

PJSC Rosinter Restaurants Holding

Consolidated financial statements
prepared in accordance with IFRS

For the year ended December 31, 2017

PJSC Rosinter Restaurants Holding
Consolidated financial statements
For the year ended December 31, 2017

TABLE OF CONTENTS

Statement of Management's Responsibilities
Independent Auditor's Report

Consolidated Financial Statements

Consolidated Statement of Financial Position.....	10
Consolidated Statement of Profit or Loss	11
Consolidated Statement of Other Comprehensive Income	12
Consolidated Statement of Cash Flows.....	13
Consolidated Statement of Changes in Equity	15
Notes to Consolidated Financial Statements	16

PJSC Rosinter Restaurants Holding

Statement of management's responsibilities for the preparation and approval of consolidated financial statements for the year ended December 31, 2017

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of PJSC Rosinter Restaurants Holding and its subsidiaries (hereinafter, the "Group") as of December 31, 2017, and the results of its operations, cash flows and changes in equity for 2017, 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 a 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 Russian legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended December 31, 2017 were approved by the President and CEO of PJSC Rosinter Restaurants Holding on April 20, 2018.

Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC Rosinter Restaurants Holding

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC Rosinter Restaurants Holding and its subsidiaries (together - the "Group") as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited:

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2017;
- the consolidated statement of profit and loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

- Overall group materiality: Russian Roubles ("RUB") 104,433 thousand, which represents 1.5% of revenue for the reporting period;
- We conducted our audit work at six companies of the Group: PJSC Rosinter Restaurants Holding, Rosinter Restaurants LLC, Rosinter Restaurants ZapSib LLC, Razvitie ROST LLC, Rosinter Restaurants Ekaterinburg LLC and BelRosinter LLC;
- Our audit also involved performing procedures on individual significant items of financial statements for AmInvest Limited;
- In respect of other Group companies, we primarily performed analytical procedures;
- Our audit scope addressed 96% of the Group's revenues and 93% of the Group's absolute value of total assets before adjustments to eliminate intercompany balances;
- Key audit matter - evaluation of property and equipment impairment.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	RUB 104,433 thousand
How we determined it	1.5% of revenue for the reporting period
Rationale for the materiality benchmark applied	We chose using revenue as the materiality benchmark. Given the volatility of the Group's financial results, revenue represents a more appropriate indicator of the size of the business and risks of misstatement than profits before tax. We chose 1.5% of the benchmark, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter - Evaluation of property and equipment impairment. See Note 27 (Impairment of assets). As at December 31, 2017 the Group recorded RUB 1,435,757 thousand of property and equipment. This amount is net of accumulated impairment loss of RUB 36,166 thousand.

In accordance with IAS 36 Impairment of Assets, management tests its property and equipment for impairment.

As at December 31, 2017, the Group performed a test for impairment of property and equipment and reversed the impairment loss in the amount of RUB 97,551 for the year ended December 31, 2017.

We focused on this matter due to the size of the property and equipment and due to the fact that a test for impairment involves applying significant judgements and estimations regarding the future results of business operations of each cash generating unit (CGU).

How our audit addressed the Key audit matter

Management performed an impairment test and presented us with the outcome. The testing was carried out applying the value in use model based on discounted cash flows (DCF) for the relevant CGU's (restaurants). We reviewed and tested the mathematical accuracy and reasonableness of the assumptions used in the model, specifically:

- We evaluated and challenged the composition of management's forecasts of future cash flows and the process of their preparation;
- We worked with our valuation specialists in analysing the results of the property and equipment impairment test performed by management. We assessed the reasonableness of the methodology for cash flows estimation applied to testing, checked calculations for the mathematical accuracy and their consistency with the methodology set by IAS 36, Impairment of Assets;
- We identified that the results of testing are most sensitive to assumptions in respect of average cheque value, number of customers and discount rate. We checked the sensitivity analysis of the key assumptions performed by management to come to the general conclusion the management's calculation of property and equipment provision at December 31, 2017 is reasonable, by analysing the result with the application of assumptions which, in our opinion, are sufficiently conservative;
- With the assistance provided by our valuation specialists, we also analysed the key assumptions applied by management to their estimations through their benchmarking against available market data:
 - average cheque value, number of customers and assumed long-term growth rates, comparing these to independent projections;
 - discount rate, by assessing the weighted average cost of capital for the Group companies, subject to required adjustments.
- We checked the disclosures included in Note 27 to the consolidated financial statements, in terms of their completeness and consistency with the requirements imposed by IAS 36, Impairment of Assets.

As a result of these procedures we came to the conclusion that the key assumptions applied by management for the property and equipment impairment testing are reasonable and the amount of property and equipment impairment provision at December 31, 2017 does not require any adjustments for the purposes of presentation of information in the consolidated financial statements.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls and the industry in which the Group operates.

We identified the following significant components in respect of which we carried out the audit:

- PJSC Rosinter Restaurants Holding,
- Rosinter Restaurants LLC,
- Rosinter Restaurants ZapSib LLC,
- Razvitie ROST LLC,
- Rosinter Restaurants Ekaterinburg LLC,
- BelRosInter LLC.

All work in respect of material components was performed by the engagement team of ADE Audit LLC. For the company AmInvest Limited we performed procedures on individual items of its financial statements.

We performed analytical procedures for other Group companies, the scope of operations of which, in our opinion, had no material qualitative or quantitative effect on the Group's consolidated financial statements.

Going concern

We pay attention to the note 2 "Going concern" to the consolidated financial statements that says the Group's current liabilities exceeded its current assets by RUB 605,648 thousands as of December 31, 2017.

Also the note describes the Group's plans to improve its liquidity position in the near future.

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of 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 certified auditor responsible for the audit resulting in this independent auditor's report is Victor Mikhailovich Smirnov.



V.M. Smirnov, the certified auditor (the auditor's certificate number - 03-000891)
LLC «ADE Audit»

April 20, 2018
Moscow, Russian Federation

Audited entity: PJSC ROSINTER RESTAURANTS HOLDING

The audit firm: LLC «ADE Audit».

State registration certificate on inclusion in the Unified State Register of the Legal Entities issued on May 24, 2004. Main State Registration Number № 1047796362305.

The firm's registration number № 1117746158507 dated April 4, 2012.

Address: 7, Dushinskaya Street, building 1, Moscow, 111024, Russia.

Postal address: 16 building 1 Khokhlovsky pereulok, Moscow, 109028, Russia.

Member of self-regulated organization of auditors "The Russian Union of auditors" (Association)

ORNZ 11603071765 in the register of auditors and audit organizations.

PJSC Rosinter Restaurants Holding
Consolidated statement of financial position

At December 31, 2017

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Property and equipment	6	1,435,757	1,545,967
Intangible assets	7	84,887	49,520
Goodwill	8	143,137	143,137
Deferred income tax asset	11	193,504	200,668
Rent deposits and other non-current assets		583,554	178,762
		2,440,839	2,118,054
Current assets			
Inventories	12	160,179	168,245
VAT and other taxes recoverable		76,055	84,954
Income tax recoverable		11,634	11,088
Trade and other receivables	13	174,219	83,976
Advances paid	14	168,674	100,022
Receivables from related parties	10	155,697	171,613
Short-term loans		1,046	876
Short-term loans due from related parties	10	21,015	14,415
Cash and cash equivalents	15	152,376	113,421
		920,895	748,610
Assets classified as a held for sale	16	230,542	–
TOTAL ASSETS		3,592,276	2,866,664
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Share capital	17	2,767,015	2,767,015
Additional paid-in capital		2,090,217	2,090,217
Treasury shares	17	(269,337)	(260,667)
Other capital reserves		7,795	12,593
Accumulated losses		(4,915,490)	(4,913,369)
Translation difference		(425,514)	(420,472)
		(745,314)	(724,683)
Non-controlling interests		2,331	(6,081)
		(742,983)	(730,764)
Non-current liabilities			
Long-term loans and borrowings	19	2,778,665	1,875,278
Finance lease liabilities		432	–
Deferred income tax liabilities	11	29,619	10,972
		2,808,716	1,886,250
Current liabilities			
Trade and other payables	21	1,056,416	1,412,327
Short-term loans and borrowings	19	312,406	85,229
Payables to related parties	10	8,246	28,237
Short-term loans due to related parties	10	10,067	6,412
Current portion of finance lease liabilities		532	–
Short-term liabilities to partners	20	526	–
Deferred income		48,890	42,752
Income tax payable		89,460	136,221
		1,526,543	1,711,178
TOTAL EQUITY AND LIABILITIES		3,592,276	2,866,664

CEO
PJSC Rosinter Restaurants Holding



/ Zaytsev S.V./

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
Consolidated statement of profit or loss
For the year ended December 31, 2017

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Notes	2017	2016
Revenue	22	6,962,213	7,206,936
Cost of sales	23	(5,789,194)	(6,145,316)
Gross profit		1,173,019	1,061,620
Selling, general and administrative expenses	24	(928,380)	(880,540)
Start-up expenses for restaurants		(67,473)	(86,703)
Other gains	26	68,222	463,815
Other losses	26	(40,314)	(63,847)
Profit from operating activities before impairment		205,074	494,345
Reversal of/(loss from) impairment of operating assets	27	110,172	(39,679)
Profit from operating activities after impairment		315,246	454,666
Financial income	28	3,925	1,637
Financial expense	28	(300,607)	(356,566)
Foreign exchange gain/(loss), net		1,782	(46,000)
Gain from the joint ventures	9	—	9,628
Profit before income tax		20,346	63,365
Income tax expense	11	(12,219)	(56,929)
Net profit for the period		8,127	6,436
Attributable to:			
Equity holders of the parent entity		(2,121)	6,241
Non-controlling interests		10,248	195
(Loss)/earnings per share	18		
Basic, (loss)/earnings per share, roubles		(0.13)	0.39
Diluted, (loss)/earnings per share, roubles		(0.13)	0.39

