PJSC “Rosseti Lenenergo”

Consolidated IFRS financial statements and Auditor’s report

for the year ended December 31, 2022, and at that date

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	Notes	For the year ended December 31, 2022	2021 (restated)
Revenue	7	95,198,351	93,505,812
Operating expenses	10	(69,496,882)	(66,225,915)
Accrual (recovery) of provision for expected credit losses, net	32	(318,431)	196,322
Impairment loss on fixed assets	15	(3,489,864)	(11,018,008)
Other income	8	2,798,881	1,481,002
Other expenses	9	(239,090)	(1,001,933)
Operating profit		**24,452,965**	**16,937,280**
Finance income	12	1,546,745	682,191
Finance costs	12	(2,062,630)	(1,099,510)
Profit before tax		**23,937,080**	**16,519,961**
Income tax expenses	13, 14	(4,073,367)	(3,332,147)
Profit for the period		**19,863,713**	**13,187,814**
Other comprehensive income/(loss)			
Items that may not be subsequently reclassified to profit or loss			
Changes in fair value of equity investments at fair value through other comprehensive income		(3,179)	(7,814)
Effect of income tax	13	(10,061)	1,311
Revaluation of defined benefit pension plan liabilities	13, 27	22,509	55,364
Effect of income tax	13	(4,502)	(11,073)
Total items that may not be subsequently reclassified to profit or loss		**4,767**	**37,788**
Other comprehensive loss for the period net of income tax		**4,767**	**37,788**
Total comprehensive income for the period		**19,868,480**	**13,225,602**
Profit attributable to:			
Owners of the Company		19,863,713	13,187,814
Holders of non-controlling interests		-	–
Total comprehensive income attributable to:			
Owners of the Company		19,868,480	13,225,602
Holders of non-controlling interests		-	–
Earnings per share			
Basic earnings per share (RUB)	24	2.32	1.54

These consolidated financial statements were approved by the Management on April 14, 2023 and signed on behalf of the Management by the following persons:

CEO I.A. Kuzmin

Acting Chief Accountant M.S. Ivanova
Order No.

The Notes are an integral part of these consolidated financial statements.

	Notes	At December 31, 2022	At December 31, 2021 (restated)	At January 1, 2021 (restated)
ASSETS				
Non-current assets				
Fixed assets	15	219,998,804	209,673,080	196,966,353
Intangible assets	16	639,157	673,779	778,496
Right-of-use assets	17	1,289,121	1,601,067	1,667,715
Trade and other receivables	20	220,218	113,315	255,835
Assets related to employee benefit liabilities	27	96,671	114,323	98,120
Other non-current financial assets	18	1,765,334	3,532,998	7,544,536
Deferred tax assets	14	9,057	3,600	–
Prepayments and other non-current assets	21	1,742,873	1,269,698	1,007,069
Total non-current assets		**225,761,235**	**216,981,860**	**208,318,124**
Current assets				
Inventories		1,738,121	865,212	999,373
Income tax prepayment		79,002	246,406	596,567
Trade and other receivables	20	5,088,863	4,282,829	3,299,814
Prepayments and other current assets	21	4,095,572	3,721,118	3,819,264
Other current financial assets	18	3,150,916	2,799,415	–
Cash and cash equivalents	22	14,975,881	5,275,087	1,760,327
Total current assets		**29,128,355**	**17,190,067**	**10,475,345**
Total assets		**254,889,590**	**234,171,927**	**218,793,469**
EQUITY AND LIABILITIES				
Equity				
Share capital	23	13,089,482	13,089,482	13,089,482
Treasury shares	23	(456,255)	(456,255)	(456,255)
Share premium		52,075,215	52,075,215	52,075,215
Other provisions		1,292,558	1,292,558	1,292,558
Retained profit		99,748,628	88,606,839	78,986,268
Total equity attributable to the owners of the Company		**165,749,628**	**154,607,839**	**144,987,268**
Non-current liabilities				
Long-term borrowings	25	11,587,676	24,890,335	27,421,294
Long-term trade and other payables	28	12,125	37,541	7,930
Long-term prepayments	30	10,915,850	7,391,960	5,507,604
Employee benefit liabilities		824,688	779,303	759,876
Deferred tax liabilities		4,634	70,206	815,590
Total non-current liabilities		**23,344,973**	**33,169,345**	**34,512,294**
Current liabilities				
Short-term borrowings and short-term portion of long-term borrowings	25	17,926,795	7,104,408	3,267,433
Trade and other payables	28	19,062,290	14,358,572	13,832,799
Taxes payable other than income tax	29	3,302,706	2,127,740	900,779
Short-term prepayments	30	18,177,495	14,553,728	13,310,227
Estimated liabilities	31	7,284,385	8,249,971	7,981,040
Current income tax payable		41,318	324	1,629
Total current liabilities		**65,794,989**	**46,394,743**	**39,293,907**
Total liabilities		**89,139,962**	**79,564,088**	**73,806,201**
Total equity and liabilities		**254,889,590**	**234,171,927**	**218,793,469**

The Notes are an integral part of these consolidated financial statements.

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**19,863,713**	**13,187,814**
Adjustments for:			
Depreciation of fixed assets, intangible assets, and right-of-use assets	15	19,057,416	14,257,065
Impairment loss on fixed assets	15	3,489,864	11,018,008
Non-cash payments for grid connection		(1,192,276)	(2,705,482)
Non-cash lease payments		(55,367)	(4,432)
Finance costs	12	2,062,630	1,099,510
Finance income	12	(1,546,745)	(682,191)
Financial result from disposal of fixed assets and impairment of intangible assets	9	239,090	1,001,933
Reversal of impairment of inventories	10	(9,657)	(35,956)
Reversal (accrual) of provision for expected credit losses	32	318,431	(196,322)
Accrual/(reversal) of advances issued, net	10	(175,112)	(21,558)
Write-off (reversal) of receivables		(7,585)	42,830
Write-off of payables	8	(952,181)	(191,244)
Accrual of provisions	31	143,104	745,937
Income tax expenses	13	4,073,367	3,332,147
Total effect of adjustments		**25,444,979**	**27,660,245**
Change in assets related to employee benefit liabilities		17,652	(16,203)
Change in employee benefit liabilities		11,623	34,387
Change in long-term trade and other receivables		(107,585)	151,618
Change in long-term advances issued and other non-current assets		(473,175)	(262,629)
Change in long-term trade and other payables		(69,360)	28,119
Change in long-term prepayments		3,544,966	1,884,356
Cash flows from operating activities before changes in working capital		**48,232,813**	**42,667,707**
Changes in operating assets and liabilities:			
Change in trade and other receivables		(1,073,639)	(808,782)
Change in advances issued and other assets		(12,678)	117,200
Change in inventories		(859,352)	218,172
Change in trade and other payables, taxes payable (other than income tax)		4,169,594	1,301,871
Change in prepayments		3,623,767	872,066
Income from donated fixed assets and inventories		18,295	–
Cash flows from operating activities before income tax and interest		**54,098,800**	**44,368,234**
Income tax paid		(3,957,689)	(3,752,193)
Interest paid under lease agreements	26	(145,776)	(112,925)
Interest paid	26	(2,128,238)	(1,467,067)
Net cash generated from operating activities		**47,867,097**	**39,036,049**

The Notes are an integral part of these consolidated financial statements.

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021 (restated)
CASH FLOWS INVESTING ACTIVITIES			
Acquisition of fixed and intangible assets		(31,907,504)	(33,987,873)
Return of advances previously issued for capital construction		–	9,437
Proceeds from sale of fixed and intangible assets		–	–
Opening of deposits and acquisition of financial investments		(4,139,924)	(3,940,415)
Closing of deposits and disposal of financial investments		4,052,382	4,731,730
Interest received		1,280,313	552,980
Net cash used in investing activities		**(30,714,733)**	**(32,634,141)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowed funds	26	53,204,057	18,540,402
Repayment of borrowings	26	(55,305,269)	(17,254,940)
Dividends paid	26	(4,944,950)	(3,647,622)
Payments of lease liabilities	26	(405,408)	(524,988)
Net cash used in financing activities		**(7,451,570)**	**(2,887,148)**
Net increase in cash and cash equivalents		**9,700,794**	**3,514,760**
Cash and cash equivalents at the beginning of the period	22	**5,275,087**	**1,760,327**
Cash and cash equivalents at the end of the period	22	**14,975,881**	**5,275,087**

The Notes are an integral part of these consolidated financial statements.

	Equity attributable to the owners of the Company					
	Share capital	**Share premium**	**Treasury shares**	**Other provisions**	**Retained profit**	**Total equity**
Balance at January 1, 2022	**13,089,482**	**52,075,215**	**(456,255)**	**26,310,183**	**63,561,746**	**154,580,371**
Effect of changes in the accounting policy (Note 2.5)	–	–	–	(25,017,625)	25,045,093	**27,468**
Balance at January 1, 2022 (restated)	**13,089,482**	**52,075,215**	**(456,255)**	**1,292,558**	**88,606,839**	**154,607,839**
Profit for the period	–	–	–	–	19,863,713	**19,863,713**
Other comprehensive loss	–	–	–	–	19,330	**19,330**
Income tax relating to other comprehensive loss	–	–	–	–	(14,563)	**(14,563)**
Total comprehensive income	–	–	–	–	**19,868,480**	**19,868,480**
Dividends to shareholders (Note 23)	–	–	–	–	(8,726,691)	**(8,726,691)**
Balance at December 31, 2022	**13,089,482**	**52,075,215**	**(456,255)**	**1,292,558**	**99,748,628**	**165,749,628**

	Equity attributable to the owners of the Company					
	Share capital	**Share premium**	**Treasury shares**	**Other provisions**	**Retained profit**	**Total equity**
Balance at January 1, 2021	**13,089,482**	**52,075,215**	**(456,255)**	**28,753,009**	**51,504,935**	**144,966,386**
Effect of changes in the accounting policy (Note 2.5)	–	–	–	(27,460,451)	27,481,333	20,882
Balance at January 1, 2021 (restated)	**13,089,482**	**52,075,215**	**(456,255)**	**1,292,558**	**78,986,268**	**144,987,268**
Profit for the period (restated)	–	–	–	–	13,187,814	**13,187,814**
Other comprehensive income	–	–	–	–	47,550	**47,550**
Income tax relating to other comprehensive income	–	–	–	–	(9,762)	**(9,762)**
Total comprehensive income for the period (restated)	–	–	–	–	**13,225,602**	**13,225,602**
Dividends to shareholders (Note 23)	–	–	–	–	(3,605,031)	**(3,605,031)**
Balance at December 31, 2021 (restated)	**13,089,482**	**52,075,215**	**(456,255)**	**1,292,558**	**88,606,839**	**154,607,839**

The Notes are an integral part of these consolidated financial statements.

1. General Information

1.1. The Group and its activities

Public Joint-Stock Company "Rosseti Lenenergo" (formerly PJSC "Lenenergo", change of name entered into the Unified State Register of Legal Entities in July 2020), short name: PJSC "Rosseti Lenenergo" ("Company") was established on January 22, 1993 as the successor of "Lenenergo" Energy and Electrification Company, a government-financed company and production association, to the extent set in the privatization plan of December 22, 1992. On October 1, 2005, as a result of reorganization of the Company after the spin-off of production, sale and distribution of electric power, the Company retained distribution grids related to electric power distribution.

At December 31, 2022, the Group included the Company and its subsidiaries, hereafter collectively referred to as the "Group". Information on the Group structure is presented in Note 5. The Group operates in Saint Petersburg and the Leningrad Region.

The Group's core business is to distribute and transmit electricity, and to connect customers to power grids.

Registered address of the Company: 197227, Saint Petersburg, Ozero Dolgoye, ul. Gakkelevskaya, 21, lit. A

At December 31, 2022, the Group's headcount was 8,262 (December 31, 2021: 8,507).

The Group is controlled by Public Joint-Stock Company "Russian Grids" (hereafter, PJSC "Rosseti"). At December 31, 2022, PJSC "Rosseti" directly held 67.48% (December 31, 2021: 67.48%) of the Group's share capital, including 68.22% (December 31, 2021: 68.22%) of ordinary shares. The ultimate holding company is PJSC "Rosseti". At December 31, 2022, the Saint Petersburg municipality represented by the Saint Petersburg Property Relations Committee held 28.80% (December 31, 2021: 28.80%) of the Group's share capital, including 29.11% (December 31, 2021: 29.11%) of voting shares. See also Note 1.3.

1.2. Operating environment of the Group

The Group operates in the Russian Federation and therefore is exposed to risks associated with the state of the economy and financial markets of the Russian Federation.

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to evolve and are subject to frequent changes and varying interpretations.

In 2022, international sanctions against certain Russian companies and individuals continued, thus enhancing the effect of economic and other factors and the uncertainty in the Russian business environment. In 2022, the Russian economy kept experiencing high uncertainty driven by external and internal factors, with substantial volatility of financial indicators. The US, UK and EU have imposed sanctions on certain Russian banks. All of the above has an adverse effect on the Russian economy. At the same time, the reporting year saw a restructuring of the economy, and a number of legislative measures assisted Russian economy to maintain stability and adapt to the developments.

1. General information (continued)

1.2 Operating environment of the Group (continued)

The Group is taking necessary measures to ensure sustainability of operations These consolidated financial statements reflect the Management's assessment of the impact of the Russian business environment on the operations and financial position of the Group. Actual effect of the future business environment may differ from the current estimates.

1.3. Government relations

The Russian Government represented by the Federal Agency for State Property Management is the ultimate controlling party of the Company. Economic, social and other policies of the Government of Russian Federation may have a significant impact on the financial and economic activities of the Group.

The State has an impact on the Group's activities by having its representatives in the Board of Directors, through regulation of tariffs in the power industry, approval of the investment program and supervision of progress thereunder. The Group's counterparties (customers, suppliers and contractors) include a significant number of companies associated with the major shareholder of the parent company (Note 35).

At December 31, 2022 and December 31, 2021, the equity interest of the Russian Federation in the ultimate holding company PJSC "Rosseti" was 88.04%, including 88.89% of ordinary voting shares, 7.01% of preference shares.

On September 16, 2022, the Extraordinary General Meeting of Shareholders of PJSC "Rosseti" resolved to reorganize PJSC "Rosseti" through affiliation to PJSC "Federal Grid Company – Rosseti" subject to the procedure and terms set out in the affiliation agreement.

On January 9, 2023, a record was made in the Unified State Register of Legal Entities on the discontinuation of PJSC "Rosseti" due to the takeover by Public Joint Stock Company "Federal Grid Company – Rosseti", the universal successor of "PJSC Rosseti". After the reorganization, the equity interest of the Russian Federation in Public Joint Stock Company Federal Grid Company-Rosseti, the ultimate holding company of the Group, amounted to 75.000048%.

1.4. Financial position and liquidity

The Group manages liquidity risk so as to ensure, to the maximum extent possible, that the Group always has sufficient liquidity to meet its liabilities as they fall due without incurring unacceptable losses (see also Note 32).

a) At December 31, 2022, the Group's current liabilities exceeded its current assets by 36,666,634 (December 31, 2021: 29,204,676). Prepayments for future services account for a significant portion of the Group's current liabilities.

b) At December 31, 2022, the Group had an available credit limit whereby it can raise additional funds to the total amount of 90,559,897 (December 31, 2021: 119,601,728). At December 31, 2022, the Group's available credit limit included:

   - 20,469,717 under revolving facilities opened to the Group with the bank's loan commitment (December 31, 2021: 44,414,780);

1. General information (continued)

1.4. Financial position and liquidity (continued)

- 68,000,000 under revolving facilities opened to the Group without the bank's loan commitment (December 31, 2021: 73,335,400);
- 2,090,180 - credit resources in the form of overdraft (December 31, 2021: 1,851,548).

c) In 2022, the Group earned profit in the amount of 19,863,714 (2021: 13,187,814).

d) Net cash flow from operating activities amounted to 47,867,092 (2021: 39,036,049).

