Public Joint Stock Company “M.video”

Consolidated Financial Statements
For the year ended 31 December 2019

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

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PUBLIC JOINT STOCK COMPANY "M.VIDEO"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company "M.video" (the "Company") and its subsidiaries (the "Group") as at 31 December 2019, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards of Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved on 23 March 2020.

B. Uzhakhov
Chief Executive Officer

E. Sokolova
Chief Financial Officer

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Independent auditor's report

To the Shareholders of PJSC M.video

Opinion

We have audited the consolidated financial statements of PJSC M.video and its subsidiaries (the "Company", the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of bonuses from suppliers	
The Group receives various types of bonuses and compensations from its suppliers. The amount of the received bonuses and compensations forms a significant part of the cost of sales and is recognized as the decrease in inventories. In addition, at the end of each year there is a significant outstanding amount of bonuses that is recognized within trade receivables. Recognition of bonuses to suppliers is one of the most significant key audit matters due to the fact that there are one the most important differences in the terms of the agreements with the suppliers in respect of bonuses, and classification of such bonuses as decreasing cost of sales, as well as recognition of the respective receivables, require judgments. Information on bonuses from suppliers is provided in Note 13 to the consolidated financial statements. Information on accounting policies applied to bonuses from suppliers is provided in Note 3 to the consolidated financial statements.	We obtained an understanding of the internal processes and controls over recognition of bonuses received by the Group from suppliers. We tested random agreements concluded by the Group with suppliers, primary documents which confirm Group's right to these bonuses and other relevant data. We send inquiries to random suppliers and compared the amounts of bonuses and balances of bonuses payable to the Group as at the end of the reporting year confirmed by the suppliers with the Group's accounting records. In addition, we analyzed allocation of the bonuses received to the balances of inventories at the end of the reporting year considering their commercial substance. We also obtained information on the amounts of bonuses received after the reporting date and checked the accuracy of random amounts of accounts receivable recognized.

Key audit matter	How our audit addressed the key audit matter
Effect of adopting IFRS 16 Leases	
The Group leases significant number of stores from different counterparties. The terms and conditions of the leases may differ. The Group takes an ongoing effort to improve the conditions of the leased areas and to find new sites. We believe this matter to be one of the most significant key audit matters since the adoption of this standard has a significant effect on the Group's consolidated financial statements, as well as due to the fact that its application requires significant judgments in assessing the lease terms and determining the discount rates. Information on the effect of the first application of IFRS 16 is provided in Note 4; information on the right-of-use assets and corresponding liabilities is provided in Note 9 to the consolidated financial statements.	We analyzed the Group's accounting policy regarding application of IFRS 16 and reviewed the Group's approach to measuring the effect of transition to IFRS 16. We analyzed key assumptions and judgments used by management, including those used to determine lease terms and discount rates. We compared random inputs used to calculate the amounts of the right-of-use assets and corresponding liabilities with the data of related lease agreements and analyzed the algorithms used in automated calculation, including involvement of our internal information technology specialists. We performed procedures in respect of the completeness of ledgers of lease assets and liabilities by comparing them against the register of agreements both at the date of transition and at the end of the reporting period. We assessed the disclosures in the financial statements in accordance with IFRS 16.
Goodwill impairment testing	
As a result of the acquisition of the groups Eldorado and Media Markt in 2018, the Group recognized goodwill. The amount of recognized goodwill is significant to the consolidated financial statements, and assumptions on the Group's operating performance and discount rate, underlying the model of goodwill impairment testing, are subjective. Therefore, this matter is one of the key matters of the audit of the consolidated financial statements. Information on the amount of goodwill and the results of goodwill impairment testing is disclosed in Note 6 to the consolidated financial statements.	Our audit procedures included, in particular, the analysis of the assumptions and methodologies used by management for goodwill impairment testing, with the involvement of our valuation specialists. We analyzed the assumptions and methodologies used by the Group with respect to calculations of recoverable amounts of cash-generating units. We analyzed future cash flows by comparing them with the current operating performance and business plans of the Group. We reviewed the assumptions used and compared them with historical data and other available information. We compared the assumptions used by management in the model with key indicators of market development and other available data. We also analyzed the sensitivity of the model to changes in key indicators. We analyzed information on goodwill testing disclosed by the Group, including information on assumptions and methodology used.
Net realizable value of inventories	
According to IAS 2, inventories should be stated at the lower of cost and net realizable value. Determination of the carrying amount of inventories is the one of the most important audit matters due to the significance of the carrying amount of goods for resale, and due to the sensitivity of the expected net realizable value to changes in assumptions, as well as to different accounting judgments and estimates. Information on inventories is disclosed in Note 12 to the consolidated financial statements.	During the performed audit procedures, we analyzed assumptions used to measure net realizable value. We analyzed the turnover of goods to identify idle inventories. We compared random resell price set for goods to be sold after the reporting date with the value of goods for resale as at 31 December 2019. We analyzed disclosures on the value of inventories in the consolidated financial statements.

Other matters

The audit of the consolidated financial statements of PJSC M.video and its subsidiaries for 2019 was performed by another auditor who expressed an unmodified opinion in respect of these financial statements on 20 March 2019.

Other information included in the 2019 Annual report of PJSC M.video

Other information consists of the information included in the Annual Report and quarterly reports of PJSC M.video, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for other information. We expect to receive the Annual Report of PJSC M.video for 2019 after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Report on supplementary financial information

Our audit was conducted for the purpose of expressing an opinion on the consolidated financial statements of the Group as a whole. Management is responsible for the preparation of the information accompanying the consolidated financial statements, presented as the supplementary financial information in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and in Note 36. This information is provided for the purposes of additional analysis and is outside the scope of IFRS. We performed audit procedures in respect to this supplementary financial information during the audit of the consolidated financial statements, and, in our opinion, it was properly prepared, in all material respects, in relation to the Group's consolidated financial statements as a whole.

Responsibilities of management, the Board of Directors and the Audit Committee for the consolidated financial statements

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

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

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is I. Yu. Ananyev.

I. Y. Ananyev
Partner
Ernst & Young LLC

23 March 2020

Details of the audited entity

Name: PJSC M.video
Record made in the State Register of Legal Entities on 25 September 2006, State Registration Number 5067746789248.
Address: Russia 105066, Moscow, ul. Nizhnyaya Krasnoselskaya, 40/12, block 20.

Details of the auditor

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

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(in millions of Russian Rubles)

	Notes	31 December 2019	31 December 2018 (1)	31 December 2017 (1)
NON-CURRENT ASSETS				
Property, plant and equipment	7	19,777	20,597	7,899
Investment property	8	349	417	-
Intangible assets	10	20,063	18,624	7,355
Goodwill	6	48,975	49,648	-
Right-of-use assets	9	62,832	-	-
Investment in an associate and a joint venture		1,982	1,617	624
Non-current financial assets		-	-	2,471
Deferred tax assets	18	3,302	5,319	4,155
Other non-current assets	11	1,431	2,633	977
Total non-current assets		**158,711**	**98,855**	**23,481**
CURRENT ASSETS				
Inventories	12	129,115	113,145	52,283
Accounts receivable	13	34,136	30,127	21,563
Advances issued	13	1,181	1,054	10
Income tax receivable		84	33	16
Other taxes receivable	14	21,316	15,092	5,983
Other current assets		44	43	1
Cash and cash equivalents	15	4,738	25,487	17,678
Assets held for sale	16	303	494	-
Total current assets		**190,917**	**185,475**	**97,534**
TOTAL ASSETS		**349,628**	**284,330**	**121,015**
EQUITY				
Share capital	17	1,798	1,798	1,798
Additional paid-in capital		4,576	4,576	4,576
Treasury shares	17	(749)	(749)	(52)
Retained earnings		26,502	25,309	16,695
Total equity		**32,127**	**30,934**	**23,017**
NON-CURRENT LIABILITIES				
Non-current bank borrowings	19	38,752	45,720	-
Other liabilities		373	829	-
Lease liabilities	9	57,927	-	-
Deferred tax liabilities	18	270	1,713	-
Total non-current liabilities		**97,322**	**48,262**	**-**
CURRENT LIABILITIES				
Trade accounts payable		176,065	155,358	77,690
Other payables and accrued expenses	20	12,975	19,101	8,851
Contract liabilities	22	8,112	11,418	8,396
Lease liabilities	9	10,532	-	-
Current bank borrowings	19	10,658	13,789	-
Finance obligations		-	-	780
Income tax payable		9	1,397	531
Other taxes payable	21	1,460	2,833	1,638
Provisions	23	368	1,238	112
Total current liabilities		**220,179**	**205,134**	**97,998**
Total liabilities		**317,501**	**253,396**	**97,998**
TOTAL EQUITY AND LIABILITIES		**349,628**	**284,330**	**121,015**

(1) These amounts were restated – Note 2.

The Notes an integral part of these consolidated financial statements.

Signed on 23 March 2020 by:

B. Uzhakhov
Chief Executive Officer

E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019
(in millions of Russian Rubles, except earnings per share)

	Notes	2019	2018 (1)
REVENUE	24	365,216	321,066
COST OF SALES	25	(274,143)	(242,296)
GROSS PROFIT		**91,073**	**78,770**
Selling, general and administrative expenses	26	(72,546)	(67,803)
Other operating income	27	6,408	6,078
Other operating expenses	28	(821)	(796)
OPERATING PROFIT		**24,114**	**16,249**
Finance income	29	295	497
Finance expenses	29	(12,961)	(3,617)
Share of profit/(loss) of an associate and a joint venture		(1,955)	(995)
PROFIT BEFORE INCOME TAX EXPENSE		**9,493**	**12,134**
Income tax expense	18	(2,359)	(3,519)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period		**7,134**	**8,615**
BASIC EARNINGS PER SHARE (in Russian Rubles)	30	40.13	48.22
DILUTED EARNINGS PER SHARE (in Russian Rubles)	30	40.13	48.22
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture *		**9,089**	**9,610**

(1) These amounts were restated – Note 2.

* Information provided for reference purposes only.

The Notes an integral part of these consolidated financial statements.

Signed on 23 March 2020 by:

B. Uzhakhov
Chief Executive Officer

E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019
(in millions of Russian Rubles)

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
Balance as at 1 January 2018 (1)		**1,798**	**4,576**	**(52)**	**16,695**	**23,017**
Purchase of treasury shares	17	–	–	(697)	–	(697)
Total comprehensive income for the year		**–**	**–**	**–**	**8,614**	**8,614**
Balance as at 31 December 2018 (1)		**1,798**	**4,576**	**(749)**	**25,309**	**30,934**
Dividends declared	17	–	–	–	(5,941)	(5,941)
Total comprehensive income for the year		–	–	–	7,134	7,134
Balance as at 31 December 2019		**1,798**	**4,576**	**(749)**	**26,502**	**32,127**

(1) These amounts were restated – Note 2.

The Notes an integral part of these consolidated financial statements.

Signed on 23 March 2020 by:

B. Uzhakhov
Chief Executive Officer

E. Sokolova
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in millions of Russian Rubles)

	Notes	2019	2018 (1)
OPERATING ACTIVITIES			
Net profit for the year		7,134	8,615
Adjustments for:			
Income tax expense		2,359	3,519
Depreciation and amortization	25, 26	22,502	5,921
Change in allowance for long-term advances paid		(96)	275
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		976	1,017
Interest income	29	(295)	(497)
Interest expenses	19, 29	12,949	3,604
Share of (profit)/loss of an associate and a joint venture		1,955	995
Provision for insurance claims		(600)	331
Other non-cash reconciling items, net		(769)	(58)
Operating cash flows before movements in working capital		**46,115**	**23,722**
Increase in inventories		(16,946)	(32,114)
(Increase)/decrease in accounts receivable and advances issued		(4,012)	2,742
Increase in other taxes receivable		(5,895)	(5,716)
Increase in trade accounts payable		20,707	36,579
(Decrease)/increase in other payables and accrued expenses		(1,147)	3,052
(Decrease)/increase in contract liabilities		(3,329)	1,098
(Decrease)/increase in other liabilities		(324)	113
Decrease in other taxes payable		(2,138)	(290)
Other changes in working capital, net		694	(189)
Cash generated by operations		**33,725**	**28,997**
Income tax paid		(3,253)	(3,024)
Interest paid		(12,325)	(2,820)
Net cash from operating activities		**18,147**	**23,153**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019
(in millions of Russian Rubles)

	Notes	2019	2018 (1)
INVESTING ACTIVITIES			
Repayment of loans issued		–	1,711
Purchase of property, plant and equipment		(4,763)	(4,239)
Proceeds from sale of property, plant and equipment		571	292
Payments for intangible assets		(4,573)	(3,286)
Interest received		295	510
Net cash outflow from purchase of subsidiary	6	(134)	(55,019)
Investment in joint venture		(2,380)	(1,428)
Net cash used in investing activities		**(10,984)**	**(61,459)**
FINANCING ACTIVITIES			
Dividends paid	19	(5,941)	–
Purchase of treasury shares		–	(697)
Proceeds from borrowings	19	25,000	71,209
Repayment of borrowings	19	(35,050)	(24,207)
Repayment of loans	19	–	(124)
Repayment of lease liabilities	9,19	(11,926)	(67)
Net cash (used in)/from financing activities		**(27,917)**	**46,114**
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(20,754)**	**7,808**
CASH AND CASH EQUIVALENTS, at the beginning of the year		**25,487**	**17,678**
Impact of foreign exchange on cash and cash equivalents		5	1
CASH AND CASH EQUIVALENTS, at the end of the year		**4,738**	**25,487**

(1) These amounts were restated – Note 2.

