

PJSC Rosinter Restaurants Holding

Consolidated financial statements
prepared in accordance with IFRS

For the year ended December 31, 2019

PJSC Rosinter Restaurants Holding
Consolidated financial statements
For the year ended December 31, 2019

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PJSC Rosinter Restaurants Holding

Statement of management's responsibilities for the preparation and approval of consolidated financial statements for the year ended December 31, 2019

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, 2019, and the results of its operations, cash flows and changes in equity for 2019, 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, 2019 were approved by the President and CEO of PJSC Rosinter Restaurants Holding on July 24, 2020.

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, 2019, 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, 2019;
- 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") 115,974 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 AmlInvest Limited;
- In respect of other Group companies, we primarily performed analytical procedures;
- Our audit scope addressed 98% of the Group's revenues and 97% of the Group's absolute value of total assets before adjustments to eliminate intercompany transactions and balances;
- Key audit matters:
 - Impairment testing of property and equipment and right-of-use assets;
 - Transition to IFRS 16 Leases.

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

Materiality

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

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

Overall group materiality	RUB 115,974 thousand
How we determined it	1.5% of revenue for the reporting period
Rationale for the materiality benchmark applied	We chose using revenue as the materiality benchmark. Given the volatility of the Group's financial results, revenue represents a more appropriate indicator of the size of the business and risks of misstatement than profits before tax. We chose 1.5% of the benchmark, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter**How our audit addressed the Key audit matter****Impairment testing of property and equipment and right-of-use assets**

Impairment testing for property and equipment and right-to-use assets was one of the key audit matters because the balance of property, plant and equipment and right-to-use assets forms a significant portion of the Group's assets at the reporting date, and the process of management's assessment of the recoverable amount is complex and requires significant judgments, including judgements about future cash flows, capital expenditures and the discount rate. Information about property and equipment, right-to-use assets and results of impairment testing is disclosed in Notes 6 and 7 to the consolidated financial statements.

Our audit procedures included an assessment of key management assumptions used by the Group, including those in respect of forecasted revenue and operating expenses.

We also analyzed discount rates used by management of the Group. We engaged our internal valuation experts in performing these procedures.

We also performed the sensitivity analysis of the impairment test with respect to changes in the key assumption and assessed the Group's disclosures of these assumptions to which impairment testing is most sensitive, i.e., those that have the most significant impact on the recoverable amount of property and equipment and right-of-use assets.

Transition to IFRS 16 Leases

Effective January 1, 2019, the Group adopted IFRS 16 Leases. When adopting the new standard, the Group applied a modified retrospective approach.

The adoption of IFRS 16 was one of the key audit matters because the effect of transition to the new standard is significant to the consolidated financial statements, the Group has large number of lease contracts and significant judgments were made by the management in assessing initial value of right-to-use assets and related liabilities with respect to ability to extend these lease contracts and, thus, determine a lease term.

Information about the adoption of IFRS 16 Leases is disclosed in Note 3 to the consolidated financial statements.

We analyzed the Group's accounting policy with respect to IFRS 16.

We analyzed the list of lease agreements to which IFRS 16 is applied and compared, on a sample basis, data in agreements with data that were used during the implementation and application of the transition provisions of IFRS 16.

We analyzed management's judgments made to determine the lease term in agreements with extension options.

We tested the mathematical accuracy of calculations of adjustments at the transition date to IFRS 16.

We analyzed information on the adoption of IFRS 16 disclosed 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 A.D.E. Audit LLC. For the company AmlInvest 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 Note 2 "Going concern" to the consolidated financial statements that says the Group's current liabilities exceeded its current assets by RUB 2,549,286 thousands as of December 31, 2019. Group's net loss amounted to RUB 439,443 thousands for the year ended December 31, 2019. As of December 31, 2019 net assets of the Group were negative in the amount RUB 1,283,859 thousands.

Also Note 2 "Going concern" describes the Group's plans to improve its liquidity position and profitability in the near future.

In addition, we pay attention to Note 32 "Subsequent events" to the consolidated financial statements that describes effect of COVID-19 on the Group's activities and the management's assessment of the current situation and future developments.

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 «A.D.E. Audit»

July 24, 2020
Moscow, Russian Federation

Audited entity: PJSC ROSINTER RESTAURANTS HOLDING

The audit firm: LLC «A.D.E. Audit».

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

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

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

Postal address: 16, Khokhlovsky pereulok, building 1, floor 2, rooms 20-23, 25-27, Moscow, 109028, Russia.

Member of self-regulated organization of auditors Association "Sodruzhestvo".

ORNZ 12006093587 in the register of auditors and audit organizations.

PJSC Rosinter Restaurants Holding
Consolidated statement of financial position

At December 31, 2019

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

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property and equipment	6	2,506,940	1,941,211
Right-of-use assets	7	6,279,995	–
Intangible assets	8	570,317	479,806
Goodwill	9	143,137	143,137
Long-term loans due from related parties	10	6,600	13,800
Deferred income tax asset	11	337,241	299,208
Rent deposits and other non-current assets		170,235	625,535
		10,014,465	3,502,697
Current assets			
Inventories	12	151,649	200,885
VAT and other taxes recoverable		62,997	55,431
Income tax receivable		5,447	5,327
Trade and other receivables	13	174,772	231,284
Advances issued	14	293,362	213,123
Receivables from related parties	10	149,043	170,828
Short-term loans		1,700	1,261
Short-term loans due from related parties	10	14,415	21,965
Cash and cash equivalents	15	149,773	148,385
		1,003,158	1,048,489
Assets classified as a held for sale	16	–	230,542
TOTAL ASSETS		11,017,623	4,781,728
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Share capital	17	2,767,015	2,767,015
Additional paid-in capital	17	1,885,061	2,090,217
Treasury shares	17	(39,841)	(269,337)
Other capital reserves		706	1,148
Accumulated losses		(5,471,917)	(5,031,600)
Translation difference		(427,563)	(404,310)
		(1,286,539)	(846,867)
Non-controlling interests		2,680	2,706
		(1,283,859)	(844,161)
Non-current liabilities			
Long-term loans and borrowings	19	3,560,355	2,951,835
Long-term lease obligation	20	4,976,411	–
Long-term debt due to related parties	10	10,965	–
Finance lease liabilities		–	76
Deferred income tax liabilities	11	201,307	88,008
		8,749,038	3,039,919
Current liabilities			
Trade and other payables	22	1,489,038	1,479,349
Short-term loans and borrowings	19	730,524	982,978
Short-term lease obligations	20	1,227,950	–
Payables to related parties	10	13,736	11,657
Short-term loans due to related parties	10	30,119	11,051
Current portion of finance lease liabilities		–	357
Short-term liabilities to partners	21	256	198
Deferred income		4,036	19,968
Income tax payable		56,785	80,412
		3,562,444	2,585,970
TOTAL EQUITY AND LIABILITIES		11,017,623	4,781,728
CEO PJSC Rosinter Restaurants Holding			/Kosteeva M. V./

