Company Registration Number: 02760617 (England and Wales)

EASTLINK LANKER PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

EASTLINK LANKER PLC

COMPANY INFORMATION AND PROFESSIONAL ADVISORS

Directors	D Korotkov-Koganovich M Gilligan
Company secretary	D Korotkov-Koganovich
Registered office	Palladium House 1 – 4 Argyll Street London W1F 7LD
Independent auditor	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor Palladium House 1 – 4 Argyll Street London W1F 7LD
Bankers	National Westminster Bank Plc Strand Branch PO Box 414 38 Strand London WC2H 5JB JSC JSCB Alef Bank 21/33, BLD.1, Krzhizhanovskogo Str, Moscow 117218 Russia Barclays Bank PLC 39-41 Broad St St Helier Jersey JE4 8PU

EASTLINK LANKER PLC

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report for the year ended 31 December 2019.

Review of the business
The principal activities of the group during the year consisted of:

- the trading in the import and export of metals and industrial equipment through the parent company Eastlink Lanker PLC;
- the provision of retail and commercial banking activities in the Russian Federation through the wholly-owned subsidiary JSC JSCB Alef Bank (Alef Bank);
- the production and retailing of equipment for oil, chemical, petrochemical, pipeline, natural gas and water industries, off-shore and in-shore plants through the wholly owned subsidiary, LCM Italia S.p.A; and
- the import and export of motor vehicles in Israel, through the wholly-owned subsidiary Magi Motors Ltd and its associate, China Motors Ltd.

The group's turnover in 2019 has decreased from RUB 8,650m in 2018 to RUB 4,010m in 2019 mainly as a result of the decrease in revenue in the parent company and a decline in sales in LCM Italia S.p.A. The group achieved a net profit after tax of RUB 32.5m in 2019 (2018: RUB 1,049m). The group was in a net asset position of RUB 6,723m at 31 December 2019 (2018: RUB 7,252m) with cash and cash equivalents of RUB 2,282m at the year end (2018: RUB 3,075m).

During the year the parent company continued its operations in the trading of metals and industrial equipment. However, the company has been moving away from its trading activities and concentrating on its investment activities. As a result, turnover has declined from RUB 1,452m in 2018 to RUB 741m in 2019. The company's gross profit margin increased from 4.7% in 2018 to 6.2% in 2019 and the company achieved net profit after tax of RUB 424.6m (2018: RUB 10.04 m). This large increase in profit was largely due to dividend income from its wholly owned subsidiary Alef Bank of RUB 446.3m (2018: RUB nil) during the year.

During 2019 the economic conditions in the Russian Federation where Alef Bank operates remained challenging, with declining rate of economic growth, continued sanctions imposed by the EU and the USA and falling oil prices. There were also some positive trends: a reduction in unemployment figures and inflation rate. Russian Rouble remained relatively stable against United States Dollar throughout the year. Interest income from banking activities has decreased from last year's turnover of RUB 1,521m to RUB 1,457m, a decrease of 4.2%. However, the bank reported a gross profit margin of 62.9% (2018: 73.3%) on its activities due to a writeback of RUB 610m in impairment allowance in 2019 compared to a writeback in impairment allowance of RUB 32m in 2018 and losses of RUB 450m (2018: RUB 476m gain) from foreign exchange dealings. The bank achieved a decreased net profit before tax of RUB 621m in 2019 (2018: RUB 1,062m).

In 2019, LCM Italia S.p.A has been affected by slowing economic growth in the world economy and in the company's main target markets. The company has been actively seeking client, geographical and product diversification and has achieved significant results in widening its product range, winning new clients and also in making significant progress with its JV project in the Middle East. LCM Italia S.p.A has achieved revenue of RUB 2,249m in 2019 (2018: RUB 5,184m). Its gross profit margin increased from 23% in 2018 to 30% in 2019. The company made an overall loss before tax of RUB 138m in 2019 (2018: RUB 212m profit) primarily as a result of its decreased turnover in 2019 and write off of outstanding debts.

Review of the business (continued)

The group has significant interest in China Motors Ltd, which operates in the import and export of motor vehicles in Israel, and which also provides technical support, repairs services and leasing of buses through its subsidiaries. The group's share of the profit in the associate amounted to RUB 12.4m loss in 2019 (2018: RUB 35.4m profit).

Key performance indicators

The following are the key performance indicators used by the group:

(i) Trading in import and export of metal and industrial equipment:

	2019 RUB'000	2018 RUB'000
Revenue in year	740,960	1,452,901
Gross profit for the year	46,330	72,856
(Loss)/profit before tax	(28,392)	21,770
Net assets	1,039,055	1,021,538

(ii) Banking and retail operations:

	2019 RUB'000	2018 RUB'000
Net interest income	1,074,983	955,865
Profit before tax	621,611	1,061,705
Net assets	4,368,985	4,450,611

(iii) Retail of extraction, refinery and transportation products for the fuel and oil industries:

	2019 RUB'000	2018 RUB'000
Revenue	2,249,875	5,183,478
(Loss)/profit before tax	(137,833)	212,815
Net assets	700,292	923,660

Key risks and uncertainties
The state of the Russian economy, strength of the Russian Rouble, volatility in the financial markets and any continued intervention of the Russian Central Bank will impact on the group's banking operations as these affect the lending activities of Alef Bank. The group's turnover and profitability is also influenced by oil prices, which not only affect the Russian economy but also the market for oil production equipment.

The group actively monitors its exposure to currency and market risks, identifying future potential issues and planning ahead. Decisions are implemented after carrying out an impact analysis that limits exposure to risks and which maximise business opportunities.

In relation to the group's activities in the production and retailing of equipment in the oil and natural gas industries, the group is exposed to credit risks arising from long outstanding receivable balances. There is ongoing legal action in place to recover these debts and the directors are confident of recovering the outstanding balances. However, this creates cash flow uncertainties due to delays in the collection of trade receivable balances.

Banking risks
The group is exposed to banking risks through Alef Bank's operations. These include credit, operating, interest rate, legal, liquidity, reputational and compliance risks. The bank has a risk management department and an internal audit team which report to the bank's board of directors and executive committee on a timely basis on any banking risks. The bank also has internal control procedures in place to ensure that the bank is within risk limits and satisfies capital adequacy ratios set by the Central Bank of the Russian Federation. Further information of how the group manages its banking risks is provided in Note 32.

Future developments
The group is proactive in considering and creating opportunities which add value to its existing operations across Europe, USA and Asia. In particular, the group aims to strengthen its presence in the fuel and oil market, through reinforcing its sales network and entering into new geographical regions. The group is in the process of constructing a new production site in the Middle East.

Section 172 (1) Companies Act 2006

Eastlink Lanker Plc ("the Company" or "Eastlink") including its associated and subsidiary companies ("the group") is committed to high standards of corporate governance in supporting the long-term success and sustainability of the business. The group strives to maintain a robust and transparent framework which supports the application and execution of the group's strategy.