The Group's Management believes that the Group will be able to continue as a going concern and, as a result, it will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Principles of financial statements consolidation

2.1. Statement of compliance with IFRS

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

Each entity within the Group keeps separate accounting records and prepares accounting (financial) statements in accordance with the Russian Accounting Standards ("RAS"). These consolidated financial statements have been prepared on the basis of RAS accounting data with adjustments and reclassifications that are required for true and fair presentation of information in accordance with IFRS.

2.2. Value measurement basis

These consolidated financial statements have been prepared under the historical carried at a revalued amount and financial assets at fair value through profit or loss.

2.3. Functional and presentation currency

The functional currency of the Company and its subsidiaries and the presentation currency of these consolidated financial statements is the Russian Ruble (the "Ruble" or "RUB"). All figures in Russian rubles have been rounded to the nearest thousand, unless otherwise specified.

2.4. Use of estimates and professional judgments

The Group makes estimates and assumptions that affect the amounts reported in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually reviewed and are based on Management's past experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. In the process of applying the accounting policies, the Management also uses professional judgments, in addition to those related to accounting estimates.

Judgments that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include the following:

2. Principles of financial statements consolidation (continued)

2.4. Use of estimates and professional judgments (continued)

Impairment of fixed assets and right-of-use assets

The Group's Management assesses at each reporting date whether there is objective evidence that fixed assets and right-of-use assets are impaired. Indicators of impairment include changes in business plans, tariffs, other factors resulting in adverse effects for the Group's activities. In assessing value in use, the Management evaluates the estimated cash flows from an asset or a group of assets generating cash and determines the acceptable discount rate to calculate the present value of such cash flows. Detailed information is presented in Note 15.

Establishing the lease term under lease agreements with an option to extend or an option to terminate - the Group as a lessee

The Group defines lease term as non-cancellable period of a lease together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option or periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. See Note 17.

In making judgments to assess whether the Group is reasonably certain to exercise an option to extend or an option to terminate the lease when establishing the lease term, the Group considers the following factors:

- whether the leased asset is specialized;
- location of the asset;
- whether the Group and the lessor have a practical opportunity to choose an alternative counterparty (alternative asset);
- costs associated with terminating the lease and entering into a new (substitution) agreement;
- significant leasehold improvements.

Impairment of financial assets. At each reporting date, the Group assesses, on an individual or group basis, whether credit risk has significantly increased for financial assets at amortized cost (other than accounts receivable) and for financial assets at fair value through other comprehensive income since their initial recognition. For the purpose of expected credit losses measurement, financial assets are grouped by the type of instrument. The Group concludes whether a significant increase in credit risk has occurred or not by analyzing all reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. To assess credit risk changes, the Group maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. See Note 18.

Impairment of receivables. Allowance for expected credit losses on accounts receivable is created individually based on the Management's assessment of the probability of repayment of accounts receivable by debtors. To assess credit losses, the Group consistently takes into account all reasonable and supportable information that is available about past events, current conditions and forecasts of future conditions and is relevant for the assessment of accounts receivable. Past experience is adjusted based on currently available data in order to reflect current conditions that did not affect previous periods and to exclude the impact of past conditions that no longer exist. See Notes 20 and 32.

2. Principles of financial statements consolidation (continued)

2.5. Changes in accounting policy, estimates and professional judgments

Fixed assets accounting. Starting from January 1, 2022, the Group has changed its accounting policy for fixed assets and now reports its fixed assets at historical cost less accumulated depreciation and impairment losses. The Group's Management believes that by migrating from the model of accounting for fixed assets at historical amount to the model of accounting for fixed assets at actual cost less accumulated depreciation and impairment losses, the Group can provide the users of the consolidated financial statements with more relevant and reliable information about the financial position and performance of the Group. This fixed assets accounting model has been adopted by the parent company of PJSC "Rosseti" and is also used by many other power industry enterprises and major foreign power grid companies. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, changes in the accounting policy are reflected in the Group's consolidated financial statements retrospectively, therefore comparative figures were restated.

Classification of leases. Starting from January 1, 2022, the Group has changed its judgment regarding the classification of certain land lease agreements with state and municipal authorities as part of lease agreements, for which assets and liabilities were previously reported in the balance sheet. For all of its existing lease agreements, the Group analyzed the procedure for lease payment calculation in relation to current market conditions. Where the periodic lease payment under the agreement is calculated using various coefficients established by state and municipal authorities, the Group does not consider such payment to be affected by market indexes or rates and does not recognize a right-of-use asset and a corresponding lease obligation under such an agreement in its consolidated financial statements. Variable lease payments under such agreements are reported in expenses in the period, in which an event occurs that affects the amount of payment.

The Group's Management believes that the change in the judgment concerning the accounting of land lease agreements with state and municipal authorities, under which lease payments are calculated using various coefficients set by the state and municipal authorities, will provide the users of the consolidated financial statements with more relevant and reliable information about the financial position and performance of the Group. This change in the Management's judgment resulted in a change in the accounting policy for lease agreements, which was reflected in the consolidated financial statements retrospectively.

The effects of changes in comparative figures are presented below:

2. Principles of financial statements consolidation (continued)

2.5. Changes in accounting policy, estimates and professional judgments (continued)

Consolidated statement of financial position at January 1, 2021

	Before restatement January 1, 2021	Effect of changes in the accounting policy for fixed assets	Effect of changes in the accounting policy for leases	After restatement January 1, 2021
ASSETS				
Non-current assets				
Fixed assets	196,959,774	6,579	–	196,966,353
Right-of-use assets	2,357,087	–	(689,372)	1,667,715
Total non-current assets	**209,000,917**	**6,579**	**(689,372)**	**208,318,124**
Total assets	**219,476,262**	**6,579**	**(689,372)**	**218,793,469**
EQUITY AND LIABILITIES				
Equity				
Other provisions	28,753,009	(27,460,451)	–	1,292,558
Retained profit	51,504,935	27,465,714	15,619	78,986,268
Total equity attributable to the owners of the Company	**144,966,386**	**5,263**	**15,619**	**144,987,268**
Non-current liabilities				
Long-term borrowings	28,116,340	–	(695,046)	27,421,294
Deferred tax liabilities	810,369	1,316	3,905	815,590
Total non-current liabilities	**35,202,119**	**1,316**	**(691,141)**	**34,512,294**
Current liabilities				
Short-term borrowings and short-term portion of long-term borrowings	3,281,283	–	(13,850)	3,267,433
Total current liabilities	**39,307,757**	**–**	**(13,850)**	**39,293,907**
Total liabilities	**74,509,876**	**1,316**	**(704,991)**	**73,806,201**
Total equity and liabilities	**219,476,262**	**6,579**	**(689,372)**	**218,793,469**

2. Principles of financial statements consolidation (continued)

2.5. Changes in accounting policy, estimates and professional judgments (continued)

Consolidated statement of financial position at December 31, 2021

	Before restatement December 31, 2021	Effect of changes in the accounting policy for fixed assets	Effect of changes in the accounting policy for leases	After restatement December 31, 2021
ASSETS				
Non-current assets				
Fixed assets	209,671,641	1,439	–	209,673,080
Right-of-use assets	2,384,915	–	(783,848)	1,601,067
Total non-current assets	**217,764,269**	**1,439**	**(783,848)**	**216,981,860**
Total assets	**234,954,336**	**1,439**	**(783,848)**	**234,171,927**
EQUITY AND LIABILITIES				
Equity				
Other provisions	26,310,183	(25,017,625)	–	1,292,558
Retained profit	63,561,746	25,018,776	26,317	88,606,839
Total equity attributable to the owners of the Company	**154,580,371**	**1,151**	**26,317**	**154,607,839**
Non-current liabilities				
Long-term borrowings	25,694,394	–	(804,059)	24,890,335
Deferred tax liabilities	63,339	288	6,579	70,206
Total non-current liabilities	**33,966,537**	**288**	**(797,480)**	**33,169,345**
Current liabilities				
Short-term borrowings and short-term portion of long-term borrowings	7,117,093	–	(12,685)	7,104,408
Total current liabilities	**46,407,428**	**–**	**(12,685)**	**46,394,743**
Total liabilities	**80,373,965**	**288**	**(810,165)**	**79,564,088**
Total equity and liabilities	**234,954,336**	**1,439**	**(783,848)**	**234,171,927**

The effect of changes in the accounting policy for "Other provisions" is expressed in the transfer of the previously accrued revaluation provision to retained earnings.

2. Principles of financial statements consolidation (continued)

2.5. Changes in accounting policy, estimates and professional judgments (continued)

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

	Before restatement for the year ended December 31, 2021	Effect of changes in the accounting policy for fixed assets	Effect of changes in the accounting policy for leases	After restatement for the year ended December 31, 2021
Operating expenses	**(66,148,771)**	**(37,237)**	**(39,907)**	**(66,225,915)**
Depreciation of fixed assets, intangible assets, and right-of-use assets	***(14,252,317)***	***(37,237)***	***32,489***	***(14,257,065)***
Production work and services, including:	***(22,729,354)***	**–**	***(72,396)***	***(22,801,750)***
Short-term leases and leases with variable payments	(34,028)	**–**	(72,396)	(106,424)
(Impairment loss on fixed assets(reported in profit and loss)	(7,081,576)	(3,936,432)	**–**	(11,018,008)
Other expenses	**(1,011,089)**	**9,156**	**–**	**(1,001,933)**
Financial result from disposal of fixed assets	(622,118)	9,156	–	(612,962)
Operating profit/(loss)	**20,941,700**	**(3,964,513)**	**(39,907)**	**16,937,280**
Finance costs	**(2,272,363)**	**1,119,574**	**53,279**	**(1,099,510)**
Interest expense on financial liabilities carried at amortized cost	(1,527,078)	1,119,574	**–**	(407,504)
Interest expense on lease liabilities	(166,204)	**–**	53,279	(112,925)
Profit before tax	**19,351,528**	**(2,844,939)**	**13,372**	**16,519,961**
Income tax expenses	(3,898,461)	568,988	(2,674)	(3,332,147)
Profit for the period attributable to the owners of the Company	**15,453,067**	**(2,275,951)**	**10,698**	**13,187,814**
Impairment loss on fixed assets (reported in profit and loss)	(2,839,799)	2,839,799	**–**	**–**
Effect of income tax	567,960	(567,960)	**–**	**–**
Other comprehensive loss for the period net of income tax	**(2,234,051)**	**2,271,839**	**–**	**37,788**
Total comprehensive income for the period attributable to the owners of the Company	**13,219,016**	**(4,112)**	**10,698**	**13,225,602**
Basic earnings per share (RUB)	**1.81**	**(0.26)**	**–**	**1.54**

The effect of changes in accounting policy for "Interest expense on financial liabilities carried at amortized cost" is expressed in the difference in the amount of capitalized borrowing costs.

2. Principles of financial statements consolidation (continued)

2.5. Changes in accounting policy, estimates and professional judgments (continued)

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

	Before restatement for the year ended December 31, 2021	Effect of changes in the accounting policy for fixed assets	Effect of changes in the accounting policy for leases	After restatement for the year ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the period	15,453,067	(2,275,951)	10,698	13,187,814
Depreciation of fixed assets, intangible assets, and right-of-use assets	14,252,317	37,237	(32,489)	14,257,065
Impairment loss on fixed assets	7,081,576	3,936,432	–	11,018,008
Finance costs	2,272,363	(1,119,574)	(53,279)	1,099,510
Financial result from disposal of fixed assets and impairment of intangible assets	1,011,089	(9,156)	–	1,001,933
Income tax expenses	3,898,461	(568,988)	2,674	3,332,147
Total effect of adjustments	**25,467,388**	**2,275,951**	**(83,094)**	**27,660,245**
Cash flows from operating activities before changes in working capital	**42,740,103**	**–**	**(72,396)**	**42,667,707**
Change in trade and other payables, taxes payable (other than income tax)	1,375,829	–	(73,958)	1,301,871
Cash flows from operating activities before income tax and interest	**44,514,588**	**–**	**(146,354)**	**44,368,234**
Interest paid under lease agreements	(166,204)	–	53,279	(112,925)
Net cash generated from operating activities	**39,129,124**	**–**	**(93,075)**	**39,036,049**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of lease liabilities	(618,063)	–	93,075	(524,988)
Net cash used in financing activities	**(2,980,223)**	**–**	**93,075**	**(2,887,148)**

2.6. Reclassification of comparative data

Certain amounts in comparative data for the previous period have been reclassified to conform to the current period's presentation. All reclassifications are not material.

2. Principles of financial statements consolidation (continued)

2.7. New standards, interpretations and amendments to the existing standards

The below amendments to standards became mandatory from January 1, 2022 but did not have a significant impact on the Group's consolidated financial statements:

- Proceeds before Intended Use, Onerous Contracts - Cost of Fulfilling a Contract,
- Reference to the Conceptual Framework - narrow-scope amendments to IAS 16, IAS 37 and IFRS 3,
- and Annual Improvements to IFRSs 2018-2020 - amendments 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).

A number of new standards and interpretations effective for annual periods beginning on or after January 1, 2023 were issued. The Group will adopt the standards and amendments when they become effective; no material impact on the Group's consolidated financial statements is expected.

- IFRS 17 Insurance Contracts (issued on May 18, 2017 and effective for annual periods beginning on or after January 1, 2021, the effective date was subsequently deferred until January 1, 2023 by Amendments to IFRS 17 issued on June 25, 2020).
- Classification of Liabilities as Current or Non-Current - Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after January 1, 2022), the effective date was subsequently deferred until January 1, 2024 by Amendments to IFRS 2020).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policy (issued on February 12, 2021 and effective for annual periods beginning on or after January 1, 2023).
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 (issued on May 7, 2021 and effective for annual periods beginning on or after January 1, 2023).
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on September 11, 2014 and effective for annual periods beginning on or after the date to be determined by IASB).
- Amendments to IFRS 17 and IFRS 4 (issued on June 25, 2020 and effective for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on February 12, 2021 and effective for annual periods beginning on or after January 1, 2023).
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 (issued on September 22, 2022 and effective for annual periods beginning on or after January 1, 2024).
- Non-current Liabilities with Covenants - Amendments to IAS 1 (issued on October 31, 2022 and effective for annual periods beginning on or after January 1, 2024).

The new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

Significant accounting policies

Accounting policies described below have been consistently applied to all periods presented in these consolidated financial statements.

3.1. Transactions eliminated on consolidation

Any intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are also eliminated unless the costs cannot be recovered.

3.2. Classification of assets and liabilities into current/short-term and non-current/long-term

The Group presents assets and liabilities in the consolidated statement of financial position based on the classification thereof into current/short-term and non-current/long-term. An asset is classified as current if:

- it is expected to be realized, sold or consumed in the entity's normal operating cycle;
- it is primarily held for the purpose of being traded;
- it is expected to be realized within 12 months after the balance sheet date; or
- it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

3.3. Intangible assets

Intangible assets are initially measured at cost. Subsequently, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and the related expenditure is reflected in the consolidated statement of profit or loss and other comprehensive income in the reporting year in which the expenditure is incurred.

3. Significant accounting policies (continued)

3.3. Intangible assets (continued)

All intangible assets of the Group have finite useful lives. Intangible assets are depreciated on a straight-line basis over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Depreciation period or method for an intangible asset is reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates. Depreciation expenses on intangible assets are recognized in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

The useful lives of intangible assets are presented below:

Group of assets	Useful life, in years
Software products	1-10

3.4. Fixed assets

Fixed assets are carried at cost less subsequent accumulated depreciation and accumulated impairment losses.