CEO
PJSC Rosinter Restaurants Holding



The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
 Consolidated statement of other comprehensive income
 For the year ended December 31, 2017

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	2017	2016
Net profit for the period	8,127	6,436
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(5,042)	26,210
Other comprehensive (loss)/income for the year, net of tax	(5,042)	26,210
Total comprehensive income for the year, net of tax	3,085	32,646
Attributable to:		
Equity holders of the parent entity	(7,163)	32,451
Non-controlling interests	10,248	195

CEO
 PJSC Rosinter Restaurants Holding



Zaysev S.V.I

Signature

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
Consolidated statement of cash flows
For the year ended December 31, 2017

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Notes	2017	2016
Operating activities			
Profit before tax		20,346	63,365
<i>Adjustments to reconcile profit before tax to net cash provided by operating activities:</i>			
Depreciation and amortization	23,24	178,976	184,754
Foreign exchange (gains)/loss, net		(1,782)	46,000
Gain from sale of subsidiary and share in joint venture	26	–	(416,559)
Financial income	28	(3,925)	(1,637)
Financial expense	28	300,607	356,566
(Reversal of write-down)/allowance for impairment of advances paid, taxes recoverable and receivables	24	(1,294)	47,398
(Reversal of write-down)/allowance for impairment of inventories to net realisable value		(5,190)	6,861
Loss on disposal of non-current assets	26	19,747	39,319
(Reversal of)/loss from impairment of assets	27	(110,172)	39,679
Gain from joint ventures	9	–	(9,628)
Write off of trade and other payables	26	(40,492)	(20,226)
Reimbursement of VAT	26	–	(20,201)
(Reversal of)/provision for contingent claims	26	(6,522)	3,785
Share based payment benefit	29	(1,277)	(1,850)
		349,022	317,626
<i>Changes in operating assets and liabilities:</i>			
Decrease/(increase) in inventories		13,017	(15,806)
(Increase)/decrease in advances, taxes recoverable, receivables, rent deposits and other non-current assets		(103,007)	42,160
Decrease in receivables from related parties		14,862	1,244
Decrease in payables to related parties		(26,265)	(22,886)
Decrease in trade and other payables		(338,094)	(93,415)
Net cash (used in)/ generated from operations		(90,465)	228,923
Interest paid		(311,012)	(323,666)
Interest received		1,567	2,757
Income tax paid		(15,884)	(8,181)
Net cash flows used in operating activities		(415,794)	(100,167)
Investing activities			
Purchases of property and equipment		(256,523)	(305,815)
Issuance of loans to third parties		(404,345)	–
Proceeds from repayment of loans issued to related parties		–	7,552
Purchase of intangible assets		(36,330)	(26,753)
Issuance of loans to related parties		(6,600)	–
Proceeds from disposal of property and equipment		13,290	21,745
Proceeds from repayment of loans issued to third parties		2,300	2,347
Dividends received		–	9,628
Proceeds from sale of shares in joint ventures		18,155	–
Net proceeds from sale of subsidiaries	26	–	393,603
Net cash flows (used in)/ generated from investing activities		(670,053)	102,307

Continued on the next page

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding

Consolidated statement of cash flows (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Notes	2017	2016
Financing activities			
Proceeds from bank loans		2,075,391	152,109
Repayment of bank loans		(944,827)	(133,970)
Payments to partners	20	(1,620)	(12,923)
Repayment of related party loans		(195)	(293)
Proceeds from related party loans		3,850	5,729
Repayment of lease obligation		(1,107)	–
Acquisition of treasury shares		(2,506)	–
Dividends paid to shareholders		(1,609)	(665)
Net cash flows generated from financing activities		1,127,377	9,987
Effect of exchange rate on cash and cash equivalents		(2,575)	(302)
Net increase in cash and cash equivalents		38,955	11,825
Cash and cash equivalents at beginning of the year		113,421	101,596
Cash and cash equivalents at end of the year		152,376	113,421

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
Consolidated statement of changes in equity
For the year ended December 31, 2017

(All amounts are in thousands of Russian roubles, unless specified otherwise)

	Attributable to equity holders of the parent entity						Total	Non-control- ling interests	Total equity
	Share capital	Additional paid-in capital	Treasury shares	Other capital reserves	Accumulated losses	Translation difference			
At January 1, 2017	2,767,015	2,090,217	(260,667)	12,593	(4,913,369)	(420,472)	(724,683)	(6,081)	(730,764)
Net profit for the year	–	–	–	–	(2,121)	–	(2,121)	10,248	8,127
Other comprehensive loss for the year	–	–	–	–	–	(5,042)	(5,042)	–	(5,042)
Total comprehensive income for the year	–	–	–	–	(2,121)	(5,042)	(7,163)	10,248	3,085
Share based payment transactions <i>(Note 29)</i>	–	–	–	(4,798)	–	–	(4,798)	–	(4,798)
Purchase of treasury shares	–	–	(8,670)	–	–	–	(8,670)	–	(8,670)
Dividends	–	–	–	–	–	–	–	(1,836)	(1,836)
At December 31, 2017	2,767,015	2,090,217	(269,337)	7,795	(4,915,490)	(425,514)	(745,314)	2,331	(742,983)
At January 1, 2016	2,767,015	2,090,217	(260,667)	14,443	(4,919,610)	(446,682)	(755,284)	(5,502)	(760,786)
Net profit for the year	–	–	–	–	6,241	–	6,241	195	6,436
Other comprehensive income for the year	–	–	–	–	–	26,210	26,210	–	26,210
Total comprehensive income for the year	–	–	–	–	6,241	26,210	32,451	195	32,646
Share based payment transactions <i>(Note 29)</i>	–	–	–	(1,850)	–	–	(1,850)	–	(1,850)
Dividends	–	–	–	–	–	–	–	(774)	(774)
At December 31, 2016	2,767,015	2,090,217	(260,667)	12,593	(4,913,369)	(420,472)	(724,683)	(6,081)	(730,764)

The accompanying notes form an integral part of these consolidated financial statements.

PJSC Rosinter Restaurants Holding
Notes to the consolidated financial statements
For the year ended December 31, 2017

(All amounts are in thousands of Russian roubles, unless specified otherwise)

1. Corporate information

PJSC Rosinter Restaurants Holding (the "Company") was registered as a Russian open joint stock company on May 24, 2004. The registered and headquarter address of the Company is at 7 Dushinskaya str., Moscow, 111024, Russia. As of December 31, 2017, the Company's controlling shareholder was RIG Restaurants Limited, a limited liability company (the "Parent") (formerly known as Rostik Restaurants Limited) incorporated under the laws of Cyprus. RIG Restaurants Limited is under the ultimate control of Mr. Rostislav Ordovsky-Tanaevsky Blanco.

PJSC Rosinter Restaurants Holding and its subsidiaries (the "Group") is one of the leading casual dining operators in Russia by number of restaurants and by revenue. The Group's business is focused on serving the most popular cuisines in Russia: Italian, Japanese, American, local Russian and pan-Asian cuisine.

Other revenue of the Group represents revenue from the network of independent franchisees in Moscow and throughout Russia and the CIS, sublease and other services.

The consolidated financial statements of the Company for the year ended December 31, 2017 were approved for issue by the President and CEO of PJSC Rosinter Restaurants Holding on April 20, 2018.

The Group derives revenue in the territory of Russia, CIS countries and European countries. For the years 2017 and 2016, the revenue from the Russian market was approximately 97% and 96% of total revenues, respectively. The non-current assets of Group's subsidiaries operating in the Russian market were approximately 99% and 98% of total non-current assets of the Group at December 31, 2017 and 2016, respectively. The second largest market was Belorussia with 3% of total revenues for the year ended December 31, 2017.

The Company had a controlling ownership interest, directly or indirectly, in the following principal subsidiaries:

Entity	Country of incorporation	2017	2016
		% Ownership	% Ownership
Rosinter Restaurants LLC	Russia	100.00%	100.00%
Rosinter Restaurants ZapSib LLC	Russia	100.00%	100.00%
Razvitie ROST LLC	Russia	100.00%	100.00%
Rosinter Restaurants Ekaterinburg LLC	Russia	51.00%	51.00%
BelRosInter LLC	Belarus	93.00%	93.00%

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

2. Going concern

These consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

The Group's current liabilities as of December 31, 2017 of RUB 1,526,543 (RUB 1,711,178 as of December 31, 2016) exceeded its current assets by RUB 605,648 (RUB 962,568 as of December 31, 2016). The net current liability position primarily results from trade and other payables amounting to RUB 1,056,416 and RUB 1,412,327 as of December 31, 2017 and 2016, respectively. During the year ended December 31, 2017, net cash outflow from operations amounted to RUB 90,465 (during the year ended December 31, 2016 net cash generated from operations amounted to RUB 228,923).

The Group's activity in all of its aspects continues to be affected by the uncertainty and instability of the current economic environment (*Note 30*). In response the Group implemented a number of cost cutting initiatives, reduced capital expenditures and continues to optimize bank loans portfolio.

