

**PJSC Rosinter Restaurants Holding**

Consolidated financial statements  
prepared in accordance with IFRS

*For the year ended December 31, 2018*

PJSC Rosinter Restaurants Holding  
Consolidated financial statements  
For the year ended December 31, 2018

**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, 2018**

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, 2018, and the results of its operations, cash flows and changes in equity for 2018, 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, 2018 were approved by the President and CEO of PJSC Rosinter Restaurants Holding on April 26, 2019.

## ***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, 2018, 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, 2018;
- 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") 114,762 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 98% of the Group's revenues and 96% 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.

<b>Overall group materiality</b>	RUB 114,762 thousand
<b>How we determined it</b>	1.5% of revenue for the reporting period
<b>Rationale for the materiality benchmark applied</b>	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 26 (Impairment of assets). As at December 31, 2018, the Group recorded RUB 1,941,211 thousand of property and equipment. This amount is net of accumulated impairment loss of RUB 36,829 thousand.

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

As at December 31, 2018, the Group performed a test for impairment of property and equipment and recognized the impairment loss in the amount of RUB 20,130 for the year ended December 31, 2018.

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, 2018 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 26 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, 2018 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 1,537,481 thousands as of December 31, 2018.

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 26, 2019  
Moscow, Russian Federation

Audited entity: PJSC ROSINTER RESTAURANTS HOLDING

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

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

The audit firm: LLC «ADE Audit».

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

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, 2018**

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

	Notes	December 31, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	1,941,211	1,435,757
Intangible assets	7	479,806	84,887
Goodwill	8	143,137	143,137
Long-term loans due from related parties	9	13,800	–
Deferred income tax asset	10	299,208	193,504
Rent deposits and other non-current assets		625,535	583,554
		<b>3,502,697</b>	<b>2,440,839</b>
<b>Current assets</b>			
Inventories	11	200,885	160,179
VAT and other taxes recoverable		55,431	76,055
Income tax receivable		5,327	11,634
Trade and other receivables	12	231,284	174,219
Advances paid	13	213,123	168,674
Receivables from related parties	9	170,828	155,697
Short-term loans		1,261	1,046
Short-term loans due from related parties	9	21,965	21,015
Cash and cash equivalents	14	148,385	152,376
		<b>1,048,489</b>	<b>920,895</b>
<b>Assets classified as a held for sale</b>	15	<b>230,542</b>	<b>230,542</b>
<b>TOTAL ASSETS</b>		<b>4,781,728</b>	<b>3,592,276</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity holders of the parent entity			
Share capital	16	2,767,015	2,767,015
Additional paid-in capital		2,090,217	2,090,217
Treasury shares	16	(269,337)	(269,337)
Other capital reserves		1,148	7,795
Accumulated losses		(5,031,600)	(4,915,490)
Translation difference		(404,310)	(425,514)
		<b>(846,867)</b>	<b>(745,314)</b>
Non-controlling interests		2,706	2,331
		<b>(844,161)</b>	<b>(742,983)</b>
<b>Non-current liabilities</b>			
Long-term loans and borrowings	18	2,951,835	2,778,665
Finance lease liabilities		76	432
Deferred income tax liabilities	10	88,008	29,619
		<b>3,039,919</b>	<b>2,808,716</b>
<b>Current liabilities</b>			
Trade and other payables	20	1,479,349	1,056,416
Short-term loans and borrowings	18	982,978	312,406
Payables to related parties	9	11,657	8,246
Short-term loans due to related parties	9	11,051	10,067
Current portion of finance lease liabilities		357	532
Short-term liabilities to partners	19	198	526
Deferred income		19,968	48,890
Income tax payable		80,412	89,460
		<b>2,585,970</b>	<b>1,526,543</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,781,728</b>	<b>3,592,276</b>

CEO  
PJSC Rosinter Restaurants Holding

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



/Zaytsev S.V./

Signature

PJSC Rosinter Restaurants Holding  
Consolidated statement of profit or loss  
For the year ended December 31, 2018

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

	Notes	2018	2017
Revenue	21	7,650,799	6,962,213
Cost of sales	22	(6,375,472)	(5,789,194)
<b>Gross profit</b>		<b>1,275,327</b>	<b>1,173,019</b>
Selling, general and administrative expenses	23	(843,689)	(928,380)
Start-up expenses for restaurants		(150,724)	(67,473)
Other gains	25	9,363	68,222
Other losses	25	(102,530)	(40,314)
<b>Profit from operating activities before impairment</b>		<b>187,747</b>	<b>205,074</b>
(Loss from)/ reversal of impairment of operating assets	26	(20,807)	110,172
<b>Profit from operating activities after impairment</b>		<b>166,940</b>	<b>315,246</b>
Financial income	27	2,544	3,925
Financial expense	27	(291,415)	(300,607)
Foreign exchange gain, net		1,121	1,782
<b>(Loss)/ profit before income tax</b>		<b>(120,810)</b>	<b>20,346</b>
Income tax benefit/(expense)	10	38,175	(12,219)
<b>Net (loss)/ profit for the year</b>		<b>(82,635)</b>	<b>8,127</b>
Attributable to:			
Equity holders of the parent entity		(83,459)	(2,121)
Non-controlling interests		824	10,248
<b>Loss per share</b>	17		
Basic, loss per share, roubles		(5.27)	(0.13)
Diluted, loss per share, roubles		(5.25)	(0.13)

CEO  
PJSC Rosinter Restaurants Holding

(Zaytsev S.V.)  
Signature

*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, 2018

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

	2018	2017
<b>Net (loss)/ profit for the year</b>	<b>(82,635)</b>	<b>8,127</b>
<b>Other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods:</b>		
Exchange differences on translation of foreign operations	21,204	(5,042)
<b>Other comprehensive income/ (loss) for the year, net of tax</b>	<b>21,204</b>	<b>(5,042)</b>
<b>Total comprehensive (loss)/ income for the year, net of tax</b>	<b>(61,431)</b>	<b>3,085</b>
Attributable to:		
Equity holders of the parent entity	(62,255)	(7,163)
Non-controlling interests	824	10,248