Changes in financial liabilities are presented in Note 19.

The Notes an integral part of these consolidated financial statements.

Signed on 23 March 2020 by:

B. Uzhakhov
Chief Executive Officer

E. Sokolova
Chief Financial Officer

(in millions of Russian Rubles)

1. GENERAL INFORMATION

The consolidated financial statements of Public Joint Stock Company "M.video" (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 23 March 2020.

The Company is incorporated in the Russian Federation.

Following the initial public offering in November 2007, the Company's ordinary shares were admitted to trading on MICEX stock exchange (Moscow Exchange) in the Russian Federation.

The Group is the operator of a chain of consumer electronic outlets and online internet stores operating in the Russian Federation. The Group specializes in the sale of TV, audio, video, Hi-Fi, home appliances and digital equipment, as well as related services. The Group comprises a chain of owned and leased stores.

The accompanying consolidated financial statements include assets, liabilities and result of operations of the Company and its subsidiaries as at 31 December 2019 and 2018:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 31 December 2019	31 December 2018
LLC "MVM"	Retailing	Russian Federation	100	100
BOVESTO LIMITED	Holding company	Cyprus	100	100
LLC "ELDORADO"	Retailing	Russian Federation	–	100
LLC "Invest-Realty"	Operating lease of real estate	Russian Federation	100	100
LLC "Rentol"	Operating lease of real estate	Russian Federation	100	100
LLC "Trade center "Permskiy"	Operating lease of real estate	Russian Federation	100	100
LLC "Eldomarket"	Retailing	Russian Federation	100	100
LLC "BT HOLDING"	Holding company	Russian Federation	100	100
MVEL Investition GmbH	Holding company	Germany	100	100
LLC "MVB Trade"	Retailing	Russian Federation	–	100
LLC "CE Trading solutions"	Retailing	Russian Federation	100	100
LLC "MV TVT"	Retailing	Russian Federation	–	100

On 30 April 2018 LLC "MVM" acquired 100% of the shares BOVESTO LIMITED (see Note 6). BOVESTO LIMITED was a holding company to LLC "ELDORADO", LLC "Invest-Realty", LLC "Rentol", LLC "Trade center "Permskiy", LLC "Eldomarket".

On 31 August 2018 LLC "MVM" acquired 99% of the shares LLC "Media Saturn Russland" and 100% of the shares Media-Saturn Russland Beteiligungen Gmbh. After acquisition LLC "Media Saturn Russland" was renamed to LLC "BT HOLDING" and Media-Saturn Russland Beteiligungen Gmbh was renamed to MVEL Investition GmbH.

Reorganization of LLC "ELDORADO" and LLC "MVB Trade" by way of accession to LLC "MVM" took place on 25 February 2019.

Liquidation of LLC "MV TVT" took place on 26 December 2019.

The Group owns 80% of the joint venture LLC "MARKETPLACE" (Note 2).

Shareholders

As at 31 December 2019 and 2018, the registered shareholders of the Company and their respective ownership and voting interests were as follows:

	2019	2018
ERICARIA HOLDINGS LIMITED	73.5058%	–
MIANELLO LIMITED	–	38.5632%
MS CE Retail GmbH	15.0000%	15.0000%
Treasury shares	1.0993%	1.0993%
Various shareholders	10.3949%	45.3375%
Total	**100%**	**100%**

Ultimate Shareholders

ERICARIA HOLDINGS LIMITED owns 73.5058% of the voting ordinary shares of the Company. ERICARIA HOLDINGS LIMITED is incorporated in Cyprus. At 31 December 2019 the ultimate shareholder of ERICARIA HOLDINGS LIMITED is Said Mikhailovich Gutseriev.

At the 31 December 2018 MIANELLO LIMITED owned 38.5632% of the voting ordinary shares of the Company. MIANELLO LIMITED is incorporated in Cyprus. At 31 December 2019 the ultimate shareholder of MIANELLO LIMITED is Said Mikhailovich Gutseriev.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Accounting

The consolidated financial statements have been prepared on a historical cost basis except for the valuation of financial instruments in accordance with Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9") and International Financial Reporting Standard 13 *Fair Value Measurement* ("IFRS 13") and valuation of items of property, plant and equipment measured at fair value which was used as deemed cost of the property, plant and equipment as at the date of transition to IFRS on 1 January 2006.

The Group's entities maintain their accounting records in compliance with the local legislation on accounting and reporting adopted in jurisdictions of the countries in which they were founded and registered. The accounting principles and reporting procedures and these jurisdictions may differ from generally accepted IFRS principles. Accordingly, financial statements of individual entities of the Group have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

These consolidated financial statements are presented in millions of Russian Rubles (hereinafter, "mln Rubles"), except for per share amounts which are in Rubles or unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Functional and presentation currency

The consolidated financial statements are presented in Russian Rubles ("RUB"), which is the functional of each company of the Group, with operating activities. Functional currency for each company of the Group has been determined as the currency of the primary economic environment in which the company operates.

Adoption of New Standards and Interpretations

The accounting policies applied by the Group are consistent with those of the financial year ended as at 31 December 2018, except for the adoption of the new standards and interpretations described below:

- IFRS 16 *Leases*;
- IFRIC 23 *Uncertainty Over Income Tax Treatments*;
- Amendments to IAS 28 – *Long-Term Interests in Associates and Joint Ventures*;
- Amendments to IAS 19 – *Employee Benefits*;
- Amendments to IFRS 9 – *Prepayment Features With Negative Compensation*;
- Annual Improvements to IFRSs 2015-2017 Cycle.

Adoption of these new and amended standards and interpretations has not had any material impact on the consolidated consolidated financial statements for the year ended 31 December 2019, except for the effect of adoption of IFRS 16 *Leases* from 1 January 2019.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Nature of the effect of adoption of IFRS 16

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the following practical expedients:

- Practical expedient that allows not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component;
- Practical expedient that allows application of a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- Practical expedient that allows to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17.

Short-term leases and leases of low-value assets

The Group does not apply the short-term lease recognition practical expedient to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also does not apply the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value.

(in millions of Russian Rubles)

Set out below is the impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

Assets	
Right-of-use assets	71,455
Property, plant and equipment	(314)
Intangible assets	(604)
Other non-current assets	(506)
Accounts receivable and advances issued	(652)
Total assets	**69,379**
Liabilities	
Finance lease obligations	74,182
Other liabilities	(196)
Other payables and accrued expenses	(4,607)
Total liabilities	**69,379**

The average lease period of right-of-use assets of the Group is 5 years.

For the year ended 31 December 2019 year the amounts of rent income and expenses were the following:

	2019
Depreciation expense of right-of-use assets (included in selling, general and administrative expenses)	15,553
Interest expense on lease liabilities	7,243
Variable lease payments (included in selling, general and administrative expenses)	1,561
Total amount recognised in profit or loss	**24,357**

The variable lease payments presented in the table above are expenses depending on the sales volume of a store.

The Group has lease contracts for various stores, offices, warehouses, land, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

(in millions of Russian Rubles)

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of 71,455 were recognized and presented separately in the statement of financial position. This includes the lease assets recognized previously under finance leases of 314 that were reclassified from Property, plant and equipment, 604 reclassified from Intangible assets and straight-line liability of 4,408 which were reclassified from Other payables and accrued expenses.
- Other non-current assets of 506 and Accounts receivable and advances issued of 652 were derecognized;
- Lease liabilities of 74,182 were recognized. This includes the lease liabilities of 331 recognized previously under finance leases.

Operating lease commitments as at 31 December 2018	**106,957**
Weighted average incremental borrowing rate as at 1 January 2019	10.12%
Discounted operating lease commitments at 1 January 2019	**73,851**
Add	
Commitments relating to leases previously classified as finance leases	331
Lease liabilities as at 1 January 2019	**74,182**

Change in presentation and classification

(A) In 2019 the Group adjusted the presentation of some parts of consolidated statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows in order to comply with IFRS 15 *Revenue from Contracts with Customers*, and also reflected additional reclassifications for better presentation. In order to apply new approach consistently, the Group adjusted the following comparative information:

(1) The Group has reflected short term advances paid to suppliers in the amount of 1,181 as part of Accounts Receivable in the statement of financial position as at 31 December 2018 (42 as at 1 January 2018 (31 December 2017)). Taking into consideration that advances paid to suppliers are non-financial assets the Group presented them separately in the current consolidated financial statements.

(2) In the consolidated statement of financial position as at 31 December 2018 the Group included advances for gift certificates, prepayments for goods and other prepayments under contracts with customers in amount of 5 309 (2 656 as at 1 January 2018) in Advances received, including VAT in amount of 833 (127 as at 1 January 2018). Due to adoption of IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 such advances should be accounted for as contract liabilities net of VAT. Accordingly, the Group reclassified these amounts from Advances received to Contract liabilities and Other taxes payable.

The Group adjusted accordingly the consolidated statement of cash flows for the year ended 31 December 2018.

(3) In accordance with IFRS 15 *Revenue from Contracts with Customers* the Group recognized refund liabilities for expected returns of goods to decrease Revenue. However, in the consolidated statement of financial position as at 31 December 2018 the Group recognized a short-term refund liabilities in amount of 1,724 (336 as at 1 January 2018) as a short-term provision and long-term refund liabilities in amount of 256 (0 as at 1 January 2018) as a long-term provision. Accordingly, in this consolidated financial statements the Group reclassified these amounts to Other payables and accrued expenses in non-current and current liabilities.

The Group accordingly adjusted the information in consolidated statement of cash flow for the year ended 31 December 2018.

(B) During preparation of the consolidated financial statements for 2019 year, it was noted that as a result of amendments in 2017 in participants' agreement relating to LLC Marketplace, previously recognized as a subsidiary, the Group lost control over the LLC Marketplace, but obtained joint control over this entity. Accordingly, the Group had to discontinue consolidation of LLC Marketplace and recognize an investment in Marketplace LLC as an investment in joint venture using equity method starting from the date of control lost. As a result, the Group adjusted the comparative information in the consolidated statement of financial position as at 31 December 2018 and 1 January 2018 (31 December 2017), as well as consolidated statement of profit and loss and other comprehensive income and consolidated statement of cash flow for the year ended 31 December 2018.

The change in net assets due to the deconsolidation of LLC Marketplace as at 1 January 2018 (31 December 2017) and 31 December 2018 amounted to 193 and 441, respectively. The Group recognized an investment in a joint venture in the consolidated statement of financial position in the amount of 609 as at 1 January 2018 (31 December 2017) and 1,602 as at 31 December 2018. The Group derecognized non-controlling interest in the consolidated statements of financial position as at 1 January 2018 (31 December 2017) and 31 December 2018 in the amount of 230 and 510, respectively.

The effect on the Group's Equity due to the deconsolidation of Marketplace LLC amounted to 37 as at 1 January 2018 (31 December 2017).

The effect on net profit in 2018 due to derecognition of income and expenses relating to LLC Marketplace amounted to 1,243. The share of the Group's loss from the joint venture LLC Marketplace amounted to 995 in 2018. In addition, the Group derecognise the contribution of non-controlling interest to the capital of LLC Marketplace in amount of 497, which previously was recognised in consolidated statement of changes in equity. As a result, consolidated statement of changes in equity for 2018 was adjusted.

(C) The Group has revised purchase price allocation relating to acquisition of Bovesto Limited (Eldorado) and Media Saturn Russland (Media Markt) during the finalization of acquisition process. The revision affected preliminary valuations, which were previously recognised in consolidated financial statements.

For a better presentation of consolidated statement of financial position as at 31 December 2018, goodwill in the amount of 49,648 has been reclassified to a separate line.