The Group's management believes that it is appropriate to prepare the financial statements on a going concern basis further due to the following:

- During 2017 the Group has entered into a set of long-term credit agreements with Bank VTB with an interest rate determined as the Bank of Russia interest rate plus 1%. In July 2017 the interest rate was reduced to a fixed rate of 8.75%.
- According to the new credit agreements that were signed with Bank VTB in April 2017, the Group received additional credit facilities in the total amount of RUB 1,775,000 and prolonged the existing credit agreement in the amount of RUB 570,000. New borrowings were used for financing the strategic development plan of existing restaurants renovation and new restaurants opening.
- Additional sources of short-term financing are available to the Group, including undrawn fixed rate credit facilities in the amount of RUB 10,987 and bank guarantees in the amount of RUB 439,609.
- Management has introduced enhanced operational initiatives designed to improve the Group's liquidity. Actions implemented include, among others, capital expenditure process, improvement in the business through savings food and beverage costs.
- The Group has an ability to get additional financing in the amount of RUB 500,000 in form of bank loans.
- The principal shareholders of the Company are considering opportunities to provide financing to the Group or some of its businesses.

Based on the currently available facts and circumstances the management and directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

3. Basis of preparation of financial statements

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

Basis of preparation

Group companies maintain their accounting records and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the country in which they are incorporated and registered. Accounting policies and financial reporting procedures in these jurisdictions may differ substantially from those generally accepted under IFRS. Accordingly, the accompanying financial statements, which have been prepared from the Group's statutory based accounting records, reflect adjustments and reclassifications necessary for such financial statements to be presented in accordance with the standards and interpretations prescribed by the IASB.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies in Note 4.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IAS interpretations as of 1 January 2017.

New and amended standards and interpretations issued but not yet effective

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a single framework for revenue recognition and contains requirements for related disclosures. The new standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related interpretations on Revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. In April 2016, the IASB issued amendments to IFRS 15, which have the same effective date as the new standard: January 1, 2018. As a result of the analysis performed by the Group, the conclusion was made that there will be no significant impact of the standard on the consolidated financial statements.

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*. The final version of IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. IFRS 9 brings together the requirements for the classification and measurement, impairment and hedge accounting of financial instruments. In respect of impairment, IFRS 9 replaces the "incurred loss" model used in IAS 39 with a new "expected credit loss" model that will require a more timely recognition of expected credit losses. The standard is effective for annual periods beginning on or after January 1, 2018. In October 2017, the IASB issued amendments to IFRS 9 effective on January 1, 2019.

The Group is currently assessing the impact of the standard on the opening balance of retained earnings as of January 1, 2018 as a result of the shift from the "incurred loss" impairment model to "expected credit loss" model, as well as the change in classification for certain significant financial assets of the Group – from the "amortized cost" category to the "fair value through profit or loss" category.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

3. Basis of preparation of financial statements (continued)

New and amended standards and interpretations issued but not yet effective (continued)

In September 2014, the IASB issued amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* entitled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. These narrow scope amendments clarify that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The IASB has postponed the date by when the entities must change these aspects of accounting for transactions between investors and equity accounted investees. Application of the amendments, initially planned for annual periods beginning on or after January 1, 2016, has been deferred. The Group does not expect the amendments to have a material impact on the consolidated financial statements, as their requirements are already incorporated in the accounting policy of the Group.

In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and establishes a single lessee accounting model. The most significant effect of the new requirements for the lessee will be an increase in lease assets and financial liabilities. The new standard replaces the previous leases standard, IAS 17 *Leases*, and the related interpretations. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for companies that also apply IFRS 15 *Revenue from Contracts with Customers*. The Group is currently assessing the impact of the standard on the consolidated financial statements.

In June 2016, the IASB issued amendments to IFRS 2 *Share-based Payment* entitled *Classification and Measurement of Share-based Payment Transactions*. The amendments provide requirements for the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In September 2016, the IASB issued amendments to IFRS 4 *Insurance Contracts* entitled *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the Board is developing for IFRS 4. The amendments introduce two approaches, which should reconcile the timing of the application of the two new standards. Under the first approach, the amendments become effective on the date of first-time adoption of IFRS 9; under the second, the amendments become effective for annual periods beginning on or after January 1, 2018. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In December 2016, the IASB issued IFRIC 22 Interpretation entitled *Foreign Currency Transactions and Advance Consideration*. The IFRIC addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements as their requirements are already incorporated in the accounting policy of the Group.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

3. Basis of preparation of financial statements (continued)

New and amended standards and interpretations issued but not yet effective (continued)

In December 2016, the IASB issued amendments to IAS 40 *Investment Property* entitled *Transfers of Investment Property*. The amendments clarify the requirements for transfers to, or from, investment property. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces IFRS 4 *Insurance Contracts*. The standard is effective for annual periods beginning on or after January 1, 2021. The Group does not expect the standard to have a material impact on the consolidated financial statements.

In June 2017, the IASB issued IFRIC 23 Interpretation entitled *Uncertainty over Income Tax Treatments*. The IFRIC clarifies that for the purposes of calculating current and deferred tax, companies should use a tax treatment of uncertainties, which will probably to be accepted by the tax authorities. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In October 2017, the IASB issued amendments to IAS 28 *Investments in Associates and Joint Ventures*. These amendments clarify that the companies should apply IFRS 9 *Financial Instruments*, including impairment requirements, for the long-term investments in associates and joint ventures, which are accounted for otherwise than using the equity method, including long-term loans given to associates and joint ventures. The amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The impact of the amendments was assessed within the assessment of the impact of IFRS 9 *Financial Instruments* (see above).

4. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Company (its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Business combinations (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Current versus non-current classification

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

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

All other assets are classified as non-current. A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Functional and presentation currency

The Group's consolidated financial statements are presented in Russian roubles (RUB), which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All financial information presented in RUB has been rounded to the nearest thousand unless otherwise stated.

The translation of the financial statements from the functional currency to the presentation currency is done in accordance with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The assets and liabilities of the subsidiaries which use local currencies as the functional currency are translated into the presentation currency at the rate of exchange ruling at the reporting date, and their transactions are translated at the weighted average exchange rates for the year. Equity items, other than the net profit or loss for the year that is included in the balance of accumulated profit or loss, are translated at the historical exchange rate effective at the date of transition to IFRS. Equity transactions measured in terms of historical cost in a functional currency are translated using the exchange rates at the date of the transaction. The exchange differences arising on the translation are recognized in other comprehensive income or loss.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Functional and presentation currency (continued)

Transactions in foreign currencies in the Company and each subsidiary are initially recorded in the functional currency at the rate effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the rate of exchange ruling at the reporting date. All resulting differences are recorded as foreign currency exchange gains or losses in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets other than those measured at fair value through profit or loss, are recognised initially, they are measured at fair value, plus directly attributable transaction costs. All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Subsequent measurement

The measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Investments classified as held for trading are included in the category "financial assets at fair value through profit or loss". Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit and loss.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. During the years ended December 31, 2017 and 2016, the Group did not hold any investments in this category.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. During the years ended December 31, 2017 and 2016, the Group did not hold any investments in this category.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in income statement in finance cost.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in finance income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.

The Group evaluated its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement. As at December 31, 2017 and 2016, the Group had no available-for-sale financial assets.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For amounts due from loans and receivables carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group, if, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Property and equipment

Property and equipment are recorded at historical cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment. At each reporting date, management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as an expense (impairment loss) in the income statement. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Depreciation is calculated on property and equipment principally on a straight-line basis from the time the assets are available for use, over the following estimated economic useful lives:

Description	Useful life, years
Leasehold improvements	10
Buildings	10-30
Restaurant equipment	4-10
Computer equipment and electronics	4
Office furniture and fixtures	10
Vehicles	5-10

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Property and equipment (continued)

Depreciation attributable to restaurants is presented in cost of sales; other depreciation is presented within selling, general and administrative expenses in the consolidated income statement. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale and the date the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end. Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised if it can be clearly demonstrated that they extend the life of the asset or significantly increase its revenue generating capacity beyond its originally assessed standard of performance, and the assets replaced are derecognised. Gains and losses arising from the retirement or disposal of property and equipment are included in the consolidated income statement as incurred.

Assets under construction are stated at cost which includes cost of construction and equipment and other direct costs, less impairment, if any. Assets under construction are not depreciated until the constructed or installed asset is ready for its intended use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the useful economic lives from 4 to 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisations periods are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset. The following specific amortisation terms are applied for each type of intangible asset.

The Group capitalises franchise lump sums paid to T.G.I. Friday's Inc. for each new restaurant opened by the Group under "T.G.I. Friday's" brand name. Also the Group capitalises franchise lump sums paid to Costa International Limited for each new coffee outlets opened under "Costa" brand name. Such franchise lump sums are amortised on a straight-line basis over the franchise contractual period of 15 years.

The Group has exclusive rights to lease and sublease a number of restaurant premises. These rights are accounted for at cost and are amortised on a straight-line basis over the useful life period, generally from 4 to 10 years.

Software development costs are capitalised in accordance with requirements of IAS 38 *Intangible Assets* at cost and are amortised on a straight-line basis over their estimated useful lives, generally four years.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Instead it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. As at the acquisition date any goodwill acquired in acquisitions is allocated to each of the cash-generating units (CGU) or groups of cash-generating units expected to benefit from the combination's synergies, irrespective of whether other assets and liabilities of the Group are assigned to those units or group of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

The Group has used the following key assumptions in its cash flow projections:

Growth rates – Average growth rates used in cash flow projections are independent estimates of country's expected Gross Domestic Product (GDP) growth for the projected period.

Inflation – Estimates of consumer price indices obtained from reliable external researches.

Salaries growth rate – Internal estimates are calculated on Group's statistics of real salaries growth rates and published consumer price indices forecasts.

Discount rate – Current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC).

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Inventories

Inventories, which include food, beverages and other supplies, are stated at the lower of cost or net realisable value. Cost of inventory is determined on the weighted-average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories recognised as an expense and reported as a component of cost of sales in the Income statement in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories recognised as an expense in the same components of the Income statement in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Value added tax

The Russian and CIS tax legislation permits settlement of value added tax ("VAT") on a net basis.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the reporting date, is deducted from the amount of VAT payable. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debt, including VAT.