Under section 414 of the UK 2006 Companies Act ("the Act"), the Company is required to include a section 172 statement describing how it has dealt with matters prescribed in section 172 of the Act during the relevant period.

Our Business

Eastlink is the parent company of the group with its principal office in London, United Kingdom. Its main trading activities are the import and export of metals and industrial equipment. Within the group, the trading subsidiaries include (i) JSC JSCB Alef Bank, whose business activities include the provision of retail and commercial banking activities in the Russian Federation (ii) LCM Italia S.p.A, whose business activities include the production and retailing of equipment for oil, chemical, petrochemical, pipeline, natural gas and water industries, off-shore plants; and (iii) Magi Motors Ltd and its associate China Motors Ltd whose business activities include the import and export of motor vehicles in Israel. We operate across Russia, Italy and China and our supply chains are predominantly based within these countries. We continue to strive to meet customer expectations and further strengthen our relationships with customers as stakeholders as a key consideration of the group's strategy.

Suppliers

Eastlink develops and foster relationships with suppliers who support its operations and provide strategic and competitive advantages in its business activities. Eastlink manages and promotes strong relationships to ensure good service, cost effectiveness and effective collaboration. Such relationships must also align with Eastlink's commitment to ethical sourcing and be free of unethical business practices such as slavery and human trafficking. In January 2019, the Board approved Eastlink's Modern Slavery Statement pursuant to Section 54 of the UK Modern Slavery Act 2015, which is reviewed annually or as required. Management is provided with any material business developments with key suppliers as part of the group's strategy to develop relationships for the long-term success of the business.

Employees

Another critical component to the group's long-term success is its workforce. Eastlink promotes a harmonious and supportive working environment with a culture of inclusion. New staff are welcomed through an induction process and are provided with the Eastlink's Employee handbook which sets out the company policies on matters such as whistleblowing and codes of conduct with respect to anti-corruption and bribery to ensure that all employees understand the role they play in ensuring that business activities are objective and transparent to ensure social, environmental and business integrity, which are essential elements of the group's strategy. The group believes in staff development and encourages attendance to external staff development programs to further develop their skill base.

Eastlink's values are fundamental to the way we do business and our interactions with all our stakeholders including suppliers, customers and staff. Ethics and integrity are our guiding principles and applied across our business. We also recognise diversity of thought, talent and experience and the important role that staff play in the overall long-term growth prospects of our business. Eastlink employs staff from multicultural backgrounds who are motivated and competent to support the international aspects of the business and deliver the group's strategy.

Shareholders

The Board is also committed to engaging with its shareholders recognising the importance of communication and an open dialogue. Material matters or challenges are raised and addressed by management with any necessary updates being communicated to the shareholders.

Community and environment

The directors are mindful of the communities in which the businesses operate. Given the global nature of the business, it is important to have appropriate support to local communities. Where practical, these differences are considered and supported, including working arrangements, supply and community relations. The group has developed social and environmental policies which are designed to reduce the impact of the group's activities on the environment.

On behalf of the board

....

D Korotkov-Koganovich
Director

Date: 28 July 2020

The directors present their report and the audited financial statements of the group and the company for the year ended 31 December 2019.

Directors
The following directors have held office since 1 January 2019:

D Korotkov-Koganovich
M Gilligan

Results and dividends
The results for the year are as set out on page 9. Ordinary dividends amounting to 273,674,000 Russian Roubles ("RUB") (2018: nil) were declared and paid during the year.

Going concern
After making appropriate enquiries, the directors consider that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The directors have considered the potential future impacts of the global COVID-19 pandemic and the impact this will have on the group.

Detailed forecasts and cashflow projections have been prepared to 31 December 2021 for the main trading entity, substantiating the trajectory allowing for the implications of the Covid-19 pandemic which was declared by the World Health Organisation on 11 March 2020. The group has revisited its original assessment in order to consider the impact of the current situation. The group's revenue and profit base is diversified and not significantly exposed to the performance of individual sectors. The sales for the main trading entity for the year ending 31 December 2020 have been contractually pre ordered due to the lead time of 5 months to deliver the products. Management's outlook of the banking subsidiary takes into account that social distancing measures put in place will not have significant impact in how the bank operates.

Consequently, whilst the overall growth in 2020 will not be delivered in the same way or in the same industries as originally planned, the business is robust.

Financial risk management
The directors constantly monitor the financial risks and uncertainties facing the group with particular reference to the exposure of interest rate, foreign currency, credit, liquidity and cash flow risk. They are confident that suitable policies are in place and that all material financial risks have been considered. Further details are given in Note 32 to the financial statements.

Future developments
The group's future developments have been included within the strategic report.

Key risks and uncertainties
The group's principal risks and uncertainties have been included within the strategic report.

Post balance sheet events
In the directors' opinion, there are no events after the reporting year that require disclosure. The directors do not believe that the COVID-19 pandemic mentioned above has had a material impact on the carrying values of any of the items in the groups statement of financial position. LCM Italia SpA closed its factory in Italy for a short period of a few weeks before resuming its operations. Alef Bank's and Eastlink Lanker PLC's operations have continued without significant impact.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

On behalf of the board

....
D Korotkov-Koganovich
Director

Date: 28 July 2020

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019
TO THE MEMBERS OF EASTLINK LANKER PLC

Opinion

We have audited the financial statements of Eastlink Lanker PLC (the "parent company") and its subsidiaries ("the group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profits for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006 and;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019
TO THE MEMBERS OF EASTLINK LANKER PLC

Emphasis of matter – credit risk
We draw your attention to Note 15.2.1 which discloses that a significant portion of the group's corporate and retails loans are ranked in the lowest two categories based on their credit quality rating and therefore, the level of the group's credit risk is assessed as high. Our opinion is not modified in this respect.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on work undertaken in the course of our audit, the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019
TO THE MEMBERS OF EASTLINK LANKER PLC

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company'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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

A description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Blick Rothenberg Audit LLP

Michael Krieger FCA (Senior Statutory Auditor)
For and on behalf of Blick Rothenberg Audit LLP, Chartered Accountants & Statutory Auditor
Palladium House
1 -4 Argyll Street
London
W1F 7LD

Date: 28th July 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RUB'000	2018 RUB'000
Continuing operations			
Revenue	3	4,010,495	8,650,368
Cost of sales	4	(2,042,801)	(5,902,320)
Gross profit		**1,967,694**	**2,748,048**
Administrative expenses		(1,875,619)	(1,343,346)
Impairment of investment in associate	12(a)	(192,073)	-
Other income/(expenses)	7	158,677	115,962
Net (losses)/gains on financial instruments at fair value	8	347,695	(252,401)
Change in other provisions		(78,704)	39,438
Operating profit		**327,670**	**1,307,701**
Finance costs - net		(60,345)	(8,910)
Share of profit of associate accounted for using the equity method		(12,529)	34,486
Profit for the year before income tax		**254,796**	**1,333,277**
Income tax expense	9	(222,314)	(284,391)
Profit for the year		**32,482**	**1,048,886**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	25	(284,239)	375,443
Losses on employee severance fund		(2,724)	607
Other comprehensive deficit for the year		**(286,963)**	**376,050**
Total comprehensive deficit/income		**(254,481)**	**1,424,936**
Profit for the year attributable to owners of the parent	24	**32,482**	**1,048,886**
Total comprehensive deficit/income attributable to owners of the parent		**(254,481)**	**1,424,936**