(in millions of Russian Rubles)

Changes of consolidated statement of financial statement at 31 December 2018

		Before reclassifica-tion	(A) Reclassifica-tion	(B) Effect of deconsolida-tion	(C) Reaassest-ment of purchase price allocation	31 December 2018
NON-CURRENT ASSETS						
Property, plant and equipment		20,734	–	(36)	(101)	20,597
Investment property		575	–	–	(158)	417
Intangible assets		68,767	–	(748)	(49,395)	18,624
Deferred tax assets		5,759	–	(440)	–	5,319
Goodwill		–	–	–	49,648	49,648
Investment in an associate and a joint venture		15	–	1,602	–	1,617
Other non-currents assets		2,631	–	2	–	2 633
Total non-current assets		**98,481**	**–**	**380**	**(6)**	**98,855**
CURRENT ASSETS						
Accounts receivable	(1)	31,457	(1,181)	(149)	–	30,127
Advances issued	(1)	–	1,181	(127)	–	1,054
Other taxes receivable	(2)	16,112	(833)	(187)	–	15,092
Cash and cash equivalents		25,669	–	(182)	–	25,487
Total current assets		**186,953**	**(833)**	**(645)**	**–**	**185,475**
TOTAL ASSETS		**285 436**	**(833)**	**(265)**	**(6)**	**284 330**
EQUITY						
Retained earnings		25,240	–	69	–	25,309
Non-controlling interests		510	–	(510)	–	–
Total equity		**31,375**	**–**	**(441)**	**–**	**30,934**
NON-CURRENT LIABILITIES						
Other liabilities	(3)	573	256	–	–	829
Provisions	(3)	256	(256)	–	–	–
Deferred tax liabilities		1,785	–	(21)	(51)	1,713
Total non-current liabilities		**48,334**	**–**	**(21)**	**(51)**	**48,262**
CURRENT LIABILITIES						
Advances received	(2)	5,309	(5,309)	–	–	–
Trade accounts payable		155,420	–	(62)	–	155,358
Other payables and accrued expenses	(3)	17,126	1,724	251	–	19,101
Other taxes payable		2,782	–	6	45	2,833
Contract liabilities	(2)	6,940	4,476	2	–	11,418
Provisions	(3)	2,962	(1,724)	–	–	1,238
Total current liabilities		**205,725**	**(833)**	**197**	**45**	**205,134**
Total liabilities		**254,059**	**(833)**	**176**	**(6)**	**253,396**
TOTAL EQUITY AND LIABILITIES		**285,434**	**(833)**	**(265)**	**(6)**	**284,330**

(in millions of Russian Rubles)

Changes of consolidated statement of financial statement at 1 January 2018

		Before reclassification according to reported FS*	(A) Reclassification	(B) Effect of deconsolidation	1 January 2018
NON-CURRENT ASSETS					
Property, plant and equipment		7,936	–	(37)	7,899
Intangible assets		7,999	–	(644)	7,355
Deferred tax assets		4,264	–	(109)	4,155
Goodwill		–	–	–	–
Investment in an associate and a joint venture		15	–	609	624
Total non-current assets		**23,663**	**–**	**(181)**	**23,481**
Accounts receivable	(1)	21,611	(42)	(6)	21,563
Advances issued	(1)	–	42	(32)	10
Other taxes receivable	(2)	6,154	(127)	(44)	5,983
Cash and cash equivalents		17,791	–	(113)	17,678
Other current assets		7	–	(6)	1
Total current assets		**97,862**	**(127)**	**(201)**	**97,534**
TOTAL ASSETS		**121 525**	**(127)**	**(382)**	**121 015**
EQUITY					
Retained earnings		16,658	–	37	16,695
Non-controlling interests		230	–	(230)	–
Total equity		**23,210**	**–**	**(193)**	**23,017**
CURRENT LIABILITIES					
Advances received	(2)	2,656	(2,656)	–	–
Trade accounts payable		77,698	–	(8)	77,690
Other payables and accrued expenses	(3)	8,708	336	(193)	8,851
Other taxes payable		1,627	–	11	1,638
Contract liabilities	(2)	5,867	2,529	–	8,396
Provisions	(3)	448	(336)	–	112
Total liabilities		**98,315**	**(127)**	**(190)**	**97,998**
Total current liabilities		**98,315**	**(127)**	**(190)**	**97,998**
TOTAL EQUITY AND LIABILITIES		**121,525**	**(127)**	**(383)**	**121,015**

* The amount before adjustments and reclassifications includes the effect of the first application of IFRS 15 *Revenue from Contracts with Customers* in the amount of 56. The effect of the first adoption was accounted for as contract liabilities and retained earnings.

Changes in consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2018

	Before reclassification	Restatement	After reclassification
REVENUE	321,102	(36)	321,066
COST OF SALES	(242,463)	167	(242,296)
GROSS PROFIT	**78,639**	**131**	**78,770**
Selling, general and administrative expenses	(69,234)	1,431	(67,803)
Other operating income	6,079	(1)	6,078
Other operating expenses	(801)	5	(796)
OPERATING PROFIT	**14,683**	**1,566**	**16,249**
Finance income	509	(12)	497
Finance expenses	(3,617)	–	(3,617)
Share of profit/(loss) of an associate and a joint venture	–	(995)	(995)
PROFIT BEFORE INCOME TAX EXPENSE	**11,575**	**559**	**12,134**
Income tax expense	(3,210)	(309)	(3,519)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	**8,365**	**250**	**8,615**
BASIC EARNINGS PER SHARE (in Russian Rubles)	48,04	00,16	48,22
DILUTED EARNINGS PER SHARE (in Russian Rubles)	48,04	00,16	48,22

(in millions of Russian Rubles)

Changes in consolidated statement of cash flows for the year ended 31 December 2018

		Before reclassification	Effect of deconsolidation	Reclassification	After reclassification
OPERATING ACTIVITIES					
Net profit for the year	(B)	8,365	250	–	8,615
Income tax expense	(B)	3,210	309	–	3,519
Share of (profit)/loss of an associate and a joint venture	(B)	–	995	–	995
Depreciation and amortization	(B)	6,107	(186)	–	5,921
Interest income	(B)	(509)	12	–	(497)
Provision for insurance claims		–	–	331	331
Other non-cash reconciling items, net		273	–	(331)	(58)
Operating cash flows before movements in working capital		**22,342**	**1,380**	**–**	**23,722**
(Increase)/decrease in accounts receivable and advances issued	(B)	1,930	812	–	2,742
(Increase)/decrease in other taxes receivable	(B), (2)	(6,017)	142	159	(5,716)
Increase/(decrease) in trade accounts payable	(B)	36,635	(56)	–	36,579
Increase/(decrease) in other payables and accrued expenses	(B)	3,728	(676)	–	3,052
Increase/(decrease) in contract liabilities	(B), (2)	682	(2)	418	1,098
Increase/(decrease) in other taxes payable	(B)	(273)	(17)	–	(290)
Other changes in working capital, net	(B)	(187)	(3)	1	(189)
Increase/(decrease) in advances received	(2)	577	–	(577)	–
Cash generated by operations		**27,416**	**1,580**	**1**	**28,997**
Net cash generated by operating activities		**21,572**	**1,580**	**1**	**23,153**
INVESTING ACTIVITIES					
Net cash outflow from purchase of subsidiaries/investment in associate	(B)	(55,019)	–	–	(55,019)
Investment in joint venture		–	(1,428)	–	(1,428)
Purchase of property, plant and equipment	(B)	(4,251)	12	–	(4,239)
Payments for intangible assets	(B)	(3,562)	276	–	(3,286)
Interest received	(B)	522	(12)	–	510
Net cash used in investing activities		**(60,307)**	**(1,152)**	**–**	**(61,459)**
FINANCING ACTIVITIES					
Contribution of non-controlling interests to the capital of subsidiary	(B)	497	(497)	–	–
Net cash generated by financing activities		**46,611**	**(497)**	**–**	**46,114**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**7,876**	**(69)**	**1**	**7,808**
CASH AND CASH EQUIVALENTS, at the beginning of the year		**17,791**	**(113)**	**–**	**17,678**
Impact of foreign exchange on cash and cash equivalents		2	–	–	2
CASH AND CASH EQUIVALENTS, at the end of the year		**25 669**	**(182)**	**–**	**25,487**

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group transactions, balances, income and expenses or profits and losses resulting from intra-group transactions are eliminated in full on consolidation.

Going concern

These consolidated financial statements are prepared on the going concern basis.

Foreign currencies

The individual financial statements of each Group's entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rate prevailing on the date when the most recent fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise. Exchange differences arising on loans and borrowings are reported as part of finance cost, while exchange differences related to operating items are included into other operating income or expenses.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Initial cost includes expenditure that is directly attributable to the acquisition of the items.

Major replacements or modernizations of property, plant and equipment are capitalized and depreciated over their estimated useful lives. All other repair and maintenance expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income during the financial period in which it is incurred.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	20-30 years
Leasehold improvements	7 years
Trade equipment	3-5 years
Security equipment	3 years
Other fixed assets	3-5 years

Leasehold improvements are depreciated over the shorter of useful life or the related lease term.

Trade equipment and leasehold improvements are depreciated over the estimated useful life specified above unless there is a plan to fully renovate the store prior to reaching the predetermined estimated useful life. In this situation, the net book value of trade equipment will be depreciated over the remaining estimated useful life being the period of time up to the planned renovation works.

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Where there are indicators that an asset's or cash generating unit's carrying amount is greater than its estimated recoverable amount, it is written down to its recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss and other comprehensive income.

Construction in progress comprises the cost of equipment in the process of installation and other costs directly relating to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over estimated useful lives of these intangible assets. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives per class of intangible assets are as follows:

Software licenses, development and web site	1-10 years
Trademarks	5-10 years

The Group owns the trademark "Eldorado", which has an indefinite useful life, due to the fact that there is no foreseeable limit to the period over which this asset is expected to generate economic benefits for the Group.

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- It is probable that the asset will generate future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of non-current assets

At each balance sheet date the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. 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 risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiplies, quoted share price if available or other fair value indicators.

For non-current assets the CGU is deemed to be each group of stores located in one city. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Impairment test for goodwill, intangible assets with indefinite useful life and those intangible assets that are not yet available for use, is performed by the Group annually at each year-end by comparing their carrying amount with the recoverable amount calculated as discussed above. If the carrying amount of such assets does not yet include all the cash outflows to be incurred before they are ready for use, the estimate of future cash outflow includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Prior period losses and are planned to be utilized to reduce taxable profit in current and future periods. Tax losses carried forward are recognized as a deferred tax asset.

Current and deferred income tax for the period

Current and deferred income tax are recognized as an expense or income in the consolidated statement of profit or loss and other comprehensive income, except when they relate to items credited or debited directly to equity (in which case the tax is also recognized directly in equity) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Joint arrangements

The Group carries out joint arrangements in the form of joint ventures.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is a legal entity where the Group has a share together with other participants. The investment in joint venture is accounted for using the equity method.

The Group's share in profit and loss and other comprehensive income of a joint venture is presented in the Consolidated Statement of Profit and Loss and Other Comprehensive Income from the date the joint control was obtained and till the date of its termination.

If the Group's share in losses exceeds the book value of the interest in the joint venture, the Group discontinues recognizing its share of further losses. If a joint venture subsequently reports profits, than the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The book value of the interest in the joint venture is subject to impairment test whenever the objective evidence of its impairment exists. The impairment test is performed by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its book value.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination.

Assets held for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (groups of assets to be disposed) classified as held for sale are measure at the lower of a) net book value as of the date of reclassification; and b) fair value less cost to sell, and are presented in the Group Financial statements as Current assets.

Assets classified as held for sale are not amortized.

Assets classified as held for sale are stated separately as current/short-term assets in the Consolidated Statement of Financial Position.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Investment properties are measured at cost, including transaction costs.

Depreciation is recognised so as to write off the actual cost or revalued cost of investment property less their residual values over their useful lives, using the straight-line method. In accordance with the accounting policy estimated useful life of Investment property is 20 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques, which include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis, or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets

Financial assets are classified into the following specified categories:

- Those to be measured at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in either profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial asset is measured at amortized value, if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All regular routine purchases or sales of financial assets are recognized on a trade date basis. Regular routine purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Discount rate presents minimum return on investment, when the investor do not prefer the alternative investment of the same resources with the same risk level.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of the financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flows characteristics of the asset. The major part of the Group's debt instrument are presented by trade accounts and loans receivable and are measured at amortised cost applying the effective interest rate as these instruments are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment of financial assets

Financial assets, other than those as at FVTPL, are assessed for indicators of impairment at each balance sheet date.

The Group always recognizes lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions at the reporting date, including time value of money where appropriate.

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

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

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring in the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert resorts, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognized in profit or loss.

If in the following reporting periods impairment loss is reduced, and this reduction relates to the event that has taken place after the loss is recognized, then previously recorded impairment loss is recovered by adjustment in profit or loss. Meanwhile carrying value of the financial assets on the recovery date must not exceed depreciated value that would have been reported if the impairment loss had not been recognized.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. Otherwise financial liabilities are measured subsequently at amortised cost using the effective interest method.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Value added tax

Value added tax ("VAT") related to sales is payable to tax authorities on the earliest of (a) cash received from customers in advance or (b) transfer of the goods or rendering services to customers. Input VAT is generally recoverable against sales VAT upon receipt of the VAT invoice. Input VAT on construction in progress can be reclaimed on receipt of VAT invoices for the particular stage of work performed or, if the construction in progress project cannot be broken down into stages, on receipt of VAT invoices upon completion of the contracted work.

VAT is generally allowed to be settled on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

At each reporting date the Group reviews outstanding balance of input VAT for recoverability and creates impairment provision for the amounts which recoverability is doubtful.

Inventories

Inventories are recorded at the lower of average cost or net realizable value. In-bound freight related costs from the suppliers incurred to deliver inventories to the Group's central distribution warehouse are included as part of the net cost of merchandise inventories. Certain supplier bonuses that are not reimbursement of specific, incremental and identifiable costs to promote a supplier's products are also included in the cost of inventory. Other costs associated with storing and transporting merchandise inventories from the central distribution warehouse to the retail stores are expensed as incurred and included either in "Cost of sales" (costs of transporting merchandise from central distribution warehouses to the retail stores) or in "Selling, general and administrative expenses" (all other costs).

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, in transit and on hand in stores and short-term deposits with an original maturity of three months or less, and credit card payments received within 24 hours of the next working day.