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



PJSC Rosinter Restaurants Holding
Consolidated statement of profit or loss
For the year ended December 31, 2019

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

	Notes	2019	2018
Revenue	23	7,731,627	7,650,799
Cost of sales	24	(6,220,061)	(6,375,472)
Gross profit		1,511,566	1,275,327
Selling, general and administrative expenses	25	(808,912)	(843,689)
Start-up expenses for restaurants		(80,139)	(150,724)
Other gains	26	17,518	9,363
Other losses	26	(91,553)	(102,530)
Profit from operating activities before impairment		548,480	187,747
Loss from impairment of operating assets	27	(27,802)	(20,807)
Profit from operating activities after impairment		520,678	166,940
Financial income	28	1,319	2,544
Financial expense	28	(1,306,899)	(291,415)
Foreign exchange gain, net		446,409	1,121
Loss before income tax		(338,493)	(120,810)
Income tax (expense)/ benefit	11	(100,950)	38,175
Net loss for the year		(439,443)	(82,635)
Attributable to:			
Equity holders of the parent entity		(440,317)	(83,459)
Non-controlling interests		874	824
Loss per share	18		
Basic, loss per share, roubles		(27.31)	(5.27)
Diluted, loss per share, roubles		(27.27)	(5.25)

CEO
PJSC Rosinter Restaurants Holding



 /Kosteeva M. V./

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, 2019

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

	2019	2018
Net loss for the year	(439,443)	(82,635)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(23,253)	21,204
Other comprehensive (loss)/ income for the year, net of tax	(23,253)	21,204
Total comprehensive loss for the year, net of tax	(462,696)	(61,431)
Attributable to:		
Equity holders of the parent entity	(463,570)	(62,255)
Non-controlling interests	874	824

CEO
 PJSC Rosinter Restaurants Holding



/Kosteeva M.V./

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, 2019

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

	Notes	2019	2018
Operating activities			
Loss before tax		(338,493)	(120,810)
<i>Adjustments to reconcile loss before tax to net cash provided by operating activities:</i>			
Depreciation and amortization	24, 25	2,000,297	230,890
Foreign exchange gain, net		(446,409)	(1,121)
Financial income	28	(1,319)	(2,544)
Financial expense	28	1,306,899	291,415
(Decrease)/ increase in the allowance for expected credit losses of advances paid, taxes recoverable and receivables	25	(18,941)	20,826
Allowance for impairment of inventories to net realisable value	12	10,951	919
Loss on disposal of operating assets	26	61,500	62,413
Loss from impairment of assets	27	27,802	20,807
Write-off of trade and other payables	26	(1,511)	(6,853)
(Reversal)/accrual of provision for contingent claims	26	(8,429)	6,596
Share-based payment benefit	29	(4,276)	(2,299)
		2,588,071	500,239
<i>Changes in operating assets and liabilities:</i>			
Decrease/(increase) in inventories		37,836	(41,171)
Decrease/(increase) in advances, taxes recoverable, receivables, rent deposits and other non-current assets		437,093	(247,493)
Decrease in receivables from related parties		10,569	21,232
Increase in payables to related parties		2,441	3,132
Increase in trade and other payables		96,156	528,029
Net cash generated from operations		3,172,166	763,968
Interest paid		(1,254,744)	(349,026)
Interest received		154	1,100
Income tax paid		(41,256)	(34,512)
Net cash flows generated from operating activities		1,876,320	381,530
Investing activities			
Purchases of property and equipment		(913,030)	(833,652)
Issuance of loans to third parties		(7,540)	–
Purchase of intangible assets		(89,478)	(384,483)
Issuance of loans to related parties		(8,233)	(15,325)
Proceeds from disposal of property and equipment		3,210	4,301
Proceeds from repayment of loans issued to third parties		2,400	–
Net cash flows used in investing activities		(1,012,671)	(1,229,159)

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	2019	2018
Financing activities			
Proceeds from bank loans		735,107	1,680,724
Repayment of bank loans		(579,043)	(837,332)
Proceeds from third party loan		200,000	–
Repayment of related party loans		(104,144)	(1,745)
Proceeds from related party loans		133,841	2,730
Repayment of lease liabilities	20	(1,271,771)	–
Repayment of finance lease obligation		–	(1,518)
Sale of treasury shares	17	24,340	–
Dividends paid to shareholders		(783)	(404)
Net cash flows (used in)/generated from financing activities		(862,453)	842,455
Effect of exchange rate on cash and cash equivalents		192	1,183
Net increase/(decrease) in cash and cash equivalents		1,388	(3,991)
Cash and cash equivalents at beginning of the year		148,385	152,376
Cash and cash equivalents at end of the year		149,773	148,385

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, 2019

(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-controlling interests	Total equity
At December 31, 2018, audited	2,767,015	2,090,217	(269,337)	1,148	(5,031,600)	(404,310)	(846,867)	2,706	(844,161)
The impact of new standard IFRS 16	–	–	–	–	–	–	–	–	–
At January 1, 2019 (with impact of new standard)	2,767,015	2,090,217	(269,337)	1,148	(5,031,600)	(404,310)	(846,867)	2,706	(844,161)
Net (loss)/income for the year	–	–	–	–	(440,317)	–	(440,317)	874	(439,443)
Other comprehensive loss for the year	–	–	–	–	–	(23,253)	(23,253)	–	(23,253)
Total comprehensive (loss)/income for the year	–	–	–	–	(440,317)	(23,253)	(463,570)	874	(462,696)
Share based payment transactions <i>(Note 29)</i>	–	–	–	(442)	–	–	(442)	–	(442)
Sale of treasury shares <i>(Note 17)</i>	–	(205,156)	229,496	–	–	–	24,340	–	24,340
Dividends	–	–	–	–	–	–	–	(900)	(900)
At December 31, 2019	2,767,015	1,885,061	(39,841)	706	(5,471,917)	(427,563)	(1,286,539)	2,680	(1,283,859)
At December 31, 2017, audited	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	–	–	–	–	(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)/income 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)/income for the year	–	–	–	–	(83,459)	21,204	(62,255)	824	(61,431)
Share based payment transactions <i>(Note 29)</i>	–	–	–	(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, 2019

(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, 2019, 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, 2019 were approved for issue by the President and CEO of PJSC Rosinter Restaurants Holding on July 24, 2020.

The Group derives revenue in the territory of Russia, CIS countries and European countries. For the years 2019 and 2018, 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, 2019 and 2018. The second largest market was Belarus with 3% of total revenues for the year ended December 31, 2019.