Subsequent costs reflected in the carrying amount of the asset or recognized as a separate asset, as appropriate, only if the Group may, with high probability, gain future economic benefits from the asset and the asset value can be reliably measured. Costs of minor repair and daily maintenance are included in expenses for the period. Costs of replacement of major units or components of fixed assets are capitalized, while the parts to be replaced are written off.

Previously recognized fixed assets or their significant component are derecognized on their disposal or when no future economic benefits are expected from their use or disposal.

Construction in progress represents the carrying amount of fixed assets before they are placed in service and is not depreciated.

Fixed assets are depreciated using the straight-line method over the asset useful life from the time of commissioning thereof. Useful lives of fixed assets in the reporting period were as follows:

Group of fixed assets	Useful life, in years
Production facilities	10 - 120
Power distribution lines	6 - 110
Equipment, power units, substations	2 - 100
Other	2 - 60

Useful lives and the depreciation method of fixed assets are reviewed and adjusted, if appropriate, at the end of each reporting year.

3. Significant accounting policies (continued)

3.5. Lease

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

Right-of-use assets are initially measured at cost and depreciated to the earlier of: the last day of the useful life of the right-of-use asset or the last day of the lease. The cost of a right-of-use asset includes the initial measurement of the lease liability, lease payments made before or at the first date of the lease, and initial direct costs. Right-of-use assets are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The lease liability is initially measured at the present value of lease payments that have not yet been made at the lease commencement date and is subsequently measured at amortized cost with recognition of interest expense in finance costs in the consolidated statement of profit and loss and other comprehensive income. Lease liabilities are included in long-term and short-term borrowings in the consolidated statement of financial position.

The Group recognizes operating lease payments as an expense on a straight-line basis over the lease term.

The Group may decide to qualify a lease agreement as a lease for which the underlying asset is of low value (less than RUB 300,000), and recognize lease payments under such agreement as an expense on a straight-line basis over the lease term on a lease-by-lease basis.

For leases of land plots under power grid infrastructure facilities with an indefinite term, or where the lease term does not exceed 1 year with the possibility of annual renewal, the Group determines the lease term equal to the useful life of fixed assets located on the leased land plots.

For leases of power grid infrastructure facilities with an indefinite term, or where the lease term does not exceed 1 year with the possibility of annual renewal, the Group determines the lease term equal to the useful life of its own fixed assets with similar technical characteristics.

3.6. Financial assets

The Group recognizes a financial asset only when it becomes a party to a contract in respect of the asset. At initial recognition, the Group classifies financial assets in the following categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through profit or loss.

Classification of financial assets at initial recognition depends on the Group's business models for managing financial assets and the cash flow characteristics of the assets.

3. Significant accounting policies (continued)

3.6. Financial assets (continued)

Financial assets at fair value through other comprehensive income and financial assets at profit or loss are recognized at fair value.

Financial assets at amortized cost other than accounts receivable are measured at initial recognition at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset.

Subsequent measurement of financial assets depends on their classification by the Group at initial recognition.

At each reporting date after initial recognition, the Group reports:

- financial assets at amortized cost - at amortized cost using the effective interest rate method;
- financial assets at fair value through other comprehensive income - at fair value;
- financial assets at fair value through profit or loss - at fair value.

Any changes during the reporting period in the fair value of financial assets carried at fair value after initial recognition are reported by the Group as follows:

for financial assets at fair value through profit or loss, are recognized in income or expenses for the period through profit or loss;

for financial assets at fair value through other comprehensive income (excluding dividends as related to equity instruments and excluding impairment losses, exchange differences, interest calculated using the effective interest rate method as related to other financial assets), are recognized in other comprehensive income.

After each reporting period, the carrying amount of financial assets at amortized cost is increased by accrued interest income. Interest income is included in finance income in profit or loss.

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained, if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

When financial assets at amortized cost and financial assets at fair value through profit or loss are derecognized, financial result of their disposal equal to the difference between the fair value of the consideration received and the carrying amount of the asset is reported by the Group in the statement of profit or loss and other comprehensive income (through profit or loss).

3. Significant accounting policies (continued)

3.6. Financial assets (continued)

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

3.7. Prepayments

Prepayments are classified as non-current assets when an advance relates to acquisition of an asset which will itself be classified as non-current upon initial recognition. Advances made to acquire an asset are included in its carrying amount when the Group obtains control over this asset and the likelihood that future economic benefits associated with it will be received by the Group is high.

3.8. Value added tax

The Value added tax (VAT) arising from sales of products is paid to the budget on the earliest of: (a) the date of receipt of payment from customers; or (b) the date of delivery of goods or services to a customer. Incoming VAT is refundable by offset against the amount of outgoing VAT upon receipt of an invoice. Amounts of VAT accrued on prepayments and advances issued and prepaid VAT are reported on a net basis in advances issued and other non-current assets / advances issued and other current assets (refundable VAT), with VAT amounts payable to the budget disclosed separately in short-term liabilities. When creating an allowance for expected credit losses, the total amount of doubtful receivables, including VAT, is included in the allowance.

3.9. Financial liabilities

The Group recognizes a financial liability when it becomes a party to a contract in respect of such financial liability. At initial recognition, financial liabilities classified in the following categories:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities measured at amortized cost.

The Group classifies a financial liability as measured at fair value through profit or loss if:

- the Group assumes this liability for the purpose of repurchase in the near future in order to make a profit as a result of favorable market price fluctuations; or
- the liability is a derivative financial instrument.

Financial liabilities that are not classified as measured at fair value through profit or loss are financial liabilities measured at amortized cost.

3. Significant accounting policies (continued)

3.9. Financial liabilities (continued)

The Group treats the following as financial liabilities measured at amortized cost:

- loans and borrowings received;
- bonds and promissory notes;
- trade and other payables.

At initial recognition, a financial liability classified as financial liability at amortized cost is measured at fair value less any transaction costs incurred in connection with the assumption of such liability.

Following the initial recognition, financial liabilities measured at amortized cost are carried at amortized cost calculated using the effective interest rate method.

After each reporting period, the carrying amount of financial assets at amortized cost is increased by accrued interest income. The amount of interest expense is determined by multiplying the effective interest rate on the financial liability by its amortized cost at the end of the previous reporting period.

Interest expense is included in finance expenses of the reporting period in the consolidated statement of profit or loss and other comprehensive income.

The Group derecognizes a financial liability when the Group's obligations under the respective contract are discharged, cancelled or they expire.

Any difference between the carrying amount of the financial liability at the time of derecognition and the amount of consideration paid by the Group to extinguish or transfer such liability, including any non-cash assets transferred or liabilities assumed, is included in income or expenses of the period in profit or loss.

3. Significant accounting policies (continued)

3.10. Impairment of assets

Financial assets

Provisions for impairment are measured either based on 12-month expected credit losses (ECLs) that result from defaults possible within the next 12 months after the reporting date or based on lifetime ECLs that result from all default evens possible during the expected life of the financial instrument.

For trade receivables or contract assets arising as a result of transactions falling under the scope of IFRS 15 Revenue from Contracts with Customers (including those with significant financing component) and lease receivables, the Group applies the simplified approach, which uses lifetime expected losses to estimate the allowance for expected credit losses.

Provisions for impairment of other financial assets classified as measured at amortized cost are based on 12-month ECLs unless a significant increase in credit risk has occurred after the recognition. Allowance for expected credit losses on a financial instrument is estimated at each reporting date in the amount equal to lifetime ECLs if a significant increase in credit risk has occurred after the initial recognition, taking into account all reasonable and supportable information, including forecasts.

Indicators of a significant increase in credit risk considered by the Group include actual or expected difficulties faced by the issuer or debtor under the asset, actual or expected breach of the contract, expected renegotiation of contract provision driven by the financial difficulties of the debtor on conditions that are unfavorable for the Group and to which the Group would not consent in other circumstances.

Based on the ordinary credit risk management practices, the Group defines default as the counterparty's (issuer's) inability to meet its liabilities (including contractual refunds) due to a significant deterioration in its financial position.

Expected credit impairment loss on a financial asset is reported by recognizing an allowance for its impairment. If in subsequent periods the credit risk on the financial asset changes as a result of an event occurring after the loss was recognized, subsequently the recognized impairment loss is also changed by reducing the corresponding allowance.

Non-financial assets

The carrying amounts of non-financial assets of the Group, other than inventories and deferred tax assets, are reviewed at each reporting date to assess whether there is evidence that they are likely to be impaired. If any such evidence exists, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of the asset or the cash-generating unit to which it belongs exceeds its estimated (recoverable) amount.

The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its value in use and its fair value less costs of disposal. 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 the cash-generating unit.

3. Significant accounting policies (continued)

3.10. Impairment of assets (continued)

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 group of assets ("cash-generating unit" or "CGU"). Details of CGUs are disclosed in Note 15.

The Group's common (corporate) assets do not generate independent cash flows and are used by more than one cash-generating unit. The value of a corporate asset is allocated among the units on a reasonable and consistent basis and its impairment testing is carried out as part of the testing of the unit to which the corporate asset has been allocated.

Impairment losses (including impairment of inventories) are recognized in profit or loss in the consolidated statement of profit or loss and other comprehensive income.

Impairment losses on cash-generating units are attributed to a decrease in the carrying amounts of assets in the respective unit on a pro rata basis.

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 estimate assumptions 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 reported, net of accumulated depreciation, if no impairment loss had been recognized.

3.11. Inventories

Inventories are stated at the lower of: net realizable value or cost calculated using the FIFO method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

3.12. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position include cash at bank and short-term deposits with original maturity not exceeding 3 months.

For the purpose of consolidated cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above.

3.13. Pensions and other post-employment benefits to employees

In ordinary course of business, the Group makes contributions to the Pension Fund of the Russian Federation on behalf of its employees. Obligations to make contributions to the funds through which defined contribution pension plans are implemented, including the Pension Fund of the Russian Federation, are recognized as employee benefit expenses in profit or loss for the periods in which employees provided the relevant services under employment contracts. Contributions paid in advance are recognized as an asset when the Group is entitled to recover its contributions or to reduce future contributions.

3. Significant accounting policies (continued)

3.13. Pensions and other post-employment benefits to employees (continued)

The Group also uses defined benefit pension plans. Defined benefit plans represent pension benefits that an employee will receive on retirement; the amount of benefits usually depends on one or more factors, such as age, duration of employment with the Group, and the amount of salary received. The cost of providing benefits under a defined benefit plan is determined using the projected unit credit method.

For post-employment benefit liabilities, revaluation results, including actuarial income and expenses, are recognized directly in the consolidated statement of financial position, with the relevant amount included in retained earnings through other comprehensive income in the period in which the relevant income and expenses arose. Revaluation results are not reclassified to profit or loss in subsequent periods. For other long-term benefits, which include funeral assistance, jubilee bonuses and length-of-service bonuses, the results are recognized in profit or loss in the consolidated statement of profit or loss and other comprehensive income.

Past service cost is recognized in profit or loss at the earlier of:

- the date when a plan amendment or curtailment occurs; and
- the date when the Group recognizes restructuring costs.

3.14. Provisions

A provision is recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The amount of a provision is calculated based on the Group's Management judgments, which may relay on past practice of similar transactions or independent expert opinions.

3.15. Revenue from contracts with customers

The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Group recognizes revenue in the amount to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding VAT.

Power distribution services

Revenue from power distribution is recognized over a period (billing month) and is measured using the result method (cost of the transmitted power).

Tariffs for power distribution services are approved by executive bodies of the constituent entities of the Russian Federation in charge of state regulation of tariffs.

The Group does not consider costs for power acquisition to compensate for technological losses as an adjustment of the sale price for power distribution services. These costs are reported in "Operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

3. Significant accounting policies (continued)

3.15. Revenue from contracts with customers (continued)

Grid connection services

Revenue from power grid connection services represents non-refundable payment for connection of consumers to power grids. The Group transfers control over the service at a point in time (when the consumer is connected to the power grid or, for certain categories of consumers, when the Group ensures the possibility for a consumer to connect to the power grid) and satisfies a performance obligation at a point in time.

Fee for custom designed connection, standard tariff rates, maximum power unit rates and connection fee formulas are approved by a regional regulator and do not depend on subsequent power distribution services. Fee for connection to the unified national (all-Russian) electric power grid is approved by the Federal Antimonopoly Service.

The Group has exercised its judgment that grid connection is a separate performance obligation recognized when the respective services are provided.

A grid connection contract contains no further obligations after the connection services have been provided. In accordance with the established practice and laws governing the electricity market, grid connection and power distribution are negotiated separately with different consumers as different services with different commercial goals without any connection in pricing, intentions, recognition or types of services.

Revenue under grid connection contracts may be paid in cash or by transfer of commissioned power grid facilities to the Group. Revenue from services under grid connection contracts paid in kind is reported in "Non-cash payments for grid connection" in the consolidated statement of cash flows.

Other revenue

Revenue from installation services, repair and maintenance services, construction services is recognized in the service period; and revenue from other sales is recognized when the customer obtains control over the asset.

Trade receivables

Accounts receivable represent any unconditional rights of the Group to consideration (i.e. only the passage of time is required before the payment is due). Assets under contracts with customers are not material.

Contract liabilities

A contract liability is an obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers a good or service to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs its obligations under the contract. The Group reports liabilities under contracts with customers in item "Prepayments" inclusive of value added tax (VAT).

3. Significant accounting policies (continued)

3.15. Revenue from contracts with customers (continued)

Prepayments from buyers and customers are analyzed by the Group for the existence of financing component. Where the period of time between the receipt of advances from buyers and customers and the transfer of goods and services exceeds one year for reasons other than provision of financing by the counterparty (under power grid connection contracts), no interest expense is recognized for prepayments or revenue adjusted. Such advances are reported at the fair value of assets received by the Group from buyers and customers by way of prepayment.

3.16. Social payments

The Group's contributions to social programs are for the benefit of society as a whole and are not limited by payments to the Group's employees, they are recognized in profit or loss as they are made. The Group's expenses related to the financing of social programs, without any obligation to provide such financing in the future, are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

3.17. Finance income and costs

Finance income includes interest income on invested funds, dividend income, effect of discounting financial instruments. Interest income is recognized in profit or loss when it occurs and is calculated using the effective interest rate method. Dividend income is recognized in profit or loss when the Group's right to receive payment is established.

Finance costs include interest expense on borrowings (net of capitalized interest expense), financial lease, effect of discounting financial instruments, interest expense on long-term employee benefit liabilities, and impairment losses on financial assets, excluding allowances for expected credit losses.

3.18. Income tax expenses

Current income tax

Income tax is reported in the consolidated financial statements in accordance with the laws that have been enacted, or substantively enacted, at the end of the reporting period. Income tax expenses comprise current tax and deferred tax and are recognized in profit or loss for the year unless they must be recognized in other comprehensive income or directly in equity due to the fact that they relate to transactions that are also recognized, in the same or any other reporting period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to (or recovered from) the tax authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are approved prior to filing the relevant tax returns. Taxes other than income tax are recognized in operating expenses.

3. Significant accounting policies (continued)

3.18. Income tax expense (continued)

Deferred income tax

Deferred income tax is provided using the balance sheet liability method for tax loss carry-forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts reported in the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recognized, affects neither accounting nor taxable profit. The carrying amount of deferred tax is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period and are expected to apply to the period when the reversal of the temporary differences takes place or the tax loss carry-forwards are utilized.

Deferred tax assets in respect of deductible temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that temporary differences will be reversed and taxable profit will be available in the future against which the temporary differences can be utilized.