Repayments and receipts of loans and borrowings during period of less 3 months are presented on gross basis in the consolidated statement of cash flows.

Borrowing costs

The borrowing costs are capitalized by the Group as part of the cost of the asset when the costs are directly attributable to the acquisition, construction of a qualifying asset.

The Group defines qualifying assets as leasehold improvements and other assets acquired in connection with the new store openings which generally take three months or longer to become operational. Other borrowing costs are expensed as incurred.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, discounts and VAT. Inter-company revenue is eliminated.

Revenue from the sale of goods is recognized on a 5-step approach as introduced in IFRS 15:

- The Group identifies the contract with the customer;
- The Group identifies the performance obligations in the contract;
- The transaction price is determined by the Group;
- The transaction price is allocated to the performance obligations in the contracts;
- Revenue is recognized only when the Group satisfies a performance obligation.

The Group recognizes revenue when or as a performance obligation is satisfied, i.e. when control over goods or services representing the Group’s obligation is transferred to a buyer: when the goods are sold in retail stores for retail revenues or delivered to customers for online sales (including in-store pick-up).

Loyalty programs

The Group operates customer loyalty programs “M.video Bonus”, “Co-brand”, Card “Home Credit-Eldorado” and “Eldoradosty” which allow customers to accumulate points when they purchase goods in the Group’s retail stores. Prior to adoption of IFRS 15, the customer loyalty programs offered by the Group resulted in the allocation of a portion of the transaction price to the bonus points issued based on their fair value and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the points give rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the customer loyalty programs is insignificantly different from the previous accounting policy.

Additional service agreements

The Group sells additional service agreements ("ASA") and has an obligation to the buyer to perform services throughout the period of the contract. Revenue from the ASA is deferred and recognized on a straight-line basis over the term of the service contract. Related costs, such as cost of services performed under the contract, general and administrative expenses and advertising expenses are charged to expense as incurred.

Agent fees

The Group recognizes as revenue any sales performed as an agent at net amounts (i.e. at the amount of commission, owed to the Group). Such fees include sales of goods, telephone and television service contracts and other services fees.

Gift cards

The Group sells gift cards to its customers in its retail stores and through its website. The gift cards have an expiration date and are required to be used during specified periods of time. The Group recognizes income from gift cards at the earlier date when: (i) the gift card is redeemed by the customer; or (ii) when the gift cards expire.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in the finance cost in the consolidated statement of profit or loss and other comprehensive income.

Cost of sales

Cost of sales include the cost of inventories and services acquired from suppliers, freight in, costs related to transporting inventories from distribution centers to stores, allowance for obsolete and slow-moving inventory, inventory losses and supplier bonuses.

Supplier bonuses

The Group receives supplier bonuses in the form of cash payments or other allowances for various programs, primarily volume incentives, reimbursements for advertising expenses and other costs as well as contributions towards margin protection during specific marketing and promotional activities and other fees. The Group has agreements in place with each vendor setting forth the specific conditions for each allowance or payment. Depending on the arrangement, the Group either recognizes the allowance as a reduction of current costs or defers the payment over the period the related merchandise is sold.

If the payment is a reimbursement of specific, incremental and identifiable costs incurred to promote a supplier's products, it is offset against those related costs; otherwise, it is treated as a reduction to the cost of merchandise.

Supplier bonuses which are earned by achieving certain volume purchases are recorded when it is reasonably assured the Group will reach these volumes. Such payments are accounted for as a reduction of inventory purchases and recognized in the consolidated statement of profit or loss and other comprehensive income when the related inventory is sold.

Markdown reimbursements related to merchandise that has been sold, contributions towards promotional activities and similar payments are negotiated and documented by the Group's buying teams and are credited directly to cost of goods sold in the period the performance conditions for their receipt are met by the Group.

Pre-opening expenses

Expenses incurred in the process of opening new stores which do not meet capitalization criteria under IAS 16 *Property, Plant and Equipment* are expensed as incurred. Such expenses include rent, utilities and other operating expenses.

Employee benefits

Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period. The Group contributes to the Russian Federation state pension, medical and social insurance funds on behalf of all its current employees (a defined contribution plan) by paying social security contributions ("SSC"). The Group's only obligation is to pay contributions to the funds as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. Any related expenses are recognized in the consolidated statement of profit or loss and other comprehensive income as they become due. Contribution for each employee varies from 15.1% to 30% depending on the annual gross remuneration of each employee. The Group does not operate any employer sponsored pension plans.

Dividends

Dividends are recognized as a liability in the period in which they have been declared by the shareholders in a general meeting and become legally payable. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Treasury shares

If the Group reacquires its own equity instruments, those instruments ("treasury shares") are recognized as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Such treasury shares may be acquired and held by the Company or by the subsidiaries of the Company.

Leases (accounting policy applicable for 2019 year in accordance with IFRS 16)

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Determination of lease term – Group is a lessor

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The lease term determined by management can be different from contractual lease term. Group's lease terms are up to 10 years.

Leases (accounting policy applicable for 2018 year in accordance with IAS 17)

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases, including maintenance costs, are recognized as an expense in the period in which they are incurred.

If in accordance with lease agreement maintenance costs are included in fixed rent payments these costs are allocated over the lease term on a straight-line basis.

The benefits received from the lessor as incentives for the conclusion of lease agreements (if any) are apportioned over the lease term on a straight-line basis. Sublease income and rental expenses relating to the same assets are netted.

The Group defines the lease term as non-cancelable together with an extension option and additional payments (if any) if it is probable that an option will be exercised.

4. NEW AND REVISED STANDARDS IN ISSUE NOT YET ADOPTED

IFRIC and IFRS interpretations adopted in reporting period

The Group has applied all IFRS standards and interpretations that relate to its operating activities and are effective for reporting periods beginning on or after 1 January 2019. The application of IFRS 16 *Leases* has an impact on the financial position and performance of the Group. The application of other standards and amendments did not affect the financial position, results of operations and cash flows of the Group.

(in millions of Russian Rubles)

IFRIC and IFRS interpretations issued but not yet effective

At the time of approval of these consolidated financial statements, the following standards and interpretations were published, which are mandatory for the reporting periods of the Group beginning no earlier than January 1, 2020 or after this date, and which the Group has not applied:

Standards	Effective from
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Related Entity*	The IASB has deferred the effective date of these amendments indefinitely
Amendment to IFRS 3 Business Definition	1 January 2020
Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*	1 January 2022
Amendment to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*	1 January 2020
Amendment to IAS 1 and IAS 8 *Definition of Material*	1 January 2020
Amendments to the references to Conceptual Framework	1 January 2020

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The management of the Group does not expect that the adoption of these standards and interpretations will have an effect on the consolidated financial statements of the Group.

Amendments to IFRS 3 Business Definition

The amendments clarify that although a business usually has earning, that is not necessary in order to qualify an integrated set of activities and assets as a business. To be considered a business, an integrated set of activities and assets must include a contribution and a fundamentally significant process, which together can substantially contribute to earnings.

The amendments introduce an optional concentration test, which allows a simplified assessment of whether the acquired combination of activities and assets is a business. Based on the test, the acquired combination of activities and assets does not constitute a business if almost the entire fair value of the acquired gross assets is concentrated in one identifiable asset or in a group of similar assets.

The amendments are applied prospectively with respect to acquisition transactions that have occurred since the beginning of the annual reporting periods beginning on or after 1 January 2020, early adoption is permitted.

The management of the Group plans to apply these amendments for future transactions.

Amendment to IAS 1 and IAS 8 Definition of Material

The purpose of the amendments is to simplify the understanding of the definition of materiality under IAS 1, and not to change the basic concept of materiality used in IFRS. In the new definition, the concept of "masking" of essential information was added by presenting it together with non-essential information.

The threshold of materiality, which affects users, has been changed from "may affect" to "can reasonably be expected to affect".

The definition of materiality is similar in IAS 8 and IAS 1, as well as in the Conceptual Framework and other standards that define or refer to the term "materiality" to ensure uniformity. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with early adoption permitted.

The management of the Group does not expect that the adoption of these amendments will have an effect on the consolidated financial statements of the Group.

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

The amendments are intended to facilitate the understanding that a liability is classified as non-current if the organization expects and has the authority to refinance the obligation or to postpone its maturity by at least 12 months after the reporting date under an existing credit line with the previous lender, on equal or similar terms.

The amendments only amend the presentation of liabilities in the statement of financial position, i.e. not regarding the amount, the moment of recognition or disclosure of information.

The amendments clarify that classification should be based on the existence at the end of the reporting period the right to defer repayment of an obligation for at least 12 months. Thus, the amendments explicitly indicate that only those rights that exist "at the end of the reporting period" should affect the classification of the obligation. Moreover, the classification does not depend on expectations as to whether the organization will use the right to defer repayment of an obligation, which means transferring money, equity instruments, or other assets or services to a counterparty. The amendments enter into force for periods beginning on or after 1 January 2022 and are applied retrospectively. Early adoption is acceptable.

The management of the Group does not expect that the adoption of these amendments as well as all other amendments and standards will have an effect on the consolidated financial statements of the Group.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

In the application of the Group's accounting policies, which have been described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including, but not limited to, the uncertainties and ambiguities of the Russian legal and taxation systems and the difficulties in securing contractual rights as defined in contracts. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions

Inventory valuation

In accordance with the Group's accounting policy management reviews the inventory balances to determine if inventories can be sold at amounts greater than or equal to their carrying amounts plus costs to sell. This review includes identification of slow moving inventories, obsolete inventories and partially or fully damaged inventories. The identification process includes assessing historical performance of the inventory and analysis of sales of merchandise at prices below their carrying amounts less costs to sell in the recent years. Damaged stock is either provided for or written off depending on the extent of damage. Management makes an allowance for any items considered to be obsolete. The allowance represents the difference between the cost of inventory and its estimated net realizable value.

The net realizable value allowance is calculated using the following methodology:

- Stock held for resale – comparison of expected selling price versus the carrying value on a stock keeping unit basis;
- Damaged goods – examination of historical data relating to discounts associated with damaged goods and comparison to book value at the balance sheet date, and also examination of historical data on compensations, received from suppliers for damaged goods;
- Stock held at service centers – an allowance is applied based on management's estimate of the carrying value of the inventory and based on historical data on sales of respective inventories and compensations, received from suppliers in relation to stock held at service centers;
- Additional allowance is accrued if there is actual evidence of a decline in selling prices after the end of the reporting period to the extent that such decline confirms conditions existing at the end of the reporting period.

If actual results differ from management's expectations with respect to the selling of inventories at amounts equal to or less than their carrying amounts, management would be required to adjust the carrying amount of inventories.

Tax and customs provisions and contingencies

The Group is subject to various taxes arising in the Russian Federation. The majority of its merchandise is imported into Russian Federation and is therefore subject to the Russian customs regulations. Significant judgment is required in determining the provision for income taxes and other taxes. The Group recognizes liabilities for anticipated tax issues based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provision in the period in which such determination is made.

Determination of a portion of lease payments that does not represent a payment for the use of premises

As disclosed in Note 3, for the lease agreements which stipulate that payments for reimbursement of maintenance costs incurred by the lessor are embedded in the fixed periodic lease payments, the Group performs a calculation of such costs to be recognized as current period expense on an agreement-by-agreement basis. The calculation is performed based on amounts of factual maintenance costs incurred on similar leases for comparable premises where the amounts of maintenance costs are clearly stated in the documents. Where possible, comparable premises are selected within the same city or region.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and make certain entity-specific estimates.

Determining the lease term of contracts with renewal and termination options – Group as lessee

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

(in millions of Russian Rubles)

The Group has several lease contracts that include termination options. The Group applies judgement in evaluating whether it is reasonably certain not to exercise the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive whether or not to exercise termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability whether or not to exercise the option to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). Periods when it is not reasonably certain that termination options will not be exercised are included in lease term.

Revenue attributed to loyalty programs

The Group accounts for customer loyalty points as a separate component of the sale transaction in which they are granted. A portion of a fair value of the consideration received from customers is allocated to the award points and deferred, and is recognized then as a revenue over the period that the award credits are redeemed. Therefore, management has to make assumptions about expected redemption rates, which are subject to availability of prior periods' statistics and significant uncertainty at the balance sheet date, as far as issued points are expired through the passage of time in the future.

6. BUSINESS COMBINATIONS

Subsidiaries acquired

In 2018 the Group acquired the subsidiaries:

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred
BOVESTO LIMITED	Holding company	30.04.2018	100%	45,520
LLC "Media Saturn Russland"	Holding company	31.08.2018	99%	13,730
Media-Saturn Russland Beteiligungen Gmbh	Holding company	31.08.2018	100%	110
				59,360

The Group's subsidiary Bovesto Limited being the parent company to the Eldorado group ("group Eldorado") was acquired as part of further extension of retail activity of the Group. At the date of acquisition group Eldorado was a group under common control with the Group.

The Group's subsidiaries LLC "Media Saturn Russland" and Media-Saturn Russland Beteiligungen Gmbh being controlling companies to the Media Markt group in Russia ("Media Markt") were acquired as part of further extension of retail activity of the Group. At the date of acquisition both companies were companies under common control with the Group.