VAT recoverable arises when VAT related to purchases exceeds VAT related to sales.

Receivables

Receivables, which generally are short term, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. Allowance is made when there is objective evidence that the Group will not be able to collect the debts. Impaired debts are derecognised when they are assessed as uncollectible.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand, cash in transit and short-term deposits with an original maturity of three months or less.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised when the shareholder's right to receive the payment is established. Dividends in respect of the period covered by the financial statements that are proposed or declared after the reporting date but before approval of the financial statements are not recognised as a liability at the reporting date in accordance with IAS 10 *Events after the Reporting Period*.

Treasury shares

Own equity instruments which are reacquired by the Group ("treasury shares") are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Treasury shares are not recognised as a financial asset regardless of the reason for which they are reacquired.

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the income statement. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial liabilities

Loans and borrowings

Loans and credit facilities are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans and credit facilities are measured at amortised cost using the effective interest rate method; any difference between the initial fair value of the consideration received (net of transaction costs) and the redemption amount is recognised as an adjustment to interest expense over the period of the loan.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Liabilities to partners

Before 2007, the Group entered into partnership agreements with third parties (the "partners") in respect of opening and operating the restaurants. In accordance with the partnership agreements, the partners have the right to obtain a share in profits of a particular restaurant or group of restaurants in return for their initial cash investments into the restaurants. The Group manages the operations of the restaurants. The Group recognises all assets and liabilities of the restaurants in the Group's consolidated financial statements as well as all income and expenses from their operations. In addition, the Group recognises a liability to partners under the partnership agreements.

Some of the Group's subsidiaries in Russia and CIS are incorporated in the legal form of limited liability companies (LLC) and have several participants (or partners). Each participant has a right to a dividend distribution proportional to its ownership interest. If a participant decides to exit the LLC, the company is obliged to repay the actual value of the participant's interest which is determined as its proportional share of net assets reported in the local statutory accounts. Therefore, the partners' interest in these LLCs is classified as a liability to partners in the Group's consolidated statement of financial position.

The differences between the carrying values of partner's liabilities relating to acquired ownership interest and the consideration paid to acquire ownership interest are recognised as financial expense.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial liabilities (continued)

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded on active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, fair value is determined using appropriate valuation techniques.

Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised from the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the 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 charged to interest expense.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets, which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. Depending on contractual terms, the operating lease payment amounts are calculated for each restaurant as either a percentage of revenue with a minimum fixed monthly payment or as a fixed monthly payment.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Financial liabilities (continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Revenue recognition

Revenues are recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable and comprise amounts received following direct sales in restaurant and amounts received or receivable from franchise holders, net of any rebates, VAT and other sales taxes.

The following specific recognition criteria must also be met before revenue is recognised:

Revenues from restaurants and canteens

Restaurant and canteens revenues are recognised when food and beverages are served. Revenues from food distribution are recognised upon delivery to the customers. Revenues are recognised at fair value of consideration received or receivable for meals and services delivered, net of value added tax charged to customers.

Franchise revenues

Franchise revenues comprise fixed franchise fees and continuing royalty fees, which are charged for the right to use certain of the Group's intellectual property granted by the franchise agreements and for other services provided during the period of the agreement. Franchise fees are recognised as revenues as the rights are granted. Royalty fee from an individual licensee is recognised as a percentage of its revenue over the period of the agreement. Royalty fees are reported as franchise revenue when the fees are earned and become receivable.

Sublease revenues

The Group leases certain premises. Parts of these premises are subleased to third parties. Sublease revenues are recognised over the lease terms.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Revenue recognition (continued)

Interest income

For all financial instruments measured at amortised cost interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Borrowing costs

Borrowing costs of the Group include interest on bank overdrafts, short-term, long-term credit facilities and bonds. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is calculated as the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are recognised as an expense in the period in which they are incurred. The Group capitalised interest in the amount of RUB 24,433 for the year ended December 31, 2017. For the year ended December 31, 2016, capitalized borrowing costs were in the amount of RUB 3,244.

Start-up expenses for new restaurants

Start-up expenses for new restaurants represent costs related to the opening of new restaurant premises. Such expenses include rent and payroll expenses, new personnel training and other overhead expenses that arise before the opening of new restaurants. Start-up expenses for new restaurants are recognised as operating expense in the accounting period the related work was performed.

Employee benefits

The Company accrues for the employees' compensated absences (vacations) as the additional amount that the Company expects to pay as a result of the unused vacation that has accumulated at the reporting date.

Under provision of the Russian legislation, social contributions are calculated by the Group by the application of a regressive rate (from 30% to 15.1%) to the annual gross remuneration of each employee. The Group allocates the social benefits to three social funds (state pension fund, social and medical insurance funds), where the rates of contributions to the pension fund varies from 34% to 10% depending on the annual gross salary of each employee. The Group's social contributions are expensed in the year to which they relate.

Total social contributions amounted to RUB 421,173 and RUB 436,384 during the years ended December 31, 2017 and 2016, respectively, and they were classified as payroll expenses in these consolidated financial statements.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Share based payments

In April 2010, the Group adopted a Share Appreciation Rights Program (SARP) under which certain top managers and directors of the Group will receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

Loyalty programmes

Customer loyalty programmes are used by the Group to provide customers with award credits as part of a sales transaction, including awards that can be redeemed for goods and services not supplied by the entity. The Group company collecting the consideration on behalf of the third party measures its revenue as the net amount retained on its own account. The Group company acting as an agent for a third party recognises revenue arising from rendering agency services to that third party as revenue from rendering services.

The Group uses the "Honoured Guest" loyalty programme to build brand loyalty, retain its valuable customers and increase sales volume. The programme is designed to reward customers for past purchases and to provide them with incentives to make future purchases.

Each time a customer buys meals in one of the Group's restaurants, the Group grants the customer loyalty award credits and recognises these award credits as deferred income at fair value. Under the "Honoured Guest" programme a customer can redeem the award credits as they are granted for free meals.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Taxes

Current income tax

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

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

Deferred income tax

Deferred tax assets and liabilities are calculated in respect of temporary differences at the reporting date using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

4. Significant accounting policies (continued)

Taxes (continued)

Deferred income tax is charged or credited to the income statement, except when it relates to items recognised outside profit or loss, in which case the deferred tax is also recognised in the statement of comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxable authority.

Unified tax on imputed income and simplified taxation system

Certain restaurants of the Group's subsidiaries located outside the Moscow region with restaurants meeting specified criteria are subject to unified tax on imputed income or simplified tax paid instead of corporate income tax, value added tax, property tax. According to the Russian Tax Code companies engaged in restaurant and catering services are subject to unified tax if a trading area of a restaurant does not exceed 150 square meters. Imputed income is calculated as a fixed amount of imputed income per square meter of a trading area specified by the Russian Tax Code and respective regional/local authorities. Unified tax on imputed income is fixed at 15% of imputed income. If a trading area of a restaurant exceeds 150 square meters than restaurants are subject to simplified taxation system. In accordance with simplified taxation system, tax is calculated as 6% of revenue or 15% of profit. For the years 2017 and 2016, the share of revenues subject to unified tax on imputed income and tax under simplified taxation system amounted to approximately 9% and 11%, respectively.

The Group recognises the unified tax on imputed income and the simplified tax as other general and administrative expenses in its consolidated income statement. For the years ended December 31, 2017 and 2016, the unified tax on imputed income and the simplified tax amounted to RUB 11,257 and RUB 11,440, respectively.

5. Significant accounting judgements, estimates and assumptions

On an on-going basis, management of the Group evaluates its estimates and assumptions. Management of the Group bases its estimates and assumptions on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Because of the uncertainty of factors surrounding the estimates or judgments used in the preparation of the Group's consolidated financial statements actual results may vary from these estimates.

Judgements

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

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

5. Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Classification of lease agreements

A lease is classified as a finance lease if it transfers to the Group substantially all the risks and rewards incidental to ownership, otherwise it is classified as an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. If the lease term is longer than 75% of the economic life of the asset, or if at the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset, the lease is classified by the Group as finance lease, unless it is clearly demonstrated otherwise.

Operating lease terms

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option. When determining the lease term, the Group includes the option periods which relate to its preferential right to renew the lease agreement under the Civil Code of the Russian Federation provided the Group has complied with the lease agreement terms (all other conditions being equal). Preferential right arises if the lessor refused to enter into a lease agreement with the lessee for a new term, but within one year from the date of expiration of the lease agreement with the lessee entered into a lease agreement with a third party. In such case the lessee is entitled to claim through the court the transfer to him of the rights and responsibilities under such an agreement and compensation of damages caused by refusal to renew the lease agreement and/or to claim above damages only. Preferential right does not exist if the lessor decides not to continue leasing the property.

Partnership agreements

Before 2007, in order to raise capital for the development of its restaurants in the Moscow region, the Group entered into a number of partnership agreements. The Group has determined that, under the terms of the partnership agreements, it maintains full control of the restaurants business while partners gain a share in the profits of the restaurants.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property and equipment

The Group assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognised in profit or loss.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

5. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Impairment of non-financial assets

Generally, the Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, which is determined as the higher of an asset's fair value less cost to sell and its value in use. 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 assessment of the time value of money and the risks specific to the assets. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment of goodwill

The Group's impairment test for goodwill is based on value in use calculations for cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair values of assets and liabilities acquired in business combinations

The Group is required to recognise separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

Allowance for impairment of advances paid, taxes recoverable and receivables

Management maintains an allowance for impairment for doubtful advances paid and receivables to provide for losses from the inability of suppliers to deliver goods or services for which they received prepayments from the Group, inability of franchisees to settle their debts and unrecoverable taxes. When evaluating the adequacy of an allowance for impairment of advances paid, taxes recoverable and receivables, management bases its estimates on specific analysis of the major outstanding prepayments, taxes recoverable and accounts receivable balances and historical write-off experience. If the financial condition of those suppliers or franchisees were to deteriorate, actual write-offs might be higher than expected.