Deferred income tax assets and liabilities may be offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes payable to the same tax authority by the same taxable entity, or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities may be netted only within the individual entities of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognize deferred tax liabilities on such temporary differences except to the extent that the Management expects the temporary differences to reverse in the foreseeable future.

3.19. Share capital

Ordinary shares and preference shares that do not provide for mandatory redemption at the holders' request are classified as equity.

Treasury shares

If any Group company acquires shares in the Company (treasury shares), the amount paid, including any additional costs directly attributable to the acquisition (net of income tax), is deducted from equity attributable to shareholders of the Company until such shares are cancelled, reissued or sold. Where such shares are subsequently reissued or sold, the amounts received, net of any directly related transaction costs and related taxes, are included in equity attributable to shareholders of the Company. Treasury shares are stated at a weighted average cost. Gains and losses arising from the subsequent sale of shares are recognized in the consolidated statement of changes in equity net of related expenses, including taxes.

3. Significant accounting policies (continued)

3.20. Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared (approved by shareholders) at the reporting date or earlier. Dividends are disclosed if they are declared after the reporting date but before the consolidated financial statements are signed.

3.21. Earnings per share

To calculate basic earnings per share, profit or loss is distributed between ordinary shares and preference shares in proportion to the percentage of each instrument in profit or loss, based on the assumption that all profit (or loss) for the reporting period has been distributed. The total profit or loss attributable to each of the two classes of equity instruments (ordinary shares and preference shares) is determined by adding up the amount attributable to dividends and the amounts attributable to profit sharing. The total profit or loss so determined is divided by the number of outstanding shares to which such profit relates. The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equal the basic earnings per share.

3. Fair value measurement

Certain accounting policies of the Group and a number of disclosures require fair value estimation of both financial and non-financial assets and liabilities.

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

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

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

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

A fair value estimation of a non-financial asset takes into account a market participant's ability to generate economic benefits either by making the best and most efficient use of the asset or by selling it to another market participant that would make the best and most efficient use of the asset.

To estimate fair value of an asset or liability, the Group uses observable market data to the maximum extent possible.

Fair value estimations fall into levels within the fair value hierarchy based on the inputs used in the relevant valuation techniques:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices used for Level 1 measurements that are observable either directly (i.e. such as prices) or indirectly (i.e. derived from prices);

4. Fair value estimation (continued)

Level 3: inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

If inputs used to estimate fair value of an asset or liability fall into different levels within the fair value hierarchy, then the fair value estimation in its entirety is categorized in the same level within the hierarchy as the lowest level of any input that is significant to the fair value estimation.

For the disclosure of fair value information, the Group classified its assets and liabilities based on their nature, inherent characteristics and risks, and the applicable level within the fair value hierarchy as described above.

The Group recognizes transfers between the levels within the fair value hierarchy at the end of the reporting period during which such change has occurred.

Information on the fair values of financial instruments and non-financial assets measured at fair value or for which fair values must be disclosed in consolidated financial statements is disclosed in Note 32.

5. Subsidiaries

		December 31, 2022	December 31, 2021
	Country of registration	**Holding /voting shares, %**	**Holding /voting shares, %**
JSC "Lenenergospetsremont"	Russian Federation	100%	100%
LLC "Energotrans"	Russian Federation	100%	100%
JSC "Energy Service Company Lenenergo"	Russian Federation	100%	100%

During the reporting period, primary activities of the subsidiaries included:

- JSC "Lenenergospetsremont" – engineering surveys, technical engineering design, construction project management;
- LLC "Energotrans" – provision of other financial services;
- JSC "Energy Service Company Lenenergo" – construction of public utility facilities for electric power supply and telecommunications.

6. Segment information

The Board of Directors of the Company is the highest decision-making body on operating activities.

The Group's core business is to transmit and distribute electric power, and to connect customers to power grids. Saint Petersburg and the Leningrad Region.

Internal managerial accounting system is based on geographically structured segments related to distribution and transmission of electric power, and grid connection.

6. Segment information (continued)

To reflect the performance of each reporting segment, EBITDA is used: profit or loss before interest, current and deferred income tax, depreciation and amortization, and net accrual/(reversal) of impairment loss of fixed assets and right-of-use assets, taking into account the applicable Russian accounting and reporting standards (RAS). The Management believes that EBITDA so calculated is the best indicator to assess the performance of the Group's operating segments. Since EBITDA is not a standard performance indicator in accordance with IFRS, calculation of EBITDA by the Group may differ from the calculation thereof by other companies.

In accordance with IFRS 8, the following reporting segments have been identified on the basis of data submitted to the Board of Directors:

- Saint Petersburg Segment: comprises data included in the RAS accounting statements for the Saint Petersburg Segment of PJSC "Rosseti Lenenergo" and data included in the RAS accounting statements of its subsidiaries;
- Leningrad Region Segment: comprises data included in the RAS accounting statements for the Leningrad Region Segment of PJSC "Rosseti Lenenergo".

Segment indicators are based on financial information prepared on the basis of RAS accounting statements and may differ from those presented in the consolidated financial statements prepared in accordance with IFRS.

Reconciliation of indicators in the assessment submitted to the Board of Directors to the similar indicators in these consolidated financial statements includes reclassifications and adjustments that are required for presentation of the financial statements in accordance with IFRS.

For the year ended December 31, 2022:

	Saint Petersburg Segment	**Leningrad Region Segment**	**Total**
Revenue from external customers	58,078,416	37,119,935	95,198,351
Segment revenue	**58,078,416**	**37,119,935**	**95,198,351**
Including			
Power distribution	51,540,614	35,127,300	86,667,914
Connection to power grids	6,024,796	1,875,923	7,900,719
Revenue under lease agreements	85,228	5,663	90,891
Other revenue	427,778	111,049	538,827
EBITDA	**32,859,803**	**13,213,410**	**46,073,213**

	Saint Petersburg Segment	**Leningrad Region Segment**	**Total**
Fixed assets and construction in progress of segments at December 31, 2022	**160,001,823**	**56,621,836**	**216,622,659**

6. Segment information (continued)

For the year ended December 31, 2021:

	Saint Petersburg Segment	Leningrad Region Segment	Total
Revenue from external customers	58,440,435	34,950,353	93,390,788
Segment revenue	**58,440,435**	**34,950,353**	**93,390,788**
Including			
Power distribution	50,632,997	33,625,418	84,258,415
Connection to power grids	7,500,299	1,201,156	8,701,455
Revenue under lease agreements	75,075	21,229	96,304
Other revenue	347,408	102,230	448,638
EBITDA	**31,273,181**	**11,173,496**	**42,446,677**

	Saint Petersburg Segment	Leningrad Region Segment	Total
Fixed assets and construction in progress of segments at December 31, 2021	**183,864,836**	**77,286,740**	**261,151,576**

Reconciliation to link indicators of the reporting segments by revenue, EBITDA, fixed assets and construction in progress

Reconciliation that links key segment indicators presented to the Board of Directors with similar indicators in these consolidated financial statements is shown below.

Comparison of RAS and IFRS data of the reporting segments by revenue:

	Year ended December 31, 2022	Year ended December 31, 2021
Segment revenue	**95,198,351**	**93,505,812**
Adjustments of revenue	–	–
Revenue in the consolidated statement of profit or loss and other comprehensive income	**95,198,351**	**93,505,812**

6. Segment information (continued)

Reconciliation of EBITDA of the reporting segments:

	For the year ended December 31	
	2022	**2021 (restated)**
EBITDA of the reporting segments	**46,073,213**	**42,446,677**
Financial instruments discounting	(19,900)	11,197
Adjustment of the allowance for expected credit losses	3,492	(606,495)
Adjustment of lease	164,017	698,120
Recognition of pension and other long-term liabilities to employees	(85,546)	27,577
Adjustment of value of fixed assets	163,715	(256,143)
Adjustment of intangible assets	38,837	(314,664)
Adjustment of income	(39,669)	(12,947)
Inventory valuation adjustment and write-off of other current assets	397,759	137,473
Other adjustments	30,583	184,668
EBITDA (according to consolidated financial statements under IFRS)	**46,726,501**	**42,315,463**
Depreciation of fixed assets, right-of-use assets, and intangible assets (Note 10)	(19,057,416)	(14,257,065)
Impairment loss on fixed assets (Note 15)	(3,489,864)	(11,018,008)
Interest expense on financial liabilities carried at amortized cost (Note 12)	(96,365)	(407,504)
Interest expense on lease liabilities (Note 12)	(145,776)	(112,925)
Income tax expense (Note 13)	(4,073,367)	(3,332,147)
Profit for the period in the consolidated statement of profit or loss and other comprehensive income	**19,863,713**	**13,187,814**

Reconciliation to link indicators of the reporting segments by revenue, EBITDA, fixed assets and construction in progress (continued)

Comparison of RAS and IFRS data of the reporting segments by fixed assets and construction in progress:

	December 31, 2022	**December 31, 2021 (restated)**
Total fixed assets and construction in progress under RAS	**216,622,659**	**245,193,291**
Advances to construction organizations included in construction in progress	1,509,137	1,595,348
Inventories for capital construction included in construction in progress	3,306,768	2,811,168
Accumulated effect of impairment and revaluation	1,315,071	(43,523,846)
Adjustment of current-period depreciation	(1,169,293)	3,815,612
Adjustment of current-period disposals	(216,979)	(218,493)
Lease liabilities under IFRS	(1,346,459)	-
Other adjustments	(22,100)	-
Total fixed assets and construction in progress under IFRS	**219,998,804**	**209,673,080**

7. Revenue

	For the year ended December 31	
	2022	**2021**
Power distribution	86,667,914	84,258,415
Power grid connection services	7,900,719	8,701,455
Other revenue	538,827	449,638
Total revenue from contracts with customers	**95,107,460**	**93,409,508**
Revenue under lease agreements	90,891	96,304
	95,198,351	**93,505,812**

Other revenue consists mainly of revenue from the provision of repair and maintenance services, and revenue from subsidiaries, which includes maintenance works, electrical installation works and design and exploration works.

Substantial customer

In 2022, JSC "Saint Petersburg Power Supply Company" was a substantial customer of the Group. For the year ended December 31, 2022, total revenue from JSC "Saint Petersburg Power Supply Company" amounted to 80,042,275 (for the year ended December 31, 2021: 64,590,149).

8. Other income

	For the year ended December 31	
	2022	**2021**
Income under compensation agreements	1,198,619	704,319
Write-off of payables	952,181	191,244
Income from fines and penalties under commercial contracts	534,142	438,501
(Expenses)/income from identified non-contractual power consumption	(43,829)	(3,092)
Income from donated fixed assets and inventories	18,295	-
Insurance proceeds	14,967	42,214
Other income	124,506	107,816
	2,798,881	**1,481,002**

9. Other expenses

	For the year ended December 31	
	2022	**2021 (restated)**
Financial result from disposal of fixed assets	(239,090)	(612,962)
Impairment of intangible assets	-	(388,971)
	(239,090)	**(1,001,933)**

10. Operating expenses

	For the year ended December 31, 2022	2021 (restated)
Depreciation of fixed assets, intangible assets, and right-of-use assets	**(19,057,416)**	**(14,257,065)**
Expenses on employee benefits (Note 11)	**(12,674,964)**	**(10,999,448)**
Material expenses, including	**(13,527,717)**	**(13,819,786)**
Electric power to compensate for technological losses	(12,112,408)	(12,436,108)
Purchased power and heat for own needs	(215,970)	(199,768)
Other material expenses	(1,199,339)	(1,183,910)
Production work and services, including	**(22,093,092)**	**(22,801,750)**
Power distribution services	(19,161,168)	(20,293,948)
Repair and maintenance services	(2,056,391)	(1,678,187)
Insurance	(99,061)	(111,569)
Short-term leases with variable payments	(43,213)	(106,424)
Other production work and services	(733,259)	(611,622)
Other services of third-party organizations, including:	**(1,565,204)**	**(1,588,513)**
Expenses for computer software and support	(446,451)	(322,244)
Security services	(361,655)	(333,511)
Advisory, legal and audit services	(350,647)	(466,413)
Communication services	(83,952)	(81,716)
Transport services	(26,944)	(16,429)
Other services	(295,555)	(368,200)
Provisions (Note 31)	**(143,104)**	**(745,937)**
Taxes and duty charges other than income tax	**(868,363)**	**(1,583,377)**
Adjustment of the provision for impairment of advances issued	**175,112**	**21,558**
Adjustment of the provision for impairment of inventories	**9,657**	**35,956**
Other expenses	**(494,308)**	**(487,553)**
Changes in work in progress	**742,517**	**-**
	(69,490,015)	**(66,225,915)**

Other expenses are mainly represented by write-off of receivables and advances, charitable contributions, and non-refundable VAT.

11. Expenses on employee benefits

	For the year ended December 31 2022	2021
Salaries	(9,628,135)	(8,699,184)
Social security contributions	(2,400,146)	(1,996,802)
Expenses relating to the defined benefit plan	(52,144)	(60,768)
Expenses for other long-term employee benefits	(32,524)	(31,079)
Other	(219,594)	(211,615)
	(12,332,543)	**(10,999,448)**

During the year ended December 31, 2022, the Group made defined benefit plan contributions in the amount of 14,147 (for the year ended December 31, 2021: 11,330).

12. Finance income and costs

	For the year ended December 31	
	2022	**2021**
Finance income		
Interest income on bank deposits, promissory notes and bank account balances	1,327,647	625,250
Gain on disposal of financial investments carried at fair value	27,467	23,466
Depreciation of discount on financial assets	3,702	19,331
Interest income on assets relating to employee benefit liabilities	2,818	2,303
Other financial income	185,111	11,841
	1,546,745	**682,191**

	For the year ended December 31	
	2022	**2021 (restated)**
Finance costs		
Loss arising from changes in fair value of financial assets	(1,670,345)	(528,240)
Interest expense on lease liabilities (Note 6)	(145,776)	(112,925)
Interest expense on financial liabilities carried at amortized cost (Note 6)	(96,365)	(407,504)
Interest expense on long-term employee benefit liabilities	(59,089)	(42,707)
Discounting of long-term financial instruments	-	(6,642)
Depreciation of discount on financial liabilities	(23,602)	(1,492)
Other finance expenses	(67,453)	-
	(2,062,630)	**(1,099,510)**

13. Income tax

	For the year ended December 31	
	2022	**2021 (restated)**
Current income tax		
Current tax charge	(4,158,760)	(4,090,926)
Tax adjustment for previous periods	(201)	33
Total	**(4,158,961)**	**(4,090,893)**
Deferred income tax		
Accrual and reversal of temporary differences	85,594	758,746
Total	**85,594**	**758,746**
Income tax expenses	**(4,073,367)**	**(3,332,147)**

13. Income tax (continued)

Income tax recognized in other comprehensive income:

	Year ended December 31, 2022			Year ended December 31, 2021 (restated)		
	Before tax	**Income tax**	**After tax**	**Before tax**	**Income tax**	**After tax**
Changes in fair value of equity investments at fair value through other comprehensive income	(3,179)	(10,061)	(13,240)	(7,814)	1,311	(6,503)
Revaluation of defined benefit pension plan liabilities	22,509	(4,502)	18,007	55,364	(11,073)	44,291
	22,509	**(14,563)**	**4,767**	**47,550**	**(9,762)**	**37,788**

In 2022 and 2021, the Company applied a reduced income tax rate in accordance with Law of Saint Petersburg No. 81-11 of June 28, 1995 On Tax Incentives. At December 31, 2021, deferred tax assets and liabilities were calculated at the effective rate of 17% during the tax concession period until the end of 2022.