(in millions of Russian Rubles)

Assets acquired and liabilities recognized at the date of acquisition

	Eldorado Group (final)	Media Markt (final)	TOTAL
Current assets			
Inventories	28,741	–	28,741
Cash and cash equivalents	1,432	3,612	5,044
Accounts receivable and other assets	13,273	341	13,614
Assets held for sale	704	34	738
Non-current assets			
Property, plant and equipment	10,840	313	11,153
Investment property	436	–	436
Intangible assets	10,220	47	10,267
Other non-current assets	297	83	380
Current liabilities			
Trade accounts payable	(34,294)	(196)	(34,490)
Current borrowings	(11,918)	–	(11,918)
Other payables and accrued expenses	(2,746)	(690)	(3,436)
Other taxes payable	(2,589)	(2,075)	(4,664)
Contract liabilities and provisions	(2,608)	(3)	(2,611)
Non-current liabilities			
Deferred tax liabilities	(1,823)	(424)	(2,247)
Other liabilities	(622)	–	(622)
Fair value of net assets	**9,343**	**1,042**	**10,385**

The Company revised the valuation of several Real estate objects of Eldorado as at the date of acquisition, due to detection of new factors, not accounted beforehand, that affect the valuation of the asset. As a result of this adjustment, Goodwill recognized in connection with the acquisition has increased. Comparable data as of 31 December 2018 have been adjusted. Additionally, see Note 2.

	Preliminary valuation	Adjustment	Final valuation
Non-current assets			
Property, plant and equipment	10,941	(101)	10,840
Investment property	594	(158)	436
Long-term liabilities			
Deferred tax liabilities	(1,874)	51	(1,823)
Fair value of net assets	**9,551**	**(208)**	**9,343**
Goodwill	**35,969**	**208**	**36,177**

The Group revised the assessment of Media Markt Group income tax payables at the acquisition date, as factors previously unaccounted for affecting the assessment of debt recognized at acquisition date. As a result of this adjustment, goodwill recognized in connection with the acquisition was decreased. Comparative information as of December 31, 2018 have been adjusted. Additionally, see Note 2.

(in millions of Russian Rubles)

As a result of adjustment of working capital in accordance with the purchase agreement of Media Markt, the Group also revised the amount of consideration as per SPA. The amount of consideration is 13,840, including consideration paid in cash in amount of 14,514 less 674, which should be compensated by working capital adjustment as at the date of acquisition.

	Preliminary valuation	**Adjustment**	**Final valuation**
Current liabilities			
Other taxes payable	(2,030)	(45)	(2,075)
Fair value of net assets	**1,088**	**(45)**	**1,042**
Consideration adjustment as per SPA	**14,514**	**(674)**	**13,840**
Goodwill	**13,426**	**(628)**	**12,798**

Goodwill arising on acquisition

	Eldorado Group	**Media Markt**	**Total**
Consideration (i)	45,520	13,840	59,360
Less: fair value of identifiable net assets acquired	(9,343)	(1,042)	(10,385)
Goodwill arising on acquisition	**36,177**	**12,798**	**48,975**

Goodwill recognized on acquisition of group Eldorado and Media Markt relates to the synergy effect of combined operations of the Group and businesses of Eldorado Group and Media Markt. It is expected, that the amount of recognized goodwill will not be deducted for tax purposes nether fully nor partly. Full amount of goodwill is related to CGUs, which are included in the only one Group's operating segment.

(i) The consideration was paid in cash. At reporting date accounts receivable of the Group include amount of 911 reimbursable by the seller.

Net cash outflow on acquisition of subsidiaries

	Eldorado Group	**Media Markt**	**Total**
Consideration paid in cash	45,520	14,677	60,197
Less: cash and cash equivalent balances acquired	(1,432)	(3,612)	(5,044)
Total	**44,088**	**11,065**	**55,153**

Purchase price allocation relating to Media Markt and Eldorado was finalised as at 31 December 2019.

Impact of acquisitions on the results of the Group

Profit of 3 020 included in Group's profit for the year is attributable to the acquisition of group Eldorado. Loss of 1 237 included in Group's profit for the year is attributable to the acquisition of Media Markt. The revenue of the Group increased by 86 175 and 0, respectively, as a result of the acquisitions.

Profit from the continuing operations of the Media Markt prior to the acquisition date is not possible to determine due to large number of assumptions, therefore, net profit disclosed only for M.video and Eldorado. Had business combination been effected at 1 January 2018, the revenue of the Group for the year ended 31 December 2018 would have been 352,483. This estimate is obtained by directly adding the actual revenue of the Group's companies for the calendar year, after eliminating intragroup transactions, but without any corrections for synergies that would have been possible if business combinations had occurred at 1 January 2018. Had the acquisition of group Eldorado been effected at 1 January 2018, the estimate profit for the year from continuing operations would have been 6 723, that represents an approximate measure of the performance of the combined group for the year adjusted for one-off adjustments related to embracing of group Eldorado by the Group.

In determining the 'pro-forma' profit of the Group had group Eldorado been acquired at the beginning of the current year, the management used the following approaches:

- Depreciation of acquired property, plant and equipment was calculated on the basis of fair value of assets estimated in business combination and not on the basis of carrying value of property, plant and equipment in the books of subsidiaries before acquisition;
- In order to harmonize the accounting policies of M.video and Eldorado, transportation costs capitalized in inventories were written off to statement of profit and loss and other comprehensive income. Also inventory allowances and the provision on goods return were recalculated based on the Group's provision rates;
- Impairment of certain back-office licenses and software including income tax was recognized in anticipation of transfer of the joint business to a new IT platform.

Goodwill impairment testing

Goodwill related to the acquisition of the Eldorado and Media Markt business was tested for impairment at the Group's only one operating segment.

The recoverable amount of the Group's CGU was determined as value in use.

Cash flows were projected based on budgets approved by the Group. A forecast period of 5 years was used, as this period was determined by the management of the Group as an acceptable planning horizon.

Cash flows beyond 5 years are extrapolated using growth rates comparable to the forecast growth rates of the consumer price index.

The assumptions used to calculate the value in use for which the recoverable amount is most sensitive are: growth in the average check at 4% and the number of stores to be opened on average 100 stores per year over the forecast period of 5 years, the pre-tax discount rate applicable to the projected cash flows, in the amount of 12.3%; cash flow growth rates beyond 5 years in the amount of 3%.

Management reviewed the impact of changes in key assumptions on recoverable amount. Changes in key assumptions that could result in a possible impairment of goodwill are not probable under current market conditions.

(in millions of Russian Rubles)

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2019 and 2018 consisted of the following:

	Land and buildings	Leasehold improvements	Construction in progress and equipment to be installed	Trade equipment	Security equipment	Computer and Telecomm	Other fixed assets	Total
Cost								
As at 31 December 2017	**5,627**	**5,176**	**535**	**6,403**	**1,445**	**3,189**	**1,284**	**23,659**
Additions	–	–	5,357	–	–	–	–	5,357
Assets acquired in a business combination	5,474	1,737	526	1,431	644	588	753	11,153
Transfers	15	293	(3,027)	795	235	1,193	496	–
Disposals	–	(80)	–	(218)	(79)	(141)	(240)	(758)
As at 31 December 2018	**11,116**	**7,126**	**3,391**	**8,411**	**2,245**	**4,829**	**2,293**	**39,411**
Reclassification to Right-of-use assets	(158)	–	–	–	–	–	(177)	(335)
As at 1 January 2019	**10,958**	**7,126**	**3,391**	**8,411**	**2,245**	**4,829**	**2,116**	**39,076**
Additions	–	–	4,392	–	–	–	–	4,392
Transfers	77	1,088	(5,536)	2,240	546	1,077	508	–
Disposals	(79)	(197)	–	(135)	(17)	(140)	(174)	(742)
Reclass to current assets	(351)	–	–	–	–	–	–	(351)
As at 31 December 2019	**10,605**	**8,017**	**2,247**	**10,516**	**2,774**	**5,766**	**2,450**	**42,375**
Accumulated depreciation								
As at 31 December 2017	**2,483**	**4,229**	**–**	**4,648**	**1,237**	**2,230**	**933**	**15,760**
Charge for the year	632	532	–	958	280	759	416	3,577
Disposals	–	(73)	–	(164)	(40)	(128)	(118)	(523)
As at 31 December 2018	**3,115**	**4,688**	**–**	**5,442**	**1,477**	**2,861**	**1,231**	**18,814**
Reclassification to Righ-of-use assets	–	–	–	–	–	–	(21)	(21)
As at 1 January 2019	**3,115**	**4,688**	**–**	**5,442**	**1,477**	**2,861**	**1,210**	**18,793**
Charge for the year	775	622	–	1,122	399	1,045	459	4,422
Disposals	(12)	(150)	–	(122)	(13)	(113)	(159)	(569)
Reclass to current assets	(48)	–	–	–	–	–	–	(48)
As at 31 December 2019	**3,830**	**5,160**	**–**	**6,442**	**1,863**	**3,793**	**1,510**	**22,598**
Net book value								
As at 31 December 2018	**8,001**	**2,438**	**3,391**	**2,969**	**768**	**1,968**	**1,062**	**20,597**
Reclassification to Right-of-use assets	(158)	–	–	–	–	–	(156)	(314)
As at 1 January 2019	**7,843**	**2,438**	**3,391**	**2,969**	**768**	**1,968**	**906**	**20,283**
As at 31 December 2019	**6,775**	**2,857**	**2,247**	**4,074**	**911**	**1,973**	**940**	**19,777**

(in millions of Russian Rubles)

Depreciation expenses have been included in "Cost of Sales" (Note 25) and "Selling, general and administrative expenses" (Note 26).

Assets mainly related to the closed stores with net book value of 173 were disposed of by the Group in the year ended 31 December 2019 (2018: 235). Loss on disposal of these items of 116 (2018: 195) was recorded within other operating expenses (Note 28).

As at 31 December, 2019 and 31 December, 2018, the Group did not pledge fixed assets.

Due to adoption of IFRS 16, leased assets were reclassified to Right-of-use assets as at 1 January 2019.

In order to present information more accurately the Group separated assets relating to Computer and telecommunication equipment. Comparative information as at 31 December 2018 and 31 December 2018 was adjusted.

8. INVESTMENT PROPERTY

Investment property as at 31 December 2019 and 2018 consisted of the following:

	Premises and buildings
Cost	
As at 31 December 2017	**–**
Assets acquired in a business combination	436
As at 31 December 2018	**436**
Disposals	(24)
As at 31 December 2019	**412**
Accumulated amortization and impairment	
As at 31 December 2017	–
Charge for the period	19
As at 31 December 2018	**19**
Charge for the period	47
Disposals	(3)
As at 31 December 2019	**63**
Net book value	
As at 31 December 2018	**417**
As at 31 December 2019	**349**

For the period from business combination to 31 December 2019, rental income from investment property and premises not occupied by the Group amounting to 387 (2018: 288) was included in revenue in the Rental income from investment property line item. Utilities and maintenance expenses included in selling, general and administrative expenses (see Note 26) amounted to 328 (in 2018: 224). There were no significant direct operating expenses incurred by the Group in relation to investment property that did not generate rental income. At 31 December 2019, fair value of investment property is equal to 349 (on 31 December 2018: 417).

(in millions of Russian Rubles)

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below is an overview of a book value of right-of-use assets of the Group and changes for the period:

	Land	Stores	Ware-houses	Vehicles	Other assets	Total
Cost						
Assets recognized 1 January 2019	**297**	**65,356**	**3,204**	**–**	**1,680**	**70,537**
Reclassification from fixed assets	158	747	–	199	–	1,104
As at 1 January 2019	**455**	**66,103**	**3,204**	**199**	**1,680**	**71,641**
New agreements	15	7,160	22	48	1	7,246
Modification of agreements	3	5,824	3,360	4	(293)	8,898
Disposals	–	(735)	(157)	(10)	(252)	(1,154)
Termination options expected to be exercised	–	(8,253)	–	–	–	(8,253)
As at 31 December 2019	**473**	**70,099**	**6,429**	**241**	**1,136**	**78,378**
Accumulated amortization and impairment						
Reclass of accumulated depreciation from other assests	–	114	–	72	–	186
As at 1 January 2019	**–**	**114**	**–**	**72**	**–**	**186**
Charge for the period	18	14,127	1,147	61	200	15,553
Disposals	–	(131)	(44)	(9)	(9)	(193)
As at 31 December 2019	**18**	**14,110**	**1,103**	**124**	**191**	**15,546**
Net book value						
As at 1 January 2019	**455**	**66,103**	**3,204**	**199**	**1,680**	**71,641**
As at 31 December 2019	**455**	**55,989**	**5,326**	**117**	**945**	**62,832**

Set out below is an overview of a book value of lease liabilities of the Group and changes for the period:

	Lease liabilities
As at 1 January 2019	**74,182**
Additions and modifications	15,634
Interest expense	7,243
Disposal of lease agreements	(1,253)
Lease payments	(19,094)
Termination options expected to be exercised	(8,253)
As at 31 December 2019	**68,459**
Current	10,532
Non-current	57,927

Payments for most leases are fixed in nature. Payments for some lease agreements are variable and depend on store revenue. For the year ended 31 December 2019, fixed rent payments amounted to 19,094, while a variable rent payments, depending on the store's revenue, amounted to 1,443.