Write-down of inventories to net realisable value

Management of the Group regularly reviews the need to provide for slow moving or damaged inventory based on monthly aging and inventory turnover report as well as based on physical inventory observation.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

5. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Current taxes

Russian tax legislation is subject to varying interpretation and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest. The periods remain open to review by the tax authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Deferred tax assets

Management judgment is required for the calculation of current and deferred income taxes. Deferred tax assets are recognised to the extent that their utilisation is probable. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in respective tax type and jurisdiction. Various factors are used to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from such estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In such an event, the assessment of future utilisation of deferred tax assets must be reduced and this reduction be recognised in profit or loss.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

6. Property and equipment

The movement in property and equipment for the year ended December 31, 2017 was as follows:

	Buildings and leasehold improve- ments	Restaurant equipment	Computer equipment and electronics	Office furniture and fixtures	Vehicles	Assets under construction	Total
Cost							
At December 31, 2016	1,973,241	950,545	182,189	315,267	30,765	168,540	3,620,547
Additions	–	33,984	–	–	–	243,218	277,202
Assets put into use	126,674	73,840	23,836	46,523	–	(270,873)	–
Disposals	(372,194)	(141,855)	(22,300)	(48,270)	(5,262)	(5,116)	(594,997)
Reclassification to assets held for sale	(230,542)	–	–	–	–	–	(230,542)
Translation difference	(809)	(1,628)	(357)	(954)	(47)	(368)	(4,163)
At December 31, 2017	1,496,370	914,886	183,368	312,566	25,456	135,401	3,068,047
Accumulated depreciation and impairment							
At December 31, 2016	(1,245,819)	(461,050)	(158,688)	(164,110)	(17,173)	(27,740)	(2,074,580)
Charge for the year	(65,411)	(58,663)	(14,588)	(24,275)	(3,346)	–	(166,283)
Disposals	326,418	111,742	21,892	40,542	3,187	5,116	508,897
Impairment of property and equipment (<i>Note 27</i>)	24,111	47,942	110	12,787	–	12,601	97,551
Translation difference	415	688	247	495	15	265	2,125
At December 31, 2017	(960,286)	(359,341)	(151,027)	(134,561)	(17,317)	(9,758)	(1,632,290)
Net book value							
At December 31, 2016	727,422	489,495	23,501	151,157	13,592	140,800	1,545,967
At December 31, 2017	536,084	555,545	32,341	178,005	8,139	125,643	1,435,757

The movement in property and equipment for the year ended December 31, 2016 was as follows:

	Buildings and leasehold improve- ments	Restaurant equipment	Computer equipment and electronics	Office furniture and fixtures	Vehicles	Assets under construction	Total
Cost							
At December 31, 2015	2,064,654	975,945	186,939	301,019	38,552	114,536	3,681,645
Additions	–	15,684	–	–	–	289,707	305,391
Assets put into use	90,685	86,883	9,304	47,142	–	(234,014)	–
Disposals	(178,623)	(118,235)	(12,039)	(27,387)	(7,521)	–	(343,805)
Translation difference	(3,475)	(9,732)	(2,015)	(5,507)	(266)	(1,689)	(22,684)
At December 31, 2016	1,973,241	950,545	182,189	315,267	30,765	168,540	3,620,547
Accumulated depreciation and impairment							
At December 31, 2015	(1,315,808)	(503,485)	(158,899)	(170,898)	(20,147)	(4,087)	(2,173,324)
Charge for the year	(85,003)	(48,957)	(13,953)	(20,170)	(2,802)	–	(170,885)
Disposals	163,022	90,998	11,628	21,913	5,721	–	293,282
Impairment of property and equipment (<i>Note 27</i>)	(10,077)	(3,887)	1,145	2,216	–	(23,653)	(34,256)
Translation difference	2,047	4,281	1,391	2,829	55	–	10,603
At December 31, 2016	(1,245,819)	(461,050)	(158,688)	(164,110)	(17,173)	(27,740)	(2,074,580)
Net book value							
At December 31, 2015	748,846	472,460	28,040	130,121	18,405	110,449	1,508,321
At December 31, 2016	727,422	489,495	23,501	151,157	13,592	140,800	1,545,967

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

6. Property and equipment (continued)

As of December 31, 2017, certain items of property and equipment with a carrying value of RUB 12,341 were pledged as collateral against mortgage loan to the Group.

As of December 31, 2017 and 2016 cost of fully depreciated property, plant and equipment that were still in use amounted to RUB 675,223 and RUB 713,108, respectively.

Property and equipment was tested for impairment as part of cash generating units without goodwill as of December 31, 2017. During the year ended December 31, 2017 the Group reversed impairment losses of property and equipment in the amount of RUB 97,551 (*Note 27*). During the year ended December 31, 2016, the Group recognised impairment losses of property and equipment in the amount of RUB 34,256. No impairment was recognised for cash generating units with goodwill.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash generating unit (restaurant). The recoverable amount has been determined based on value-in-use calculation using cash flows projections based on the actual operating results and budgets approved by management and appropriate discount rate reflecting time value of money and risks associated with the cash generating units.

Cash flow projections cover a period of useful life of up to 10 years of the principal assets of each cash generating unit. Average growth rates used in cash flow projections vary from 1.4% to 2.5% depending on cash generating unit's country of operation and approximate country's expected Gross Domestic Product (GDP) growth for the projected period. The cash flow projections were discounted at the rate of 11.02% in Russian Rouble nominal terms. The calculation of the discount rate was based on Group's cost of financing and weighted average cost of capital (WACC).

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

7. Intangible assets

The movement in intangible assets for the year ended December 31, 2017 was as follows:

	Franchise rights	Exclusive rent rights	Trademarks	Software	Assets under construction	Total
Cost						
At December 31, 2016	34,053	20,323	30,675	150,110	12,149	247,310
Additions	6,205	5,882	–	9,328	14,915	36,330
Disposals	(4,661)	–	–	(7,077)	–	(11,738)
Translation difference	–	–	321	(651)	–	(330)
At December 31, 2017	35,597	26,205	30,996	151,710	27,064	271,572
Accumulated depreciation and impairment						
At December 31, 2016	(25,226)	(3,594)	(30,330)	(138,640)	–	(197,790)
Charge for the year	(2,592)	(6,062)	(153)	(3,886)	–	(12,693)
Disposals	2,912	–	–	8,071	–	10,983
Impairment of intangible assets <i>(Note 27)</i>	683	–	–	11,938	–	12,621
Translation difference	–	(1)	(334)	529	–	194
At December 31, 2017	(24,223)	(9,657)	(30,817)	(121,988)	–	(186,685)
Net book value						
At December 31, 2016	8,827	16,729	345	11,470	12,149	49,520
At December 31, 2017	11,374	16,548	179	29,722	27,064	84,887

The movement in intangible assets for the year ended December 31, 2016 was as follows:

	Franchise rights	Exclusive rent rights	Trademarks	Software	Assets under construction	Total
Cost						
At December 31, 2015	35,497	127,484	31,178	147,125	–	341,284
Additions	1,642	6,011	–	12,962	12,149	32,764
Disposals	(3,086)	(113,172)	–	(7,170)	–	(123,428)
Translation difference	–	–	(503)	(2,807)	–	(3,310)
At December 31, 2016	34,053	20,323	30,675	150,110	12,149	247,310
Accumulated depreciation and impairment						
At December 31, 2015	(25,076)	(112,401)	(30,552)	(130,949)	–	(298,978)
Charge for the year	(2,350)	(4,365)	(219)	(6,935)	–	(13,869)
Disposals	1,731	113,172	–	2,348	–	117,251
Impairment of intangible assets <i>(Note 27)</i>	469	–	–	(5,892)	–	(5,423)
Translation difference	–	–	441	2,788	–	3,229
At December 31, 2016	(25,226)	(3,594)	(30,330)	(138,640)	–	(197,790)
Net book value						
At December 31, 2015	10,421	15,083	626	16,176	–	42,306
At December 31, 2016	8,827	16,729	345	11,470	12,149	49,520

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

7. Intangible assets (continued)

Intangible assets were tested for impairment as of December 31, 2017 and 2016. During the year ended December 31, 2017 the Group reversed impairment losses of intangible assets in the amount of RUB 12,621 (Note 27). For the year ended December 31, 2016 the Group recognised impairment loss of intangible assets in the amount of RUB 5,423 as the recoverable amount of these assets is less than carrying amount at the same date.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash generating unit (restaurant). The recoverable amount has been determined based on value-in-use calculation using cash flows projections based on the actual operating results and budgets approved by management and appropriate discount rate reflecting time value of money and risks associated with the cash generating units.

Cash flow projections cover a period of useful life of up to 10 years of the principal assets of each cash generating unit. Average growth rates used in cash flow projections vary from 1.4% to 2.5% depending on cash generating unit's country of operation and approximate country's expected Gross Domestic Product (GDP) growth for the projected period. The cash flow projections were discounted at the rate of 11.02% in Russian rouble nominal terms. The calculation of the discount rate was based on Group's cost of financing and weighted average cost of capital (WACC).