At December 31, 2022, after the end of the tax concession period, deferred income tax assets and liabilities were calculated at the rate of 20%. The rate is expected to apply when the assets are realized or the liabilities are settled.

Profit before tax reconciles to income tax expenses as follows:

	For the year ended December 31, 2022	**%**	**For the year ended December 31, 2021 (restated)**	**%**
Profit before tax	**23,937,080**		**16,519,961**	
Theoretical amount of income tax expenses at the rate of 20%	**(4,788,789)**	**(20%)**	**(3,303,992)**	**(20%)**
Tax effect of items not taxable or not deductible for tax purposes	(477,423)	(2%)	(704,346)	(4%)
Effect of preferential rate	1,191,673	5%	675,934	4%
Adjustments for prior years	(201)	0%	34	0%
Other adjustments	-	0%	–	0%
	(4,073,367)	**(17%)**	**(3,332,370)**	**(20%)**

14. Deferred tax assets and liabilities

Differences between IFRS and Russian tax law give rise to temporary differences between the carrying amounts of certain assets and liabilities for the purposes of consolidated financial statements, on the one hand, and for income tax purposes, on the other. Recognized deferred tax assets and liabilities relate to the following items:

	Assets (+)	Liabilities (-)	Net			Assets (+)	Liabilities (-)	Net
	December 31, 2021 (restated)	**December 31, 2021 (restated)**	**December 31, 2021 (restated)**	**Recognized in profits and losses**	**Recognized in other comprehensive income**	**December 31, 2022**	**December 31, 2022**	**December 31, 2022**
Fixed assets	345	(4,709,548)	(4,709,203)	(540,788)	-	-	(5,249,991)	(5,249,991)
Intangible assets	136,862	–	136,862	33,559	-	170,421	-	170,421
Right-of-use assets	–	(315,283)	(315,283)	60,856	-	-	(254,427)	(254,427)
Financial assets at amortized cost	5,650	–	5,650	(4,252)	-	1,398	-	1,398
Financial assets at fair value through other comprehensive income	7,239	–	7,239	1,366	(10,061)	-	(1,456)	(1,456)
Financial assets at fair value through profit or loss	1,784,422	–	1,784,422	151,993	-	1,936,415	-	1,936,415
Inventories	20,404	–	20,404	(20,664)	-	-	(260)	(260)
Trade and other receivables	554,805	–	554,805	111,964	-	666,769	-	666,769
Prepayments and other assets	216,201	–	216,201	(207,829)	-	8,372	-	8,372
Lease liabilities	315,489	–	315,489	(61,380)	-	254,109	-	254,109
Provisions	1,630,929	–	1,630,929	180,228		1,811,157	-	1,811,157
Employee benefit liabilities	25,135	–	25,135	13,130	(4,502)	33,763	-	33,763
Trade and other payables	246,444	–	246,444	403,100		649,725	(180)	649,545
Prepayments	-	-	-	-	-			
Tax losses to be brought forward	103,074	–	103,074	-	-	103,074	-	103,074
Other	37,219	(23,027)	14,192	(35,690)	-	332	(21,832)	(21,500)
Deferred tax assets/(liabilities)	**5,084,218**	**(5,047,858)**	**36,360**	**-**	**-**	**5,635,535**	**(5,528,145)**	**107,389**
Offsetting deferred tax assets and liabilities	(4,977,652)	4,977,652	–	-	-	(5,523,512)	5,523,512	-
Unrecognized deferred tax assets	(102,966)	–	(102,966)	-	-	(102,966)	-	(102,966)
Net tax assets/(liabilities)	**3,600**	**(70,206)**	**(66,606)**	**85,594**	**(14,563)**	**9,057**	**(4,634)**	**4,423**

14. Deferred tax assets and liabilities (continued)

	Assets (+)	Liabilities (-)	Net			Assets (+)	Liabilities (-)	Net
	December 31, 2020 (restated)	**December 31, 2020 (restated)**	**December 31, 2020 (restated)**	**Recognized in profits and losses (restated)**	**Recognized in other comprehensive income (restated)**	**December 31, 2021 (restated)**	**December 31, 2021 (restated)**	**December 31, 2021 (restated)**
Fixed assets	–	(5,118,353)	(5,118,353)	409,150	–	345	(4,709,548)	(4,709,203)
Intangible assets	116,678	–	116,678	20,184	–	136,862	–	136,862
Right-of-use assets	–	(324,426)	(324,426)	9,143	–	–	(315,283)	(315,283)
Financial assets at amortized cost	10,265	–	10,265	(4,615)	–	5,650	–	5,650
Financial assets at fair value through other comprehensive income	5,928	–	5,928	–	1,311	7,239	–	7,239
Financial assets at fair value through profit or loss	1,655,809	–	1,655,809	128,613	–	1,784,422	–	1,784,422
Inventories	18,035	–	18,035	2,369	–	20,404	–	20,404
Trade and other receivables	676,438	–	676,438	(121,633)	–	554,805	–	554,805
Prepayments and other assets	232,521	–	232,521	(16,320)	–	216,201	–	216,201
Lease liabilities	319,288	–	319,288	(3,799)	–	315,489	–	315,489
Provisions	1,591,678	–	1,591,678	39,251	–	1,630,929	–	1,630,929
Employee benefit liabilities	38,173	–	38,173	(1,965)	(11,073)	25,135	–	25,135
Trade and other payables	886	–	886	245,558	–	246,444	–	246,444
Tax losses to be brought forward	103,074	–	103,074	–	–	103,074	–	103,074
Other	12,064	(50,682)	(38,618)	52,810	–	37,219	(23,027)	14,192
Deferred tax assets/(liabilities)	**4,780,837**	**(5,493,461)**	**(712,624)**	**758,746**	**(9,762)**	**5,084,218**	**(5,047,858)**	**36,360**
Offsetting deferred tax assets and liabilities	(4,819,650)	4,819,650	–	–	–	(4,977,652)	4,977,652	–
Unrecognized deferred tax assets	(102,966)	–	(102,966)	–	–	(102,966)	–	(102,966)
Net tax assets/(liabilities)	–	**(815,590)**	**(815,590)**	**758,746**	**(9,762)**	**3,600**	**(70,206)**	**(66,606)**

15. Fixed assets

	Land and buildings	Power distribution grids	Power distribution equipment	Other fixed assets	Construction in progress	Total
Cost						
At January 1, 2021 (restated)	**15,024,283**	**138,075,026**	**102,451,936**	**35,487,713**	**19,497,328**	**310,536,286**
Additions	–	–	–	–	37,876,884	37,876,884
Commissioning	4,155,238	9,979,546	12,089,524	7,743,984	(33,968,292)	–
Disposals	(30,658)	(268,183)	(211,379)	(554,620)	(607,523)	(1,672,363)
At December 31, 2021 (restated)	**19,148,863**	**147,786,389**	**114,330,081**	**42,677,077**	**22,798,397**	**346,740,807**
Accumulated depreciation and impairment						
At January 1, 2021 (restated)	**(4,843,852)**	**(53,326,380)**	**(34,092,271)**	**(20,188,658)**	**(1,118,772)**	**(113,569,933)**
Impairment losses carried forward	(26,497)	(169,032)	(229,220)	(54,384)	479,133	–
Accumulated depreciation	(153,621)	(5,036,412)	(7,110,454)	(1,110,168)	–	(13,410,655)
Disposals	13,831	188,395	139,102	536,760	52,781	930,869
Impairment losses	(486,360)	(4,584,405)	(3,810,145)	(1,244,927)	(892,171)	(11,018,008)
At December 31, 2021 (restated)	**(5,496,499)**	**(62,927,834)**	**(45,102,988)**	**(22,061,377)**	**(1,479,029)**	**(137,067,727)**
Residual value						
At January 1, 2021 (restated)	**10,180,431**	**84,748,646**	**68,359,665**	**15,299,055**	**18,378,556**	**196,966,353**
At December 31, 2021 (restated)	**13,652,364**	**84,858,555**	**69,227,093**	**20,615,700**	**21,319,368**	**209,673,080**
Cost						
At January 1, 2022	**19,148,863**	**147,786,389**	**114,330,081**	**42,677,077**	**22,798,396**	**346,740,806**
Additions					32,456,819	32,456,819
Commissioning	1,538,677	12,569,646	9,124,031	9,091,803	(32,324,157)	
Disposals	(34,287)	(119,804)	(160,281)	(504,816)	(371,572)	(1,190,760)
Impairment loss						
December 31, 2022	**20,653,253**	**160,236,231**	**123,293,831**	**51,264,064**	**22,559,486**	**378,006,865**
Accumulated depreciation and impairment						
At January 1, 2022	**(5,496,499)**	**(62,927,834)**	**(45,102,988)**	**(22,061,376)**	**(1,479,029)**	**(137,067,726)**
Impairment losses carried forward	(55,163)	(168,974)	(196,961)	(208,777)	629,875	-
Accumulated depreciation	(547,528)	(5,539,880)	(7,937,982)	(4,221,326)	-	(18,246,716)
Impairment losses	(312,537)	(2,059,435)	(1,538,213)	(541,594)	(406,143)	(4,857,932)
Reversal of previously recognized impairment losses	89,571	590,199	440,826	155,212	92,260	1,368,068
Disposals	12,540	52,664	117,281	523,344	90,416	796,245
December 31, 2022	**(6,309,626)**	**(70,053,260)**	**(54,218,037)**	**(26,354,517)**	**(1,072,621)**	**(158,008,061)**
Residual value						
At January 1, 2022 (restated)	**13,652,364**	**84,858,555**	**69,227,093**	**20,615,701**	**21,319,367**	**209,673,080**
At December 31, 2022	**14,343,627**	**90,182,971**	**69,075,794**	**24,909,547**	**21,486,865**	**219,998,804**

At December 31, 2022, construction in progress included advance payments on fixed assets in the amount of 1,509,137 (December 31, 2021: 1,595,348), and materials for the construction of fixed assets in the amount of 3,306,768 (December 31, 2021: 2,811,168).

15. Fixed assets (continued)

To estimate the fair value of assets of generating units, the following key assumptions were used:

Cash flows were predicted relying on the provisions of the Guidelines for Testing Electric Grid Assets for Impairment (approved by Order of PJSC "Rosseti" No. 415r of January 21, 2020) and forecast data for the period until 2027.

Expected cash flows were determined for the period from 2023 to 2027 for the Saint Petersburg CGU and for the period from 2023 to 2027 for the Leningrad Region CGU based on the best estimate by the Group's Management of electricity distribution volumes, operating and capital costs, and the tariffs approved by the regulatory authorities for 2023.

The forecast of tariffs for power distribution from 2023 to 2027 was based on the tariff models which included reimbursed tariff smoothing and adjustment of the required gross proceeds in the Leningrad Region and Saint Petersburg and incorporated indicators specified in the 2023-2027 business plan approved by the Board of Directors of PJSC "Rosseti Lenenergo".

Estimated power distribution volumes were determined on the basis of tariff models for the period from 2023 to 2027 and the approved annual business plan of PJSC "Rosseti Lenenergo" for 2023-2027.

Estimated nominal cash flows were discounted to their present value using a discount rate based on the weighted average cost of capital (WACC) of 10.2% per annum.

Assessment as of December 31, 2022, revealed decline in the fair value of fixed assets in the amount of 4,857,932 for the Leningrad Region CGU and growth in the fair value of fixed assets in the amount of 1,368,068 for the Saint Petersburg CGU.

Quantitative information about significant unobservable inputs used for assessment of fixed assets is disclosed below.

The table below summarizes Management's assumptions concerning the growth rate of revenue from power distribution over the preceding year:

	2023	**2024**	**2025**	**2026**	**2027**
Saint Petersburg	9.92%	3.23%	6.08%	5.51%	5.66%
Leningrad Region	9.92%	3.97%	6.11%	1.62%	5.82%

In view of the increase in tariffs provided for in the model, the Group's management expects that the required gross proceeds will be generated, including, among other things, the necessary amount of the required gross proceeds adjustments provided for by legislation, such as shortfalls in income from regulated activities, reimbursement for the accumulated tariff smoothing, compensation for actually incurred uncontrollable costs, reduction of electric power losses, deviation of actual parameters for tariff calculations from the approved ones, etc.

Sensitivity analysis of significant assumptions behind the impairment models for the Group's CGUs as of December 31, 2022 is presented below:

- increase in the discount rate up to 11.2% results in impairment loss in the amount of 32,243,052 for the Saint Petersburg CGU and in the amount of 7,170,985 for the Leningrad Region CGU;

15. Fixed assets (continued)

- decrease in the revenue from power distribution to the basic value in each period for the Saint Petersburg CGU by 3% results in impairment loss in the amount of 26,836,629; for the Leningrad Region CGU by 3% results in impairment loss in the amount of 26,096,099;
- increase in the operating expenses to the basic value in each period by 1% results in impairment loss in the amount of 10,970,503 for the Saint Petersburg CGU and 2,723,597 for the Leningrad Region CGU;
- decrease in growth rate of net cash flow in the post-forecast period by 1% results in impairment loss in the amount of 26,818,928 for the Saint Petersburg CGU and 5,469,065 for the Leningrad Region CGU.

16. Intangible assets

	Software	Access rights	Total intangible assets
Cost			
At January 1, 2021	**648,330**	**624,000**	**1,272,330**
Additions	580,054	–	580,054
Disposals	(323,406)	(624,000)	(947,406)
At December 31, 2021	**904,978**	–	**904,978**
At January 1, 2022	**904,978**	–	**904,978**
Additions	325,516		325,516
Disposals	(955)		(955)
At December 31, 2022	**1,229,539**	**-**	**1,229,539**
Accumulated depreciation and impairment			
At January 1, 2021	**(269,205)**	**(224,629)**	**(493,834)**
Accumulated depreciation	(285,399)	(10,400)	(295,799)
Disposals	323,405	624,000	947,405
Impairment	–	(388,971)	(388,971)
At December 31, 2021	**(231,199)**	–	**(231,199)**
At January 1, 2022	**(231,199)**	–	**(231,199)**
Accumulated depreciation	(370,510)	–	(370,510)
Disposals	11,327	–	11,327
Impairment			
At December 31, 2022	**(590,382)**	**-**	**(590,382)**
Residual value			
At January 1, 2021	**379,125**	**399,371**	**778,496**
At December 31, 2021	**673,779**	–	**673,779**
At December 31, 2022	**639,157**	**-**	**639,157**

Depreciation of intangible assets included in operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022 amounted to 370,510 (for the year ended December 31, 2021: 295,799). Research and development costs recognized in operating expenses for the year ended December 31, 2022 amounted to 114,406 (for the year ended December 31, 2021: 86,941).