The notes on pages 21 to 99 are an integral part of these consolidated financial statements

EASTLINK LANKER PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 RUB'000	2018 RUB'000	2017 RUB'000
Assets				
Non-current assets				
Property, plant and equipment	10	1,056,508	934,668	750,625
Intangible assets	11	971,992	1,112,822	944,200
Investment properties	16	261,696	-	-
Investment in associate	12a	278,312	498,497	386,705
Assets held for sale	13	42,018	91,972	178,105
Deferred tax assets	22	199,145	107,546	103,551
Total non-current assets		**2,809,671**	**2,745,505**	**2,363,186**
Current assets				
Inventories	14	501,552	611,415	966,546
Trade and other receivables	15	6,347,995	7,550,489	7,380,468
Financial assets at fair value through profit or loss	17	8,569,429	7,227,096	8,138,799
Cash and cash equivalents (excluding bank overdrafts)	18	2,281,902	3,074,742	3,521,867
Total current assets		**17,700,878**	**18,463,742**	**20,007,680**
Total assets		**20,510,549**	**21,209,247**	**22,370,866**
Equity and liabilities				
Equity attributable to owners of the parent				
Ordinary shares	23	1,431,302	1,431,302	1,431,302
Preference shares	23	431,039	431,039	431,039
Other reserves	25	2,011,094	2,298,057	1,922,008
Retained earnings	24	2,850,060	3,091,252	2,042,365
Total equity		**6,723,495**	**7,251,650**	**5,826,714**
Liabilities				
Non-current liabilities				
Borrowings	21	180,754	558,411	132,291
Deferred tax liabilities	22	277,292	83,660	60,682
Other payables	19	223,644	33,373	31,432
Total non-current liabilities		**681,690**	**675,444**	**224,405**
Current liabilities				
Trade and other payables	19	12,060,010	11,925,346	14,575,675
Borrowings	21	987,314	1,330,407	1,658,074
Current tax liabilities		58,040	26,400	85,998
Total current liabilities		**13,105,364**	**13,282,153**	**16,319,747**
Total liabilities		**13,787,054**	**13,957,597**	**16,544,152**
Total equity and liabilities		**20,510,549**	**21,209,247**	**22,370,866**

The notes on pages 21 to 99 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the Board on 28 July '20 and signed on its behalf by:

....
D Korotkov-Koganovich
Director
Company Registration Number: 02760617

The notes on pages 21 to 99 are an integral part of these consolidated financial statements

EASTLINK LANKER PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the parent				
	Notes	**Ordinary shares RUB'000**	**Preference shares RUB'000**	**Other reserves RUB'000**	**Retained earnings RUB'000**	**Total RUB'000**
Balance as at 1 January 2018		**1,431,302**	**431,039**	**1,922,007**	**2,042,366**	**5,826,714**
Comprehensive income						
Profit for the year	**24**	-	-	-	1,048,886	1,048,886
Other comprehensive income	**25**	-	-	376,050	-	376,050
Balance as at 31 December 2018 and 1 January 2019		**1,431,302**	**431,039**	**2,298,057**	**3,091,252**	**7,251,650**
Comprehensive income						
Profit for the year	**24**	-	-	-	32,482	32,482
Other comprehensive deficit	**25**	-	-	(286,963)	-	(286,963)
Dividends	**24**	-	-	-	(273,674)	(273,674)
Balance as at 31 December 2019		**1,431,302**	**431,039**	**2,011,094**	**2,850,060**	**6,723,495**

The notes on pages 21 to 99 are an integral part of these consolidated financial statements

EASTLINK LANKER PLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 RUB'000	2018 RUB'000 As restated	2017 RUB'000 As restated
Assets				
Non-current assets				
Property, plant and equipment	**10a**	169,072	9,393	8,404
Investments in subsidiaries	**12**	4,824,935	5,661,019	5,123,873
Total non-current assets		**4,994,007**	**5,670,412**	**5,132,277**
Current assets				
Inventory		18,540	4,214	939
Trade and other receivables	**15a**	181,853	104,615	153,049
Cash and cash equivalents	**18a**	258,463	311,022	151,658
Total current assets		**458,856**	**419,851**	**305,646**
Total assets		**5,452,863**	**6,090,263**	**5,437,923**
Equity and liabilities				
Equity attributable to owners of the parent				
Ordinary shares	**23**	1,431,302	1,431,302	1,431,302
Preference shares	**23**	431,039	431,039	431,039
Foreign exchange reserves		2,945,021	3,656,466	2,915,718
Retained earnings	**24a**	264,696	113,790	103,746
Total equity		**5,072,058**	**5,632,597**	**4,881,805**
Liabilities				
Non-current liabilities				
Trade and other payables	**19a**	146,654	-	-
Borrowings	**21a**	-	124,559	-
Current liabilities				
Trade and other payables	**19a**	234,151	328,290	237,182
Borrowings	**21a**	-	1,877	316,171
Current tax liabilities		-	2,940	2,765
Total liabilities		**380,805**	**457,666**	**556,118**
Total equity and liabilities		**5,452,863**	**6,090,263**	**5,437,923**

As permitted by S408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was RUB 424,580,000 (2018: RUB 10,044,000).

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the Board on 28 July 2020 and signed on its behalf by:

....
D Korotkov-Koganovich
Director
Company Registration Number: 02760617

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the parent				
	Notes	Ordinary Shares	Preference shares	Foreign exchange reserve	Retained earnings	Total
		RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Balance as at 1 January 2018		**1,431,302**	**431,039**	**2,915,718**	**103,746**	**4,881,805**
Comprehensive income						
Other Comprehensive income		-	-	740,748	-	740,748
Profit for the year	**24a**	-	-	-	10,044	10,044
Balance as at 31 December 2018 and 1 January 2019		**1,431,302**	**431,039**	**3,656,466**	**113,790**	**5,632,597**
Comprehensive income						
Other Comprehensive income		-	-	(711,445)	-	(711,445)
Profit for the year	**24a**	-	-	-	424,580	424,580
Dividends paid		-	-	-	(273,674)	(273,674)
Balance as at 31 December 2019		**1,431,302**	**431,039**	**2,945,021**	**264,696**	**5,072,058**

Ordinary and preference share capital
These amounts represent the amount subscribed for shares at nominal value.

Retained earnings
This amount consists of cumulative realised profits less losses and distributions attributable to owners of the parent.