CEO  
PJSC Rosinter Restaurants Holding

/Zaytsev S.V./  
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, 2018

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

	Notes	2018	2017
<b>Operating activities</b>			
(Loss)/ profit before tax		(120,810)	20,346
<i>Adjustments to reconcile profit before tax to net cash provided by operating activities:</i>			
Depreciation and amortization	22, 23	230,890	178,976
Foreign exchange gain, net		(1,121)	(1,782)
Financial income	27	(2,544)	(3,925)
Financial expense	27	291,415	300,607
Allowance for impairment/(reversal of write-down) of advances paid, taxes recoverable and receivables	23	20,826	(1,294)
Allowance for impairment/(reversal of write-down) of inventories to net realisable value		919	(5,190)
Loss on disposal of non-current assets	25	62,413	19,747
Loss from / (reversal of) assets impairment	26	20,807	(110,172)
Write-off of trade and other payables	25	(6,853)	(40,492)
(Reversal of)/provision for contingent claims	25	6,596	(6,522)
Share-based payment benefit	28	(2,299)	(1,277)
		<b>500,239</b>	<b>349,022</b>
<i>Changes in operating assets and liabilities:</i>			
(Increase)/ decrease in inventories		(41,171)	13,017
Increase in advances, taxes recoverable, receivables, rent deposits and other non-current assets		(247,493)	(103,007)
Decrease in receivables from related parties		21,232	14,862
Increase/ (decrease) in payables to related parties		3,132	(26,265)
Increase/ (decrease) in trade and other payables		528,029	(338,094)
<b>Net cash generated from/ (used in) operations</b>		<b>763,968</b>	<b>(90,465)</b>
Interest paid		(349,026)	(311,012)
Interest received		1,100	1,567
Income tax paid		(34,512)	(15,884)
<b>Net cash flows generated from/(used in) operating activities</b>		<b>381,530</b>	<b>(415,794)</b>
<b>Investing activities</b>			
Purchases of property and equipment		(833,652)	(256,523)
Issuance of loans to third parties		–	(404,345)
Purchase of intangible assets		(384,483)	(36,330)
Issuance of loans to related parties		(15,325)	(6,600)
Proceeds from disposal of property and equipment		4,301	13,290
Proceeds from repayment of loans issued to third parties		–	2,300
Proceeds from sale of shares in joint ventures		–	18,155
<b>Net cash flows used in investing activities</b>		<b>(1,229,159)</b>	<b>(670,053)</b>

*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	2018	2017
<b>Financing activities</b>			
Proceeds from bank loans		1,680,724	2,075,391
Repayment of bank loans		(837,332)	(944,827)
Payments to partners	19	—	(1,620)
Repayment of related party loans		(1,745)	(195)
Proceeds from related party loans		2,730	3,850
Repayment of lease obligation		(1,518)	(1,107)
Acquisition of treasury shares		—	(2,506)
Dividends paid to shareholders		(404)	(1,609)
<b>Net cash flows generated from financing activities</b>		<b>842,455</b>	<b>1,127,377</b>
Effect of exchange rate on cash and cash equivalents		1,183	(2,575)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,991)</b>	<b>38,955</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>152,376</b>	<b>113,421</b>
<b>Cash and cash equivalents at end of the year</b>		<b>148,385</b>	<b>152,376</b>

*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, 2018

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

	Attributable to equity holders of the parent entity								
	Share capital	Additional paid-in capital	Treasury shares	Other capital reserves	Accumulated losses	Translation difference	Total	Non-control-ling interests	Total equity
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 (Note 28)	—	—	—	(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, 2018	2,767,015	2,090,217	(269,337)	7,795	(4,915,490)	(425,514)	(745,314)	2,331	(742,983)
The impact of new standard IFRS 9 (Note 3)	—	—	—	—	(32,651)	—	(32,651)	—	(32,651)
At January 1, 2018 (with impact of new standard)	2,767,015	2,090,217	(269,337)	7,795	(4,948,141)	(425,514)	(777,965)	2,331	(775,634)
Net loss for the year	—	—	—	—	(83,459)	—	(83,459)	824	(82,635)
Other comprehensive income for the year	—	—	—	—	—	21,204	21,204	—	21,204
Total comprehensive loss for the year	—	—	—	—	(83,459)	21,204	(62,255)	824	(61,431)
Share based payment transactions (Note 28)	—	—	—	(6,647)	—	—	(6,647)	—	(6,647)
Dividends	—	—	—	—	—	—	—	(449)	(449)
At December 31, 2018	2,767,015	2,090,217	(269,337)	1,148	(5,031,600)	(404,310)	(846,867)	2,706	(844,161)

*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, 2018**

*(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, 2018, 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, 2018 were approved for issue by the President and CEO of PJSC Rosinter Restaurants Holding on April 26, 2019.

The Group derives revenue in the territory of Russia, CIS countries and European countries. For the years 2018 and 2017, the revenue from the Russian market was approximately 97% of total revenues. The non-current assets of Group's subsidiaries operating in the Russian market were approximately 99% of total non-current assets of the Group at December 31, 2018 and 2017, respectively. The second largest market was Belorussia with 3% of total revenues for the year ended December 31, 2018.

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

<b>Entity</b>	<b>Country of incorporation</b>	<b>2018</b>	<b>2017</b>
		<b>% Ownership</b>	<b>% Ownership</b>
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, 2018 of RUB 2,585,970 (RUB 1,526,543 as of December 31, 2017) exceeded its current assets by RUB 1,537,481 (RUB 605,648 as of December 31, 2017). The net current liability position primarily results from trade and other payables amounting to RUB 1,479,349 and RUB 1,056,416 as of December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, net cash inflow from operations amounted to RUB 763,968 (during the year ended December 31, 2017 net cash outflow from operations amounted to RUB 90,465).