17. Right-of-use assets

	Land and buildings	Power distribution grids	Power distribution equipment	Other	Total
Cost					
At January 1, 2021 (restated)	**2,032,660**	**385,085**	**92,339**	**101**	**2,510,185**
Additions	181,825	1,931	6,046	–	189,802
Modification of terms of lease agreements	17,161	(152,450)	(1,939)	(40)	(137,268)
Disposals or termination of lease agreements	(36,848)	–	(283)	–	(37,131)
At December 31, 2021 (restated)	**2,194,798**	**234,566**	**96,163**	**61**	**2,525,588**
At January 1, 2022	**2,194,798**	**234,566**	**96,163**	**61**	**2,525,588**
Additions	229,850	186	7,044		237,080
Modification of terms of lease agreements	(133,599)	-	-	-	(133,599)
Disposals or termination of lease agreements	(789,046)	(1,557)	(87,486)		(878,089)
At December 31, 2022	**1,502,003**	**233,195**	**15,721**	**61**	**1,750,980**
Accumulated depreciation and impairment					
At January 1, 2021 (restated)	**(643,586)**	**(153,383)**	**(45,461)**	**(40)**	**(842,470)**
Accumulated depreciation	(449,808)	(77,054)	(23,730)	(20)	(550,612)
Capitalized depreciation	(57,280)	–	–	–	(57,280)
Modification of terms of lease agreements	351,619	153,721	1,715	40	507,095
Disposals or termination of lease agreements	18,651	–	95	–	18,746
At December 31, 2021 (restated)	**(780,404)**	**(76,716)**	**(67,381)**	**(20)**	**(924,521)**
At January 1, 2022	**(780,404)**	**(76,716)**	**(67,381)**	**(20)**	**(924,521)**
Accumulated depreciation	(338,162)	(77,407)	(24,601)	(20)	(440,190)
Capitalized depreciation					
Modification of terms of lease agreements	32,054	-	-	-	32,054
Disposals or termination of lease agreements	782,980	332	87,486		870,798
At December 31, 2022	**(303,532)**	**(153,791)**	**(4,496)**	**(40)**	**(461,859)**
Residual value					
At January 1, 2021 (restated)	**1,389,074**	**231,702**	**46,878**	**61**	**1,667,715**
At December 31, 2021 (restated)	**1,414,394**	**157,850**	**28,782**	**41**	**1,601,067**
At December 31, 2022	**1,198,471**	**79,404**	**11,225**	**21**	**1,289,121**

For the purpose of impairment test, specialized right-of-use assets are classified as CGU assets similarly to own non-current assets - based on the geographical location of branches and subsidiaries. The value in use of such right-of-use assets as of December 31, 2022 was determined using the discounted cash flow method.

18. Other non-current and current financial assets

	December 31, 2022	December 31, 2021
Non-current		
Financial assets at amortized cost	-	1,481,457
Financial assets at fair value through profit or loss	1,758,659	2,041,686
Financial assets at fair value through other comprehensive income	6,675	9,855
	1,765,334	**3,532,998**
Current		
Financial assets at amortized cost	3,150,916	2,799,415
	3,150,916	**2,799,415**

At December 31, 2022 and December 31, 2021, financial assets at amortized cost mainly consist of bank deposits with original maturities over three months. Deposits carry interest rates between 5.1% and 11% per annum.

The Group's financial assets at fair value through profit or loss include a long-term deposit placed with Tavrichesky Bank (JSC) with a nominal amount of 10,620,000. At 31 December 2022, the fair value of the financial instrument was measured using the discounted cash flow method applying a rate of 17.96% reflecting the existing industry, market, financial and other risks, including the risk of non-repayment of financial investments, as at the reporting date. At December 31, 2022, the accumulated loss from fair value revaluation amounted to 9,589,314 (December 31, 2021: 8,782,240).

In 2022, the Group acquired ordinary shares in PJSC "Rosseti Northern Caucasus". At the transaction date, the investment was recognized as part of the Group's financial assets at fair value through profit or loss at the acquisition cost of 1,354,184. At December 31, 2022, the fair value of the shares in PJSC "Rosseti Northern Caucasus" was measured based on exchange quotations, and an impairment loss of 863,271 was recognized.

Ratings of the financial institutions which hold other non-current and current financial assets (at December 31, 2022):

		December 31, 2022	December 31, 2021
Non-current financial assets			
AA+ (RU)	ACRA	-	1,481,457
AAA (RU)	ACRA	237,059	203,926
Other		1,528,275	1,847,615
		1,765,334	**3,532,998**
Current financial assets			
A+ (RU)	ACRA	-	2,479,000
AA+ (RU)	ACRA	3,149,916	320,415
AAA+ (RU)	ACRA	1,000	-
		3,150,916	**2,799,415**

At December 31, 2022, 72% of non-current financial assets were placed with two banks; and current financial assets were placed with four banks.

19. Inventories

	At December 31, 2022	At December 31, 2021
Raw materials and supplies	830,885	705,289
Impairment provision for raw materials and supplies	(346)	(9,782)
Work in progress	742,732	-
Other inventories	164,901	169,834
Impairment provision for other inventories	(51)	(129)
	1,738,121	**865,212**

At December 31, 2022, the industry emergency provision amounted to 311,607 (December 31, 2021: 274,433).

At December 31, 2022 and December 31, 2021, the Group had no inventories pledged under loan or other agreements.

During the year ended December 31, 2022, the amount of 800,839 was recognized as expenses (for the year ended December 31, 2021: 1,183,910) in operating expenses under "Other material expenses".

20. Trade and other receivables

	December 31, 2022	December 31, 2021
Trade and other receivables, long-term		
Trade receivables	6,956	12,725
Allowance for expected credit losses on trade receivables	-	(2,043)
Other receivables	213,262	103,930
Allowance for expected credit losses on other receivables	-	(1,297)
	220,218	**113,315**
Trade and other receivables, short-term		
Trade receivables	6,070,749	5,271,190
Allowance for expected credit losses on trade receivables	(1,262,215)	(1,298,091)
Other receivables	1,715,979	2,317,278
Allowance for expected credit losses on other receivables	(1,435,650)	(2,007,548)
	5,088,863	**4,282,829**

Information on the Group's exposure to credit risk and expected impairment losses on trade and other receivables is disclosed in Note 32.

21. Prepayments and other non-current and current assets

	December 31, 2022	December 31, 2021
Non-current		
Prepayments	6,446	31,087
VAT on advances of buyers and customers and VAT on advances issued to purchase fixed assets	1,736,427	1,238,611
	1,742,873	**1,269,698**
Current		
Prepayments	960,763	1,522,869
Provision for impairment of advances issued (Note 32)	(543,629)	(850,945)
Refundable VAT	358,289	510,719
VAT on advances of buyers and customers	3,167,333	2,417,628
Prepayment of taxes other than income tax	136,110	14,870
Other short-term assets	16,706	105,977
	4,095,572	**3,721,118**

22. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash at bank	506,208	2,503,431
Cash equivalents	14,469,673	2,771,656
	14,975,881	**5,275,087**

At December 31, 2022 and December 31, 2021, all balances of cash and cash equivalents were denominated in rubles.

At December 31, 2022 and December 31, 2021, cash equivalents include short-term bank deposits with maturities up to three months. Deposits carry interest rates between 7.35% and 8.5% per annum.

Ratings of the financial institutions which hold cash and cash equivalents (at December 31, 2022):

		December 31, 2022	December 31, 2021
AA+ (RU)	ACRA	5,562,673	2,557,467
AAA (RU)	ACRA	592,904	1,666,011
A+(RU)	ACRA	8,819,262	1,050,602
Other		1,042	1,007
		14,975,881	**5,275,087**

At December 31, 2022, 99.9% of cash and cash equivalents were placed with three banks.

23. Share capital

	Ordinary shares		Preference shares	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Par value of one share	RUB 1	RUB 1	RUB 1	RUB 1
Total number of shares, pcs.	8,523,785,320	8,523,785,320	93,264,311	93,264,311
Outstanding and fully paid, number of shares, pcs.	8,465,960,168	8,465,960,168	93,264,101	93,264,101

Ordinary and preference shares

The par value of ordinary and preference shares is 1 ruble per share. Ordinary shares confer the right to vote on the holders thereof but do not guarantee the payment of dividends.

Preference shares confer no right to vote except for voting on resolutions concerning liquidation or reorganization of the Group, amendments to the Articles of Association restricting the rights of the holders of preference shares, change of the amount of dividends on preference shares, or issue of additional preference shares. Such resolutions shall be adopted by 75% majority of votes of the holders of preference and ordinary shares.

Holders of preference shares are entitled to attend General Meetings of Shareholders and vote on all matters reserved to such meetings, starting from the meeting following the annual General Meeting of Shareholders which, for any reason, does not decide to pay dividends or decides to pay only a portion of the dividends on preference shares. The right of holders of preference shares to vote at General Meetings of Shareholders ceases from the first payment of dividends on such shares in full.

Dividends on preference shares are paid in the amount of 10% of net profit according to financial statements prepared in accordance with RAS, divided by the number of preference shares, or in the amount of dividend paid per ordinary share, whichever is the greater. Dividends on preference shares are non-cumulative. In the event of liquidation, assets remaining after payments to creditors, payment of dividends on preference shares and repayment of their nominal value, shall be distributed among the holders of preference and ordinary shares proportionate to the number of shares held by them.

Holders of ordinary shares are entitled to vote on all issues on the agenda at the General Meetings of Shareholders of the Company, to receive dividends in the manner established in the laws of the Russian Federation and the Articles of Association of the Company, and exercise other rights provided for by the Articles of Association and the laws of the Russian Federation. Preference shares are included in equity. These shares are unconvertible, non-cumulative and non-redeemable.

Preference shares also entitle their holders to vote on resolutions concerning amendments to the Articles of Association restricting the rights of the holders of preference shares, liquidation or reorganization of the Company, and delisting of preference shares. Holders of both ordinary and preference shares have the preemptive right to acquire additional shares of the Company issued through public offering in proportion to the number of shares of the relevant category held by them. In the event of liquidation of the Company, accrued and unpaid dividends on preference shares and the liquidation value payable in relation to preference shares as specified in the Articles of Association of the Company are paid. After that, distribution of property among holders of ordinary and preference shares is carried out.

23. Share capital (continued)

Preference shares are taken into account in calculation of the weighted average number of outstanding shares used to calculate basic earnings per share (Note 24).

Distribution and other use of annual profit are based on the annual RAS reporting of PJSC "Rosseti Lenenergo".

In 2022, declared dividends for 2021 amounted to RUB 0.3479 per one ordinary share, and RUB 21.2238 per preferred share; the total amount of declared dividends amounted to RUB 4,927,341. (In 2022, declared dividends for 2020 amounted to RUB 3,605,031 (RUB 0.2626 per one ordinary share, and RUB 15.1688 rubles per preferred share).

For 9 months of 2022, declared interim dividends amounted to RUB 0.4435 per one ordinary share, and RUB 0.4435 per preferred share; the total amount of declared dividends amounted to RUB 3,799,350.

Dividends returned to the Group upon the expiration of the term for claiming thereof and included in retained earnings in 2022 amounted to RUB 26,910 (in 2021: 34,809).

Treasury shares

Information on treasury shares is presented below:

December 31, 2022			December 31, 2021		
Number of shares, pcs.			Number of shares, pcs.		
Ordinary	Preference	Cost	Ordinary	Preference	Cost
57,825,152	210	456,255	57,825,152	210	456,255

24. Earnings per share

To calculate earnings per share, the Group divides earnings attributable to the owners of the Company by the weighted average number of outstanding ordinary and preference shares for the reporting period.

The Group has no dilutive financial instruments.

In thousands of shares	2022	2021
Ordinary and preference shares	8,617,050	8,617,050
Effect of own shares redeemed from shareholders	(57,826)	(57,826)
Weighted average number of outstanding ordinary and preference shares for the year ended December 31	**8,559,224**	**8,559,224**

	For the year ended December 31,	
	2022	2021 (restated)
Weighted average number of outstanding ordinary and preference shares for the year ended December 31 (in thousands of shares)	8,559,224	8,559,224
Profit for the period attributable to the owners of the Company	19,863,714	13,187,814
Earnings per share - basic (in Russian rubles)	**2.32**	**1.54**

25. Borrowings

	December 31, 2022	December 31, 2021 (restated)
Non-current liabilities		
Unsecured loans and borrowings	17,530,283	17,249,820
Unsecured bond loans	10,000,000	10,000,000
Lease liabilities	1,288,742	1,602,447
Less: current portion of long-term loans	(10,000,000)	(3,614,000)
Less: current portion of long-term loan and borrowing liabilities	(6,994,936)	-
Less: current portion of long-term lease liabilities	(236,413)	(347,932)
	11,587,676	**24,890,335**
Current liabilities		
Unsecured loans and borrowings	393,488	416,728
Unsecured bond loans	-	2,725,748
Current portion of long-term loans	10,254,800	3,614,000
Current portion of long-term loan and borrowing liabilities	7,042,094	-
Current portion of long-term lease liabilities	236,413	347,932
	17,926,795	**7,104,408**
Including:		
Interest payable on loans and borrowings	101,906	96,313
Interest payable on bond loans	254,800	325,748
	356,706	**422,061**

At December 31, 2022 and December 31, 2021, all balances of loans and borrowings were denominated in rubles. For the year ended December 31, 2022, the Group raised the following significant bank loans and borrowings:

	Nominal interest rates	Repayment dates	Nominal value
Unsecured bank loans and borrowings			
Loans and borrowings	8,36% - 21,14%	2023 - 2025	53,204,057
			53,204,057

For the year ended December 31, 2022, the Group repaid the following significant bank loans:

	Nominal value
Early repayment of long-term loans	52,905,270
Repayment of short-term loans and borrowings	2,400,000
	55,305,270

Series BO-03 (5,000,000) exchange-traded bonds redeemable on January 29, 2025 may be redeemed before the redemption date at the request of holders. Partial repayment date: February 3, 2023.

25. Borrowings (continued)

Series BO-04 (5,000,000) listed bonds redeemable January 29, 2025 may be redeemed before the redemption date at the request of holders. Partial repayment date: February 3, 2023.

	Repayment dates	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		Effective interest rate		Carrying amount	
Unsecured loans and borrowings					
Unsecured loans	2023 – 2025	6.20% - 6.20%	6.20% - 6.50%	10,254,800	12,725,748
Unsecured loans from banks associated with the major shareholder of the parent company	2023 - 2024	7.97%- 10.36%	7.97% - 8.40%	11,182,721	7,077,106
Unsecured bank loans	2023 - 2025	0.51% - 16.75%	7.99% - 9.85%	6,788,208	10,589,442
Total				**28,225,729**	**30,392,296**

The Group does not use hedge instruments to manage interest rate risk. Information on the Group's exposure to interest rate risk is disclosed in Note 32.

26. Changes in liabilities arising from financial activities

	Borrowings		Interest payable on borrowings (other than interest under lease agreements)	Lease liabilities	Dividends payable
	Long-term	Short-term			
At January 1, 2021 (restated)	**26,284,773**	**2,400,000**	**362,050**	**1,641,904**	**107,080**
Changes relating to cash flows from financing activities					
Borrowed funds	18,123,820	416,582	–	–	–
Repayment of borrowings	(17,158,773)	(96,167)	–	–	–
Lease payments	–	–	–	(524,988)	–
Interest paid (operating activities, for reference)	–	–	(1,467,067)	(112,925)	–
Dividends paid	–	–	–	–	(3,647,622)
Subtotal	**965,047**	**320,415**	**(1,467,067)**	**(637,913)**	**(3,647,622)**
Non-cash changes					
Reclassification	(3,614,000)	3,614,000	–	–	–
Interest expense	–	–	407,504	112,925	–
Capitalized interest			1,119,574		
Proceeds from lease agreements	–	–	–	187,915	–
Accrued dividends	–	–	–	–	3,605,031
Other changes, net*	–	–	–	297,616	45,675
Subtotal	**(3,614,000)**	**3,614,000**	**1,527,078**	**598,456**	**3,650,706**
At December 31, 2021 (restated)	**23,635,820**	**6,334,415**	**422,061**	**1,602,447**	**110,164**
At January 1, 2022	**23,635,820**	**6,334,415**	**422,061**	**1,602,447**	**110,164**
Changes relating to cash flows from financing activities					
Borrowed funds	52,204,620	999,437	-	-	-
Repayment of borrowings	(55,305,093)	(176)	-	-	-
Lease payments	-	-	-	(405,408)	-
Interest paid (operating activities, for reference)	-	-	(2,128,238)	(145,776)	-
Dividends paid	-	-	-	-	(4,944,950)
Subtotal	**(3,100,473)**	**999,261**	**(2,128,238)**	**(551,184)**	**(4,944,950)**
Non-cash changes					
Reclassification	(10,000,000)	10,000,000	-	-	-
Interest expense	-	-	96,365	145,776	-
Capitalized interest	-	-	1,966,518	-	-
Proceeds from lease agreements	-	-	-	213,954	-
Accrued dividends	-	-	-	-	8,726,691
Other changes, net*	-	-	-	(122,251)	155,911
Subtotal	**(10,000,000)**	**10,000,000**	**2,062,883**	**237,479**	**8,882,602**
At December 31, 2022	**10,535,347**	**17,333,676**	**356,706**	**1,288,742**	**4,047,816**

* Other changes relating to dividends payable represent unclaimed dividends. Shareholders' right to claim dividends exists during three years after the declaration date dividend.