Foreign exchange reserve
Foreign exchange reserve comprise of the cumulative translation differences between functional currencies of subsidiaries and the presentation currency of the group.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RUB'000	2018 RUB'000
Cash flows from operating activities			
Cash inflow from operations		823,531	413,063
Income tax paid		(66,908)	(316,040)
Interest paid		(70,934)	(9,684)
Net cash inflow from operating activities		**685,689**	**87,339**
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)	**10**	(82,387)	(361,740)
Proceeds from sale of PPE		1,914	9,901
Purchases of investment properties	**16**	(262,150)	-
Purchases of intangible assets	**11**	(23,127)	(46,156)
Sale of held for sale investments		49,048	90,324
Net cash outflow from investing activities		**(316,702)**	**(307,671)**
Cash flows from financing activities			
(Repayment of bank borrowings)/proceeds from bank borrowings		(176,688)	422,613
Finance lease repayment		(79,883)	(2,221)
Loans repaid to related parties		(112,973)	(286,234)
Dividends paid		(273,674)	-
Borrowings through debts securities issued		-	2,076
Net cash (outflow)/inflow from financing activities		**(643,218)**	**136,234**
Net decrease in cash and cash equivalents		(274,231)	(84,098)
Cash and cash equivalents at beginning of year	18	2,116,202	2,336,464
Exchange losses on cash and cash equivalents		(220,980)	(136,164)
Cash and cash equivalents at end of year	**18**	**1,620,991**	**2,116,202**

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

Cash inflow from operations	**Notes**	**2019 RUB'000**	**2018 RUB'000**
Operating profit		327,670	1,307,701
Adjustments for:			
Depreciation	**10**	186,396	106,162
Amortisation	**11**	25,519	22,419
Impairment of investment in associate	**12(a)**	192,073	-
Loss on disposal of PPE		11,649	814
Losses/(gains) on financial assets at fair value through profit or loss		-	(36,096)
Changes in other provisions		1,460,699	(29,409)
Other non-monetary gains		26	(2,695)
Unrealised exchange gains on transactions		271,655	(74,563)
Share of profit from associate		-	-
Changes in working capital:			
Inventories		34,404	465,259
Loans and advances (to)/from banks		(338,579)	(752,217)
Loans and advances (to)/from customers		(1,075,839)	(841,862)
Deposits from/(to) customers		1,239,303	(1,327,025)
Trade and other receivables		48,216	1,381,081
Financial assets at fair value through profit or loss		(1,342,346)	1,038,503
Trade and other payables		(217,315)	(845,009)
		823,531	413,063

EASTLINK LANKER PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RUB'000	2018 RUB'000 As restated
Cash flows from operating activities			
Cash (outflow)/inflow from operations		(210,810)	76,112
Income tax paid		(2,332)	(2,961)
Net cash (outflow)/inflow from operating activities		**(213,142)**	**73,151**
Cash flows from investing activities			
Loan repayments received from subsidiaries		131,078	222,116
Purchases of PPE		-	(814)
Dividends received		446,302	-
Interest received		26,464	64,118
Interest paid on leases		(3,259)	-
Interest paid on loans		(1,125)	(10,069)
Net cash inflow from investing activities		**599,460**	**275,351**
Cash flows from financing activities			
Payment of lease liabilities		(20,070)	-
Dividends paid		(273,674)	-
Repayment of loans to related parties		(112,973)	(222,116)
Net cash outflow from financing activities		**(406,717)**	**(222,116)**
Net (decrease) / increase in cash and cash equivalents		(20,399)	126,386
Effects of foreign exchange		(32,160)	32,978
Cash and cash equivalents at beginning of year	**18a**	311,022	151,658
Cash and cash equivalents at end of year	**18a**	**258,463**	**311,022**

Cash inflow from operations			
Operating loss before income tax		(74,877)	(38,944)
Adjustments for:			
Depreciation	**10a**	22,013	1,037
Effects of foreign exchange		9,169	-
Changes in working capital			
Inventories		(15,388)	(2,888)
Trade and other receivables		(96,754)	65,672
Trade and other payables		(54,973)	51,235
		(210,810)	76,112

The notes on pages 21 to 99 are an integral part of these consolidated financial statements

1. Corporate information

Eastlink Lanker PLC is a public limited company which is incorporated and domiciled in the United Kingdom. It is a company limited by shares and its registered office is located at Palladium House, 1-4 Argyll Street, London, W1F 7LD.

The principal activities of the group during the year were as follows:

- the trading in the import and export of metals and industrial equipment through the parent company Eastlink Lanker PLC;
- the provision of retail and commercial banking activities in the Russian Federation through the wholly-owned subsidiary CJSC JSCB Alef Bank ("Alef Bank");
- the production and retailing of equipment for oil, chemical, petrochemical, pipeline, natural gas and water industries, off-shore and in-shore plants through its wholly-owned subsidiary LCM Italia S.p.A and
- the import and export of motor vehicles in Israel, through the wholly-owned subsidiary Magi Motors Ltd and its associate, China Motors Ltd.

The entity's owners do not have the power to amend the financial statements after issue.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Eastlink Lanker Plc, its subsidiaries and its associates.

2.1 Basis of preparation

(i) Compliance with IFRS

The financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU).

The consolidated financial statements comprise the consolidated statement of comprehensive income as a single statement, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the notes.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) – measured at fair value; and
- assets held for sale – measured at fair value less costs to sell.

(iii) Going concern

The directors have considered the economic impact and restrictions that have ensued following the Coronavirus pandemic that has emerged since the end of the financial year. Detailed forecasts and cashflow projections have been prepared to 31 December 2021 for the main trading entity, substantiating the trajectory allowing for the implications of the Covid-19 pandemic which was declared by the World Health Organisation on 11 March 2020. The group has revisited its original assessment in order to consider the impact of the current situation. The group's revenue and profit base is diversified and not significantly exposed to the performance of individual sectors. The sales for the main trading entity for the year ending 31 December 2020 have been contractually pre ordered due to a lead time of 5 months to deliver the products. Management's outlook of the banking subsidiary takes into account that social distancing measures put in place will not have significant impact in how the bank operates.

Consequently, whilst the overall growth in 2020 will not be delivered in the same way or in the same industries as originally planned, the business is robust.

Having considered the above and post year end performance, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence and meet its liabilities as they fall due for a period of at least twelve months from the date these financial statements were approved. Accordingly, they consider the going concern basis to be appropriate in preparing the financial statements

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) Foreign currencies

The consolidated financial statements are presented in Russian Roubles (RUB). Each entity in the group determines its own functional currency and this consisted of Russian Roubles, Israeli Shekels and Euros.

With effect from 1 January 2019, the group's presentational currency was changed from Euros to RUB which is considered to be more in line with the geographical split of the group's operations.

Comparative information has been restated in RUB in accordance with the guidance in IAS 21. The 2017 and 2018 comparatives and associated notes have been retranslated from Euro to RUB using the procedures outlines below:
- assets and liabilities were translated into RUB at closing rates of exchange;
- income and expenses were translated into RUB at average rates of exchange as they are a suitable proxy for the prevailing rates at the date of transactions;
- differences resulting from the retranslation on the opening net assets and the results for the period have been taken to Other Comprehensive Income; and
- share capital, share premium and other reserves were translated at historic rates prevailing at the dates of the transactions.