Obligations as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019
Minimum lease payments, including:	
Current portion (less than 1 year)	19,783
More than 1 to 5 years	48,948
Over 5 years	21,502
Total minimum lease payments	**90,233**

(in millions of Russian Rubles)

The Group has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio. Management exercises significant judgement in determining whether these termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of termination options that are not included in the lease term:

	31 December 2019
Termination options expected to be exercised	
Within 5 years	5,409
Over 5 years	14,394
Total	**19,803**

10. INTANGIBLE ASSETS

Intangible assets as at 31 December 2019 and 2018 consisted of the following:

	Software licenses, development and web site	Leasehold rights	Trademarks	Total
Cost				
As at 31 December 2017	**9,657**	**701**	**35**	**10,393**
Additions	3,319	6	2	3,327
Assets acquired in a business combination	1,137	–	9,130	10,267
Disposals	(1,137)	–	(12)	(1,149)
As at 31 December 2018	**12,976**	**707**	**9,155**	**22,838**
Additions	4,616	–	10	4,626
Disposals	(1,026)	–	–	(1,026)
Reclassification to Right-of-use assets	–	(707)	–	(707)
As at 31 December 2019	**16,566**	**–**	**9,165**	**25,731**
Accumulated amortization and impairment				
As at 31 December 2017	**2,990**	**27**	**21**	**3,038**
Charge for the year	2,240	76	5	2,321
Disposals	(1,134)	–	(11)	(1,145)
As at 31 December 2018	**4,096**	**103**	**15**	**4,214**
Charge for the year	2,573	–	7	2,580
Disposals	(1,023)	–	–	(1,023)
Reclassification to Right-of-use assets	–	(103)	–	(103)
As at 31 December 2019	**5,646**	**–**	**22**	**5,668**
Net book value				
As at 31 December 2018	**8,880**	**604**	**9,140**	**18,624**
As at 31 December 2019	**10,920**	**–**	**9,143**	**20,063**

(in millions of Russian Rubles)

During 2019 the Group incurred capital expenses in the total amount of 4,626 which for the most part were related to the development of the new front-office / back-office system, the new web site platform, additional functionality of the Group's ERP system SAP R/3 and development of joint IT platform for M.video, Eldorado and Media Markt.

Amortization expenses have been included in "Selling, general and administrative expenses" (Note 26).

As at 31 December 2019 trademarks with carrying value of 9 133 (9 133 as at 31 December 2018) were pledged as collateral under the loan agreement (Note 19).

As at 31 December 2019 and 2018 the Group had contractual commitments for the technical support of software licenses (Note 33).

Impairment testing

As at December 31, 2019, the Group conducted an impairment test for intangible assets with an indefinite useful life. Intangible assets with indefinite useful lives are represented by the "Eldorado" trademark, which amounted to 9,130 as at December 31, 2019.

The recoverable amount of intangible assets was determined based on the calculation of value in use. The value in use was calculated by discounting future cash flows.

Cash flows were projected based on budgets approved by the Group. A forecast period of 5 years was used, as this period was determined by the management of the Group as an acceptable planning horizon.

Cash flows beyond 5 years are extrapolated using growth rates comparable to the forecast growth rates of the consumer price index.

The assumptions used to calculate the value in use to which the recoverable amount is most sensitive are: the discount rate applied to the projected cash flows of 12.3%, the growth rate of cash flows beyond 5 years is 3%.

Management reviewed the impact of changes in key assumptions on recoverable amount. Changes in key assumptions that could result in a possible impairment of intangible assets with indefinite useful lives are not probable under current market conditions.

11. OTHER NON-CURRENT ASSETS

Other non-current assets as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Financial assets		
Long-term loans and notes receivable	45	45
Total financial assets	**45**	**45**
Non-financial assets		
Advances paid for non-current assets	1,285	1,541
Advances paid to related parties (Note 32)	19	227
Long-term advances paid for rent	82	824
Less: impairment allowance for long-term advances paid for rent	–	(4)
Total non-financial assets	**1,386**	**2,588**
Total	**1,431**	**2,633**

(in millions of Russian Rubles)

12. INVENTORIES

Inventories as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Goods for resale (at lower cost or net realisable value)	127,101	111,330
Right of return assets	1,846	1,694
Other inventories (at cost)	168	121
Total	**129,115**	**113,145**

Cost of inventories recognized as an expense in the amount of 268,678 and 237,773 and inventory losses net of surpluses in the amount of 770 and 493 for the years ended 31 December 2019 and 2018, respectively, were recorded within cost of sales in the consolidated statement of profit or loss and other comprehensive income.

During 2019, 206 (2018: 490) were recognized as an expense in respect of inventories carried at their net selling price. These amounts were recognized as cost of sales.

13. ACCOUNTS RECEIVABLE AND ADVANCES ISSUED

Accounts receivable and prepaid expenses as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Accounts receivable		
Bonuses receivable from suppliers	25,921	22,757
Other accounts receivable	7,375	6,947
Advances paid to related parties (Note 32)	840	423
Total accounts receivable	**34,136**	**30,127**
Advances issued		
Advances paid to suppliers and prepaid expenses	1,549	1,699
Advances paid to related parties (Note 32)	192	60
Impairment allowance for advances issued	(560)	(705)
Total advances issued	**1,181**	**1,054**
Total	**35,317**	**31,181**

As at 31 December 2019 and 2018 the Group did not have accounts receivable past due but not impaired.

Movement in the allowance for doubtful accounts receivable and prepaid expenses is as follows:

	2019	2018
Balance at the beginning of the year	705	73
Acquired in a business combination	–	451
Impairment losses recognized on accounts receivable and prepaid expenses	21	297
Amounts written off as uncollectible	(162)	(94)
Amounts recovered during the year	(4)	(22)
Balance at the end of the year	**560**	**705**

(in millions of Russian Rubles)

The accounts receivable impaired as at 31 December 2019 and 2018 were aged of more than 120 days.

In determining the recoverability of accounts receivable the Group considers any change in the credit quality of receivables and prepaid expenses from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related management activities are provided in Note 34.

14. OTHER TAXES RECEIVABLE

Other taxes receivable as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
VAT recoverable	21,300	14,869
Other taxes receivable	16	223
Total	**21,316**	**15,092**

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Cash in transit	2,874	10,120
Cash at banks	1,303	1,737
Cash on hand in stores and petty cash	561	620
Short-term bank deposits	–	13,010
Total	**4,738**	**25,487**

Cash at banks as at 31 December 2019 and 2018 includes the amounts of 48 and 80, respectively, collected by the Group from its customers for further transfer through "Qiwi" payment system.

Cash in transit represents acquiring and cash collected from the Group's stores and not yet deposited into the bank accounts at the year end.

Cash denominated in rubles with the exception of 1 in US dollars as of 31 December 2019 and 60 as of 31 December 2018.

16. ASSETS HELD FOR SALE

During the next 12 months the Group intends to sell its own land plots, buildings and premises, which the Group does not use. The carrying value of the property reflects the estimated selling price without VAT as the Group pre-agreed such price with potential buyers of the property.

(in millions of Russian Rubles)

17. EQUITY

Share capital

As at 31 December 2019 and 2018 the Company had the following number of authorized, issued and outstanding ordinary shares:

	Outstanding ordinary shares	Issued ordinary shares	Authorized ordinary shares
Balance as at 31 December 2019 and 2018	**177,792,057**	**179,768,227**	**209,768,227**

Each share has par value of 10 RUB per share. During 2019 number of authorized, issued and outstanding ordinary shares remained constant.

All issued ordinary shares were fully paid.

Additional paid-in capital

Additional paid-in capital consists of share premium which is the excess between proceeds from issuance of 30,000,000 additional ordinary shares issued at 1 November 2007 and their par value, less share issuance costs and related current and deferred income tax amounts.

Treasury shares

As at 31 December 2019 and 2018 the Group owned 1,976,170 treasury shares held at cost of 749.

Dividends declared

In 2019, at the General Meeting of Shareholders it was decided to pay dividends for the first 9 months of 2019 year in the amount of 33.37 rubles per share. Dividends attributable to repurchased ordinary shares were completely eliminated during the preparation of these consolidated financial statements. Declared and paid dividends amounted to 5,941. Declared dividends were recognized as a decrease in equity during 2019 year.

Declared and paid dividends to related parties during 2019 year amounted to 5,312.

In 2018 no dividends were declared or paid.

18. INCOME TAX

The Group's income tax expense for the years ended 31 December 2019 and 2018 was as follows:

	2019	2018
Current tax		
Current tax expense in respect of the current year	(1,989)	(3,805)
Provision for income tax	322	(223)
	(1,667)	**(4,028)**
Deferred tax		
Deferred tax benefit/(expense) recognized in the current year	(692)	509
	(692)	**509**
Total income tax expense recognized in the current year	**(2,359)**	**(3,519)**

(in millions of Russian Rubles)

The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2019 and 2018 is presented below:

	31 December 2019	31 December 2018
Deferred tax assets		
Supplier bonuses allocated to inventories	541	1,728
Accrued expenses	583	1,523
Deferred revenue and prepayments received for goods	481	832
Difference in depreciable value of property, plant and equipment	100	452
Salary-related accruals	588	747
Allowance for obsolete and slow-moving inventories	338	297
Right-of-use assets	1,499	–
Other items	44	30
Total	**4,174**	**5,609**
Tax offset	(872)	(290)
Net tax assets	**3,302**	**5,319**
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(830)	(855)
Difference in amortizable value of intangible assets	(312)	(1,027)
Other items	–	(121)
Total	**(1,142)**	**(2,003)**
Tax offset	872	290
Net tax liabilities	**(270)**	**(1,713)**
Deferred tax assets, net	**3,032**	**3,606**

As at 31 December 2019 and 2018 the Group measured deferred tax assets and deferred tax liabilities using tax rate of 20%, which is the rate expected to be applied in the period in which the asset is realized or the liability is settled.

The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax expense. Below is a reconciliation of theoretical income tax expense at the statutory rate of 20% effective for 2019 and 2018 to the actual expense recorded in the Group's consolidated statement of profit or loss and other comprehensive income:

	2019	2018
Profit before income tax expense	**9,493**	**12,134**
Income tax expense calculated at 20%	**(1,899)**	**(2,427)**
Change in recognized deductible temporary differences	322	–
Effect of expenses that are not deductible in determining taxable profit:		
Loss due to provision for profit tax	–	(249)
Inventory losses	*(210)*	*(151)*
Non-deductible payroll expenses	*(14)*	*(114)*
Other non-deductible expenses, net	*(558)*	*(578)*
Income tax expense recognized in profit or loss	**(2,359)**	**(3,519)**

(in millions of Russian Rubles)

19. BANK BORROWINGS

This note provides information about the contractual terms of the Group's long-term and short-term interest-bearing bank borrowings which are measuring at amortized cost. The borrowings described below are denominated in rubles.

	Maturity	31 December 2019	31 December 2018
Non-current borrowings			
Secured borrowings			
PJSC Bank VTB	April 2025	38,752	45,720
Total non-current borrowings		**38,752**	**45,720**
Current borrowings			
Secured borrowings			
PJSC Bank VTB	April-October 2020	7,654	5,769
		7,654	**5,769**
Unsecured borrowings			
JSC Alfa Bank	January-March 2020	3,004	–
PJSC Bank VTB	December 2019	–	8,020
		3,004	**8,020**
Total current borrowings		**10,658**	**13,789**
Total borrowings		**49,410**	**59,509**

As at 31 December 2019 the Group complied with loans covenants.

As at 31 December 2019, borrowings are secured by trademarks with carrying amount of 9,133 (31 December 2018: 9 133) (Note 10).

100% stake in share capital of LLC "MVM", LLC "BT HOLDING" and 100% shares of Bovesto Limited are pledged under credit contracts.