8. Goodwill

The carrying amount of goodwill as of December 31, 2017 and 2016 was allocated among cash generating units (group of cash generating units) as follows:

	<u>2017</u>	<u>2016</u>
Pulkovo airport restaurants, Saint Petersburg, Russia	125,006	125,006
Combo Il Patio and Planet Sushi, Ekaterinburg, Russia	18,131	18,131
	<u>143,137</u>	<u>143,137</u>

The Group performed its annual goodwill impairment test in the years ended December 31, 2017 and 2016. There was no impairment of goodwill.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash generating unit (restaurant) to which allocated goodwill. The recoverable amount has been determined based on value-in-use calculation using cash flows projections based on the actual operating results and budgets approved by management and appropriate discount rate reflecting time value of money and risks associated with the cash generating units.

In regard to the assessment of value-in-use, the Group believes, that there is no reasonably possible change in a key assumptions, on which management has based its determination of the units recoverable amount that would cause the unit's carrying amount to exceed its recoverable amount.

The result of applying discounted cash flow models reflects expectations about possible variations in the amount and timing of future cash flows and is based on reasonable and supportable assumptions that represent management's best estimate of the range of uncertain economic conditions.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

9. Investments in joint ventures

The Group accounted for investments in joint ventures under the equity method.

Umai joint venture

In February 2011 the Group entered into a joint venture agreement with Japan Centre Group Limited which operates Japanese restaurants in the United Kingdom and other countries. On February 22, 2011, the Group acquired 50% of shares of Rosinter-Umai UK Limited for total consideration of 1 Great Britain Pound (47.32 Russian roubles at the exchange rate at February 22, 2011).

The Group recognized interim dividends from Rosinter-Umai in the amount of RUB 9,628 for the year ended December 31, 2016.

At June 1, 2016 the Group sold its share in the joint venture to a third party for consideration of 242,500 Great Britain Pounds and recognized gain on disposal of investment in the amount of RUB 23,345.

10. Related parties disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Related parties	Purchases	Revenue and other gains	Receivables from related parties	Payables to related parties
2017				
Entities under common control:				
RosCorp LLC (1)	108,344	3,376	–	4
Chicken Factory LLC (2)	99,844	61	6,989	–
Rostik Aero LLC (3)	24,822	–	–	3,419
Rostik Investment Group Inc. (4)	2,376	5,171	86,636	412
Loyalty Partners Vostok LLC (5)	877	11,603	–	808
RIG Restaurants Ltd. (6)	–	–	54,113	–
Others	25,993	529	7,959	3,603
Total 2017	262,256	20,740	155,697	8,246
2016				
Entities under common control:				
RosCorp LLC (1)	120,161	2,873	–	225
Chicken Factory LLC (2)	115,831	3,784	–	–
Rostik Aero LLC (3)	18,652	–	–	4,166
Loyalty Partners Vostok LLC (5)	9,043	2,050	–	20,861
Rostik Investment Group Inc. (4)	8,263	295	90,961	–
RIG Restaurants Ltd. (6)	–	–	56,460	–
Others	21,562	1,439	24,192	2,985
Total 2016	293,512	10,441	171,613	28,237

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

10. Related parties disclosures (continued)

- (1) During the year ended December 31, 2017 and 2016, RosCorp LLC provided the Group with rent, transport and utility services.
- (2) The outstanding balances from Chicken Factory LLC related to advances paid for the purchase of goods during the year ended December 31, 2017.
- (3) During the year ended December 31, 2017 and 2016, Rostik Aero LLC leased restaurant premises to the Group.
- (4) The outstanding receivable balance as of December 31, 2017 and 2016 in the amount of RUB 86,400 and RUB 90,961, respectively, relates to the sale of companies Rosinter Polska and American Cuisine Warsaw to Rostik Investment Group Inc.
- (5) The gain from Loyalty Partners Vostok LLC related to the accounts payable written-off.
- (6) The outstanding receivable balance as of December 31, 2017 and 2016 in the amount of RUB 53,021 and RUB 55,834, respectively, relates to the sale of company Aero Restaurants to RIG Restaurants Ltd.

Loans receivable from / payable to related parties consisted of the following:

Related parties	Financial income	Financial expense	Short-term loans receivable from related parties	Short-term loans payable to related parties
2017				
Entities under common control	778	79	21,015	10,067
Total 2017	778	79	21,015	10,067
2016				
Entities under common control	–	112	14,415	6,412
Total 2016	–	112	14,415	6,412

As of December 31, 2017 and December 31, 2016 short-term loans from related parties were neither past due nor impaired.

As at December 31, the ageing analysis of short-term receivables from related parties is presented below:

	Total	Neither past due not impaired	Past due but not impaired		
			< 3 months	3-6 months	> 6 months
2017	155,697	155,234	–	463	–
2016	171,613	169,881	–	–	1,732

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

10. Related parties disclosures (continued)

Compensation to key management personnel

Key management personnel totaled 15 and 11 persons as at December 31, 2017 and 2016, respectively. Total compensation to key management personnel, including social taxes, was recorded in general and administrative expenses and consisted of the following:

	<u>2017</u>	<u>2016</u>
Salary	65,637	67,712
Performance bonuses	9,978	–
	<u>75,615</u>	<u>67,712</u>

The Group's contributions relating to social taxes for key management personnel amounted to RUB 13,290 and RUB 12,049 during the years ended December 31, 2017 and 2016, respectively.

11. Income tax

The Group's provision for income tax for the years ended December 31 is as follows:

	<u>2017</u>	<u>2016</u>
Current income tax benefit	14,201	4,644
Adjustments in respect of current income tax of previous year	(566)	824
Deferred tax expense	(25,854)	(62,397)
Total income tax expense	<u>(12,219)</u>	<u>(56,929)</u>

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The tax effect of the temporary differences that give rise to the deferred tax assets and liabilities were as follows as of December 31, 2017:

	<u>December 31, 2016</u>	<u>Differences recognition and reversal</u>	<u>Translation difference</u>	<u>December 31, 2017</u>
Tax effect of deductible temporary differences				
Trade and other payables	146,603	2,735	(16)	149,322
Write-down of inventories to net realisable value	21,071	(8,921)	(23)	12,127
Carry forward of unused tax losses	28,500	(4,923)	(44)	23,533
Other	4,494	4,031	(3)	8,522
Total deferred tax asset	<u>200,668</u>	<u>(7,078)</u>	<u>(86)</u>	<u>193,504</u>
Tax effect of taxable temporary differences				
Property and equipment	(10,640)	(12,395)	206	(22,829)
Trade and other receivables	(332)	(6,480)	3	(6,809)
Other	–	99	(80)	19
Total deferred tax liability	<u>(10,972)</u>	<u>(18,776)</u>	<u>129</u>	<u>(29,619)</u>
Net deferred tax asset/(liability)	<u>189,696</u>	<u>(25,854)</u>	<u>43</u>	<u>163,885</u>

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

11. Income tax (continued)

The tax effect of the temporary differences that give rise to the deferred tax assets and liabilities were as follows as of December 31, 2016:

	December 31, 2015	Differences recognition and reversal	Translation difference	December 31, 2016
Tax effect of deductible temporary differences				
Trade and other payables	177,242	(30,579)	(60)	146,603
Write-down of inventories to net realisable value	20,672	593	(194)	21,071
Carry forward of unused tax losses	56,945	(28,401)	(44)	28,500
Other	9,949	(5,455)	–	4,494
Total deferred tax asset	264,808	(63,842)	(298)	200,668
Tax effect of taxable temporary differences				
Property and equipment	(12,995)	1,765	590	(10,640)
Trade and other receivables	(79)	(253)	–	(332)
Other	147	(67)	(80)	–
Total deferred tax liability	(12,927)	1,445	510	(10,972)
Net deferred tax asset/(liability)	251,881	(62,397)	212	189,696

The recognition and reversal of temporary differences, as presented in the tables above, primarily relates to accrued liabilities, tax losses available for carry forward, provisions to write inventory down to net realisable value and the depreciation of property and equipment in excess of the depreciation for tax purposes.

As of December 31, 2017 and 2016, several subsidiaries had accumulated tax losses in the amount of RUB 117,665 and RUB 142,510, for which a deferred tax asset of RUB 23,533 and RUB 28,500, respectively, was recognised. Management expects that these tax losses will be used against future taxable income.

Below is a reconciliation of theoretical income tax at statutory income tax rates to the actual expense recorded in the Group's income statement:

	2017	2016
Profit before income tax	20,346	63,365
Income tax expense at Russian statutory income tax rate (20%)	(4,069)	(12,673)
Effect of differences in tax rates in countries other than the Russian Federation	3,892	8,813
Adjustment in respect of income tax of previous years	(566)	824
Tax on dividend income related to dividend declared by subsidiaries	(7,849)	(3,995)
Effect of unified tax on imputed income	(7,874)	(2,078)
Deferred tax benefit/(expense) recognised for profit distribution	81	(81)
Utilization of previously unrecognized tax losses	(10,857)	(6,672)
Effect of non-deductible expenses	(4,026)	(15,665)
Effect of other non-temporary differences	19,049	(33,113)
Reversal of tax risk reserve	–	7,711
Income tax expense at the effective income tax rate	(12,219)	(56,929)

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

12. Inventories

Inventories consisted of the following as of December 31:

	2017	2016
Foods, beverages, liquors and tobacco	109,162	124,514
Utensils, paper goods and other items	75,105	73,087
	184,267	197,601
Write-down of inventories to net realisable value	(24,088)	(29,356)
Total inventories, at realizable value	160,179	168,245

During the years ended December 31, 2017 the Group recognised a reversal of write-down of inventories to net realisable value in the amount of RUB 5,190. During the year ended December 31, 2016 the Group recognised allowance for impairment of inventories in the amount of RUB 6,861.