The Notes are an integral part of these consolidated financial statements.

27. Employee benefits

The Group has pension liabilities and other long-term liabilities under defined benefit pension plans that apply to most employees and retirees. Liabilities under defined benefit plans consist of several unsecured plans that provide lump-sum benefits upon retirement, lifelong retirement allowances, financial support for retirees, payments in the event of death of employees, payments on anniversaries.

Liabilities under defined benefit plans recognized in the consolidated statement of financial position are presented below:

	December 31, 2022	December 31, 2021
Net value of post-employment benefit plan liabilities	438,656	444,472
Net value of other long-term benefit plan liabilities	386,032	334,831
Total net value of liabilities	**824,688**	**779,303**

Change in the value of reimbursement rights relating to employee benefit liabilities

	For the year ended December 31, 2022	For the year ended December 31, 2021
Value of assets at 1 January	**114,323**	**98,120**
Income on plan assets	2,818	2,303
Employer's contributions		30,919
Other movement on accounts	(6,323)	(5,689)
Benefit payment	(14,147)	(11,330)
Value of assets at 31 December	**96,671**	**114,323**

Reimbursement rights relating to pension programs and defined benefit plans are administered by JSC Non-State Pension Fund Otkritie. These assets are not the assets of defined benefit pension programs because under the terms of agreements with the fund, the Group may use contributions transferred under defined benefit pension programs to finance its defined contribution pension programs or transfer to another fund on its own initiative.

27. Employee benefits (continued)

Changes in the present value of liabilities under defined benefit plans:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Post-employment benefits	Other long-term benefits	Post-employment benefits	Other long-term benefits
Defined benefit plan liabilities at January 1	**444,473**	**334,831**	**477,230**	**282,646**
Current service cost	16,282	35,862	23,603	37,165
Past service cost and curtailments	-	-	–	–
Interest expense on liabilities	34,474	24,615	27,380	15,327
Effect of revaluation:				
- (gain)/loss from changes in financial actuarial assumptions	(28,198)	(19,730)	(84,150)	(49,568)
- (gain)/loss from experience-based adjustments	5,689	52,254	28,786	80,647
Benefit payment	(34,064)	(41,800)	(28,377)	(31,386)
Defined benefit plan liabilities at December 31	**438,656**	**386,032**	**444,472**	**334,831**

Expenses recognized in profit or loss for the period:

	For the year ended December 31	
	2022	2021
Employee service cost	52,144	60,768
Revaluation of other long-term employee benefit liabilities	32,524	31,079
Interest expense	59,089	42,707
Total expenses recognized in profit or loss	**143,757**	**134,554**

Income/(expenses) recognized in other comprehensive income for the period:

	For the year ended December 31	
	2022	2021
Gain/(loss) from changes in financial actuarial assumptions	28,198	84,150
Gain/(loss) from experience-based adjustments	(5,689)	(28,786)
Total income recognized in other comprehensive income	**22,509**	**55,364**

Change in the revaluation provision for liabilities in other comprehensive income during the reporting period:

27. Employee benefits (continued)

	For the year ended December 31	
	2022	**2021**
Revaluation provision included in retained profit at 1 January	**(104,829)**	**(49,465)**
Revaluation change	(22,509)	(55,364)
Revaluation provision included in retained profit at 31 December	**(127,338)**	**(104,829)**

Key actuarial assumptions:

	December 31, 2022	**December 31, 2021**
Financial assumptions		
Discount rate	10.3%	8.4%
Inflation rate	5.6%	4.5%
Future salary increases	6.1%	5.0%
Demographic assumptions		
Expected retirement age (years)		
– Men	65	65
– Women	60	60
Average employee turnover rate	7.9%	7.9%

Sensitivity of the aggregate value of pension liabilities to changes of key actuarial assumptions is shown below:

	Changes in assumptions	**Effect on liabilities: (decrease)/increase**
Discount rate	Increase/(decrease) by 0.5%	(4%)/4%
Future salary increases	Increase/(decrease) by 0.5%	2%/(2%)
Future benefit increases (inflation)	Increase/(decrease) by 0.5%	2%/(2%)
Employee turnover rate	Increase/(decrease) by 0.5%	(1%)/1%
Mortality rate	Increase/(decrease) by 0.5%	(1%)/1%

Expected benefits under long-term employee benefit programs for 2023 amount to 91,582, including:

- under defined benefit programs, including non-governmental retirement benefits to employees: 52,532;
- under other long-term employee benefit programs: 39,050.

28. Trade and other payables

	December 31, 2022	December 31, 2021
Long-term payables		
Trade payables	9,052	34,468
Other receivables	3,073	3,073
	12,125	**37,541**
Short-term payables		
Trade payables	10,797,080	11,361,621
Other payables and accrued expenses	1,804,288	849,668
Payables to personnel	2,413,106	2,037,119
Dividends payable	4,047,816	110,164
	19,062,290	**14,358,572**

29. Taxes payable other than income tax

	December 31, 2022	December 31, 2021
VAT	1,677,917	362,330
Social security contributions	959,330	240,833
Property tax	548,002	1,433,558
Other taxes payables	117,457	91,019
	3,302,706	**2,127,740**

30. Prepayments

Long-term	December 31, 2022	December 31, 2021
Advances for power grid connection services	9,813,724	7,188,793
Other prepayments	1,102,126	203,167
	10,915,850	**7,391,960**
Short-term		
Advances for power grid connection services	15,145,569	11,917,259
Other prepayments	3,031,926	2,636,469
	18,177,495	**14,553,728**

Short-term prepayments at December 31, 2021 were recognized in revenues for the year ended December 31, 2022. The Group's Management expects that the total amount of short-term prepayments at December 31, 2022 will be recognized in revenues during the next reporting period and the amount of long-term prepayments at December 31, 2022 will be recognized mainly during 2024-2025. The amount of long-term prepayments at December 31, 2022 vs December 31, 2021 mainly increased due to new service agreement for power grid connection.

31. Provisions

	For the year ended December 31	
	2022	**2021**
Balance at 1 January	**8,249,971**	**7,981,040**
Increase for the period	6,243,529	2,287,508
Decrease due to recovery of provisions	(6,100,425)	(1,541,571)
Utilization of provisions	(205,153)	(477,006)
Reclassification	(903,537)	-
Balance at December 31	**7,284,385**	**8,249,971**

Provision for tax risks

This provision was created in respect of disputed claims of the tax body following the on-site tax audit for 2014-2016 and on similar grounds for 2017-2022. At December 31, 2022, the provision for property tax liabilities amounted to 5,438,410 (December 31, 2021: 6,672,795).

Provision for legal proceedings

The provision for legal proceedings that remain pending at the reporting date includes arbitration cases, in which decision issued by a court of second instance was not in favor of the Group and the likelihood of a favorable outcome for the Group has been assessed as low. At December 31, 2022, this liability amounted to 1,531,559 (December 31, 2021: 673,640).

The reclassification for 2022 represents reclassification of disputed debt to partner grid entities into accounts payable in connection with a number of proceedings wherein a decision was not in favor of the Group

32. Financial risk and capital management

In the course of its ordinary activities the Group is exposed to a variety of financial risks, including, but not limited to, the following: market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

This note provides information on the Group's exposure to each of these risks, discusses the objectives, policies and procedures for risk assessment and management, and information on capital management. More detailed quantitative data are disclosed in the relevant notes to these consolidated financial statements.

In order to maintain or change the capital structure, the Company may change the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Credit risk

Taking into account the debtor structure of Group, the Group's exposure to credit risk mainly depends on the individual characteristics of each counterparty. The Group creates an allowance for expected credit losses on trade and other receivables and other financial assets at amortized cost, the amount of which is estimated based on the model of expected credit losses weighted by the probability of default and can be adjusted both upwards and downwards. For that purpose, the Group analyses the creditworthiness of counterparties, debt repayment patterns, takes into account changes in the terms of payment, availability of third-party sureties, bank guarantees, and current economic conditions.

32. Financial risk and capital management (continued)

The carrying amount of financial assets less the allowance for expected credit losses represents the maximum credit exposure. Although repayment of receivables may be subject to economic and other factors, the Group believes that there is no significant risk of losses in excess of the created allowance.

Whenever possible, the Group applies the prepayment scheme in its relations with counterparties. As a rule, prepayment for services related to connection of consumers to power grids is provided for in a contract. The Group does not require collateral for accounts receivable.

To ensure efficient handling of issues related to accounts receivable, the Group monitors changes in the amount and structure of receivables and divides them into current and overdue. To minimize credit risk, the Group implements measures focused on timely performance by counterparties of their contractual obligations, reduction and prevention of overdue debts. In particular, such measures include: conducting negotiations with consumers of services, improving the efficiency of the process in which the scope of power distribution services is determined, ensuring that control meter readings and technical verification of electricity metering devices are carried out in accordance with the schedule agreed with guaranteeing suppliers, limiting power consumption (implemented in accordance with the laws of the Russian Federation), handling of claims, requiring provision of financial security in the form of bank guarantees, sureties and other forms of security for obligations.

Credit risk level

The carrying amount of financial assets represents the maximum credit exposure of the Group. At the reporting date, the maximum credit risk level was:

		Carrying amount	
	Notes	**December 31, 2022**	**December 31, 2021**
Financial assets at fair value through profit or loss	18	1,758,659	2,041,686
Financial assets at fair value through other comprehensive income	18	6,675	9,855
Trade and other receivables (net of allowance for expected credit losses)	20	5,309,081	4,396,144
Cash and cash equivalents	22	14,975,881	5,275,087
Other non-current financial investments at amortized cost	18	-	1,481,457
Other current financial investments at amortized cost	18	3,150,916	2,799,415
		25,201,212	**16,003,644**

32. Financial risk and capital management (continued)

At the reporting date, the maximum credit risk level related to trade and other receivables by groups of customers was:

	Total nominal value	Allowance for expected credit losses	Total nominal value	Allowance for expected credit losses
	December 31, 2022	December 31, 2022	December 31, 2021	December 31, 2021
Buyers of power distribution services	5,125,199	(726,004)	4,550,453	(940,976)
Buyers of power grid connection services	683,441	(476,736)	914,122	(634,659)
Other customers	2,291,668	(1,495,125)	2,240,548	(1,733,344)
	8,100,308	**(2,697,865)**	**7,705,123**	**(3,308,979)**

At December 31, 2022, the carrying amount of trade receivables attributable to the ten largest debtors of the Group amounted to 4,279,235 (at December 31, 2021: 3,529,482).

Allowance for expected credit losses on trade and other receivables

The ageing analysis for trade and other receivables is as follows:

	Total nominal value	Allowance for expected credit losses	Total nominal value	Allowance for expected credit losses
	December 31, 2022	December 31, 2022	December 31, 2021	December 31, 2021
Receivables that are not past due	4,965,439	(47,412)	4,468,706	(323,737)
Overdue for less than 3 months	445,401	(121,608)	174,442	(24,364)
Overdue for more than 3 months and less than 6 months	179,574	(74,551)	125,982	(117,626)
Overdue for more than 6 months and less than 1 year	239,226	(205,204)	324,089	(274,497)
Overdue for more than 1 year	2,270,666	(2,249,090)	2,611,904	(2,568,755)
	8,100,308	**(2,697,865)**	**7,705,123**	**(3,308,979)**

32. Financial risk and capital management (continued)

Changes in the allowance for expected credit losses on trade and other receivables and the provision for impairment of advances issued are presented below:

	Changes in the allowance for expected credit losses on trade and other receivables	
	2022	**2021**
Balance at January 1	**(3,308,979)**	**(3,770,127)**
Increase of allowance for the period	(861,264)	(768,222)
Allowance recovery for the period	525,272	954,162
Amounts of trade and other receivables written off against previously accrued allowance	947,106	275,208
Balance at December 31	**(2,697,865)**	**(3,308,979)**

	Changes in the provision for impairment of advances issued	
	2022	**2021**
Balance at January 1	**(850,945)**	**(959,336)**
Increase of allowance for the period	(6,827)	(2,466)
Allowance recovery for the period	181,939	24,024
Amounts of issued advances written off against previously accrued provision	132,204	86,833
Balance at December 31	**(543,629)**	**(850,945)**

	Changes in the allowance for expected credit losses on financial assets at amortized cost	
	2022	**2021**
Balance at 1 January	**(24,550)**	**(34,932)**
Increase of allowance for the period	(1,699)	(23,800)
Allowance recovery for the period	19,260	34,182
Amounts written off against previously accrued provision	–	–
Balance at 31 December	**(6,989)**	**(24,550)**

At December 31, 2022 and December 31, 2021, the Group has no contractual basis for offsetting financial assets and financial liabilities, and the Group's Management does not anticipate offsetting in the future under supplementary agreements.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities as they fall due. Liquidity risk management involves maintaining sufficient cash and having available financial resources through committed credit facilities. The Group adheres to a balanced model of working capital financing through the use of both short-term and long-term sources. Temporarily uncommitted funds are placed in the form of short-term financial instruments, mainly bank deposits.

32. Financial risk and capital management (continued)

The Group's liquidity management approach is to ensure that the Group always has sufficient liquidity to meet its liabilities as they fall due without incurring unacceptable losses or risking damage to the Group's reputation. This approach is used to analyze payment terms related to financial assets and forecast cash flows from operating activities.

Liquidity risk management

The Group manages liquidity risk through the optimization of the debt and equity balance. The Group's Management also established a number of limits on the aggregate debt capital raising. The following limits are simultaneously set on the Group's debt position:

- based on the structure of liabilities (financial leverage limit);
- based on the operating cash flow amount (debt coverage limit and debt service coverage limit);
- based on the equity amounts and EBITDA (debt limit on loans and borrowings).

In addition to the debt position limits, the Group's Management approves the borrowing cost limit, within which the Group raises borrowed funds. The Group is not allowed to borrow funds in excess of the borrowing cost limit.

To control the changes in accounts receivable and accounts payable, the Group has operational regulations that determine the competence of the Company's divisions, responsible managers and specialists in the area of debt management and regulate their activities. The Group also monitors overdue accounts receivable and payable.

Information about contractual maturities of financial liabilities including estimated interest payments and excluding the effect of offset is presented below. For the cash flows included in the analysis of maturities, it is not expected that they may occur significantly earlier in time or in significantly different amounts:

32. Financial risk and capital management (continued)

December 31, 2022	Carrying amount	Contractual cash flows	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years
Financial liabilities	28,225,729	29,934,569	18,928,527	10,479,924	526,118	–	–	–
Loans and borrowings								
Lease liabilities	1,288,742	3,825,296	2,264,873	275,777	235,985	200,737	103,261	744,663
Trade and other payables	19,167,773	19,167,773	19,155,649	12,124	–	–	–	–
	48,682,244	**52,927,638**	**40,349,049**	**10,767,825**	**762,103**	**200,737**	**103,621**	**744,663**

December 31, 2021	Carrying amount	Contractual cash flows	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years
Financial liabilities								
Loans and borrowings	30,392,296	34,036,139	8,499,708	15,852,120	9,684,311	–	–	–
Lease liabilities (restated)	1,602,447	2,267,757	510,254	342,492	242,922	216,075	186,020	769,995
Trade and other payables	14,396,113	14,412,313	14,360,372	31,740	1,800	1,800	1,800	14,801
	46,390,856	**50,716,209**	**23,370,334**	**16,226,352**	**9,929,033**	**217,875**	**187,820**	**784,796**

32. Financial risk and capital management (continued)

Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, commodity prices and cost of capital, that will affect the Group's financial performance or the value of financial instruments held. The purpose of market risk management is to control exposure to market risk and keep it within acceptable limits, while optimizing the return on investment.