The Group's activity in all of its aspects continues to be affected by the uncertainty and instability of the current economic environment (*Note 29*). 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%. In September 2018 loans from VTB were accumulated in one long-term credit agreement. Maturity date was prolonged and interest rate was reduced to 8.6%.
- Additional sources of short-term financing are available to the Group, including undrawn fixed rate credit facilities in the amount of RUB 26,645 and bank guarantees in the amount of RUB 530,612.
- 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.
- During 2018 the Group strengthened the development of franchising, both by strengthening relations and strengthening support for current partners, and attracting new ones, which made it possible to increase revenue from this area.
- In 2019 the Group plans to develop the delivery as a profit driver.
- 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 2018.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards, interpretations and amendments to standards effective as of January 1, 2018.

The following standards were applied for the first time in 2018:

- *IFRS 9 Financial Instruments*. The final version of IFRS 9 issued in 2014 replaces *IAS 39 Financial Instruments: Recognition and Measurement*, as well as 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. According to the new standard, expected credit losses for significant debt balances were estimated based on the credit risk of the debtors.

Application of the standard has no significant impact on classification and measurement of financial instruments in the consolidated financial statements.

New financial instruments accounting policy is disclosed in Note 4.

# 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)

#### Effect of the first application of IFRS 9 *Financial Instruments*

Financial assets	December 31, 2017	January 1, 2018	The impact of new standard IFRS 9	January 1, 2018 (with impact of new standard)
<b>Cash and cash equivalents</b>				
Cash in hand and cash at bank	140,775	140,775	–	140,775
Deposits and other cash equivalents	11,601	11,601	–	11,601
<b>Total cash and cash equivalents</b>	<b>152,376</b>	<b>152,376</b>	<b>–</b>	<b>152,376</b>
<b>Other current financial assets</b>				
Short-term loans	1,046	1,046	–	1,046
Short-term loans due from related parties	21,015	21,015	–	21,015
<b>Total Other current financial assets</b>	<b>22,061</b>	<b>22,061</b>	<b>–</b>	<b>22,061</b>
<b>Receivables</b>				
Trade receivables	56,697	56,697	(8,856)	47,841
Other receivables	117,522	117,522	(23,795)	93,727
<b>Total Receivables</b>	<b>174,219</b>	<b>174,219</b>	<b>(32,651)</b>	<b>141,568</b>
<b>Total financial assets</b>	<b>348,656</b>	<b>348,656</b>	<b>(32,651)</b>	<b>316,005</b>

- *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 Group operates in the casual dining sector. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally when guests make orders in restaurants. Other revenue streams are simple and do not require complex judgments or calculations. Adoption of IFRS 15 had no significant impact on the consolidated financial statements of the Group.

New accounting policy on revenue recognition is disclosed in Note 4.

# 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

- *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 did not have a material impact on the consolidated financial statements.
- *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. 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 amendments did not have a material impact on the consolidated financial statements.
- *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 did not have a material impact on the consolidated financial statements.
- *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 de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The interpretation did not have a material impact on the consolidated financial statements as its requirements were already previously 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 right-of-use 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. The Group will apply the Standard using modified retrospective approach which presumes recognition of cumulative effect of initial application at the date of the initial application i.e. January 1, 2019. According to preliminary estimates made by the Group, one-off recognition of non-current assets and financial liabilities will total RUB 3,057,357 as of January 1, 2019.
- 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.

# 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 June 2017, the IASB issued *IFRIC 23 Interpretation entitled 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 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 interpretation to have a material impact on the consolidated financial statements.
- In October 2017, the IASB issued amendments to *IFRS 9 Financial instruments* named *Prepayment Features with Negative Compensation*. The amendments relate to financial assets with an option of early prepayment, the conditions of which allow early prepayment in a variable amount, which in turn may exceed as well as may be lower than remaining outstanding cash flows. The amendments allow to measure such prepayable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met - instead of at fair value through profit or loss. The amendments are effective for annual periods beginning on or after January, 2019. The Group does not expect the amendments to have a material impact on the consolidated financial statements.
- In February 2018, the IASB issued amendments to *IAS 19 Employee benefits* named *Plan Amendment, Curtailment or Settlement*. The amendments specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments are effective for annual periods beginning on or after January, 2019. The Group does not expect the amendments to have a material impact on the consolidated financial statements.
- In March 2018, the IASB issued a revised version of *Conceptual Framework* for Financial Reporting. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses. The new version is effective for annual periods beginning on or after January, 2020. The Group is currently assessing the impact of the revised version of *Conceptual Framework* on the consolidated financial statements.
- In October 2018, the IASB issued amendments to *IFRS 3 Business Combinations*. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after January 1, 2020; earlier application is permitted. Possible impact of the amendments on the consolidated financial statements as well as the necessity of early adoption will be assessed in course of accounting support for future significant transactions.
- In October 2018, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting policies, Changes in Accounting Estimates and Errors*. The amendments to IAS 1 and IAS 8 introduce new definition of material. The amendments are effective on or after January 1, 2020; earlier application is permitted. The Group does not expect the amendments to have a material impact on 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)*

### 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.

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.

# 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

#### Business combinations (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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 reassesses 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 reassessment 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 acquire are assigned to those units.

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.

# 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

#### 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.

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 instruments

Since 1 January 2018 the Group implemented *IFRS 9 Financial instruments*. According to transition statements of IFRS 9 the Group used simplified method of transition reflecting the impact of the transition of the new standard as at 1 January 2018 in the consolidated financial statements for the year ending 31 December 2018 which will be the first year of the Group's application of IFRS 9. Further details of the impact of this change in accounting policy are provided in Note 3.

#### Financial instruments - key measurement terms

Fair value - is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity.

Valuation techniques such used to measure fair value of certain financial instruments for which external market pricing information is not available are: discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are.



# 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

#### Financial instruments (continued)

Financial instrument measured at fair value are analysed by levels of the fair value hierarchy as follows:

- (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (iii) level 3 measurements, which are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

#### Financial instruments - initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

# 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

#### Financial instruments (continued)

##### Financial assets - classification and subsequent measurement - measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL and AC. The classification and subsequent measurement of debt financial assets depends on:

- (i) the Group's business model for managing the related assets portfolio and
- (ii) the cash flow characteristics of the asset.