The exchange rates used were:

	2018	2017
	€1:RUB	€1:RUB
Closing rate	79.8449	69.3354
Average rate	74.0387	65.8157

The figures shown in the financial statements are stated to the nearest thousand (RUB'000), except where otherwise indicated.

(v) Accounting estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change.

Management believes that the underlying assumptions are appropriate and that the group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.21.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(vi) New and amended standards and interpretations

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

• IFRS 16, 'Leases'

The nature and effect of the changes as a result of adoption of this new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the group. The group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 *Leases*

IFRS 16 supersedes IAS 17 and it removes the distinction between operating leases, which used to be off-balance sheet and finance leases which were on balance sheet. IFRS 16 establishes a new method of lease accounting which reflects the future right-of-use of all leased assets, as well as a corresponding future financial obligation, reflected as a lease liability.

The adoption of IFRS 16 has caused both assets and liabilities to increase in similar amount. The impact on net assets is immaterial. It has also caused an increase in depreciation and interest expense, and a reduction in administrative expenses as the new treatment removes the previous expensing of lease payments to the statement of comprehensive income.

Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been adopted early by the group. None of these are expected to have a material impact on the company or the group.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company, its subsidiaries and its associate undertaking as at 31 December 2019.

(a) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(b) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The carrying amount of equity accounted investment is tested for impairment in accordance with policy described in Note 2.12.

2.3 Business combinations and goodwill

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. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets.

After initial recognition, goodwill is not amortised and measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Russian Roubles ('RUB'.

a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

b) Group companies

The results and financial position of all the group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) and;

- All resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in equity attributable to owners of the parent as "Foreign exchange reserve" within "Other reserves".

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

b) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings are taken to 'Other comprehensive income'. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Financial assets and liabilities

All financial assets and liabilities have to be recognised in the statement of financial position and measured in accordance with their assigned category as detailed below:

2.5.1 Financial assets

(i) Classification
The group classifies its financial assets in the following measurement categories:

• those to be measured subsequently at fair value (either through OCI or through profit or loss); and
• those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

(iii) Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the profit and loss account.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are also presented in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in the statement of profit or loss.

  The group does not have any debt instruments measured at FVOCI.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within gains/(losses) on financial instruments in the period in which it arises.

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

(iii) Measurement (continued)

Equity instruments
The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The group and company do not have any equity instruments measured at FVPL or classified as FVOCI.

(iv) Impairment

The group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Cash and cash equivalents

The group considers cash and cash equivalents as cash in hand and cash held at bank. Cash equivalents represent short-term highly-liquid investments easily convertible into cash and where the exposure to risk of their price change is very minimal. All short-term interbank deposits, excluding "overnight", are recognised in "Placements with other banks".

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

(vi) Mandatory balances held with the Central Bank of Russia

Cash balances held by the group with the Central Bank of Russia in relation to its commercial banking operations in the Russian Federation, are carried at amortised cost. These represent non-interest bearing mandatory reserve deposits which are not available to finance the group's day to day operations. These are excluded from cash and cash equivalents. For the purposes of the consolidated statement of financial position, these are included within other assets and included in Note 15.

(vii) Deposits with other banks

These are balances which the group advances to counterparty banks through its subsidiary bank with no intention of trading. These balances are due on fixed or determinable dates and are carried at amortised cost.

Deposits with other banks are recognised on placement of deposits. At initial recognition current loans and deposits are carried at fair value and subsequently they are carried at amortised cost less allowance for impairment. Amortised cost is based on the fair value of the issued loan or placed deposit which is calculated using actual market interest rates at the time of issue/placement. Differences between fair value and nominal value of a loan/deposit are recognised in the consolidated statement of comprehensive income.

(viii) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.2 Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.2 Financial liabilities (continued)

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, VAT and other sales taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. Summary of significant accounting policies (continued)

2.7 Revenue (continued)

a) Sales of ferrous products – import and export of metals and industrial equipment

The group trades in the import and export of ferrous products. Sales are recognised when control has passed to the customer upon the delivery of goods to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied. The group has a range of credit terms which are typically short term, without any financing component.

b) Revenue from retail and commercial banking

Revenue from banking activities consists of interest income and is recognised as detailed in Note 2.8.

c) Supply of products for the fuel and oil industries

Through LCM Italia S.p.A., the group operates in the retailing of extraction, refinery and transportation products within the fuel and oil industries. Sales are recognised when control has been passed to the customer either by way of delivery or through acceptance by the customer, and the costs incurred in respect of the transaction can be measured reliably. Payment terms are typically short term, without any financing component.

The group does not generally accept returns.

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'revenue' and 'cost of sales' in the consolidated statement of comprehensive income using the effective interest method.

When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. Summary of significant accounting policies (continued)

2.9 Other income

Other income consists of sales of scraps, sale of household goods, grants for research activities, loan commitment fees and commissions. These are generally recognised on an accruals basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. The same principle is applied to custody, financial planning and depository services that are continuously provided over an extended period of time. Commissions and fees arising from negotiation, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or purchase or sale of businesses, which are earned on the execution of the underlying transaction are recognised on its completion. Commissions and fees arising from asset management services are recognised in accordance with contractual terms if the amount can be measured at the date of the contractual right to receive such income.

Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.10 Employee benefits

Pension obligations
The group has defined pension contributions plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Severance obligation
The group has a provision for severance indemnity under which it pays fixed contributions into a

that entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2. Summary of significant accounting policies (continued)

2.11 Impairment of financial assets

The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of significant accounting policies (continued)

2.13 Property, plant and equipment

Leasehold land and buildings comprise mainly of branches and offices. All property, plant and equipment used by the parent or its subsidiaries are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to administrative expenses during the financial period in which they are incurred. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Freehold buildings	-	3%
Leasehold land and buildings	-	Lease term
Motor vehicles	-	10 - 30%
Fixtures, fittings and equipment	-	5 - 25%
Computer equipment	-	20 - 50%
Right-of-use assets	-	Lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the consolidated statement of financial position. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were considered to be impaired as at 31 December 2019 (2018: nil).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in administrative expenses in the consolidated statement of comprehensive income.

2.14 Intangible assets (other than goodwill)

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on existing intangible assets is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statement of comprehensive income as incurred.

The group amortises intangible assets with a limited useful life over the following periods:

IT development and software	3 - 7 years (straight-line)

Amortisation costs are included in administrative expenses.

2. Summary of significant accounting policies (continued)

2.15 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Leases

As mentioned in Note 2.1, IFRS 16 Leases has been mandatorily adopted for the year ended 31 December 2019. IFRS 16 removes the distinction between operating and finance leases. Under IFRS 16, for all leases (other than those for small value items and short term (less than 12 months) leases), future lease payments are discounted to present day terms using the rate of interest implicit in the lease. If this cannot be readily determined, it is discounted using the incremental borrowing rate, being the rate that the group would expect to pay if it were to borrow over a similar term, and with similar security, an asset of similar value to the right-of-use asset in a similar economic environment. This present value amount is recognised as a lease liability, which reduces over the life of the lease as payments are made. Payments are split between a reduction of the lease liability and interest expense recognised in the statement of comprehensive income, calculated using the rate used to discount the lease. Upon recognition of the lease liability, an equal and opposite Right-of-use asset is recognised (included in Property, plant & equipment). The Right-of-use asset is depreciated over the life of the lease on a straight-line basis.