13. Trade and other receivables

Receivables consisted of the following as of December 31:

	2017	2016
Trade receivables	82,374	81,085
Other receivables	133,966	52,144
	216,340	133,229
Allowance for doubtful accounts	(42,121)	(49,253)
Total receivables, net	174,219	83,976

Trade and other receivables are non-interest bearing and are generally on 30-90 days terms.

As at December 31, 2017 and 2016, trade and other receivables at nominal value of RUB 42,121 and RUB 49,253, respectively, were impaired and fully provided for. Movements in the provision for impairment of trade and other receivables were as follows:

	2017	2016
At January 1st	49,253	59,149
Charge for the year	622	9,422
Amounts written off	(5,103)	(15,948)
Unused amounts reversed	(2,292)	(1,940)
Translation difference	(359)	(1,430)
At December 31st	42,121	49,253

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

13. Trade and other receivables (continued)

As at December 31, the ageing analysis of trade and other receivables is presented below:

	Total	Neither past due nor impaired	Past due but not impaired		
			<3 months	3-6 months	>6 months
Trade receivables	56,697	38,040	9,135	1,436	8,086
Other receivables	117,522	90,254	67	2,084	25,117
2017	174,219	128,294	9,202	3,520	33,203
Trade receivables	51,297	34,950	6,463	1,567	8,317
Other receivables	32,679	28,530	3,071	339	739
2016	83,976	63,480	9,534	1,906	9,056

14. Advances paid

Advances paid consisted of the following as of December 31:

	2017	2016
Advances to suppliers	180,070	115,500
Advances to employees	77	474
	180,147	115,974
Allowance for doubtful advances paid	(11,473)	(15,952)
Total advances paid, net	168,674	100,022

As at December 31, 2017 and 2016, advances to suppliers at nominal value of RUB 11,473 and RUB 15,952, respectively, were impaired and fully provided for. Movements in the allowance for impairment of advances paid were as follows:

	2017	2016
At January 1st	15,952	13,439
Charge for the year	1,640	6,668
Amounts written off	(3,401)	(3,189)
Unused amounts reversed	(2,674)	(721)
Translation difference	(44)	(245)
At December 31st	11,473	15,952

15. Cash and cash equivalents

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

	2017	2016
Cash at bank	52,194	30,473
Cash in hand	11,283	13,173
Cash in transit	77,298	48,797
Short-term deposits	11,601	20,978
Total cash and cash equivalents	152,376	113,421

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

16. Assets held for sale

On 1 July 2017 the Group publicly announced its committed plan to sell several property objects owned by the Group. The sale of property objects is expected to be completed within a year from the decision date.

On 1 July 2017 these property objects were classified as assets held for sale.

Immediately before the classification of these property objects as assets held for sale, the recoverable amount was estimated and no impairment loss was identified.

The Group estimates the assets held for sale at their carrying amount. As at December 31, 2017 assets held for sale amounted to RUB 230,542.

17. Share capital

The authorised, issued and fully paid share capital of the Company as of December 31, 2017 and December 31, 2016 comprised 16,305,334 shares. The nominal value of each ordinary share is 169.70 Russian roubles.

As at December 31, 2017 and December 31, 2016 the total quantity and value of treasury shares of the Company held by the Group were 471,583 shares and RUB 269,337 and 438,104 shares and RUB 260,667, respectively.

18. Earnings per share

Earnings per share were calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	2017	2016
Net (loss)/profit attributable to equity holders of the Company	(2,121)	6,241
Weighted average number of ordinary shares outstanding	15,840,530	15,867,230
Effect on dilution: share based payments	89,802	108,989
Weighted average number of ordinary shares adjusted for the effect of dilution	15,930,332	15,976,219
(Loss)/earnings per share attributable to equity holders of the Parent, basic, roubles	(0.13)	0.39
(Loss)/earnings per share attributable to equity holders of the Parent, diluted, roubles	(0.13)	0.39

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

19. Loans and borrowings

	2017	2016
Long-term loans and borrowings		
Russian rouble fixed rate 8.75%-14.50% bank loans maturing within 2 years	2,914,513	1,845,000
Other loans and borrowings	34,500	41,557
	2,949,013	1,886,557
Less: current portion	(170,348)	(11,279)
Total long-term loans and borrowings	2,778,665	1,875,278
Short-term loans and borrowings	2017	2016
Russian rouble fixed rate 14% bank loans maturing within 12 months	53,044	–
Russian rouble fixed rate 13% overdraft facility	89,014	73,950
	142,058	73,950
Current portion of long-term loans and borrowings	170,348	11,279
Total short-term loans and borrowings	312,406	85,229

Loan covenants

Loan agreements include the following significant covenants:

- Financial debt to Earnings before interest, taxes, impairment, depreciation and amortization (EBITDA);
- Outstanding balances of financial debt based on consolidated financial statements in accordance with IFRS;
- Outstanding balances of financial debt based on financial statements in accordance with Russian Generally Accepted Accounting Principles.

20. Liabilities to partners

The movements in liabilities to partners were as follows during the years ended December 31:

	2017	2016
At January 1st	–	16,165
(Decrease)/increase in amounts due to partners <i>(Note 28)</i>	(1,369)	13,614
Payments to partners	(1,620)	(12,923)
Other non-cash settlements	3,515	(16,816)
Translation difference	–	(40)
At December 31st	526	–
Analysed as to:	2017	2016
Short-term liabilities to partners	526	–
Total liabilities to partners	526	–

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

21. Trade and other payables

Trade and other payables consisted of the following as of December 31:

	2017	2016
Trade creditors	319,500	438,395
Output VAT and other taxes payable	185,223	151,986
Accrued salaries	74,636	62,729
Unused vacation provision	65,420	81,329
Advances received	53,743	152,995
Interest payable to banks	21,462	10,711
Accrued and other liabilities	336,432	514,182
Total trade and other payables	1,056,416	1,412,327

Maturity profile of accounts payable is shown in Note 31.

22. Revenue

Revenue for the years ended December 31 consisted of the following:

	2017	2016
Revenue from restaurants	6,713,752	6,976,945
Franchise revenue	179,991	161,712
Sublease services	59,892	58,194
Other revenues	8,578	10,085
Total revenue	6,962,213	7,206,936

23. Cost of sales

The following expenses were included in cost of sales for the years ended December 31:

	2017	2016
Food and beverages	1,438,516	1,626,849
Rent	1,756,371	1,780,714
Payroll and related taxes	1,433,433	1,541,791
Utilities	176,616	187,555
Laundry and sanitary control expenses	169,697	192,691
Materials	168,109	176,697
Restaurant equipment depreciation	157,066	155,922
Other services	123,391	132,007
Transportation services	122,130	125,014
Franchising fees	114,588	89,814
Maintenance and repair services	74,055	79,619
Sublease services costs	16,000	14,457
Other expenses	39,222	42,186
Total cost of sales	5,789,194	6,145,316

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

24. Selling, general and administrative expenses

The following expenses were included in selling, general and administrative expenses for the years ended December 31:

	2017	2016
Payroll and related taxes	556,188	494,131
Advertising	140,537	81,055
Other services	50,171	38,212
Rent	50,009	64,028
Depreciation and amortization	21,910	28,832
Financial and legal consulting	15,675	13,493
Transportation services	15,248	18,261
Utilities	9,857	12,897
Bank services	8,823	7,579
Materials	8,377	8,954
Maintenance and repair services	6,615	7,115
Laundry and sanitary control expenses	461	822
(Decrease)/increase in the allowance for impairment of advances paid, taxes recoverable and receivables	(1,294)	47,398
Other expenses	45,803	57,763
Total selling, general and administrative expenses	928,380	880,540

25. Rent expenses

The following rent expenses were included in cost of sales and selling, general and administrative expenses for the years ended December 31:

	2017	2016
Rent premises minimum payment	1,792,773	1,832,360
Rent premises contingent payment	29,607	26,839
Total rent expenses	1,822,380	1,859,199

26. Other gains/losses

Gains and losses for the years ended December 31 consisted of the following:

	2017	2016
Write off of trade and other payables	40,492	20,226
Reversal of write off provision for contingent claims	6,522	–
Penalty gain	4,855	–
Reversal of previous year expenses	2,249	–
Gain from sale of subsidiary and share in joint venture	–	416,559
Reimbursement of VAT	–	20,201
Other gains	14,104	6,829
Total other gains	68,222	463,815
Loss on disposal of non-current assets	19,747	39,319
Non-refundable VAT	4,245	8,397
Inventory shortage	3,180	–
Previous year expenses	1,433	–
Provision for contingent claims	–	3,785
Other losses	11,709	12,346
Total other losses	40,314	63,847

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

26. Other gains/losses (continued)

On December 6, 2016 the Group sold the 100% owned subsidiary to third parties for consideration of RUB 400,000. The net assets of subsidiary were RUB 786 at the date of disposal, expenses associated with the sale were RUB 6,000. Gain on the disposal amounted to RUB 393,214 for the year ended December 31, 2016.

Gain from disposal of share in joint venture in the amount of RUB 23,345 is described in Note 9.

27. Impairment of assets

Loss from impairment of assets for the years ended December 31 consisted of the following:

	2017	2016
(Reversal of)/loss from impairment of property and equipment <i>(Note 6)</i>	(97,551)	34,256
(Reversal of)/loss from impairment of intangible assets <i>(Note 7)</i>	(12,621)	5,423
Total (reversal of)/loss from impairment of assets	(110,172)	39,679

The accumulated impairment loss of property and equipment amounted to RUB 36,166 and RUB 356,118 as of December 31, 2017 and 2016, respectively.

The accumulated impairment loss of intangible assets was nil as of December 31, 2017 and amounted to RUB 8,232 as of December 31, 2016.