##### Financial assets - classification and subsequent measurement - business model

The business model reflects how the Group manages the assets in order to generate cash flows - whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed.

##### Financial assets - classification and subsequent measurement - cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

##### Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

# 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

#### Financial instruments (continued)

##### Financial assets impairment - credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL.

##### Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

##### Financial assets - derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

##### Financial assets - modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: [any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

# 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

#### Financial instruments (continued)

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

#### Financial liabilities - measurement categories

Financial liabilities of the Group are classified as subsequently measured at AC.

#### Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Substantial modifications of the terms and conditions of existing financial liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

#### Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

# 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

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

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.

# 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)

#### 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 4 years.

#### 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.

# 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

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.

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).

# 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)**

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.

#### **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.

#### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.



# 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)

#### 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.

#### 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.

#### 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.

# 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)

#### Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

#### Loans and borrowings

Loans and borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Short-term loans and borrowings comprise:

- interest bearing loans and borrowings with a term shorter than one year;
- current portion of long-term loans and borrowings.

Long-term loans and borrowings include liabilities with the maturity exceeding one year.

#### 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.

#### 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.

# 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)

##### Revenue recognition

Starting from 1 January 2018, the Group adopted *IFRS 15 Revenue from contracts with customers*. In accordance with the transition provisions of IFRS 15, the Group has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018 in the Consolidated Financial Statements for the year-ending 31 December 2018 which will be the first year when the Group will adopt IFRS 15. For more information on the effect of the changes in the accounting policies, please refer to Note 3.

Revenue is recognized at the moment or upon transfer of control over goods or services to the customer at the transaction price. The transaction price is the amount of compensation, the right to which the Group expects to receive in exchange for the transfer of the promised goods or services to customers. Revenue is amount for goods and services sold in the ordinary course of business, net of taxes accrued on the revenue.

##### 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 76,757 for the year ended December 31, 2018. For the year ended December 31, 2017, capitalized borrowing costs were in the amount of RUB 24,433.

##### 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 35% to 10%) 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 22% 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 420,112 and RUB 421,173 during the years ended December 31, 2018 and 2017, 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.

#### 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.

# 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*

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.

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.

##### *Uncertain income tax positions*

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than income tax are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

# 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)

##### *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 2018 and 2017, the share of revenues subject to unified tax on imputed income and tax under simplified taxation system amounted to approximately 7% and 9%, 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, 2018 and 2017, the unified tax on imputed income and the simplified tax amounted to RUB 12,670 and RUB 11,257, 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:

##### *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.

# 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)

##### *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:

##### *ECL measurement*

Measurement of ECLs for all financial instruments at AC is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Taking into account the short-term of assets, the forecasted macroeconomic indicators did not have a significant impact on the level of losses. Detailed information is provided in Note 3.

##### *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 assets 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.

##### *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.

##### *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, 2018 was as follows:

	Buildings and leasehold improve- ments	Restaurant equipment	Computer equipment and electronics	Office furniture and fixtures	Vehicles	Assets under construction	Total
<b>Cost</b>							
At December 31, 2017	1,496,370	914,886	183,368	312,566	25,456	135,401	3,068,047
Additions	8,862	55,172	—	—	—	734,275	798,309
Assets put into use	155,267	104,017	66,124	56,171	—	(381,579)	—
Disposals	(202,234)	(99,520)	(18,255)	(33,837)	—	—	(353,846)
Translation difference	1,952	2,968	529	1,563	78	195	7,285
At December 31, 2018	1,460,217	977,523	231,766	336,463	25,534	488,292	3,519,795
<b>Accumulated depreciation and impairment</b>							
At December 31, 2017	(960,286)	(359,341)	(151,027)	(134,561)	(17,317)	(9,758)	(1,632,290)
Charge for the year	(97,401)	(67,623)	(16,095)	(29,151)	(1,321)	—	(211,591)
Disposals	177,623	68,823	17,197	24,533	—	—	288,176
Impairment of property and equipment (Note 26)	(13,916)	(7,899)	149	(5,364)	—	6,900	(20,130)
Translation difference	(843)	(913)	(333)	(548)	(28)	(84)	(2,749)
At December 31, 2018	(894,823)	(366,953)	(150,109)	(145,091)	(18,666)	(2,942)	(1,578,584)
<b>Net book value</b>							
At December 31, 2017	536,084	555,545	32,341	178,005	8,139	125,643	1,435,757
At December 31, 2018	565,394	610,570	81,657	191,372	6,868	485,350	1,941,211

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
<b>Cost</b>							
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
<b>Accumulated depreciation and impairment</b>							
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
Reversal of impairment of property and equipment (Note 26)	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)
<b>Net book value</b>							
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

## 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, 2018, certain items of property and equipment with a carrying value of RUB 11,002 were pledged as collateral against mortgage loan to the Group.

As of December 31, 2018 and 2017 cost of fully depreciated property, plant and equipment that were still in use amounted to RUB 638,604 and RUB 675,223, respectively.

Property and equipment was tested for impairment as part of cash generating units without goodwill as of December 31, 2018. During the year ended December 31, 2018 the Group recognized impairment losses of property and equipment in the amount of RUB 20,130. During the year ended December 31, 2017, the Group recognized reversal of impairment losses of property and equipment in the amount of RUB 97,551 (*Note 26*). 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 5.9% to 9.2% 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, 2018 was as follows:

	Franchise rights	Exclusive rent rights	Trademarks	Software	Assets under construction	Total
<b>Cost</b>						
<b>At December 31, 2017</b>	<b>35,597</b>	<b>26,205</b>	<b>30,996</b>	<b>151,710</b>	<b>27,064</b>	<b>271,572</b>
Additions	10,333	6,210	–	369,035	29,813	415,391
Disposals	(2,171)	–	–	(918)	–	(3,089)
Translation difference	–	–	151	109	–	260
<b>At December 31, 2018</b>	<b>43,759</b>	<b>32,415</b>	<b>31,147</b>	<b>519,936</b>	<b>56,877</b>	<b>684,134</b>
<b>Accumulated depreciation and impairment</b>						
<b>At December 31, 2017</b>	<b>(24,223)</b>	<b>(9,657)</b>	<b>(30,817)</b>	<b>(121,988)</b>	<b>–</b>	<b>(186,685)</b>
Charge for the year	(4,854)	(5,781)	(68)	(8,596)	–	(19,299)
Disposals	1,625	–	–	918	–	2,543
Impairment of intangible assets (Note 26)	(677)	–	–	–	–	(677)
Translation difference	–	–	(122)	(88)	–	(210)
<b>At December 31, 2018</b>	<b>(28,129)</b>	<b>(15,438)</b>	<b>(31,007)</b>	<b>(129,754)</b>	<b>–</b>	<b>(204,328)</b>
<b>Net book value</b>						
<b>At December 31, 2017</b>	<b>11,374</b>	<b>16,548</b>	<b>179</b>	<b>29,722</b>	<b>27,064</b>	<b>84,887</b>
<b>At December 31, 2018</b>	<b>15,630</b>	<b>16,977</b>	<b>140</b>	<b>390,182</b>	<b>56,877</b>	<b>479,806</b>

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

# 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, 2018 and 2017. For the year ended December 31, 2018 the Group recognised impairment loss of intangible assets in the amount of RUB 677 as the recoverable amount of these assets is less than carrying amount at the same date. During the year ended December 31, 2017 the Group reversed impairment losses of intangible assets in the amount of RUB 12,621 (Note 26).

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 5.9% to 9.2% 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, 2018 and 2017 was allocated among cash generating units (group of cash generating units) as follows:

	2018	2017
Pulkovo airport restaurants, Saint Petersburg, Russia	125,006	125,006
Combo Il Patio and Planet Sushi, Ekaterinburg, Russia	18,131	18,131
	<b>143,137</b>	<b>143,137</b>

The Group performed its annual goodwill impairment test in the years ended December 31, 2018 and 2017. 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. 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
<b>2018</b>				
Entities under common control:				
Chicken Factory LLC (1)	102,501	45	739	–
RosCorp LLC (2)	87,147	1,904	–	435
Rostik Aero LLC (3)	30,514	–	–	6,784
Rostik Investment Group Inc. (4)	4,791	814	103,078	–
Loyalty Partners Vostok LLC (5)	2	152	–	626
RIG Restaurants Ltd. (6)	–	–	64,043	–
Others	31,108	2,174	2,968	3,812
<b>Total 2018</b>	<b>256,063</b>	<b>5,089</b>	<b>170,828</b>	<b>11,657</b>
<b>2017</b>				
Entities under common control:				
RosCorp LLC (2)	108,344	3,376	–	4
Chicken Factory LLC (1)	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
<b>Total 2017</b>	<b>262,256</b>	<b>20,740</b>	<b>155,697</b>	<b>8,246</b>

- (1) The outstanding balances from Chicken Factory LLC related to advances paid for the purchase of goods during the year ended December 31, 2018.
- (2) During the year ended December 31, 2018 and 2017, RosCorp LLC provided the Group with rent, transport and utility services.
- (3) During the year ended December 31, 2018 and 2017, Rostik Aero LLC leased restaurant premises to the Group.
- (4) The outstanding receivable balance as of December 31, 2018 and 2017 in the amount of RUB 103,078 and RUB 86,400, respectively, relates to the sale of companies Rosinter Polska and American Cuisine Warsaw to Rostik Investment Group Inc.
- (5) The gain for the year ended 31 December 2017 from Loyalty Partners Vostok LLC related to the accounts payable written-off.
- (6) The outstanding receivable balance as of December 31, 2018 and 2017 in the amount of RUB 64,043 and RUB 53,021, respectively, relates to the sale of company Aero Restaurants to RIG Restaurants Ltd.

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 9. Related parties disclosures (continued)

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

Related parties	Financial income	Financial expense	Long-term loans receivable from related parties	Short-term loans receivable from related parties	Short-term loans payable to related parties
<b>2018</b>					
Entities under common control	553	58	13,800	21,965	11,051
<b>Total 2018</b>	<b>553</b>	<b>58</b>	<b>13,800</b>	<b>21,965</b>	<b>11,051</b>
<b>2017</b>					
Entities under common control	778	79	–	21,015	10,067
<b>Total 2017</b>	<b>778</b>	<b>79</b>	<b>–</b>	<b>21,015</b>	<b>10,067</b>

As of December 31, 2018 and December 31, 2017 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
2018	<b>170,828</b>	65,050	–	105,500	278
2017	<b>155,697</b>	155,234	–	463	–

### Compensation to key management personnel

Key management personnel totaled 14 and 15 persons as at December 31, 2018 and 2017, respectively. Total compensation to key management personnel, including social taxes, was recorded in general and administrative expenses and consisted of the following:

	2018	2017
Salary	91,435	65,637
Performance bonuses	11,118	9,978
	<b>102,553</b>	<b>75,615</b>

The Group's contributions relating to social taxes for key management personnel amounted to RUB 16,552 and RUB 13,290 during the years ended December 31, 2018 and 2017, respectively.

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 10. Income tax

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

	2018	2017
Current income tax (expense)/benefit	(8,985)	14,201
Adjustments in respect of current income tax of previous year	(318)	(566)
Deferred tax benefit/ (expense)	47,478	(25,854)
<b>Total income tax benefit/ (expense)</b>	<b>38,175</b>	<b>(12,219)</b>

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, 2018:

	December 31, 2017	Changed to income and expense	Currency translation	December 31, 2018
<b>Tax effect of deductible temporary differences</b>				
Trade and other payables	149,322	9,446	3	158,771
Write-down of inventories to net realisable value	12,127	2,835	22	14,984
Carry forward of unused tax losses	23,533	52,131	86	75,750
Other	8,522	41,173	8	49,703
<b>Total deferred tax asset</b>	<b>193,504</b>	<b>105,585</b>	<b>119</b>	<b>299,208</b>
<b>Tax effect of taxable temporary differences</b>				
Property and equipment	(22,829)	(52,626)	(194)	(75,649)
Trade and other receivables	(6,809)	(5,526)	(4)	(12,339)
Other	19	45	(84)	(20)
<b>Total deferred tax liability</b>	<b>(29,619)</b>	<b>(58,107)</b>	<b>(282)</b>	<b>(88,008)</b>
<b>Net deferred tax asset/(liability)</b>	<b>163,885</b>	<b>47,478</b>	<b>(163)</b>	<b>211,200</b>