The group has applied the modified retrospective approach as set out in IFRS 16, whereby the newly adopted standard is only applied from 1 January 2019, that is, prior periods are not restated in respect of this change in accounting policy.

For comparative periods presented, leases are accounted for under IAS 17 Leases. Under IAS 17, leases are accounted as either an operating lease or a finance lease as described below:

a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2. Summary of significant accounting policies (continued)

2.16 Leases (continued)

b) Finance leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2.17 Debt securities issued

Debt securities issued include promissory notes and certificates of deposit issued by the group. Debt securities issued are initially recognised at fair value of proceeds received less transaction costs. Subsequently, they are stated at amortised cost through profit or loss using the effective interest method. If the group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in the consolidated statement of comprehensive income.

2.18 Credit related commitments

As part of the normal activities of the group through Alef Bank, the group undertakes credit related commitments, including guarantees, letters of credit and loan commitments. Provisions for credit related commitments are made by the group when there is a reasonable estimate of future loss. The provisions are initially recognised at fair value less transaction costs. Subsequently they are stated at historical cost less accumulated amortisation and impairment.

2.19 Investment properties

Investment properties, principally land purchased for future sale, are held for long-term rental yields and are not occupied by the group. They are carried at cost less accumulated depreciation and less impairment. Depreciation is charged through the consolidated statement of comprehensive income as an administrative expense.

2. *Summary of significant accounting policies (continued)*

2.20 Provisions for liabilities

Provisions for restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The group recognises no provisions for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

2.21 Income tax

a) Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on available-for-sale investments).

Where the group has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises.

The group does not offset income tax liabilities and current income tax assets.

2. Summary of significant accounting policies (continued)

2.21 Income tax (continued)

b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including provisions for pensions and other post-retirement benefits and carry-forwards; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.22 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. Actual results could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

2. Summary of significant accounting policies (continued)

2.22 Critical accounting estimates and judgments (continued)

a) Impairment losses on loans and advances

The group reviews its loan portfolios to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the group makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual losses experienced.

Credit quality and impairment analysis of loans and advances are included in Note 15.2.1.

b) Impairment of trade and other receivables

The group reviews overdue balances from clients and third parties on a regular basis and provides for bad debts based on their assessment of the expected recovery of the balance outstanding.

Ageing analysis is included in Note 15.

c) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent which is practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

A fair value hierarchy of financial assets and liabilities is disclosed in Note 34.

2. Summary of significant accounting policies (continued)

2.22 Critical accounting estimates and judgments (continued)

d) Impairment of goodwill

The group reviews its goodwill to assess impairment on an annual basis to determine whether an impairment loss should be recorded in the consolidated statement of comprehensive income. The group assesses whether its goodwill is impaired by using a combination of techniques. These include comparing the discounted net present value of the estimated future performance and cash flows of the subsidiary or associate to the current value of the investment, reviewing the latest management accounts of that entity and taking into account historic performance and management's initial expectations on acquisition.

Assumptions used are disclosed in Note 11 and 12a.

e) Incremental borrowing rate

As detailed in Note 2.16 above, the group has adopted IFRS 16 Leases during the year. A key estimate in determining the lease liability, and consequently, right-of-use asset is the incremental borrowing rate used to discount the future lease payments. Management have used discount rates ranging between 1.5% and 7% to reflect their incremental borrowing rates, which may differ between subsidiaries due to differing economic environments in which each subsidiary operates.

3. Revenue

Group	**2019 RUB'000**	**2018 RUB'000**
Sales of industrial equipment	740,960	1,452,901
Interest income from retail and commercial banking	1,457,167	1,520,654
Gains/(losses) from forex trading	(450,392)	475,924
Income from supply of products for the fuel and oil industries	2,247,162	5,186,221
Other	15,598	14,668
	4,010,495	8,650,368

3.1 Interest income from banking activities

Group	**2019 RUB'000**	**2018 RUB'000**
Loans and advances to customers	598,942	878,332
Financial assets at fair value through profit or loss	674,097	631,308
Overnight and due from other banks	3,741	1,095
Other	180,387	9,919
	1,457,167	1,520,654

All the interest income above arises from the bank's financial assets as defined in Note 2.5.1.

4.	**Cost of sales**	**2019**	**2018**
	Group	**RUB'000**	**RUB'000**
	Purchases and direct costs of industrial equipment	694,630	1,380,045
	Interest expenses and costs associated from retail and commercial banking	(68,208)	582,826
	Purchases of raw materials and components	1,354,816	3,538,244
	Net change of inventory in work in progress and finished goods	61,563	401,205
		2,042,801	5,902,320

4.1	**Interest expenses and costs associated with banking activities**	**2019**	**2018**
	Group	**RUB'000**	**RUB'000**
	Interest:		
	Customers' accounts	541,503	563,687
	Due to other banks	-	49,899
	Debt securities in issue	7	96
	Other	-	1,391
		541,510	615,073
	Other direct costs:		
	Changes in provision for impairment losses on loan portfolio	(609,718)	(32,247)
		(68,208)	582,826

All the interest expenses above are derived from the bank's financial liabilities as defined in Note 2.5.2.

5.	**Expenses by nature** **Group**	**2019** **RUB'000**	**2018** **RUB'000**
	Purchases and direct costs of industrial equipment	694,630	1,380,045
	Interest expense from retail and commercial banking	(68,208)	582,826
	Purchases of raw materials and components	1,354,816	3,538,244
	Movement in inventory	61,563	401,205
	Legal and professional fees	122,200	99,011
	Office expenses	32,286	33,893
	Employee expenses	853,889	861,417
	Operating lease payments	19,536	103,226
	Depreciation of PPE	186,923	106,162
	Amortisation of intangibles	25,519	22,419
	Losses/(Gains) on foreign exchange	302,453	(202,092)
	Other	148,639	253,590
	Total cost of sales and administrative expenses	3,734,246	7,179,946

5.1	**Auditors' remuneration**	**2019** **RUB'000**	**2018** **RUB'000**
	Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	6,835	6,393
	Provision of non-audit services including tax compliance	797	814
		7,632	7,207

6.	**Directors' remuneration**	**2019** **RUB'000**	**2018** **RUB'000**
	Remuneration for qualifying services	9,084	9,375
	Company pension contributions to defined contribution schemes	273	264
		9,357	9,639

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018: 1).

Please refer to Note 30 for information concerning key management personnel.