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

Entity	Country of incorporation	2019	2018
		% Ownership	% Ownership
Rosinter Restaurants LLC	Russia	100.00%	100.00%
Rosinter Restaurants ZapSib LLC	Russia	100.00%	100.00%
Razvitie ROST LLC	Russia	100.00%	100.00%
Rosinter Restaurants Ekaterinburg LLC	Russia	51.00%	51.00%
BelRosInter LLC	Belarus	93.00%	93.00%

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

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

2. Going concern

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

The Group's current liabilities as of December 31, 2019 of RUB 3,552,444 (RUB 2,585,970 as of December 31, 2018) exceeded its current assets by RUB 2,549,286 (RUB 1,537,481 as of December 31, 2018). The net current liability position primarily results from trade and other payables amounting to RUB 1,489,038 and RUB 1,479,349 as of December 31, 2019 and 2018, respectively, and the lease liabilities in the amount of RUB 1,227,950. During the years ended December 31, 2019 and 2018 net cash inflow from operations amounted to RUB 3,172,166 and RUB 763,968, respectively.

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

- The Group is in negotiations with its banks-lenders regarding to making amendments to the existing credit agreements in order to change the covenants and the loans' maturity in favor of the Group. The final stage of negotiations will take place in September 2020.
- Due to COVID-19 (*Note 32*), the Group managed to agree with its banks-lenders on deferral of interest payments until September 2020 and on deferral of loan principal amounts until September 2020 to April 2021.
- On the date of issue of these consolidated financial statements, the Group has received a subsidized loan in the amount of RUB 168,923 to support its operating activities. The Group has to follow the special terms and keep the number of employees as well as the salary per employee to benefit from this loan. The Group is going to satisfy all the loan's conditions.
- The management of Group has developed a strategic plan to increase the Group's revenue that includes a revision of brands support and the advertising process, the conceptual change in the restaurant's menu to attract a wide range of new guests, an update of the existing loyalty program.
- During the first half of 2020, the Group managed to significantly reduce the administrative expenses.
- To date, the Group has already reached agreements with a number of landlords to defer and/or restructure the lease payments. Majority of the landlords have confirmed their readiness to reduce and defer the lease payments.
- Additional sources of short-term financing are available to the Group, including undrawn fixed rate credit facilities in the amount of RUB 21,423. The Group also has the bank guarantees in the amount of RUB 502,540.
- The principal shareholders of the Company will provide financing to the Group or some of its businesses when needed.

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 (continued)

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

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 2019.

The Group has adopted IFRS 16 Leases from January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using modified retrospective approach.

Accordingly, the comparative information presented for the year ended December 31, 2018 has not been restated – i.e. it is previously reported, under IAS 17 and related interpretations. The details of change in accounting policies are disclosed below.

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)

Changes in accounting policy and disclosures (continued)

The Group evaluates whether the contract as a whole or its individual components is a lease at the moment of execution of the contract. The contract is a lease or contains a lease component if this contract transfers the right to control the use of the identified asset for a certain period of time in exchange for compensation. To assess whether the right is transferred to control the use of the identified asset under this agreement, the Group applies the definition of lease in accordance with IFRS 16. This accounting policy applies to contracts from January 1, 2019.

An asset in the form of a right of use is initially recognized at cost. After, initial recognition right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to the test for impairment. As at January 1, 2019, the Group recognized an asset in the form of a right of use, which is estimated at an amount equal to the lease obligation, adjusted for the amount of pre-paid or accrued lease payments in connection with such lease, which is recognized in the statement of financial position immediately prior to January 1, 2019.

The lease liability is initially measured at the present value of the remaining lease payments. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. After initial recognition, the lease obligation is adjusted for interest on the obligation and lease payments, as well as, inters alia, the impact of modifications to the lease agreement.

Lease liabilities are measured at amortized cost using the effective interest rate method. The Group determines its effective rate of raising additional borrowed funds based on interest rates from various external sources and makes certain adjustments to take into account the terms of the lease and the type of leased asset.

Lease liabilities are remeasured if future lease payments change due to a change in the index or rate, if the Group's assessment of the amount payable under the residual value guarantee changes, if the Group changes its assessment of whether it will exercise a purchase option, an option to extend the lease or its termination, or if the rental payment, which is essentially fixed, is being revised. When a lease obligation is revised in this way, an appropriate adjustment is made to the carrying amount of the right-of-use asset or is included in profit or loss if the carrying amount of the right-of-use asset has previously been reduced to zero.

The Group does not apply IFRS 16 to leases in which the underlying asset has a low cost. Lease payments on such leases are recognized as an expense.

In the transition to IFRS 16 leases, the Group applied the following practical expedients:

1) the Group does not re-assess whether the contracts as a whole or their individual components are lease agreements as at January 1, 2019. Instead of this:

- adopted IFRS 16 in respect of agreements, which until January 1, 2019 were identified as leases in accordance with IFRS (IAS) 17 Leases and the clarifications by the IFRIC 4 Determining Whether an Agreement Contains a Lease;
- does not apply IFRS 16 in respect of agreements, which until January 1, 2019 were not identified as leases in accordance with IAS 17 Leases and the clarifications by the IFRIC 4 Determining Whether an Agreement Contains a Lease.

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)

Changes in accounting policy and disclosures (continued)

2) the Group applies single discount rate to the portfolio of leases with reasonably similar characteristics (leases with the same remaining lease term for a similar type of underlying asset under similar economic conditions).

3) the Group does not recognize a lease obligation and an asset in the form of a right of use in respect of contracts which lease term expires within 12 months from the date of initial application. Under such contracts, the Group recognizes lease payments as an expense.

4) the Group does not separate fixed payments that are not leases (e.g. fixed operating payments) from lease components. Instead, the Group takes into account the fixed payments specified in the lease agreements, which are not leases, as lease payments.

5) the Group excludes the initial direct costs from the valuation of the asset in the form of a right of use at the date of initial application.

6) the Group relies on its analysis of the onerous nature of lease agreements applying IAS 37 Provisions, contingent liabilities and contingent assets immediately prior to the date of initial application as an alternative to carrying out an impairment test.

There were no changes in classification of subleases as a result of IFRS 16 adoption. All sublease agreements continue to qualify for recognition as operating leases.

The first time application of IFRS 16 had an impact on the financial statements as follows:

Amounts recognized in the consolidated statement of financial position:

	January 1, 2019, Unaudited
Rights-of-use assets	7,482,971
Long-term lease obligation	6,155,888
Short-term lease obligation	1,264,611

Amounts recognized in the consolidated statement of profit or loss:

	2019
Depreciation expense (Notes 24, 25)	1,669,538
Interest expense (Note 28)	859,802
Foreign exchange gain, net	(439,982)
Loss on disposal of non-current assets (Note 26)	8,172
Expenses related to the variable part of lease payment not included in the measurement of the lease obligation (Notes 24, 25)	88,006
Total	2,185,536

Amounts recognized in the consolidated statement of cash flows:

	2019
Interest paid	859,802
Lease payment	1,271,771

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)

Changes in accounting policy and disclosures (continued)

Adoption of other new standards

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019)
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

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.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

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

4. Significant accounting policies (continued)

Business combinations

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

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

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

Any contingent consideration 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 recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized 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 recognized 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 recognized 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.