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:

	December 31, 2016	Changed to income and expense	Currency translation	December 31, 2017
<b>Tax effect of deductible temporary differences</b>				
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
<b>Total deferred tax asset</b>	<b>200,668</b>	<b>(7,078)</b>	<b>(86)</b>	<b>193,504</b>
<b>Tax effect of taxable temporary differences</b>				
Property and equipment	(10,640)	(12,395)	206	(22,829)
Trade and other receivables	(332)	(6,480)	3	(6,809)
Other	—	99	(80)	19
<b>Total deferred tax liability</b>	<b>(10,972)</b>	<b>(18,776)</b>	<b>129</b>	<b>(29,619)</b>
<b>Net deferred tax asset/(liability)</b>	<b>189,696</b>	<b>(25,854)</b>	<b>43</b>	<b>163,885</b>

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 10. Income tax (continued)

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, 2018 and 2017, several subsidiaries had accumulated tax losses in the amount of RUB 378,750 and RUB 117,665, for which a deferred tax asset of RUB 75,750 and RUB 23,533, 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:

	2018	2017
(Loss)/profit before income tax	(120,810)	20,346
<b>Income tax benefit/ (expense) at Russian statutory income tax rate (20%)</b>	<b>24,162</b>	<b>(4,069)</b>
Effect of differences in tax rates in countries other than the Russian Federation	(9,022)	3,892
Adjustment in respect of income tax of previous years	(318)	(566)
Tax on dividend income related to dividend declared by subsidiaries	(3,773)	(7,849)
Effect of unified tax on imputed income	(5,498)	(7,874)
Deferred tax benefit recognised for profit distribution	—	81
Utilization of previously unrecognized tax losses	(1,544)	(10,857)
Effect of non-deductible expenses	(7,548)	(4,026)
Effect of other non-temporary differences	41,716	19,049
<b>Income tax benefit/ (expense) at the effective income tax rate</b>	<b>38,175</b>	<b>(12,219)</b>

### 11. Inventories

Inventories consisted of the following as of December 31:

	2018	2017
Foods, beverages, liquors and tobacco	115,383	109,162
Utensils, paper goods and other items	110,626	75,105
	<b>226,009</b>	<b>184,267</b>
Write-down of inventories to net realisable value	(25,124)	(24,088)
<b>Total inventories, at realizable value</b>	<b>200,885</b>	<b>160,179</b>

During the year ended December 31, 2018 the Group recognised allowance for impairment of inventories in the amount of RUB 919. 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.



# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 12. Trade and other receivables

Receivables consisted of the following as of December 31:

	2018	January 1, 2018 (Note 3)	2017
Trade receivables	82,481	82,374	82,374
Other receivables	219,534	133,966	133,966
	<b>302,015</b>	<b>216,340</b>	<b>216,340</b>
Allowance for expected credit losses	(70,731)	(74,772)	(42,121)
<b>Total receivables, net</b>	<b>231,284</b>	<b>141,568</b>	<b>174,219</b>

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

Movements in the allowance for expected credit losses of trade and other receivables were as follows:

	2018	2017
<b>At January 1<sup>st</sup></b>	<b>42,121</b>	<b>49,253</b>
The impact of IFRS 9	32,651	–
<b>At January 1<sup>st</sup> (with impact of new standard)</b>	<b>74,772</b>	<b>–</b>
Charge for the year	4,671	622
Amounts written off	(8,092)	(5,103)
Unused amounts reversed	–	(2,292)
Translation difference	(620)	(359)
<b>At December 31<sup>st</sup></b>	<b>70,731</b>	<b>42,121</b>

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

	At 1 January, 2018 (Note 3)	Total	Neither past due nor impaired	Past due but not impaired		
				<3 months	3-6 months	>6 months
Trade receivables	–	80,174	59,340	18,449	370	2,015
Other receivables	–	151,110	60,188	28,800	694	61,428
<b>2018</b>	<b>-</b>	<b>231,284</b>	<b>119,528</b>	<b>47,249</b>	<b>1,064</b>	<b>63,443</b>
Trade receivables	47,841	56,697	38,040	9,135	1,436	8,086
Other receivables	93,727	117,522	90,254	67	2,084	25,117
<b>2017</b>	<b>141,568</b>	<b>174,219</b>	<b>128,294</b>	<b>9,202</b>	<b>3,520</b>	<b>33,203</b>

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 13. Advances paid

Advances paid consisted of the following as of December 31:

	2018	2017
Advances to suppliers	226,224	180,070
Advances to employees	44	77
	<b>226,268</b>	<b>180,147</b>
Impairment allowance	(13,145)	(11,473)
<b>Total advances paid, net</b>	<b>213,123</b>	<b>168,674</b>

As at December 31, 2018 and 2017, advances to suppliers at nominal value of RUB 13,145 and RUB 11,473, respectively, were impaired and fully provided for. Movements in the allowance for impairment of advances paid were as follows:

	2018	2017
<b>At January 1<sup>st</sup></b>	<b>11,473</b>	<b>15,952</b>
Charge for the year	3,137	1,640
Amounts written off	(1,147)	(3,401)
Unused amounts reversed	(319)	(2,674)
Translation difference	1	(44)
<b>At December 31<sup>st</sup></b>	<b>13,145</b>	<b>11,473</b>

### 14. Cash and cash equivalents

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

	2018	2017
Cash at bank	36,839	52,194
Cash in hand	13,226	11,283
Cash in transit	97,320	77,298
Short-term deposits	1,000	11,601
<b>Total cash and cash equivalents</b>	<b>148,385</b>	<b>152,376</b>

### 15. Assets held for sale

On 1 July 2017 the Group publicly announced its committed plan to sell several property objects owned by the Group.

