, based on periodic valuation by external independent valuers. A revaluation increase on land is recognized directly under the heading of revaluation surplus in other comprehensive income. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

A revaluation decrease on land is recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in Revaluation surplus.

(iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

Each component of an item of property, plant and equipment is depreciated on a straight-line basis over its expected useful life because that method most accurately reflects the expected consumption of the future economic benefits embodied in the asset, and the depreciation charge is included in profit or loss for the period. Leased assets are depreciated over the shorter of the lease term and the useful life of the asset, unless the Group has reasonable assurance that ownership of the related assets will pass at the end of the lease term. Land plots are not depreciated.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods were as follows:

- buildings and constructions 7–60 years;
- machinery, equipment and vehicles 3–10 years;

Depreciation methods, expected useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of self-manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Agricultural produce

Agricultural produce, which is the harvested product of the Group's biological assets, is measured at fair value less expected costs to sell at the point of harvest, which represents its cost of production. If applicable, sales costs include brokers and dealers' commission, duties payable to regulators and stock exchanges, as well as transfer payments in the form of taxes and duties. Sales costs do not include transportation and other costs required to deliver assets to a market. After harvest agricultural produce is treated as inventory and is measured at the lower of cost or net realizable value.

(ii) Investment in future crop

Investments in future crop represent pre-planting preparation of land and include the cost of fertilizers and cultivation costs. After the seeding season is over, the carrying amount of investments in future crop is reclassified in the cost of biological assets.

(g) Biological assets

Initially biological assets represent unharvested agricultural produce and both at initial and subsequent recognition at each reporting date are measured at fair value less costs to sell. If subsequent to initial recognition of costs only insignificant biological transformation occurred or, according to expectations, the transformation will not have a material impact on price, the cost of production will approximate the fair value.

The difference between the fair value less expected costs to sell and the total cost of production so far is allocated to available biological assets at each reporting date as a fair value adjustment. Gains and losses upon a change of such adjustment of biological assets in different periods and upon valuation of agricultural produce at fair value at the harvest point less costs to sell are recognized in the consolidated statement of profit or loss and other comprehensive income in the period when occurred within "Revaluation of biological assets". Write-offs of recognized biological assets as a result of crop failure in the current period are also recorded within "Revaluation of biological assets".

The Group classifies biological assets as current assets based on their average useful lives.

Provided that presently it is not practicable to determine market price or cost of unharvested crop in its current state, fair value of such unharvested crop is assessed by determining the present value of net cash flows expected from such assets and discounted at the current market rate taking into account biological transformation at the reporting date.

(h) Impairment

(i) Financial assets

IFRS 9 replaced the 'incurred loss' model with a forward-looking 'expected credit loss' (ECL) model according to the prospective approach to impairment. The new impairment model applies to financial assets measured at amortized cost.

Under IFRS 9, credit losses are recognized earlier than under IAS 39. Under IFRS 9, loss will be measured on the following bases:

• 12-month ECLs. These are ECLs that result from possible default events within 12 months after the reporting date; and

• lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group selected lifetime ECLs measurement approach as an accounting policy for trade receivables and promissory notes received.

When determining the credit risk of a financial asset at the time of initial recognition and at the reporting date, the Group considers relevant information available without undue effort. This includes both quantitative and qualitative information and analysis, including the Group's expert forecast regarding credit risk dynamics.

The Group assumes that the credit risk has increased significantly if it is more than 90 days past due.

For the purpose of ECL measurement the Group specifies the following indicators of a potential default:

- the lender is not likely to be able to fully meet its obligations to the Group in full, except for the option of realizing the collateral, if any, by the Group;
- the account is overdue by more than 90 days and there is no agreement on the timing of the settlement of the debt.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that is the difference between the cash flows in accordance with the contract and the cash flows that the Group expects to receive). The effective interest rate is applied to the ECLs on non-current financial assets.

At each reporting date, the Group assesses whether financial assets are non-refundable. The financial asset is 'non-refundable' when one or more events that have a detrimental impact on cash flows owed to the Group.

Impairment allowances are deducted from the carrying amount of financial assets carried at amortized cost. Impairment losses on trade and other receivables are presented as part of the net operating expenses; impairment losses on promissory notes received are presented as part of financial expenses.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. As at December 31, 2022, the estimated allowance for impairment losses on promissory notes received amounted to RUB 58 million. The tax effect from the allowance accrual amounted to RUB 5 million.

Loans and receivables and held-to-maturity investment securities

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables are individually assessed for impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, the CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Revenue

The Group's revenue is represented by revenue from contracts with customers.

Revenue from the sale of finished products and goods in the course of ordinary activities is measured based on the consideration specified in a contract with a customer, net of returns and any trade or wholesale discounts. The Group recognises revenue when control over goods and services passes to the customer.

The timing of the control transfers varies depending on the individual terms of the sales agreement. For sales of wheat, the transfer usually occurs when the product is received by the customer at the dispatcher's (supplier's) warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port of the seller. For sales of other agricultural produce, the transfer of control occurs when the product is received by the customer either at the dispatcher's (supplier's) warehouse or at the customer's warehouse depending on the terms of the agreement. Generally, the customer has a right of return that do not meet the contractual conditions and revenue is recognised to the extent that there is a very high probability that there will be no need to reverse this amount and recognize a significant decrease in the total amount of recognized revenue.

Products are sold to customers under contracts that generally differ in terms, but not exceeding one year (therefore, there is no significant financing component) and pricing mechanisms, including with respect to a certain volume sold on the spot market.