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)

Current versus non-current classification

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

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

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

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

The Group classifies all other liabilities as non-current.

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

Functional and presentation currency

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

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

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.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

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

4. Significant accounting policies (continued)

Functional and presentation currency (continued)

Exchange rates of US dollar and Belarusian rouble to Russian rouble used for translation of assets and liabilities nominated in foreign currency are presented in table below:

	Official exchange rates	
	Russian rouble for 1 USD	Russian rouble for 1 Belarusian rouble
As at 31 December 2019	61.91	29.37
Average rate for the year 2019	64.74	30.93
As at 31 December 2018	69.47	32.13
Average rate for the year 2018	62.71	30.70

Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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 instruments (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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 instruments (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limits the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

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

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the CBR. The Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as "substantial modification"), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature)

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

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

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment 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 per cent 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.

(iv) Derecognition

Financial assets

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

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 instruments (continued)

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non - cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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 recognized as an expense (impairment loss) in the income statement. An impairment loss recognized 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:

<u>Description</u>	<u>Useful life, years</u>
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 derecognized.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

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

4. Significant accounting policies (continued)

Property and equipment (continued)

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 capitalized 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 derecognized. Gains and losses arising from the retirement or disposal of property and equipment are included in the consolidated income statement as incurred.

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

Intangible assets

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

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

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

4. Significant accounting policies (continued)

Goodwill (continued)

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 recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognized 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 recognized for the asset (CGU) in prior years. A reversal of an impairment loss is recognized immediately in the profit and loss.

Impairment losses of continuing operations are recognized 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 recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the income statement.

PJSC Rosinter Restaurants Holding

Notes to the consolidated financial statements (continued)

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

4. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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

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

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

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

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

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

Goodwill

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. 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 recognized 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 recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories recognized 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, recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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)

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 recognized initially at fair value and are subsequently carried at AC using the effective interest method.

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 recognized as additional paid-in capital.

Dividends

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

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)

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 recognizes 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 recognizes 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 recognized as financial expense.

Trade and other payables

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

Loans and borrowings

Loans and borrowings are initially recognized 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.

Provisions

Provisions are recognized 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 recognized 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 recognized 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)

Revenue recognition

Starting from 1 January 2018, the Group adopted *IFRS 15 Revenue from contracts with customers*.

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 capitalization are determined by applying a capitalization rate to the expenditures on that asset. The capitalization 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 recognized as an expense in the period in which they are incurred. The Group capitalized interest in the amount of RUB 5,519 for the year ended December 31, 2019. For the year ended December 31, 2018, capitalized borrowing costs were in the amount of RUB 76,757.

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 recognized 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 437,481 and RUB 420,112 during the years ended December 31, 2019 and 2018, 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 recognized, 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 recognized 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 recognized as at the beginning and end of that period.

No expense is recognized 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 recognizes 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 recognizes 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 recognized directly in equity is recognized 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 recognized 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 recognized 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 recognized outside profit or loss, in which case the deferred tax is also recognized 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 recognized 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 2019 and 2018, the share of revenues subject to unified tax on imputed income and tax under simplified taxation system amounted to approximately 6% and 7%, respectively.

The Group recognizes 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, 2019 and 2018, the unified tax on imputed income and the simplified tax amounted to RUB 11,938 and RUB 12,670, 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 recognized in the consolidated financial statements:

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.

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

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

Estimating expected credit losses for all types of financial assets carried at amortized cost is a significant estimate based on a valuation methodology, models and initial data. The following components have a significant impact on the allowance for credit losses: determination of default, a significant increase in credit risk, the likelihood of default, exposure to default risk and the amount of loss in the event of default. The Group regularly checks and confirms models and initial data for models in order to reduce discrepancies between estimated expected credit losses and actual loan losses. Because of the short-term of the assets, the forecasted macroeconomic indicators do not significantly affect the level of losses.

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 recognized in profit or loss.

Impairment of non-financial assets

Generally, the Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, which is determined as the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment of goodwill

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

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.

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)

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 recognized 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 recognized 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, 2019 was as follows:

	Buildings and leasehold improve- ments	Restaurant equipment	Computer equipment and electronics	Office furniture and fixtures	Vehicles	Assets under construction	Total
Cost							
At December 31, 2018	1,460,217	977,523	231,766	336,463	25,534	488,292	3,519,795
Additions	–	48,758	–	–	–	634,715	683,473
Assets put into use	630,865	92,388	16,986	54,027	–	(794,266)	–
Disposals	(105,394)	(83,515)	(6,901)	(27,944)	(4,567)	–	(228,321)
Reclassification from assets held for sale (<i>Note 16</i>)	230,542	–	–	–	–	–	230,542
Other movements	–	–	–	–	–	235	235
Translation difference	(2,263)	(2,635)	(409)	(1,712)	(73)	(209)	(7,301)
At December 31, 2019	2,213,967	1,032,519	241,442	360,834	20,894	328,767	4,198,423
Accumulated depreciation and impairment							
At December 31, 2018	(894,823)	(366,953)	(150,109)	(145,091)	(18,666)	(2,942)	(1,578,584)
Charge for the year	(157,229)	(68,776)	(27,394)	(30,946)	(1,037)	–	(285,382)
Disposals	93,850	54,693	6,292	20,686	2,769	–	178,290
Impairment of property and equipment (<i>Note 27</i>)	(4,116)	(2,058)	(25)	(917)	–	(1,459)	(8,575)
Translation difference	980	878	279	597	34	–	2,768
At December 31, 2019	(961,338)	(382,216)	(170,957)	(155,671)	(16,900)	(4,401)	(1,691,483)
Net book value							
At December 31, 2018	565,394	610,570	81,657	191,372	6,868	485,350	1,941,211
At December 31, 2019	1,252,629	650,303	70,485	205,163	3,994	324,366	2,506,940

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
Cost							
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
Accumulated depreciation and impairment							
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)/ reversal of impairment of property and equipment (<i>Note 27</i>)	(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)
Net book value							
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

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, 2019, certain items of property and equipment with a carrying value of RUB 9,871 were pledged as collateral against loan to the Group.

As of December 31, 2019 and 2018 cost of fully depreciated property, plant and equipment that were still in use amounted to RUB 510,707 and RUB 638,604, respectively.

Property and equipment was tested for impairment as part of cash generating units without goodwill as of December 31, 2019. For the years ended December 31, 2019 and 2018 the Group recognized impairment losses of property and equipment in the amount of RUB 8,575 and RUB 20,130, respectively (*Note 27*). No impairment was recognized 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 4.1% to 6.3% 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 7.54% 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).