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, 2018 assets held for sale amounted to RUB 230,542.

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 16. Share capital

The authorised, issued and fully paid share capital of the Company as of December 31, 2018 and December 31, 2017 comprised 16,305,334 shares. The nominal value of each ordinary share is 169.70 Russian roubles.

As at December 31, 2018 and December 31, 2017 the total quantity and value of treasury shares of the Company held by the Group were 471,583 shares and RUB 269,337.

### 17. 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.

	2018	2017
Net loss attributable to equity holders of the Company	(83,459)	(2,121)
Weighted average number of ordinary shares outstanding	15,840,530	15,840,530
Effect on dilution: share based payments	52,596	89,802
Weighted average number of ordinary shares adjusted for the effect of dilution	15,893,126	15,930,332
<b>Loss per share attributable to equity holders of the Parent, basic, roubles</b>	<b>(5.27)</b>	<b>(0.13)</b>
<b>Loss per share attributable to equity holders of the Parent, diluted, roubles</b>	<b>(5.25)</b>	<b>(0.13)</b>

### 18. Loans and borrowings

<b>Long-term loans and borrowings</b>	2018	2017
Russian rouble fixed rate 8.6%-13% bank loans maturing within 2 years	3,541,341	2,914,513
Other loans and borrowings	34,117	34,500
	<b>3,575,458</b>	<b>2,949,013</b>
Less: current portion	(623,623)	(170,348)
<b>Total long-term loans and borrowings</b>	<b>2,951,835</b>	<b>2,778,665</b>
<b>Short-term loans and borrowings</b>	<b>2018</b>	<b>2017</b>
Russian rouble fixed rate 12%-16% bank loans maturing within 12 months	266,000	53,044
Russian rouble fixed rate 13% overdraft facility	93,355	89,014
	<b>359,355</b>	<b>142,058</b>
Current portion of long-term loans and borrowings	623,623	170,348
<b>Total short-term loans and borrowings</b>	<b>982,978</b>	<b>312,406</b>

### 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.

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 19. Liabilities to partners

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

	2018	2017
<b>At January 1<sup>st</sup></b>	<b>526</b>	–
Decrease in amounts due to partners <i>(Note 27)</i>	(777)	(1,369)
Payments to partners	–	(1,620)
Other non-cash settlements	449	3,515
<b>At December 31<sup>st</sup></b>	<b>198</b>	<b>526</b>

Analysed as to:

	2018	2017
Short-term liabilities to partners	198	526
<b>Total liabilities to partners</b>	<b>198</b>	<b>526</b>

### 20. Trade and other payables

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

	2018	2017
Trade creditors	438,535	319,500
Output VAT and other taxes payable	210,331	185,223
Accrued salaries	63,513	74,636
Unused vacation provision	66,434	65,420
Advances received	73,485	53,743
Interest payable to banks	23,610	21,462
Accrued and other liabilities	603,441	336,432
<b>Total trade and other payables</b>	<b>1,479,349</b>	<b>1,056,416</b>

Maturity profile of accounts payable is shown in Note 30.

### 21. Revenue

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

	2018	2017
Revenue from restaurants	7,368,526	6,713,752
Franchise revenue	211,385	179,991
Sublease services	59,864	59,892
Other revenues	11,024	8,578
<b>Total revenue</b>	<b>7,650,799</b>	<b>6,962,213</b>

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 22. Cost of sales

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

	2018	2017
Food and beverages	1,628,377	1,438,516
Rent	1,982,658	1,756,371
Payroll and related taxes	1,449,434	1,433,433
Restaurant equipment depreciation	210,566	157,066
Laundry and sanitary control expenses	189,662	169,697
Franchising fees	166,537	114,588
Utilities	166,126	176,616
Materials	165,194	168,109
Transportation services	152,959	122,130
Other services	143,145	123,391
Maintenance and repair services	75,058	74,055
Sublease services costs	16,833	16,000
Other expenses	28,923	39,222
<b>Total cost of sales</b>	<b>6,375,472</b>	<b>5,789,194</b>

### 23. Selling, general and administrative expenses

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

	2018	2017
Payroll and related taxes	423,928	556,188
Advertising	148,883	140,537
Rent	51,111	50,009
Other services	46,784	50,171
Financial and legal consulting	24,054	15,675
Depreciation and amortization	20,324	21,910
Transportation services	18,646	15,248
Materials	11,174	8,377
Utilities	10,839	9,857
Bank services	8,797	8,823
Maintenance and repair services	6,282	6,615
Laundry and sanitary control expenses	230	461
Increase/(decrease) in the allowance for expected credit losses of advances paid, taxes recoverable and receivables	20,826	(1,294)
Other expenses	51,811	45,803
<b>Total selling, general and administrative expenses</b>	<b>843,689</b>	<b>928,380</b>

### 24. Rent expenses

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

	2018	2017
Rent premises minimum payment	2,022,001	1,792,773
Rent premises contingent payment	28,602	29,607
<b>Total rent expenses</b>	<b>2,050,603</b>	<b>1,822,380</b>

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 25. Other gains/losses

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

	2018	2017
Write-off of trade and other payables	6,853	40,492
Reversal of write off provision for contingent claims	–	6,522
Penalty gain	–	4,855
Reversal of previous year expenses	851	2,249
Other gains	1,659	14,104
<b>Total other gains</b>	<b>9,363</b>	<b>68,222</b>
Loss on disposal of non-current assets	62,413	19,747
Non-refundable VAT	1,126	4,245
Inventory shortage	3,616	3,180
Previous year expenses	1,455	1,433
Provision for contingent claims	6,596	–
Other losses	27,324	11,709
<b>Total other losses</b>	<b>102,530</b>	<b>40,314</b>

### 26. Impairment of assets

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

	2018	2017
Loss from/(reversal of) impairment of property and equipment (Note 6)	20,130	(97,551)
Loss from/(reversal of) impairment of intangible assets (Note 7)	677	(12,621)
<b>Total loss from/(reversal of) impairment of assets</b>	<b>20,807</b>	<b>(110,172)</b>

The accumulated impairment loss of property and equipment amounted to RUB 36,829 and RUB 36,166 as of December 31, 2018 and 2017, respectively.