During the year ended December 31, 2017, as a result of revision and optimization of the restaurant portfolio, there was a significant decrease in the amount of accumulated impairment losses of property, plant and equipment. As a result of the closure of non-profitable locations, previously recognized impairment loss was written off in the amount of RUB 201,357.

As a result of significant changes in the estimates used to determine the recoverable amount of property, plant and equipment the reversal of impairment losses on property, plant and equipment was recognized in amount of RUB 126,827 during the year ended December 31, 2017.

28. Financial income/expenses

The following income/expenses were included in financial income/expenses for the years ended December 31:

	2017	2016
Interest income	2,556	1,637
Decrease in amounts due to partners <i>(Note 20)</i>	1,369	–
Total financial income	3,925	1,637
	2017	2016
Interest expense	300,607	342,952
Increase in amounts due to partners <i>(Note 20)</i>	–	13,614
Total financial expenses	300,607	356,566

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

29. Share based payments

On April 30, 2010 and later on the Group adopted an incentive plan (the "Plan") under which a number of executive employees and members of the Board of Directors (the "Participants") were granted cash settled phantom share options (the "Options"). The right to exercise the Options occurs in three installments of 1/3rd each and vests after 1, 2 and 3 years after the Plan adoption. Each installment is exercisable within 5 years upon vesting. Each part of the Plan adopted in certain year with certain exercise price is referred here as "Plan 2010", "Plan 2011", "Plan 2012" and "Plan 2013". The group intends to settle the first 1/3rd of the Plan 2010 in cash and the other 2/3rd of the Plan 2010, Plan 2011, Plan 2012 and Plan 2013 in equity, making use of its right to settle its obligation by issuance of treasury shares it holds for that purpose. The Group valued the cash-settled part of the Options and the Plan at the market price at the reporting date. The Group valued the equity-settled part of the options and the plan at the date of granting and did not revalue at December 31, 2017.

The value of the Plan is recognized in the financial statements during the vesting period as payroll expense. During the years ended December 31, 2017 and 2016 the Group recognized a reversal of the value of the Plan of RUB 4,798 and 1,850, respectively. Total number of outstanding Options was 82,354 and 105,008 at December 31, 2017 and 2016, respectively, out of which 82,354 and 105,008 were exercisable at the respective dates.

	SARP 2010	SARP 2011	SARP 2012	SARP 2013	Total
Outstanding, December 31, 2015	48,000	32,000	29,000	8,000	117,000
Granted	–	–	–	–	–
Exercised	–	–	–	–	–
Expired	(11,992)	–	–	–	(11,992)
Outstanding, December 31, 2016	36,008	32,000	29,000	8,000	105,008
Granted	–	–	–	–	–
Exercised	–	–	–	–	–
Expired	(11,992)	(10,662)	–	–	(22,654)
Outstanding, December 31, 2017	24,016	21,338	29,000	8,000	82,354

Program name	Granting date	Vesting dates	Instalments	Exercisable	Weighted average floor price, US dollars
SARP 2010	April 30, 2010	April 30, 2011, 2012, 2013	Equal, 1/3rd each	5 years from vesting of each instalment	10.50
SARP 2011	April 30, 2011	April 30, 2012, 2013, 2014	Equal, 1/3rd each	5 years from vesting of each instalment	19.50
SARP 2012	April 30, 2012	April 30, 2013, 2014, 2015	Equal, 1/3rd each	5 years from vesting of each instalment	5.16
SARP 2013	April 30, 2013	April 30 2014, 2015, 2016	Equal, 1/3rd each	5 years from vesting of each instalment	3.58

In August 2017 the Group adopted a new employee bonus program under which a number of executive employees and members of the Board of Directors were granted a remuneration based on exchange value of the Company's shares. The remuneration will be paid in amount of excess of the exchange value of the Company's shares on the date specified in the agreement, over the value of the Company's shares on the date defined as the payment date. The program will be implemented in equal parts during three years.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

29. Share based payments (continued)

The obligations under this program are recognized as cash settled share-based payment obligations. The fair value of recognized liabilities is RUB 3,521 as at December 31, 2017.

During the year ended December 31, 2017 the Group recognized payroll expenses according to the new program in the amount of RUB 3,521.

30. Commitments and contingencies

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

The Group continues to monitor the situation and executes set of measures to minimize influence of possible risks on operating activity of the Group and its financial position.

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all business matters will not have a material impact on the Group's financial position, operating results and cash flows.

Russian Federation tax and regulatory environment

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes fuzzy and contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to audit and investigation by a number of authorities, which have the authority to impose severe fines and penalties charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more tough stance in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. The Group's management believes that it has provided adequately for tax liabilities in these consolidated financial statements based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of these provisions by the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Capital commitments

At December 31, 2017 and 2016 the Group had capital commitments of RUB 71,618 and RUB 55,022 respectively. These capital commitments principally relate to the construction of new restaurants.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

30. Commitments and contingencies (continued)

Operating lease commitments

The Group entered into a number of short-term and long-term lease agreements which are cancellable by voluntary agreement of the parties or by payment of termination compensation. At December 31, 2017 the expected minimum annual lease payables under these agreements amounted to RUB 1,201,245 and RUB 2,228,308, respectively.

31. Financial risk management objectives and policies

Financial instruments carried on the statement of financial position comprise loans given, trade and other payables, bank loans and liabilities to partners. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, cash and short-term deposits, which arise directly from its operations.

Management of risk is an essential element of the Group's operations. The main risks inherent to the Group's operations include those related to market movements in interest rates, foreign exchange rates, credit risk and liquidity risk. The Group's risk management policies in relation to these risks are summarized below.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Trade and other receivables and payables are non-interest bearing financial assets and liabilities. The borrowings are usually exposed to interest rate risk through market value fluctuations of interest-bearing long-term and short-term credit facilities.

The majority of interest rates on long-term and short-term credit facilities of the Group are disclosed in Note 19. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be fixed or variable rate. However, at the time of rising new loans or borrowings management uses its judgment to decide whether it believes that fixed or variable rate would be more favorable to the Group over the expected period until maturity.

Interest rates on the Group's debt finance were either fixed or variable at December 31, 2017 and were fixed at December 31, 2016.

At December 31, 2017, if the Bank of Russia interest rate at that date had been 50 basis points lower/higher with all other variables held constant, effect on profit before tax for the year would have been RUB 7,423.

The Group does not hedge its interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency risk related to its US dollar denominated intercompany balances and external debts of its Russian subsidiaries.

The Group monitors the currency risk by following changes in exchange rates in currencies in which its intercompany balances and external debts are denominated. The Group does not have formal arrangements to mitigate its currency risk.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

31. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The table below shows the sensitivity to a reasonably possible change in the US dollar and Russian rouble exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Increase/ (decrease) in exchange rate	Effect on profit/(loss) before tax	Increase/ (decrease) in exchange rate	Effect on profit/(loss) before tax
US dollar / Russian rouble	25.0%	573	25.0%	(15,814)
US dollar / Russian rouble	(10.0%)	229	(10.0%)	6,326
US dollar / Belarusian rouble	20.0%	33	20.0%	63
US dollar / Belarusian rouble	(10.0%)	(16)	(10.0%)	(31)

The Group has no significant exposure to foreign currency risk since the majority of its US dollar denominated intercompany balances are short-term. The Group does not hedge its foreign currency risk.

Liquidity risk

The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of financial assets and projected cash flows from operations. The tables below summaries the maturity profile of the Group's financial liabilities, including principal amounts and interests according to contractual terms, at December 31, 2017 and 2016 based on contractual undiscounted payments.

December 31, 2017	Less than 3				Total
	months	3-12 months	1 to 5 years	> 5 years	
Long-term and short-term loans and borrowings	233,321	783,614	3,867,256	263,826	5,148,017
Short-term loans due to related parties (Note 10)	3,850	6,217	–	–	10,067
Trade and other payables	677,003	391	–	–	677,394
Payables to related parties (Note 10)	7,816	430	–	–	8,246
Liabilities to partners (Note 20)	526	–	–	–	526
Total	922,516	790,652	3,867,256	263,826	5,844,250

December 31, 2016	Less than 3			Total
	months	3-12 months	1 to 5 years	
Long-term and short-term loans and borrowings	1,836	422,085	2,094,812	2,518,733
Short-term loans due to related parties (Note 10)	3,230	2,499	683	6,412
Trade and other payables	962,893	394	–	963,287
Payables to related parties (Note 10)	28,215	22	–	28,237
Total	996,174	425,000	2,095,495	3,516,669

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

(All amounts are in thousands of Russian roubles, unless specified otherwise)

31. Financial risk management objectives and policies (continued)

Credit risk

The Group is not significantly exposed to credit risk as the majority of its sales are on a cash basis. The Group's credit risk is primarily attributed to receivables from related parties and trade and other receivables. The carrying amount of loans due from related parties and receivables, net of allowance for impairment, represents the maximum amount exposed to credit risk. Management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

The Group deposits available cash with several Russian banks. Deposit insurance is not offered to banks operating in Russia. To manage the credit risk, the Group allocates its available cash to a variety of Russian banks and management periodically reviews the credit worthiness of the banks in which such deposits are held.

The maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below:

	<u>2017</u>	<u>2016</u>
Trade and other receivables (Note 13)	174,219	83,976
Receivables from related parties (Note 10)	155,697	171,613
Short-term loans due from related parties (Note 10)	21,015	14,415
Short-term loans	1,046	876
	<u>351,977</u>	<u>270,880</u>

As of December 31, 2017 short-terms loans receivable from third parties were neither past due nor impaired.

Fair value of financial instruments

At December 31, 2017 and 2016, the estimated fair values of financial assets and liabilities, including cash and cash equivalents, trade and other receivables, loans granted, short-term borrowings, long term bank loans, trade and other payables approximated their carrying values.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.