7. Right-of-use assets

The Group leases restaurant premises, offices and warehouses with average lease term of 5-7 years. The movements of carrying amount of rights-of-use assets were as follow:

	Buildings	Land	Restaurant equipment	Total right-of-use assets
At January 1, 2019, unaudited (<i>Note 3</i>)	7,475,741	7,230	–	7,482,971
New lease contracts	327,558	–	4,610	332,168
Modification of existing lease contracts	179,509	658	–	180,167
Disposal of right-of-use assets	(73,866)	–	–	(73,866)
At December 31, 2019	7,908,942	7,888	4,610	7,921,440

Accumulated depreciation and impairment:

	Buildings	Land	Restaurant equipment	Total right-of-use assets
Depreciation	(1,666,197)	(3,264)	(77)	(1,669,538)
Impairment of right-of-use assets (<i>Note 27</i>)	(12,477)	–	–	(12,477)
Disposal of right-of-use assets	40,570	–	–	40,570
Accumulated depreciation at December 31, 2019	(1,638,104)	(3,264)	(77)	(1,641,445)
Balance at January 1, 2019, unaudited	7,475,741	7,230	–	7,482,971
Balance at December 31, 2019	6,270,838	4,624	4,533	6,279,995

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Notes to the consolidated financial statements (continued)

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

8. Intangible assets

The movement in intangible assets for the year ended December 31, 2019 was as follows:

	Franchise rights	Exclusive rent rights	Trademarks	Software	Assets under construction	Total
Cost						
At December 31, 2018	43,759	32,415	31,147	519,936	56,877	684,134
Additions	309	–	–	124,053	30,782	155,144
Disposals	(1,134)	–	(82)	(5,292)	–	(6,508)
Translation difference	–	–	–	(68)	–	(68)
At December 31, 2019	42,934	32,415	31,065	638,629	87,659	832,702
Accumulated depreciation and impairment						
At December 31, 2018	(28,129)	(15,438)	(31,007)	(129,754)	–	(204,328)
Charge for the year	(4,464)	(4,760)	(70)	(48,296)	–	(57,590)
Disposals	876	–	80	5,292	–	6,248
Impairment of intangible assets (Note 27)	(296)	–	–	(6,454)	–	(6,750)
Translation difference	–	–	(11)	46	–	35
At December 31, 2019	(32,013)	(20,198)	(31,008)	(179,166)	–	(262,385)
Net book value						
At December 31, 2018	15,630	16,977	140	390,182	56,877	479,806
At December 31, 2019	10,921	12,217	57	459,463	87,659	570,317

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

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Notes to the consolidated financial statements (continued)

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

8. Intangible assets (continued)

Intangible assets were tested for impairment as of December 31, 2019 and 2018. For the years ended December 31, 2019 and 2018 the Group recognized impairment loss of intangible assets in the amount of RUB 6,750 and RUB 677, respectively, as the recoverable amount of these assets is less than carrying amount at the same date (*Note 27*).

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 4.1% to 6.3% 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 7.54% 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).

9. Goodwill

The carrying amount of goodwill as of December 31, 2019 and 2018 was allocated among cash generating units (group of cash generating units) as follows:

	<u>2019</u>	<u>2018</u>
Pulkovo airport restaurants, Saint Petersburg, Russia	125,006	125,006
Combo Il Patio and Planet Sushi, Ekaterinburg, Russia	18,131	18,131
	<u>143,137</u>	<u>143,137</u>

The Group performed its annual goodwill impairment test in the years ended December 31, 2019 and 2018. 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.

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Notes to the consolidated financial statements (continued)

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

10. Related parties disclosures

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

Related parties	Purchases	Revenue and other gains	Receivables from related parties	Payables to related parties
2019				
Entities under common control:				
Chicken Factory LLC (1)	88,076	–	3,724	–
RosCorp LLC (2)	74,142	1,290	–	1,409
Rostik Aero LLC (3)	17,942	–	–	5,939
Institute of Glass JSC (4)	10,971	58	–	633
Rostik Investment Group Inc. (5)	1,415	270	90,764	–
RIG Restaurants Ltd. (6)	–	–	45,337	–
Others	13,984	155	9,218	5,755
Total 2019	206,530	1,773	149,043	13,736
2018				
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. (5)	4,791	814	103,078	–
Loyalty Partners Vostok LLC (7)	2	152	–	626
RIG Restaurants Ltd. (6)	–	–	64,043	–
Others	31,108	2,174	2,968	3,812
Total 2018	256,063	5,089	170,828	11,657

- (1) The outstanding balances from Chicken Factory LLC related to advances paid for the purchase of goods during the year ended December 31, 2019.
- (2) During the years ended December 31, 2019 and 2018, RosCorp LLC provided the Group with rent, transport and utility services.
- (3) During the years ended December 31, 2019 and 2018, Rostik Aero LLC leased restaurant premises to the Group.
- (4) During the year ended December 31, 2019, Institute of Glass JSC leased office premises to the Group.
- (5) The outstanding receivable balance as of December 31, 2019 and 2018 relates to the sale of companies Rosinter Polska and American Cuisine Warsaw to Rostik Investment Group Inc.
- (6) The outstanding receivable balance as of December 31, 2019 and 2018 relates to the sale of company Aero Restaurants to RIG Restaurants Ltd.
- (7) During the year ended December 31, 2018, the gain from Loyalty Partners Vostok LLC related to the accounts payable written-off.

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Notes to the consolidated financial statements (continued)

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

10. 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	Long-term loans payable to related parties	Short-term loans payable to related parties
2019						
Entities under common control	–	6,433	6,600	14,415	10,965	30,119
Total 2019	–	6,433	6,600	14,415	10,965	30,119
2018						
Entities under common control	553	58	13,800	21,965	–	11,051
Total 2018	553	58	13,800	21,965	–	11,051

As of December 31, 2019 and December 31, 2018 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
2019	149,043	21,815	6	127,228	–
2018	170,828	65,050	–	105,500	278

Compensation to key management personnel

Key management personnel totaled 13 and 14 persons as at December 31, 2019 and 2018, respectively. Total compensation to key management personnel, including social taxes, was recorded in general and administrative expenses and consisted of the following:

	2019	2018
Salary	87,535	91,435
Performance bonuses	–	11,118
	87,535	102,553

The Group's contributions relating to social taxes for key management personnel amounted to RUB 15,699 and RUB 16,552 during the years ended December 31, 2019 and 2018, respectively.