6.1 Employees

Average number of employees in year	**2019**	**2018**
Management	14	14
Operations and transactions	206	178
Administration	33	92
Internal control	11	8
IT and finance	33	25
	297	317

Employment costs	**2019** **RUB'000**	**2018** **RUB'000**
Wages and salaries	650,312	650,970
Social security costs	176,701	148,810
Pension contribution	26,876	61,637
	853,889	861,417

7. Other income/(expenses)

Group	**2019** **RUB'000**	**2018** **RUB'000**
Refunds, grant and penalties issued	49,056	82,145
Net fee and commission income from retail and commercial banking	19,378	38,710
Sale of claim	47,187	2,713
Rental income	1,743	4,076
Income from other non-core activities	40,733	31,423
	158,097	159,067
Expenses arising from assignment of claims	580	(43,105)
	158,677	**115,962**

8. Net (losses)/gains on financial instruments at fair value

Group	**2019** **RUB'000**	**2018** **RUB'000**
Gains on financial instruments at fair value	347,695	542
Losses on financial instruments at fair value	-	(252,943)
	347,695	(252,401)

9. **Income tax expense** **Group**	**2019** **RUB'000**	**2018** **RUB'000**
Current tax:		
Current tax on profits for year	120,365	246,934
Prior year adjustment to tax	(347)	5,792
Total current tax	120,018	252,726
Deferred tax:		
Origination and reversal of temporary differences	102,296	31,665
Total deferred tax	102,296	31,665
Income tax expense	222,314	284,391
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	254,796	1,298,791
Profit on ordinary activities before taxation multiplied by weighted average rate of corporation tax of 21% (2018: 21%)	53,507	272,746
Effects of:		
Associate's results reported net of tax	(2,631)	7,242
Non-deductible expenses	354,011	717,866
Income not subject to tax	(202,905)	(505,530)
Income subject to tax at a different rate	18,643	79,529
Depreciation add back	4,016	222
Capital allowances	(4,016)	(222)
Tax losses not recognised as deferred tax assets	5,389	-
Other tax adjustments	(3,700)	(287,462)
Income tax expense	222,314	284,391

The applicable tax rate is the weighted average national income tax rate prevailing in each country in which the subsidiaries operate and the local income tax rate of 19%.

10. Property, plant and equipment

Group	Land and buildings freehold	Land and buildings leasehold	Motor Vehicles	Fixtures, fittings & eqpmt	Right-of-use assets	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Cost						
At 1 January 2018	577,568	16,765	18,582	962,119	-	1,575,034
Additions	241,180	-	13,407	135,446	-	390,033
Disposals	-	-	-	(209,258)	-	(209,258)
Exchange differences	89,244	2,590	1,661	135,415	-	228,910
At 31 December 2018	907,992	19,355	33,650	1,023,722	-	1,984,719
IFRS 16 adjustment	-	-	-	-	267,500	267,500
Additions	2,084	-	18,227	57,282	112,404	189,997
Disposals	-	-	(7,561)	(15,202)	-	(22,763)
Exchange differences	(113,778)	(2,426)	(3,237)	(112,897)	(31,205)	(263,543)
At 31 December 2019	796,298	16,929	41,079	952,905	348,699	2,155,910
Depreciation						
At 1 January 2018	206,902	8,382	10,424	600,555	-	826,263
Charge for the year	21,050	897	3,983	80,233	-	106,163
Disposals	-	-	-	(8,621)	-	(8,621)
Exchange differences	33,621	1,367	1,558	89,700	-	126,246
At 31 December 2018	261,573	10,646	15,965	761,867	-	1,050,051
IFRS 16 adjustment	-	-	-	-	9,581	9,581
Charge for the year	23,886	878	6,758	70,383	84,100	186,005
Disposals	-	-	(5,710)	(11,982)	-	(17,692)
Exchange differences	(33,644)	(1,318)	(2,277)	(88,933)	(2,371)	(128,543)
At 31 December 2019	251,815	10,206	14,736	731,335	91,310	1,099,402
Net book value						
At 31 December 2019	544,483	6,723	26,343	221,570	257,389	1,056,508
At 31 December 2018	646,419	8,709	17,685	261,855	-	934,668

Included in land and building is plant under construction with a carrying value of RUB Nil (2018: RUB 3,513,000).

10. Property, plant and equipment (continued)

10a.

Company	**Land and buildings leasehold RUB'000**	**Computer equipment RUB'000**	**Fixtures, fittings & equipment RUB'000**	**Right-of-use assets RUB '000**	**Total RUB'000**
Cost					
At 1 January 2018	16,765	16,105	5,488	-	38,358
Additions	-	855	-	-	855
Effect of foreign exchange	2,590	2,489	848	-	5,927
At 31 December 2018	19,355	19,449	6,336	-	45,140
Additions	-	-	-	-	-
IFRS 16 Adjustment	-	-	-	208,180	208,180
Effect of foreign exchange	(2,426)	(2,438)	(794)	(26,098)	(31,756)
At 31 December 2019	16,929	17,011	5,542	182,082	221,564
Depreciation					
At 1 January 2018	8,382	16,105	5,488	-	29,975
Charge for the year	897	159	-	-	1,056
Effect of foreign exchange	1,367	2,501	848	-	4,716
At 31 December 2018	10,646	18,765	6,336	-	35,747
Charge for the year	878	155	-	20,980	22,013
Effect of foreign exchange	(1,367)	(2,358)	(794)	(749)	(5,268)
At 31 December 2019	10,157	16,562	5,542	20,231	52,492
Net book value					
At 31 December 2019	6,772	449	-	161,851	169,072
At 31 December 2018	8,709	684	-	-	9,393

Right-of-use assets relate to leased assets brought on to the balance sheet as a result of the adoption of IFRS 16 – Leases. For more information, see Note 29.

11. Intangible assets

Group	**Goodwill**	**Other intangible assets**	**Total**
	RUB'000	**RUB'000**	**RUB'000**
Cost			
At 1 January 2018	906,484	90,367	996,851
Additions	-	46,154	46,154
Disposal	-	-	-
Exchange differences	137,620	16,008	153,628
At 31 December 2018	1,044,104	152,529	1,196,633
Additions	-	23,120	23,120
Exchange differences	(130,318)	(18,402)	(148,720)
At 31 December 2019	913,786	157,247	1,071,033
Amortisation			
At 1 January 2018	-	52,742	52,742
Charge for the year	-	22,419	22,419
Disposal	-	-	-
Exchange differences	-	8,650	8,650
At 31 December 2018	-	83,811	83,811
Charge for the year	-	25,519	25,519
Exchange differences	-	(10,289)	(10,289)
At 31 December 2019	-	99,041	99,041
Net book value			
At 31 December 2019	913,786	58,206	971,992
At 31 December 2018	1,044,104	68,718	1,112,822

The goodwill of RUB 907,857,000 arising on the acquisition of LCM Italia S.p.A has been included in the summary above.

11. Intangible assets (continued)

Impairment tests for goodwill

Management has reviewed the future discounted performance of LCM Italia S.p.A based on its pre–tax projections covering a three year period. No impairment was considered necessary as the net present value of the future cash flow projections based on a discount rate of 10% is considered to be greater than the carrying value of the associated goodwill.