Currency risk

Income and expenses as well as monetary assets and liabilities of the Group are denominated in Russian rubles. Changes in exchange rates do not directly affect the income and expenses of the Group.

Interest rate risk

Changes in interest rates primarily affect loans and borrowings, as they change either their fair value (for loans and borrowings with a fixed rate) or future cash flows (for loans and borrowings with a floating rate). The Group's Management does not adhere to any established rules when determining the ratio between loans and borrowings at fixed and floating rates. At the same time, when attracting new loans and borrowings, a decision is made, based on judgment, as to which rate - fixed or floating - will be most beneficial for the Group for the entire estimated period to maturity.

At December 31, 2022, the Group has no payable loans and borrowings with a floating rate (December 31, 2021: 665,317). A quantitative sensitivity analysis of profit before tax to floating interest rate changes is presented below:

	Interest rate change	Effect on profit before tax
For twelve months ended December 31, 2022	+1.50 p.p.	-
	-1.50 p.p.	-
For twelve months ended December 31, 2021	+1.50 p.p.	(109)
	-1.50 p.p.	109

Sensitivity of profit before tax to changes in the discount rate used to measure the fair value of long-term deposit (Note 18) is shown below:

	Interest rate change	Effect on profit before tax
For twelve months ended December 31, 2022	+1.00 p.p.	(90,531)
	-1.00 p.p.	100,984
For twelve months ended December 31, 2021	+1.00 p.p.	(188,121)
	-1.00 p.p.	213,087

32. Financial risk and capital management (continued)

Fair value and carrying amount

The fair values and carrying amounts of financial assets and liabilities are as follows:

		December 31, 2022		Level within the fair value hierarchy		
		Carrying amount	**Fair value**	**1**	**2**	**3**
Fixed assets	15	219,998,804	219,998,804	–	–	219,998,804
Financial assets at amortized cost:						
Long-term bank deposits	18	–	–	–	–	–
Bank deposits with maturities over three months	18	3,150,916	3,150,916	–	–	3,150,916
Long-term receivables	20	220,218	220,218	–	–	220,218
Financial assets at fair value through profit or loss	18	1,758,659	1,758,659	490,913	–	1,267,746
Financial assets at fair value through other comprehensive income:						
Equity investments	18	6,675	6,675	–	–	6,675
Financial liabilities measured at amortized cost:						
Loans and borrowings	25	(28,225,729)	(26,580,589)	(9,464,687)	–	(17,115,902)
Long-term payables	28	(12,125)	(22,711)	–	–	(22,711)
		196,897,419	**198,531,973**	**(8,973,774)**	–	**207,505,746**

32. Financial risk and capital management (continued)

		December 31, 2021		Level within the fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Fixed assets		209,673,080	209,673,080	–	–	209,673,080
Financial assets at amortized cost:						
Long-term bank deposits	18	1,481,457	1,447,974	–	–	1,447,974
Bank deposits with maturities over three months	18	2,799,415	2,799,415	–	–	2,799,415
Long-term receivables	20	113,315	113,315	–	–	113,315
Financial assets at fair value through profit or loss	18	2,041,686	2,041,686	–	–	2,041,686
Financial assets at fair value through other comprehensive income:						
Equity investments	18	9,855	9,855	–	–	9,855
Financial liabilities measured at amortized cost:						
Loans and borrowings	25	(30,392,296)	(28,692,777)	(9,236,531)	(2,400,000)	(17,056,246)
Long-term payables	28	(37,541)	(40,020)	–	–	(40,020)
		185,688,971	**187,352,528**	**(9,236,531)**	**(2,400,000)**	**198,989,059**

Interest rate used to discount the expected future cash flows on long-term and short-term borrowings for the purposes of determining the disclosed fair value at December 31, 2022 was 9.03% (December 31, 2021: 9.10%).

At December 31, 2022, the Group had no long-term bank deposits carried at amortized cost. At December 31, 2022, the rate used to measure the fair value of deposits carried at amortized cost was 7.50%.

Interest rate used to discount the expected future cash flows on long-term bank deposit carried at fair value for the purposes of determining the fair value at December 31, 2022 was 17.96% (December 31, 2021: 11.86%).

During twelve months ended December 31, 2022, and during twelve months ended December 31, 2021 there were no transfers between the levels within the fair value hierarchy.

32. Financial risk and capital management (continued)

Capital management

The main objective of the Group's capital management is to maintain consistently high levels of capital, allowing to maintain the confidence of investors, lenders and other market participants and to ensure sustainable development of business in the future. At December 31, 2022, the capital managed by amounted to 165,749,631 (at 31 December 2021: 154,607,839).

The Group monitors the structure and return on equity using ratios calculated on the basis of the consolidated financial statements prepared in accordance with IFRS, managerial reports and statements prepared in accordance with RAS. The Group analyzes the changes in total debt and net debt indicators, debt structure, and debt-to-equity ratio.

The Group manages its debt position by implementing credit policy aimed at improving financial stability, optimizing its debt portfolio and building long-term relationships with participants in the debt capital market. To manage its debt position, the Group applies limits, including by categories of financial leverage, debt coverage, debt service coverage. The inputs for the calculation of limits are the indicators in the Company's RAS reporting.

33. Capital commitments

At December 31, 2022, capital commitments under contracts for the acquisition and construction of fixed assets amounted to 45,729,762 including VAT (at December 31, 2021: 54,959,506 including VAT).

At December 31, 2022, the Group has no future lease payments under leases for which there are contractual obligations and the lease term has not yet commenced at the reporting date.

34. Contingent liabilities

Insurance

The Group has uniform requirements for the amount of insurance coverage, reliability of insurance companies and insurance protection arrangement. The Group insures assets, third-party liability and other insurable risks. The Group's key productive assets are covered by insurance, including coverage against damage to or loss of fixed assets. However, there are risks of negative impact on the Group's performance and financial position in the event of damage caused to third parties or in the event of loss of or damage to assets that are not covered or partially covered by insurance.

Contingent tax liabilities

Russian tax legislation, which existed or substantially became effective at the end of the reporting period, permits varying interpretation of the Group's transactions and operations. Therefore, the Management's position with respect to taxes and the supporting documents may be challenged by tax authorities. Tax monitoring in Russia is gaining momentum, with a higher risk of auditing the effect on the taxable base of transactions that have no apparent financial or economic purpose or transactions with counterparties who do not comply with the tax legislation. Tax audits may cover the three calendar years preceding the year when the tax audit decision is made. Under certain conditions, earlier periods may also be audited.

34. Contingent liabilities (continued)

Russian transfer pricing legislation generally matches the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD), however has some distinctions. Russian tax legislation permits imposing additional tax liabilities or penalties in respect of controlled transactions (transactions between related parties or certain transactions between non-related parties) if the transaction price differs from the market price. The Management has introduced internal controls in order to be compliant with the current transfer pricing legislation.

Tax liabilities arising from the controlled transactions are calculated based on the actual prices of such transactions. With further development of practices regarding the application of transfer pricing rules, the prices are likely to be challenged. The effect of such development cannot be measured reliably, however it may be significant in terms of the Group's financial position and/or business operations.

Since Russian tax legislation does not offer clear guidance in certain aspects, the Group from time to time applies such interpretations of the legislation as to reduce the Group's total taxes. The Management currently believes that its position with respect to taxes and the interpretations applied by the Group can be supported with reasonable certainty, however, there is a risk that the Group will incur additional costs if the Management's position with respect to taxes and the interpretations of legislation applied by the Group are challenged by the tax bodies. The effect of such development cannot be measured reliably, however it may be significant in terms of the Group's financial position and/or business operations in general.

Legal proceedings

With further development of practices regarding the application of property taxation rules by tax bodies and courts, the criteria for classifying property as movable or immovable applied by the Group may be challenged. The Group's Management does not exclude the risk of outflow of resources, however the effect of such development cannot be measured reliably.

In the Management's opinion, the relevant provisions of laws were interpreted correctly, and the Group's position in the context of the tax law can be supported and defended.

The Group maintains a number of legal proceedings (both as plaintiff and defendant) arising in the normal course of business.

The Management estimated that at December 31, 2022 and December 31, 2021 there were no lawsuits in relation to which the probability of unfavorable outcome for the Group and a corresponding outflow of financial resources was medium. In the Management's opinion, there are currently no other unresolved or unsettled claims or actions that could have a significant impact on the Group's operating results or its financial position and have not been recognized or disclosed in the consolidated financial statements.

34. Contingent liabilities (continued)

Environmental obligations

The Group has been operating in the power industry in the Russian Federation for many years. Russian environmental legislation continues to evolve, duties of competent government bodies related to supervision of compliance therewith are being revised. Potential environmental obligations arising from changes in interpretations of the existing legislation, lawsuits or changes in legislation cannot be estimated. In the opinion of the Group's Management, under the existing control system and legislation, there are no contingent liabilities that could have a material adverse effect on the financial position, operating results or cash flows of the Group.

35. Related party transactions

Control

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the economic substance of the relationship and not merely its legal form.

The principal related parties of the Group for the year ended December 31, 2022 and December 31, 2021, and at December 31, 2022 and December 31, 2021 were the parent company and its subsidiaries, key management personnel of the Group, and companies associated with the major shareholder of the parent company.

Transactions with the parent company and its subsidiaries

Transactions with the parent company and its subsidiaries are carried out at regulated tariffs or at market prices.

	Amount reported in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31		Amount of receivables reported in the consolidated statement of financial position at December 31	
Revenue, other income, finance income	**2022**	**2021**	**2022**	**2021**
Parent company				
Other income	1,821	1,821	–	–
Companies under common control of the parent company				
Other revenue	17,253	39,069	56	3,765
Other income	14,374	2,241	14,918	64,245
	33,448	**43,131**	**14,974**	**68,010**

35. Related party transactions (continued)

Operating, financial and other expenses	Amount reported in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31		Amount of payables reported in the consolidated statement of financial position at 31 December	
	2022	2021	2022	2021
Parent company				
Advisory and legal services	(183,742)	(198,922)	32,905	32,093
Other production work and services	(25,138)	(25,138)	-	–
Other expenses	-	–	-	2,232
Interest expense on financial liabilities carried at amortized cost	(1,623)	(141,912)	-	–
	(210,503)	**(365,972)**	**32,905**	**34,325**
Companies under common control of the parent company				
Power distribution services	(9,839,047)	(10,010,090)	894,031	800,069
Power grid connection services	(5,246)	(4,711)	31	–
Repair and maintenance services	(1,025)		196	
Short-term lease		(1,270)		61
Expenses for computer software and support	-		22,078	
Other expenses	(173,195)	(190,896)	41,007	83,782
	(10,018,513)	**(10,206,967)**	**957,343**	**883,912**

In 2022, declared dividends for 2021 payable to the parent company amounted to 4,602,026 (in 2021, declared dividends for 2020 amounted to 1,527,031).

Declared dividends for 2022 and 2021 payable to companies under control of the parent company amounted to 484,705 (in 2021, declared dividends for 2020 amounted to 318,763).

In 2022, the Group acquired construction services (capitalized in fixed assets) from companies under common control of the parent company to the total amount of 638,052 (in 2021: 1,878,592). At December 31, 2022, payables related to these acquisitions amounted to 64,502 (at December 31, 2021: 402,309).

	Carrying amount at December 31	
	2022	2021
Parent company		
Loans and borrowings received	-	2,472,648
Prepayments and other non-current assets	4,976	
Companies under common control of the parent company		
Prepayments	159,499	119,026
Prepayments	1,073,840	4,884
	1,238,315	**2,596,558**

35. Related party transactions (continued)

Transactions with key management personnel

The key management personnel consists of the members of the Company's Board of Directors, members of the Management Board, CEO and his/her deputies, and Chief Accountant.

Key management remuneration comprises salary as provided for in employment agreements, benefits in kind, bonuses based on the performance for the period, and other payments. No remuneration or compensations are paid to the members of the Board of Directors who are public officials.

Amounts of remunerations paid to the key management personnel as disclosed below represent the current-period expenses for key management personnel reported in employee benefit expenses.

	For the year ended December 31, 2022	For the year ended December 31, 2021
Short-term employee benefits	542,849	565,827
Post-employment and other long-term benefits	1,249	10,109
Insurance contributions accrued in respect of the above payments	88,390	84,835
	632,488	**660,771**

At December 31, 2022, the present value of defined benefit plan liabilities reported in the consolidated statement of financial position includes liabilities to key management personnel in the amount of 3,446 (at December 31, 2021: 4,184).

Transactions with companies associated with the major shareholder of the parent company

In its everyday operations, the Group conducts transactions with other companies associated with the major shareholder of the parent company. Such transactions are conducted at regulated tariffs or at market prices. Funds are borrowed from and deposited with financial institutions associated with the major shareholder of the parent company at market interest rates. Taxes are accrued and paid in accordance with Russian tax legislation.

Revenue from companies associated with the major shareholder of the parent company amounted to:

- 75% of total revenue of the Group for the year ended December 31, 2022 (for the year ended December 31, 2021: 75%);
- 81% of the Group's revenue from power distribution for the year ended December 31, 2022 (for the year ended December 31, 2021: 81%).

For companies associated with the major shareholder of the parent company, power distribution costs and costs for power acquisition to compensate for technological losses account for 61% of total power distribution and power loss compensation costs for the year ended December 31, 2022 (for the year ended December 31, 2021: 60%).

At December 10, 2022, loans and borrowings from banks associated with the major shareholder of the parent company amounted to 11,182,721 (December 31, 2021: 7,077,106).

35. Related party transactions (continued)

For the year ended December 31, 2022, the Group raised loans and borrowings from banks associated with the major shareholder of the parent company to the amount of 31,038,510 and repaid 26,976,440 (for the year ended December 31, 2021: 10,144,386 and 9,380,940 respectively).

Interest accrued on loans and borrowings from banks associated with the major shareholder of the parent company for the year ended December 31, 2022 accounted for 41% of the total amount of accrued interest (for 2021: 14%).

At December 31, 2022, balance of cash and cash equivalents deposited in banks associated with the major shareholder of the parent company amounted to 503,458 (December 31, 2021: 1,824,409).

At December 31, 2022, balance of deposits with original maturities over three months with banks associated with the major shareholder of the parent company amounted to 2,333,374 (December 31, 2021: 1,801,872).

At December 31, 2022, lease liabilities for companies associated with the major shareholder of the parent company amounted to 248,425 (December 31, 2021: 258,005).

36. Events after the reporting date

On February 6, 2023, the Group, under the put option announced by holders, partially redeemed series BO-04 exchange-traded bonds to the amount of 4,488,488 and BO-03 series bonds to the amount of 4,798,912. The redeemed bonds are held in the treasury account and may be re-offered. For the remaining bonds, a new coupon rate of 8.60% was set.

In the Management's opinion, the Group has not been impacted nor is likely to be impacted by any of its operations or business affecting its financial position, cash flows or performance occurring between the reporting date and the date of signing these consolidated financial statements for 2022 and at that date.