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Notes to the consolidated financial statements (continued)

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11. Income tax

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

	<u>2019</u>	<u>2018</u>
Current income tax expense	(23,074)	(8,985)
Adjustments in respect of current income tax of previous year	(2,283)	(318)
Deferred tax (expense)/benefit	(75,593)	47,478
Total income tax (expense)/benefit	(100,950)	38,175

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, 2019:

	<u>December 31, 2018</u>	<u>Changed to income and expense</u>	<u>Currency translation</u>	<u>December 31, 2019</u>
Tax effect of deductible temporary differences				
Trade and other payables	158,771	(136,242)	(7)	22,522
Write-down of inventories to net realisable value	14,984	(3,450)	(22)	11,512
Carry forward of unused tax losses	75,750	9,839	—	85,589
Other	49,703	167,923	(8)	217,618
Total deferred tax asset	299,208	38,070	(37)	337,241
Tax effect of taxable temporary differences				
Property and equipment	(75,649)	(110,183)	364	(185,468)
Right-of-use assets and lease obligations	—	(15,034)	—	(15,034)
Trade and other receivables	(12,339)	11,549	—	(790)
Other	(20)	5	—	(15)
Total deferred tax liability	(88,008)	(113,663)	364	(201,307)
Net deferred tax asset/(liability)	211,200	(75,593)	327	135,934

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:

	<u>December 31, 2017</u>	<u>Changed to income and expense</u>	<u>Currency translation</u>	<u>December 31, 2018</u>
Tax effect of deductible temporary differences				
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
Total deferred tax asset	193,504	105,585	119	299,208
Tax effect of taxable temporary differences				
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)
Total deferred tax liability	(29,619)	(58,107)	(282)	(88,008)
Net deferred tax asset/(liability)	163,885	47,478	(163)	211,200

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Notes to the consolidated financial statements (continued)

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

11. 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, 2019 and 2018, several subsidiaries had accumulated tax losses in the amount of RUB 427,895 and RUB 378,750, for which a deferred tax asset of RUB 85,579 and RUB 75,750, respectively, was recognized. 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:

	<u>2019</u>	<u>2018</u>
Loss before income tax	(338,493)	(120,810)
Income tax benefit at Russian statutory income tax rate (20%)	67,699	24,162
Effect of differences in tax rates in countries other than the Russian Federation	(5,055)	(9,022)
Adjustment in respect of income tax of previous years	(2,283)	(318)
Tax on dividend income related to dividend declared by subsidiaries	(4,127)	(3,773)
Effect of unified tax on imputed income	(1,941)	(5,498)
Utilization of previously unrecognized tax losses	(51)	(1,544)
Effect of non-deductible expenses	(3,869)	(7,548)
Effect of other permanent differences	(151,323)	41,716
Income tax (expense)/benefit at the effective income tax rate	(100,950)	38,175

12. Inventories

Inventories consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Foods, beverages, liquors and tobacco	121,348	115,383
Utensils, paper goods and other items	66,260	110,626
	187,608	226,009
Write-down of inventories to net realisable value	(35,959)	(25,124)
Total inventories, at realizable value	151,649	200,885

During the years ended December 31, 2019 and 2018 the Group recognized allowance for impairment of inventories in the amount of RUB 10,951 and RUB 919, respectively.

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Notes to the consolidated financial statements (continued)

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

13. Trade and other receivables

Receivables consisted of the following as of December 31:

	2019	2018
Trade receivables	70,813	82,481
Other receivables	142,225	219,534
	213,038	302,015
Allowance for expected credit losses	(38,266)	(70,731)
Total receivables, net	174,772	231,284

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:

	2019	2018
At January 1	70,731	42,121
The impact of IFRS 9	–	32,651
At January 1 (with impact of new standard)	70,731	74,772
Charge for the year	1,618	4,671
Amounts written off	(28,124)	(8,092)
Unused amounts reversed	(5,834)	–
Translation difference	(125)	(620)
At December 31	38,266	70,731

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

	Total	Neither past due nor impaired	Past due but not impaired		
			<3 months	3-6 months	>6 months
Trade receivables	70,813	50,622	13,512	5,070	1,609
Other receivables	103,959	60,566	6,085	3,030	34,278
2019	174,772	111,188	19,597	8,100	35,887
Trade receivables	80,174	59,340	18,449	370	2,015
Other receivables	151,110	60,188	28,800	694	61,428
2018	231,284	119,528	47,249	1,064	63,443

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Notes to the consolidated financial statements (continued)

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

14. Advances issued

Advances issued consisted of the following as of December 31:

	2019	2018
Advances to suppliers	302,507	226,224
Advances to employees	2,368	44
	304,875	226,268
Impairment allowance	(11,513)	(13,145)
Total advances issued, net	293,362	213,123

As at December 31, 2019 and 2018, advances to suppliers at nominal value of RUB 11,513 and RUB 13,145, respectively, were impaired. Movements in the allowance for impairment of advances issued were as follows:

	2019	2018
At January 1	13,145	11,473
Charge for the year	223	3,137
Amounts written off	(7)	(1,147)
Unused amounts reversed	(1,846)	(319)
Translation difference	(2)	1
At December 31	11,513	13,145

15. Cash and cash equivalents

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

	2019	2018
Cash at bank	90,886	36,839
Cash in hand	10,792	13,226
Cash in transit	41,315	97,320
Short-term deposits	6,780	1,000
Total cash and cash equivalents	149,773	148,385

16. Assets held for sale

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

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.

As at December 31, 2019, assets held for sale were reclassified to property and equipment in the amount of RUB 230,542 (*Note 6*).

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Notes to the consolidated financial statements (continued)

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17. Share capital

The authorised, issued and fully paid share capital of the Company as of December 31, 2019 and December 31, 2018 comprised 16,305,334 shares. The nominal value of each ordinary share is 169.70 Russian roubles.

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

The management of the Group decided to sell some treasury shares to the market. During the year ended December 31, 2019, 414,790 shares were sold for the total amount of RUB 24,340. Loss on disposal amounted to RUB 205,156.

As at December 31, 2019 the total quantity and value of treasury shares of the Company held by the Group were 56,793 shares and RUB 39,841.

18. Earnings per share

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

	2019	2018
Net loss attributable to equity holders of the Company	(440,317)	(83,459)
Weighted average number of ordinary shares outstanding	16,123,416	15,840,530
Effect on dilution: share based payments	22,574	52,596
Weighted average number of ordinary shares adjusted for the effect of dilution	16,145,990	15,893,126
Loss per share attributable to equity holders of the Parent, basic, roubles	(27.31)	(5.27)
Loss per share attributable to equity holders of the Parent, diluted, roubles	(27.27)	(5.25)

19. Loans and borrowings

Long-term loans and borrowings

	2019	2018
Russian rouble fixed rate 8.6%-13% bank loans maturing within 2 years	3,503,073	3,541,341
Other loans and borrowings	504,501	34,117
	4,007,574	3,575,458
Less: current portion	(447,219)	(623,623)
Total long-term loans and borrowings	3,560,355	2,951,835

Short-term loans and borrowings

	2019	2018
Russian rouble fixed rate 9%-16% bank and other loans maturing within 12 months	124,727	266,000
Russian rouble fixed rate 13%-13.5% overdraft facility	158,578	93,355
	283,305	359,355
Current portion of long-term loans and borrowings	447,219	623,623
Total short-term loans and borrowings	730,524	982,978

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Notes to the consolidated financial statements (continued)

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

19. Loans and borrowings (continued)

Loan covenants

Loan agreements include the following significant covenants:

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

20. Lease obligations

Some Group's property leases, in which the Group is a lessee, contain a variable part of lease payments that depends on revenue generated from the leased restaurant premises.