(in millions of Russian Rubles)

Movement in liabilities arising from financing activities

The table below presents changes in liabilities arising from financing activities, including both changes related to cash flows and changes not related to cash flows. Liabilities arising from financing activities include liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	31 December 2018	IFRS 16 adoption	1 January 2019	Cash flows from financing activities	Interest paid	New leases and modifications	Interest expense	Other changes	31 December 2019
Bank borrowings	59,509	–	59,509	(10,050)	(5,157)	–	5,077	31	49 410
Dividends	–	–	–	(5,941)	–	–	–	5 941	–
Lease liabilities	331	73,851	74,182	(11,926)	(7,167)	6,128	7,244	(2)	68 459
	59,840	**73,851**	**133,691**	**(27,917)**	**(12,324)**	**6,128**	**12,321**	**5 970**	**117 869**

	31 December 2017	Cash flows from financing activities	Interest paid	Business combination	Interest expense	Other changes	31 December 2018
Bank borrowings	–	47,002	(2,795)	11,898	3,430	(26)	59 509
Loans	–	(124)	–	124	–	–	–
Finance lease	–	(67)	(25)	251	25	147	331
	–	**46,811**	**(2,820)**	**12,273**	**3,455**	**121**	**59 840**

(in millions of Russian Rubles)

20. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Purchase of property, plant and equipment and intangible assets	3,911	4,116
Salaries and bonuses	3,120	3,666
Refund liabilities for goods	1,561	853
Operating rent and utility expenses	1,498	5,699
Other current liabilities to related parties (Note 32)	542	628
Other payables and accrued expenses	2,343	4,139
Total	**12,975**	**19,101**

21. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Payroll taxes	852	946
VAT payable	367	1,409
Other taxes payable	241	478
Total	**1,460**	**2,833**

(in millions of Russian Rubles)

22. CONTRACT LIABILITIES

In order to comply with IFRS 15 Revenue from Contracts with Customers the Group changed classification of Deferred revenue. Prepayments relating to Gift certificates were reclassified from Advances received to Deferred revenue and were included into Gift certificates:

	31 December 2019	**31 December 2018**
Prepayments received for goods	2 524	3 394
Other advances received	1 393	348
Deferred revenue	4 195	7 676
Total	**8 112**	**11 418**

Deferred revenue for 2019 and 2018 consisted of the following:

	2019				**2018**			
	Customer loyalty programs	**Gift certificates**	**Other programs**	**Additional services**	**Customer loyalty programs**	**Gift certificates**	**Other programs**	**Additional services**
As at 1 January	**2,877**	**736**	**856**	**3,207**	**1,705**	**575**	**944**	**3,218**
Deferred revenue acquired in a business combination	–	–	–	–	280	–	41	70
Revenue deferred during the period	12,973	4,030	1,702	833	13,355	5,735	2,199	2,343
Revenue released to the interim condensed consolidated statement of profit or loss and other comprehensive income	(13,820)	(4,503)	(2,457)	(2,239)	(12,463)	(5,574)	(2,328)	(2,424)
As at 31 December	**2,030**	**263**	**101**	**1,801**	**2,877**	**736**	**856**	**3,207**

Other programs represent primarily granting of gift cards to the Group's customers.

(in millions of Russian Rubles)

23. PROVISIONS

Movements of provisions in 2019 is follows:

	31 December 2018	Additions	Arising during the year	Unused amounts reversed	31 December 2019
Provision for litigation and fines	960	75	(56)	(619)	360
Provision for tax risks	249	–	–	(249)	–
Warranty provision – repair of goods	29	8	–	(29)	8
Total	**1,238**	**83**	**(56)**	**(897)**	**368**

Movements of provisions in 2018 is follows:

	31 December 2017	Additions	Assets acquired in a business combination	Arising during the year	Unused amounts reversed	31 December 2018
Provision for litigation and fines	95	146	997	(275)	(3)	960
Provision for tax risks	–	249	–	–	–	249
Warranty provision – repair of goods	17	29	–	–	(17)	29
Total	**112**	**424**	**997**	**(275)**	**(20)**	**1,238**

24. REVENUE

Revenue for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	2018
Retail revenue	361,470	317,189
Additional services revenue	1,845	2,352
Rental income from investment property	387	288
Other services	1,514	1,237
Total	**365,216**	**321,066**

Retail revenue includes sales of goods in stores, pick-up in stores, internet home-delivery and commission fees.

Other revenue for the year ended 31 December 2018 includes revenue from services of installation, recycling and digital assistance. For the year period ended 31 December 2019 the structure of other revenue has not changed.

In 2019 revenue recognized at a point in time was 363,371, and revenue recognized over time was 1,845.

(in millions of Russian Rubles)

25. COST OF SALES

Cost of sales for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	2018
Cost of goods sold		
- Cost of goods	268,541	238,139
- Transportation	3,216	2,594
- Inventory losses net of surpluses and related compensations from suppliers (2019: 210; 2018: 177)	700	625
Cost of additional services	98	79
Cost of other services	1,588	859
Total	**274,143**	**242,296**

Cost of other services includes depreciation of service equipment.

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	2018
Payroll and related taxes	23,438	21,480
Depreciation and amortization	22,502	5,884
Advertising and promotional expenses, net	5,914	5,306
Bank charges	3,141	2,605
Credit broker services	2,781	2,498
Utilities	2,584	1,809
Repairs and servicing	2,342	1,665
Security	2,135	1,653
Consulting services	1,894	1,445
Warehouse services	1,847	1,687
Contingent lease expenses, net of income from sublease (2019: 14; 2018: 71)	1,561	14,906
Communication	309	336
Taxes other than income tax	269	942
Maintenance and other property operating costs	81	2,632
Other expenses	1,748	2,955
Total	**72,546**	**67,803**

Payroll and related taxes for the year ended 31 December 2019 include 3,913 contribution to the state pension fund (2018: 3,315) and social and medical insurance in the amount of 1,503 (2018: 1,281).

During 2019 the Group received 1,429 from its suppliers as a compensation of advertising and promotional expenses (2018: 1,308).

27. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2019 and 2018 includes commissions received from banks on loans provided to customers, non-commission income from mobile operators and other items.

(in millions of Russian Rubles)

28. OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December 2019 include loss on disposal of property, plant and equipment of 116 (2018: 195), expenses on corporate events in the amount of 48 (2018: 99), charity expense of 55 (2018: 91), and other individually insignificant items.

29. FINANCE INCOME AND EXPENSES

Finance income/(expenses) for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	2018
Interest income	295	497
Exchange loss from revaluation of investments	(12)	(13)
Interest expense on bank loans	(5,709)	(3,604)
Interest expense on lease liabilities, net of interest income	(7,240)	–
Total	**(12,666)**	**(3,120)**

30. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

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

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2019	2018
Net profit attributable to equity holders of the Company	7,134	8,615
Weighted average number of ordinary share in issue (millions of shares)	177.79	178.65
Basic and diluted earnings per share (in Russian rubles)	**40.13**	**48.22**

31. SEGMENT INFORMATION

Reporting Segment goods and cervices

The activities of the Group are carried out on the territory of the Russian Federation and consist mainly in the retail trade of household appliances and electronics. Despite the fact that the Group operates through various types of stores and in various regions of the Russian Federation, the management of the Group, which makes operational decisions, analyzes the operations of the Group and allocates resources by individual stores.

The group assessed the economic characteristics of individual stores, including Mvideo and Eldorado stores, online stores and others, and determined that the stores have similar margins, similar products, customers and methods of selling such products.

Therefore, the Group believes that it has only one segment in accordance with IFRS 8. The segment's performance measurement is based on profit or loss, which is reflected in the consolidated financial statements.

(in millions of Russian Rubles)

32. RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, entities under control of key management personnel and entities over which the Group has significant influence.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year and the outstanding balances owed by/to related parties as at 31 December 2019 and 2018, respectively:

	2019		31 December 2019		2018		31 December 2018	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities under common control (i)	–	–	–	–	–	11,664	–	–
Associate and a joint venture (ii)	549	17	5	507	265	10	2	563
Entities under common control (iii)	1	290	373	3	1,731	46,218	–	–
Entities controlled by a party exercising significant influence (iv)	1,798	2,586	673	862	436	4,251	696	644
Entities under control of key management personnel (v)	7	301	1	35	3	607	13	102
Total	**2,355**	**3,194**	**1,052**	**1,407**	**2,435**	**62,750**	**711**	**1,309**

The nature of transactions with related parties is as follows:

(ii) Parent company – acquisition of share in Media Markt;

(iii) Joint ventures – revenue from the sale of goods through Marketplace, agency fees for the sale of goods through Marketplace;

(iv) Entities under common control – acquisition of share in Eldorado group, sale and purchase of the Groups' goods, agent services for sales of insurance, warehouses and trade premises leasing;

(v) Entities controlled by a party exercising significant influence – agent services for sales of insurance, warehouses and trade premises rent, acquisition of fixed assets, credit broker services;

(vi) Entities under control of key management personnel – store and head office security services, car leasing service to the Group and logistic services, after-sale and other servicing of the Group's merchandise, redecoration and engineering repair services in the central office and shops located in Moscow.

(in millions of Russian Rubles)

As at 31 December 2019 the liability of related parties in respect of the loan issued and the financial guarantee issued, including interest, was as follows:

	2019		31 December 2019		2018		31 December 2018	
	Financial income from related parties	Financial expenses from related parties	Amounts owed by related parties	Amounts owed to related parties	Financial income from related parties	Financial expenses from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities under common control	–	19	–	224	75	1	–	–
Entities controlled by a party exercising significant influence	–	11	–	–	–	–	–	–
Entities under control of key management personnel	–	358	–	5,123	–	–	–	–
Total	**–**	**388**	**–**	**5,347**	**75**	**1**	**–**	**–**

Terms and conditions of transactions with related parties

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Outstanding balances at the year end are unsecured and settlement occurs in cash. There were no guarantees received or provided on receivables and payables in favor of related parties. For the years ended 31 December 2019 and 2018 the Group has an allowance for doubtful accounts receivable from related parties in the amount of 9. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the years ended 31 December 2019 and 2018 was as follows:

	2019	2018
Short-term benefits*	1,984	1,573
Total	**1,984**	**1,573**

* Short-term benefits include salaries, bonuses and annual leave, medical and relocation expenses.

As at 31 December 2019 there were outstanding payables of 345 to key management personnel (2018: 818).

The number of key management positions was 27 in 2019 (2018: 26).

The Group did not provide any material post-employment, termination, or other long-term benefits to key management personnel during the period other than contributions to state pension fund and the social funds as a part of payments of social security contributions ("SSC") on salaries and bonuses. Social security contributions paid relating to compensation of key management personnel amounted to 273 for the year ended 31 December 2019 (2018: 103) and are included in the amounts stated above.

33. COMMITMENTS AND CONTINGENCIES

Operating environment

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A recent downturn in the Russian economy and general slowdown in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

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

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

Russian Federation tax and regulatory environment

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

Management believes that it appropriately presents tax liabilities based on clarification of current and previous tax legislation, it is possible that tax authorities may challenge controversial tax issues. As at 31 December 2019 and 31 December 2018 Management believes that exposure to tax risks is remote.

Customs

During the years ended 31 December 2019 and 2018, the Group purchased a significant portion of its foreign manufactured goods on the territory of the Russian Federation from Russian legal entities, including Russian wholesalers or resellers, which may or may not have imported the goods into the Russian Federation directly. As the Group was not involved in clearing customs for the goods purchased on the territory of the Russian Federation, management cannot be certain that the entities which imported the goods into the Russian Federation were in full compliance with the applicable regulations of the Russian customs code.

As described above in *Russian Federation tax and regulatory environment* section, the relevant authorities may take a more assertive position in their interpretation of the applicable laws. Under Russian law a company in possession of goods that were imported with proven violations of the customs law may be subject to significant administrative or civil penalties and/or confiscation of the goods, if it was involved in, aware of, or should have known that violation of the customs code were occurring. To date, the Group has not been subject to any notification of violations of the customs code.

Management believes that the Group entities were acting in compliance with all applicable tax and legal requirements in respect of imported products, were not involved, not aware and could not be expected to know of any significant violations of the applicable customs code by the Russian wholesalers or resellers. Accordingly, management did not recognize any provisions in respect of such contingencies in these consolidated financial statements and determined that with current limitations in access to customs clearance documents it is not practicable to estimate the likely potential financial effect, if any, of such contingent liabilities.

License agreements

As at 31 December 2019 The Group had non-cancellable contractual commitment (without VAT) of 1,566 for technical support services with respect to existing SAP licenses and software during the period till 2022 (31 December 2018: 981).

The Group uses SAP software for finance, supply chain and human resources functions.

Litigation

In the normal course of business, the Group is subject to proceedings, lawsuits, and other claims. While such matters are subject to other uncertainties, and outcomes are not predictable with assurance, the management of the Group believes that any financial impact arising from these matters would not exceed amount disclosed as a provision for litigation and fines in Note 23.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its environmental obligations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental matters.

Financial guarantees

In the normal course of its operating activity the Group from time-to-time enters into financial guarantee contracts with banks. Under these contracts banks provide guarantees in favour of the Group's suppliers and the Group may be required to pay under those contracts only if it fails to make timely payments to its suppliers. As at 31 December 2019 the Group entered into such guarantee contracts for the total amount of 9,179 (as at 31 December 2018: 9,311). On the 31 December 2019 and 2018 the Group has not pledged any assets as collateral under these guarantee contracts.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Generally, the Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade and other receivables and cash and short-term deposits that arrive directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management provides assurance to the Group's Board of Directors that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

(in millions of Russian Rubles)

Categories of financial instruments

The carrying values of financial assets and liabilities grouped by each category of financial instruments as at 31 December 2019 and 2018 were as follows:

	31 December 2019	31 December 2018
Financial assets		
Assets carried at amortized cost	38,919	55,659
Financial liabilities		
Liabilities carried at amortized cost	238,450	233,968

Fair value of financial instruments

	31 December 2019		31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Long-term loans and notes receivable	45	45	45	45
Cash and cash equivalents	4,738	4,738	25,487	25,487
Accounts receivable	34,136	34,136	30,127	30,127
Total	**38,919**	**38,919**	**55,659**	**55,659**
Financial liabilities				
Loans and borrowings with fixed interest rate	49,410	50,982	59,509	56,152
Trade accounts receivable	176,065	176,065	155,358	155,358
Other payables and accrued expenses	12,975	12,975	19,101	19,101
Total	**238,450**	**240,022**	**233,968**	**230,611**

The fair value of assets and liabilities such as long-term loans issued, receivables, trade payables and other payables is close to carrying amount. due to the short maturities of these instruments.