The accumulated impairment loss of intangible assets amounted to RUB 677 as of December 31, 2018 and no impairment was recognized as of December 31, 2017.

### 27. Financial income/expenses

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

	2018	2017
Interest income	1,767	2,556
Decrease in amounts due to partners (Note 19)	777	1,369
<b>Total financial income</b>	<b>2,544</b>	<b>3,925</b>
Interest expense	291,415	300,607
<b>Total financial expenses</b>	<b>291,415</b>	<b>300,607</b>

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 28. 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, 2018.

The value of the Plan is recognized in the financial statements during the vesting period as payroll expense. During the years ended December 31 2018 and 2017 the Group recognized a reversal of the value of the Plan of RUB 7,756 and 4,798, respectively. Total number of outstanding Options was 38,013 and 82,354 at December 31, 2018 and December 31, 2017, respectively, out of which 32,013 and 82,354 were exercisable at the respective dates.

	SARP 2010	SARP 2011	SARP 2012	SARP 2013	Total
<b>Outstanding, December 31, 2016</b>	<b>36,008</b>	<b>32,000</b>	<b>29,000</b>	<b>8,000</b>	<b>105,008</b>
Expired	(11,992)	(10,662)	—	—	(22,654)
<b>Outstanding, December 31, 2017</b>	<b>24,016</b>	<b>21,338</b>	<b>29,000</b>	<b>8,000</b>	<b>82,354</b>
Expired	(24,016)	(10,662)	(9,663)	—	(44,341)
<b>Outstanding, December 31, 2018</b>	<b>—</b>	<b>10,676</b>	<b>19,337</b>	<b>8,000</b>	<b>38,013</b>

Program name	Granting date	Vesting dates	Installments	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.

The obligations under this program are recognized as cash settled share-based payment obligations. The fair value of recognized liabilities is RUB 8,978 and 3,521 as at December 31, 2018 and December 31, 2017, respectively.

During the years ended December 31, 2018 and 2017 the Group recognized payroll expenses according to the new program in the amount of RUB 5,457 and 3,521, respectively.

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### **29. 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 economy is negatively impacted by 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.

The year 2018 saw continued implementation of mechanisms aimed at countering the use of low tax jurisdictions and aggressive tax planning structures for tax evasion, as well as the general setting of certain features of the Russian tax system. In particular, these changes included further development of the concepts of beneficial ownership and tax residency of legal entities (defined by place of actual business activity), as well as the elaboration of the approach to taxation of controlled foreign companies in Russia. Apart from that, the VAT general rate will increase to 20% in 2019.

The Russian tax authorities continue to actively cooperate with their foreign counterparts as part of the cross-border tax information exchange so that in international terms corporate activities would be more transparent and require detailed consideration to support the economic objective of the international structure as part of tax control procedures. The tax authorities may thus challenge transactions and accounting methods that they have never challenged before.

#### **Capital commitments**

At December 31, 2018 and 2017 the Group had capital commitments of RUB 142,424 and RUB 71,618 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)*

#### **29. 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, 2018 the expected minimum annual lease payables under these agreements amounted to RUB 1,561,659 and RUB 3,706,921, respectively.

#### **30. 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**

As at 31 December 2018 and 2017, the Group did not have loans with floating interest rate.

##### **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)

### 30. 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, Belarusian rouble exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	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	20.0%	(16,574)	25.0%	573
US dollar / Russian rouble	(10.0%)	8,287	(10.0%)	229
US dollar / Belarusian rouble	20.0%	782	20.0%	33
US dollar / Belarusian rouble	(10.0%)	(391)	(10.0%)	(16)

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, 2018 and 2017 based on contractual undiscounted payments.

	Less than 3 months	3-12 months	1 to 5 years	> 5 years	Total
<b>December 31, 2018</b>					
Long-term and short-term loans and borrowings	200,086	1,420,253	3,929,602	245,660	5,795,601
Short-term debt due to related parties (Note 9)	—	11,051	—	—	11,051
Trade and other payables	1,063,433	2,153	—	—	1,065,586
Payables to related parties (Note 9)	11,635	22	—	—	11,657
Liabilities to partners (Note 19)	198	—	—	—	198
<b>Total</b>	<b>1,275,352</b>	<b>1,433,479</b>	<b>3,929,602</b>	<b>245,660</b>	<b>6,884,093</b>

	Less than 3 months	3-12 months	1 to 5 years	> 5 years	Total
<b>December 31, 2017</b>					
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 9)	3,850	6,217	—	—	10,067
Trade and other payables	677,003	391	—	—	677,394
Payables to related parties (Note 9)	7,816	430	—	—	8,246
Liabilities to partners (Note 19)	526	—	—	—	526
<b>Total</b>	<b>922,516</b>	<b>790,652</b>	<b>3,867,256</b>	<b>263,826</b>	<b>5,844,250</b>

# PJSC Rosinter Restaurants Holding

## Notes to the consolidated financial statements (continued)

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

### 30. 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:

	2018	January 1, 2018 (Note 3)	2017
Trade and other receivables (Note 12)	231,284	141,568	174,219
Receivables from related parties (Note 9)	170,828	155,697	155,697
Long-term loans due from related parties (Note 9)	13,800	—	—
Short-term loans due from related parties (Note 9)	21,965	21,015	21,015
Short-term loans	1,261	1,046	1,046
	<b>439,138</b>	<b>319,326</b>	<b>351,977</b>

As of December 31, 2018 short-terms loans receivable from third parties were neither past due nor impaired.

#### Fair value of financial instruments

Fair value is the amount for which a financial instrument can be exchanged during a current transaction between interested parties, except in cases of forced sale or liquidation. The best confirmation of fair value is the price of a financial instrument quoted in an active market.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data necessary to determine the estimated fair value. Management uses all available market information in estimating the fair value of financial instruments.

#### 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 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.