The variable payments are up to 14,8% of the Group's total lease payments. The Group expects that the variable rent expenses will be in a similar proportion in future years.

As at December 31, 2019 lease obligations were as follows:

	December 31, 2019
Minimum lease payments, including	
Current portion (less than 1 year)	1,933,717
More than 1 to 5 years	5,466,115
Over 5 years	1,014,578
Total minimum lease payments	8,414,410
Less interests	(2,210,049)
Present value of net minimum lease payments	
Current portion (less than 1 year)	1,227,950
More than 1 to 5 years	4,080,577
Over 5 years	895,834
Total present value of net minimum lease payments	6,204,361
Less current portion of lease obligation	(1,227,950)
Long-term portion of lease obligation	4,976,411

The changes in lease obligations:

	2019
Balance as at January 1, 2019, unaudited (Note 3)	7,420,499
Interest expense on lease obligations	859,802
New lease contracts	331,706
Modification of existing lease contracts	237,681
Lease payments	(2,131,731)
Foreign exchange gain	(439,982)
Disposal of lease obligation	(73,614)
Balance as at December 31, 2019	6,204,361

Interest expenses on lease obligation for year ended December 31, 2019 were included in financial expense in the accompanying consolidated statement of profit or loss.

Total cash outflows related to leases for the year ended December 31, 2019 totalled to RUB 2,131,573 of which RUB 859,802 related to interest paid.

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21. Liabilities to partners

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

	2019	2018
At January 1	198	526
Increase/(decrease) in amounts due to partners <i>(Note 28)</i>	58	(777)
Other non-cash settlements	–	449
At December 31	256	198

Analysed as to:

	2019	2018
Short-term liabilities to partners	256	198
Total liabilities to partners	256	198

22. Trade and other payables

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

	2019	2018
Trade creditors	471,936	438,535
Output VAT and other taxes payable	266,941	210,331
Accrued salaries	61,194	63,513
Unused vacation provision	53,600	66,434
Advances received	59,492	73,485
Interest payable to banks	13,532	23,610
Accrued and other liabilities	562,343	603,441
Total trade and other payables	1,489,038	1,479,349

Maturity profile of accounts payable is shown in Note 31.

23. Revenue

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

	2019	2018
Revenue from restaurants	7,450,286	7,368,526
Franchise revenue	208,576	211,385
Sublease services	65,610	59,864
Other revenues	7,155	11,024
Total revenue	7,731,627	7,650,799

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Notes to the consolidated financial statements (continued)

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

24. Cost of sales

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

	2019	2018
Buildings and restaurant equipment depreciation	1,881,506	210,566
Payroll and related taxes	1,609,780	1,449,434
Food and beverages	1,562,647	1,628,377
Laundry and sanitary control expenses	205,640	189,662
Transportation services	171,253	152,959
Utilities	153,171	166,126
Materials	150,956	165,194
Franchising fees	150,257	166,537
Other services	139,040	143,145
Rent	80,523	1,982,658
Maintenance and repair services	56,150	75,058
Sublease services costs	18,690	16,833
Other expenses	40,448	28,923
Total cost of sales	6,220,061	6,375,472

Depreciation of right-of-use assets in the amount of RUB 1,639,723 is included in buildings and restaurant equipment depreciation.

25. Selling, general and administrative expenses

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

	2019	2018
Payroll and related taxes	456,898	423,928
Depreciation and amortization	118,791	20,324
Advertising	75,261	148,883
Other services	38,444	46,784
Financial and legal consulting	20,772	24,054
Utilities	11,824	10,839
Transportation services	11,186	18,646
Bank services	9,170	8,797
Materials	8,836	11,174
Rent	7,483	51,111
Maintenance and repair services	3,865	6,282
Laundry and sanitary control expenses	509	230
(Decrease)/ increase in the allowance for expected credit losses of advances paid, taxes recoverable and receivables	(18,941)	20,826
Other expenses	64,814	51,811
Total selling, general and administrative expenses	808,912	843,689

Depreciation of right-of-use assets in the amount of RUB 29,815 is included in depreciation and amortisation.

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Notes to the consolidated financial statements (continued)

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

26. Other gains/losses

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

	2019	2018
Reversal of provision for contingent claims	8,429	–
Write-off of trade and other payables	1,511	6,853
Reversal of previous year expenses	1,141	851
Other gains	6,437	1,659
Total other gains	17,518	9,363
Loss on disposal of operating assets	61,500	62,413
Loss on disposal of inventory	7,910	–
Inventory shortage	3,932	3,616
Non-refundable VAT	2,883	1,126
Previous year expenses	1,238	1,455
Provision for contingent claims	–	6,596
Other losses	14,090	27,324
Total other losses	91,553	102,530

Loss on disposal of rights-of-use assets in the amount of RUB 8,172 is included in loss on disposal of operating assets.

27. Impairment of assets

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

	2019	2018
Loss from impairment of property and equipment <i>(Note 6)</i>	8,575	20,130
Loss from impairment of right-of-use assets <i>(Note 7)</i>	12,477	–
Loss from impairment of intangible assets <i>(Note 8)</i>	6,750	677
Total loss from impairment of assets	27,802	20,807

The accumulated impairment loss of property and equipment amounted to RUB 23,414 and RUB 36,829 as of December 31, 2019 and 2018, respectively.

The accumulated impairment loss of right-of-use assets amounted to RUB 12,477 as of December 31, 2019.

The accumulated impairment loss of intangible assets amounted to RUB 7,172 and RUB 677 as of December 31, 2019 and 2018, respectively.

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Notes to the consolidated financial statements (continued)

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

28. Financial income/expenses

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

	2019	2018
Interest income	1,319	1,767
Decrease in amounts due to partners <i>(Note 21)</i>	–	777
Total financial income	1,319	2,544
	2019	2018
Interest expense on bank loans and guaranties	447,039	291,415
Interest expense on lease obligation <i>(Note 20)</i>	859,802	–
Increase in amounts due to partners <i>(Note 21)</i>	58	–
Total financial expenses	1,306,899	291,415

29. Share based payments

On April 30, 2010 and later on the Group adopted an incentive plan (the "Plan") under which a number of executive employees and members of the Board of Directors (the "Participants") were granted cash settled phantom share options (the "Options"). The right to exercise the Options occurs in three installments of 1/3rd each and vests after 1, 2 and 3 years after the Plan adoption. Each installment is exercisable within 5 years upon vesting. Each part of the Plan adopted in certain year with certain exercise price is referred here as "Plan 2010", "Plan 2011", "Plan 2012" and "Plan 2013". The group intends to settle the first 1/3rd of the Plan 2010 in cash and the other 2/3rd of the Plan 2010, Plan 2011, Plan 2012 and Plan 2013 in equity, making use of its right to settle its obligation by issuance of treasury shares it holds for that purpose. The Group valued the cash-settled part of the Options and the Plan at the market price at the reporting date. The Group valued the equity-settled part of the options and the plan at the date of granting and did not revalue at December 31, 2019.