Fair value of loans received in rubles at a fixed interest rate in 2019 and 2018, was estimated using borrowing rates of 6.46-7.43% and 9.9-10.3%, respectively.

Foreign currency risk management

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group's exposures to foreign currency risk arise from cash and cash equivalents held in US Dollars and Euro as well as from lease payments tied-in to currencies other than functional currency. At 31 December 2019 approximately 0.5% (at 31 December 2018: 2%) of the Group's operating lease agreements for stores and warehouses were tied-in to either US Dollars or Euro. The Group minimizes, to the extent possible, the risk arising from foreign currency-denominated lease contracts by negotiating a fixed exchange rate or a cap for an exchange rate with the lessors.

During the years ended 31 December 2019 and 2018 the Group did not use forward exchange contracts to eliminate the currency exposures.

(in millions of Russian Rubles)

The carrying amount of the Group's foreign currency-denominated assets and liabilities at the reporting date are as follows:

	US Dollar		Euro	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Assets				
Cash and cash equivalents	–	55	1	5
Total assets	**–**	**55**	**1**	**5**
Liabilities				
Accounts payable and accruals for operating leases (shown within other accounts payable)	(1,596)	(235)	(147)	(24)
Total liabilities	**(1,596)**	**(235)**	**(147)**	**(24)**
Total net position	**(1,596)**	**(180)**	**(146)**	**(19)**

Foreign currency sensitivity analysis

As mentioned above, the Group is mainly exposed to changes in the exchange rates of the US Dollar and Euro. The following table details the Group's sensitivity to a 10% (31 December 2018: 10%) change of the Russian Ruble against these two currencies. As at 31 December 2019 the sensitivity rate of 10% represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities at year end and adjusts their translation for a movement in foreign currency exchange rates. Positive numbers below indicate an increase in profit and respective increase in equity where the Russian Ruble appreciates against the relevant currency. For a depreciation of the Russian Ruble against the relevant currency, there would be an equal and opposite impact on profit and equity.

	US Dollar		Euro	
	Changes in exchange rate, %	**Effect on profit before income tax**	**Changes in exchange rate, %**	**Effect on profit before income tax**
2019	10%	(160)	10%	(15)
	(10%)	160	(10%)	15

	US Dollar		Euro	
	Changes in exchange rate, %	**Effect on profit before income tax**	**Changes in exchange rate, %**	**Effect on profit before income tax**
2018	10%	(189)	10%	(40)
	(10%)	189	(10%)	40

Interest rate risk management

The Group is exposed to insignificant interest rate risk as entities in the Group borrow funds on fixed rates primarily. The Group is exposed to risk of fair value of financial liabilities changes because of changes of market interest rates.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The following analysis of changes in the fair value was performed for non-derivative financial instruments at the reporting date. In purpose of preparing risk management reports for key managers of the Group, the assumption of a change in interest rate of 100 basis point is used, which is in line with management's expectations regarding reasonably possible fluctuations in interest rates.

(in millions of Russian Rubles)

The increase/(decrease) of market interest rate by 1%, if other conditions remain constant, would lead to decrease/(increase) of bank borrowings fair value by 1,571/(1,037). The Group is exposed to risk of floating fair value of bank borrowings with fixed rates.

Credit risk management

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. Financial assets which are potentially subject the Group to credit risk consist primarily of bonuses receivable from suppliers, other receivables, short-term investments as well as cash on current and deposit accounts with banks and other financial institutions.

Bonuses receivable from suppliers are either offset against respective accounts payable or paid in cash. At 31 December 2019 bonuses receivable from four major suppliers comprised 29% of the Group's consolidated accounts receivable and prepaid expenses (31 December 2018: 35%). The Group believes no significant credit risk is associated with these receivables since all of the debtors are represented by the Group's major suppliers.

The credit risk on liquid funds (see the table below) is managed by the Group's treasury. The management believes that credit risk on investments of surplus funds is limited as the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

The table below shows the balances that the Group had with 4 of its major counterparties as at 31 December 2019 and 2018:

			Carrying amount	
Counterparty	**Currency**	**Rating**	**31 December 2019**	**31 December 2018**
PJSC Bank VTB	RUB	Baa3	981	6,350
Alfa-bank	RUB	Ba1	173	4,974
Sberbank	RUB	Ba2	67	877
Sovkombank	RUB	Ba3	–	1,900
Other	RUB	–	82	646
Total			**1,303**	**14,747**

The carrying amount of financial assets recorded in the consolidated statement of financial position, which is net of impairment losses, represents the Group's maximum exposure to credit risk. There were no other concentrations of credit risk as at 31 December 2019 and 2018.

Liquidity risk management

The Group's treasury monitors the risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a continuity of funding and flexibility through the use of bank overdrafts and bank loans. Each year the Group analyses its funding needs and anticipated cash flows, so that it can determine its funding obligations. The seasonality of the business, the store expansion plan, capitalized projects and the anticipated working capital requirements form the basis of the evaluation. When necessary the Group uses long-term instruments (loans and borrowings) to cover its base liquidity needs. The Group uses short-term loans and bank overdrafts to cover seasonality needs. Every quarter the Group updates its liquidity needs and secures facilities with several banks to ensure that the Group has a sufficient amount of approved undrawn borrowing facilities.

As at 31 December 2019 the Group obtained uncommitted standby borrowing facilities in the total amount of 44,290 (31 December 2018: 24,600).

(in millions of Russian Rubles)

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments:

As at 31 December 2019	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Trade accounts payable	175,666	399	–	–	176,065
Borrowings	3,978	9,792	36,297	12,509	62,576
Lease liabilities	5,193	14,589	48,948	21,502	90,232
Other accounts payable and accrued expenses	12,804	73	98	–	12,975
Total	**197,641**	**24,853**	**85,343**	**34,011**	**341,848**

As at 31 December 2018	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Trade accounts payable	137,363	17,995	–	–	155,358
Borrowings	1,249	16,383	37,507	22,065	77,204
Other accounts payable and accrued expenses	13,248	294	–	–	13,542
Total	**151,860**	**34,672**	**37,507**	**22,065**	**246,104**

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. No changes were made in objectives, policies or processes during the years ended 31 December 2019 and 2018.

The capital structure of the Group consists of issued capital (less treasury shares), additional paid in capital and retained earnings.

The primary objective of the Group's capital management program is to maximize shareholder value while minimizing the risks associated with the loan portfolio. The consumer electronics business is a cyclical business and as such requires short-term fluctuations in capital to purchase goods to satisfy the seasonal demand. The Group uses a combination of short-term loans and supplier credit terms to meet the seasonal capital needs. The store expansion program adds to the capital needs as the capital and pre-opening costs associated with the new stores put additional pressure on the Group's financial resources. While the Group has not established any formal policies regarding debt to equity proportions the Group reviews its capital needs periodically to determine actions to balance its overall capital structure through shareholders' capital contributions or new share issues, return of capital to shareholders as well as the issue of new debt or the redemption of existing debt.

35. SUBSEQUENT EVENTS

In January 2020 was liqiudated LLC "Eldomarket" and LLC "BT HOLDING".

Due to the coronavirus epidemia in China and other countries emerging from December 2019, management analyzes the potential risks and possible consequences of delays in the supply of inventory from China and develops a risk mitigation plan. Management believes that the effect of coronavirus on the operations of the Group is not significant.

36. FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH IAS 17

The separate disclosure of additional financial information prepared in accordance with IAS 17 for three preceding reporting dates and two preceding reporting periods is not required in accordance with IFRS. Accounting police of IAS 17 which was used for preparation this financial information below is presented in Charter 3 "Significant accounting policies".

(in millions of Russian Rubles)

Set out below, consolidated statement of financial statement at 31 December 2019, 31 December 2018, 31 December 2017 prepared as if IAS 17 was in place:

	31 December 2019	31 December 2018	31 December 2017
NON-CURRENT ASSETS			
Property, plant and equipment	19,946	20,597	7,899
Investment property	502	417	–
Goodwill	48,975	49,648	–
Intangible assets	20,696	18,624	7,355
Deferred tax assets	2,592	5,319	4,155
Non-current financial assets	–	–	2,471
Investment in an associate and a joint venture	2,761	2,633	977
Other non-current assets	1,985	1,617	624
Total non-current assets	**97,457**	**98,855**	**23,481**
CURRENT ASSETS			
Inventories	129,115	113,145	52,283
Accounts receivable	34,247	30,127	21,563
Advances issued	2,527	1,054	10
Income tax receivable	84	33	16
Other taxes receivable	20,851	15,092	5,983
Cash and cash equivalents	4,738	25,487	17,678
Assets held for sale	303	494	–
Other current assets	44	43	1
Total current assets	**191,909**	**185,475**	**97,534**
TOTAL ASSETS	**289,366**	**284,330**	**121,015**
EQUITY			
Share capital	1,798	1,798	1,798
Additional paid-in capital	4,576	4,576	4,576
Treasury shares	(749)	(749)	(52)
Retained earnings	28,593	25,309	16,695,
Total equity	**34,218**	**30,934**	**23,017**
NON-CURRENT LIABILITIES			
Non-current bank borrowings	38,752	45,720	–
Other liabilities	711	829	–
Deferred tax liabilities	260	1,713	–
Total non-current liabilities	**39,723**	**48,262**	**–**
CURRENT LIABILITIES			
Current bank borrowings	10,658	13,789	–
Trade accounts payable	176,211	155,358	77,690
Other payables and accrued expenses	18,607	19,101	8,851
Income tax payable	9	1,397	531
Other taxes payable	1,460	2,833	1,638
Contract liabilities	8,112	11,418	8,396
Finance obligations	–	–	780
Provisions	368	1,238	112
Total current liabilities	**215,425**	**205,134**	**97,998**
Total liabilities	**255,148**	**253,396**	**97,998**
TOTAL EQUITY AND LIABILITIES	**289,366**	**284,330**	**121,015**

(in millions of Russian Rubles)

Set out below, consolidated statement of profit and loss and other comprehensive income for the 2019 and 2018 years prepared as if IAS 17 was in place:

	2019	**2018**
REVENUE	365,216	321,066
COST OF SALES	(274,201)	(242,296)
GROSS PROFIT	**91,015**	**78,770**
Selling, general and administrative expenses	(76,767)	(67,803)
Other operating income	6,235	6,078
Other operating expenses	(784)	(796)
OPERATING PROFIT	**19,699**	**16,249**
Finance income	295	497
Finance expenses	(5,747)	(3,617)
Share of profit of an associate and a joint venture	(1,953)	(995)
PROFIT BEFORE INCOME TAX EXPENSE	**12,294**	**12,134**
Income tax expense	(3,069)	(3,519)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	**9,225**	**8,615**
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture *	**11,178**	**9,610**

(in millions of Russian Rubles)

Set out below, consolidated statement of cash flows for 2019 and 2018 years prepared as if IAS 17 was in place:

	2019	2018
OPERATING ACTIVITIES		
Net profit for the year	9,225	8,615
Adjustments for:		
Income tax expense	3,069	3,519
Depreciation and amortization	7,047	5,921
Change in allowance for long-term advances paid	(96)	275
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses	976	1,017
Interest income	(295)	(497)
Interest expenses	5,747	3,604
Share of (profit)/loss of an associate and a joint venture	1,952	995
Provision for insurance claims	(600)	331
Other non-cash reconciling items, net	(168)	(58)
Operating cash flows before movements in working capital	**26,857**	**23,722**
Increase in inventories	(16,946)	(32,114)
(Increase)/decrease in accounts receivable and advances issued	(4,012)	2,742
Increase in other taxes receivable	(5,895)	(5,716)
Increase in trade accounts payable	20,707	36,579
(Decrease)/increase in other payables and accrued expenses	(925)	3,052
(Decrease)/increase in contract liabilities	(3,329)	1,098
(Decrease)/increase in other liabilities	(324)	113
Decrease in other taxes payable	(2,138)	(290)
Other changes in working capital, net	694	(189)
Cash generated by operations	**14,689**	**28,997**
Income tax paid	(3,253)	(3,024)
Interest paid	(5,167)	(2,820)
Net cash from operating activities	**6,269**	**23,153**

	2019	2018
INVESTING ACTIVITIES		
Repayment of loans issued	–	1,711
Purchase of property, plant and equipment	(4,763)	(4,239)
Proceeds from sale of property, plant and equipment	571	292
Payments for intangible assets	(4,573)	(3,286)
Interest received	295	510
Net cashoutflow from purchase of subsidiary	(134)	(55,019)
Investment in joint venture	(2,380)	(1,428)
Net cash used in investing activities	**(10,984)**	**(61,459)**
FINANCING ACTIVITIES		
Dividends paid	(5,941)	–
Purchase of treasury shares	–	(697)
Proceeds from borrowings	25,000	71,209
Repayment of borrowings	(35,050)	(24,207)
Repayment of loans	–	(124)
Repayment of finance lease	(48)	(67)
Net cash (used in)/from financing activities	**(16,039)**	**46,114**
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	**(20,754)**	**7,808**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**25,487**	**17,678**
Impact of foreign exchange on cash and cash equivalents	5	1
CASH AND CASH EQUIVALENTS, at the end of the year	**4,738**	**25,487**