As a rule, sales are made on a prepaid basis for customers on the territory of the Russian Federation and on CAD (Cash against documents) terms, or against a letter of credit for foreign customers. Credit terms for certain customers are approved by the Board of Directors.

(j) Government grants

Grants that compensate the Group for expenses incurred are recognized net in the cost of sales in the periods in which such grants are actually received.

Grants that compensate the Group for interest expenses incurred under bank loan agreements are recognized gross within finance costs.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale investments, incremental fair value of financial assets measured through profit or loss, and gains on the remeasurement to fair value of any pre-existing interest in an acquiree. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, losses on the remeasurement of the fair value of financial assets measured at fair value through profit or loss, and impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(l) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred income tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available causing the Group to change its judgment regarding the adequacy of existing tax liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Lease

At inception of a contract, the entity assesses whether a contract is, or contains, a lease.

The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This accounting policy is applicable to contracts that were concluded on or after January 1, 2019.

(i) Group as a lessee

The Group recognizes any right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the value of the right-of-use asset is periodically reduced by the amount of impairment losses, if any, and adjusted at certain revaluations of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate based on interest rates from various external sources and makes certain adjustments to take into account the lease terms and type of asset.

The lease payments in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the lease commencement date;
- amounts that are expected to be paid by the lessee under the residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise the extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

The Group has elected not to recognise the right-of-use assets and lease liabilities for leases of low-value assets and short-term leases.

In accordance with IFRS 16 variable payments which do not depend on an index or rate, that is do not reflect changes in market lease rates, should not be included in calculation of lease liability. In respect of municipal or federal land leases where lease payments are based on cadastral value of the land plot and do not change until the next revision of that value or the applicable rates (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market lease rates) or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

27 New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2022 and earlier application is permitted; However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Revenue received before the asset is expected to be used, Onerous contracts – cost to fulfill a contract – limited scope amendments to IAS 16, IAS 37 and IFRS 3, and IFRS 2018-2020 Annual Improvements relating to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on May 14, 2020 and effective for annual periods beginning on or after January 1, 2022 dates).

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after January 1, 2023, and which the Group has not early adopted.

- Amendments to IFRS 10 and IAS 28 – "Sale or contribution of assets in transactions between an investor and its associate or joint venture"
- IFRS 17 "Insurance Contracts"
- Amendments to IFRS 17 and amendments to IFRS 4
- Classification of liabilities into current and non-current – Amendments to IAS 1
- Amendments to IAS 1 and IFRS Practice Guide 2: Accounting Policy Disclosures
- Amendments to IAS 8:" Determination of Accounting Estimates"
- Deferred tax on assets and liabilities arising from the same transaction – Amendments to IAS 12
- Lease liabilities on sale and leaseback – Amendments to IFRS 16
- Long-term liabilities with covenants – Amendments to IAS 1

While there is no requirement to disclose new standards or amendments to standards that do not have a significant effect on the financial statements, the Group has included disclosures about new standards and amendments to existing standards and their potential impact on the consolidated financial statements for illustrative purposes.

28 Operating segments

Operating segments are determined based on the internal component reports which are reviewed by the Board of Directors on a regular basis. For each of the strategic business units, internal management reports are reviewed on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Agricultural production. Comprises production and sale of agricultural produce in the Russian Federation and abroad.

- Malting production. Comprises production and sale of barley and wheat malt in the Russian Federation and abroad. This operating segment was created in 2015 as a result of the acquisition of malt production business by the Group.

There are varying levels of integration between reportable segments. In particular, integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on the same terms as for transactions between independent parties.

Information regarding the results of each reportable segment is set out below. Performance is measured based on segment revenue and cost of sales. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(i) Information about reportable segments

	Agricultural production		Malt production		Total	
RUB'000 000	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
External revenue	9,552	13,554	16,026	14,207	25,578	27,761
Inter-segment revenue	8,806	7,476	-	-	8,806	7,476
Segment revenue	**18,358**	**21,029**	**16,026**	**14,207**	**34,384**	**35,237**
Segment gross profit	**3,921**	**14,303**	**5,974**	**2,415**	**9,895**	**16,718**
Finance income	3,846	768	-	-	3,846	768
Finance costs	(1,715)	(1,954)	-	-	(1,715)	(1,954)
Depreciation	1,173	1,199	340	375	1,513	1,574
Segment assets	**91,230**	**73,733**	**24,000**	**8,545**	**115,230**	**82,278**
Fixed assets	48,955	40,513	19,228	3,276	68,183	43,789

(ii) Revenue reconciliation of reportable segments

RUB'000 000	**2022**	**2021**
Revenue		
Total revenue for reportable segments	34,384	35,237
Elimination of inter-segment revenue	(8,806)	(7,476)
Consolidated revenue	**25,578**	**27,761**

(iii) Geographic information

During 2022, revenue from the sale of agricultural produce to ultimate customers in the Russian Federation and abroad amounted to RUB 16,724 million and RUB 8,854 million, respectively (2021: RUB 14,594 million and RUB 13,167 million in the Russian Federation and abroad, respectively). The main export destination is Central America.

At December 31, 2022 and 2021, all non-current assets of the Group were located in the Russian Federation.

(iv) Major customer

In 2022, revenue from one customer of the Group's *Agricultural production* segment represented approximately 11% (RUB 1,947 million) of the segment total revenue (in 2021, the Group's segment - 17% (RUB 2,246 million).

In 2022, revenue from one customer of the Group's *Malt production* segment represented approximately 37% (RUB 5,866 million) of the segment total revenue (in 2021, the Group's segment - 47% (RUB 6,668 million).