The value of the Plan is recognized in the financial statements during the vesting period as payroll expense. During the years ended December 31, 2019 and 2018, the Group recognized a reversal of the value of the Plan of RUB 442 and RUB 6,647, respectively. Total number of outstanding Options was 15,008 and 38,013 at December 31, 2019 and December 31, 2018, respectively, out of which 15,008 and 38,013 were exercisable at the respective dates.

	SARP 2010	SARP 2011	SARP 2012	SARP 2013	Total
Outstanding, December 31, 2017	24,016	21,338	29,000	8,000	82,354
Expired	(24,016)	(10,662)	(9,663)	–	(44,341)
Outstanding, December 31, 2018	–	10,676	19,337	8,000	38,013
Expired	–	(10,676)	(9,663)	(2,666)	(23,005)
Outstanding, December 31, 2019	–	–	9,674	5,334	15,008

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Notes to the consolidated financial statements (continued)

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29. Share based payments (continued)

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

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

The obligations under this program are recognized as cash settled share-based payment obligations. The fair value of recognized liabilities is RUB 5,144 and RUB 8,978 as at December 31, 2019 and December 31, 2018, respectively.

During the year ended December 31, 2019, the Group recognized reversal of the obligation under the program in the amount of RUB 3,834. During the year ended December 31, 2018 the Group recognized payroll expenses according to the new program in the amount of RUB 4,348.

30. Commitments and contingencies

Operating Environment of the Group

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

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Notes to the consolidated financial statements (continued)

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

30. Commitments and contingencies (continued)

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 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, 2019 and 2018 the Group had capital commitments of RUB 231,382 and RUB 142,424 respectively. These capital commitments principally relate to the construction of new restaurants.

31. Financial risk management objectives and policies

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

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

Interest rate risk

As at 31 December 2019 and 2018, 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.

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Notes to the consolidated financial statements (continued)

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

31. Financial risk management objectives and policies

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, euro and Russian rouble exchange rates with all other variables held constant, of the Group's profit/(loss) before tax:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	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%	(538,014)	20.0%	(16,574)
US dollar / Russian rouble	(10.0%)	269,119	(10.0%)	8,287
Euro / Russian rouble	20.0%	(77,833)	–	–
Euro / Russian rouble	(10.0%)	38,916	–	–
US dollar / Belarusian rouble	20.0%	620	20.0%	782
US dollar / Belarusian rouble	(10.0%)	(310)	(10.0%)	(391)

The Group aims to minimize possible foreign currency risk relating to the lease liabilities nominated in USD or Euro by negotiating the fixed exchange rate or a maximum exchange rate level with the landlords. 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 summarize the maturity profile of the Group's financial liabilities, including principal amounts and interests according to contractual terms, at December 31, 2019 and 2018 based on contractual undiscounted payments.

December 31, 2019	Less than 3				Total
	months	3-12 months	1 to 5 years	> 5 years	
Long-term and short-term loans and borrowings	194,332	1,205,813	4,600,474	39,035	6,039,654
Short-term debt due to related parties <i>(Note 10)</i>	–	30,119	10,965	–	41,084
Trade and other payables	1,045,988	1,553	270	–	1,047,811
Payables to related parties <i>(Note 10)</i>	13,623	113	–	–	13,736
Lease obligation <i>(Note 20)</i>	483,429	1,450,288	5,466,115	1,014,578	8,414,410
Liabilities to partners <i>(Note 21)</i>	256	–	–	–	256
Total	1,737,628	2,687,886	10,077,824	1,053,613	15,556,951

December 31, 2018	Less than 3				Total
	months	3-12 months	1 to 5 years	> 5 years	
Long-term and short-term loans and borrowings	200,086	1,420,253	3,929,602	245,660	5,795,601
Short-term loans due to related parties <i>(Note 10)</i>	–	11,051	–	–	11,051
Trade and other payables	1,063,433	2,153	–	–	1,065,586
Payables to related parties <i>(Note 10)</i>	11,635	22	–	–	11,657
Liabilities to partners <i>(Note 21)</i>	198	–	–	–	198
Total	1,275,352	1,433,479	3,929,602	245,660	6,884,093

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Notes to the consolidated financial statements (continued)

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

31. Financial risk management objectives and policies (continued)

Credit risk

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

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

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

	2019	2018
Trade and other receivables (Note 13)	174,772	231,284
Receivables from related parties (Note 10)	149,043	170,828
Long-term loans due from related parties (Note 10)	6,600	13,800
Short-term loans due from related parties (Note 10)	14,415	21,965
Short-term loans	1,700	1,261
	346,530	439,138

As of December 31, 2019 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 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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Notes to the consolidated financial statements (continued)

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

32. Subsequent events

At the end of 2019 the media reported the first cases of COVID-19 infections were established in China. In the first quarter of 2020, the negative impact of COVID-19 was increased and spread around the world. In this regard, restrictions and measures on social distancing were introduced in the Russian Federation from the 1st quarter of 2020, which had a significant impact on the restaurant business and the Group's activities.

As a result of the Government's decisions, restaurants were temporarily closed from March to June 2020, which significantly affected the Group's performance in 2020.

Starting from the end of March 2020, the Group changed the format of work for a number of locations, switching them to remote operation (delivery), implementing new security systems and thus avoiding a complete shutdown of its business.

In addition, the Group's management is a regular participant in working groups to develop proposals addressed to the Government of the Russian Federation on possible measures to support the restaurant industry.

Despite all the measures taken, the Group's financial results in future periods will continue to depend on the pace of recovery in demand and the lifting of restrictive antiviral measures.

As of reporting date there are 83 restaurants, including the summer verandas, take-out and delivery restaurants that are operating. There is a plan to open the remaining restaurants in stages: restaurants located at the transport hubs will be opened as passenger traffic is restored, and restaurants located in the Russia regions will be opened based on decisions of the local authorities. The Group plans to restore at least 95% of the network in the near future.

At this stage, management cannot reliably estimate the future rate of recovery, so it is considering various scenarios for rapid adaptation to changing needs and believes that the measures taken will enable the Group to meet its financial obligations.

At the time of issuance of these financial statements, the situation is still developing, the Group's management continues to monitor the situation with COVID-19 and expresses full confidence that the Group will be able to continue its operations in the future as a going concern.