The cash flow projection is based on new investments, market expansion and cost savings through increased volume of production in the coming years. The main assumptions used are as disclosed below:

	2020	**2021**	**2022**
% Annual sales (decline)/growth	92%	17%	29%
Budgeted gross profit margin	24%	25%	26%
EBITDA as a % of sales	10.2%	12.6%	14.8%

12. Investments in subsidiaries

Company	Shares in group undertakings RUB'000	Loans to group undertakings RUB'000	Total RUB'000
Cost			
At 1 January 2018	4,004,133	1,119,740	5,123,873
Loan repayments	-	(222,116)	(222,116)
Exchange differences	606,926	152,336	759,262
At 31 December 2018	4,611,059	1,049,960	5,661,019
Additions	-	68,798	68,798
Loan repayments	-	(199,876)	(199,876)
Exchange differences	(578,056)	(126,950)	(705,006)
At 31 December 2019	4,033,003	791,932	4,824,935
Net book value			
At 31 December 2019	4,033,003	791,932	4,824,935
At 31 December 2018	4,611,059	1,049,960	5,661,019

At the reporting date out of the total investments in subsidiaries of RUB 4,033,003,000 (2018: RUB 4,611,059,000) the investment holding that related to JSC JSCB Alef Bank totaled RUB 3,432,421,000 (2018: RUB 3,924,396,000). The investment is retranslated to the presentation currency each year, and differs from the share capital of Alef Bank of RUB 2,467,020,000 (2018: RUB 2,467,020,000).

Investments in group undertakings are recorded at cost, which is deemed to be the fair value of the consideration paid.

The group's subsidiaries at 31 December 2019 are as set out below. They have share capital consisting solely of ordinary shares that are held directly by the group, and the voting rights held by the group, and the proportion of ownership interests held equals the voting rights by the group. The country of incorporation is also the principal place of business.

12. Investments in subsidiaries (continued)
Company

Subsidiary undertakings	Country of incorporation	Class of shares	Shares held %	Principal activity
JSCB Alef Bank	Russian Federation	Ordinary	100	Banking
LCM Italia S.p.A	Italy	Ordinary	100	Supply of valves and products in the oil and gas industry
Magi Motors Ltd	Israel	Ordinary	100	Investment-holding

All the subsidiary undertakings above are included in the consolidated accounts of Eastlink Lanker Plc.

12a. Investment in associate

Group
The group has the following investment in associates:

Company	Place of business/ Country of incorporation	Class of share	Shares held %	Measurement method
China Motors Ltd	Israel	Ordinary	46.25	Equity

China Motors Ltd is engaged in the import of vehicles and marketing, servicing and distribution of vehicles. The group's shareholding in China Motors Ltd is held by Magi Motors Ltd.

China Motors Ltd is a private company and there is no quoted market price available for its shares. China Motors Ltd has three 100% owned subsidiaries and two associates which are actively trading and whose results are included in China Motors Ltd. China Motors Ltd also has other subsidiaries/associates which are currently dormant and which are not included into the results of Magi Motors Ltd.

In June 2017, China Motors Ltd issued 350 ordinary shares. This resulted in the dilution of the group's shareholding in China Motors Ltd from 47.92% to 46.25%.

Contingent liabilities relating to the group's interest in the associate are disclosed in Note 27.1.

12a. Investment in associate (continued)

The tables below provide summarised financial information for the group's associate. The information disclosed reflects the amounts presented in the financial statement of the associate and not Eastlink Lanker PLC's share of those amounts.

Summarised financial information	**2019**	**2018**
	China Motors Ltd RUB'000	**China Motors Ltd RUB'000**
Summarised balance sheet		
Current assets		
Cash and cash equivalents	175,027	86,613
Other current assets	3,358,960	3,798,683
	3,533,987	3,885,296
Non-current assets	1,513,611	1,200,197
Current liabilities		
Trade and other payables	(937,034)	(566,245)
Financial liabilities (excluding trade and other payables and provision)	(2,002,746)	(2,346,252)
Total current liabilities	**(2,939,780)**	**(2,912,497)**
Total non-current liabilities	(1,506,062)	(1,523,968)
Net assets	**601,756**	**649,028**
Summarised statement of comprehensive income		
Revenue	4,448,922	5,059,323
Depreciation and amortisation	(32,249)	(12,852)
Interest income / (expense)	67,312	(34,767)
Income tax expense	(26,693)	(16,607)
Profit from continuing operations	(27,092)	22,841
Profit	(27,092)	22,841
Other comprehensive income	-	51,723
Total comprehensive income	(27,092)	74,564

12a. Investment in associate (continued)

	2019 RUB'000	2018 RUB'000
Reconciliation of summarised financial information		
Opening net assets	649,028	477,079
Profit for the year	(27,092)	74,564
Dividend payable	-	-
Foreign exchange differences	(20,180)	97,385
Closing net assets	601,756	649,028
Proportion of the group's ownership	46.25%	46.25%
	278,312	300,175
Implied goodwill	192,073	198,322
Impairment of investment in associate	**(192,073)**	-
Carrying value of the group's interest in associate	**278,312**	**498,497**
Dividend received from associate	-	-

Management has considered the recoverability of the investment in the associate which includes implicit goodwill, reflective of the excess of cost over the group's share of the associate's net assets. Given the associate has made a loss in 2019, management consider that the investment should be impaired down to its share of the net assets of China Motors Ltd, being RUB 278,312,000.

13. Assets held for sale

	Land RUB'000	Real Estate RUB'000	Others RUB'000	Total RUB'000
Group				
At 31 December 2018:				
Gross balance	42,970	46,000	8,272	97,242
Provisions	(670)	(4,600)	-	(5,270)
Net balance	**42,300**	**41,400**	**8,272**	**91,972**
At 31 December 2019:				
Gross balance	43,308	1,446	2,923	47,677
Provisions	(5,159)	(304)	(196)	(5,659)
Net balance	**38,149**	**1,142**	**2,727**	**42,018**

Assets held of sale consists mainly of land and real estate of RUB 39,291,000 (2018: RUB 83,700,000) obtained as a result of concluding agreements on debt compensation under credit arrangements. The group is actively seeking buyers for those assets and has made impairment provisions in accordance with the period over which the assets remain unsold.

14. Inventories

Group	**2019 RUB'000**	**2018 RUB'000**
Finished goods	203,449	239,068
Raw materials	148,679	157,071
Work in progress	167,157	235,551
Provisions	(17,733)	(20,275)
	501,552	611,415

During the year, inventory with a carrying value of RUB Nil (2018: RUB 81,443,000) was scrapped in the year and expensed accordingly.

15.	**Trade and other receivables**	**2019**	**2018**
	Group	**RUB'000**	**RUB'000**
	Trade receivables	1,185,906	1,958,851
	Write back of bad debt provision	100,837	2,246
	Allowance for expected credit losses	-	(55,704)
		1,286,743	**1,905,393**
	Other receivables	139,761	185,698
	Loans and advances to banks	209,408	431,543
	Loans and advances to customers (Note 15.2)	4,553,936	4,926,161
	Other assets (Note 15.3)	73,404	92,929
	Prepayments and accrued income	84,743	8,765
		6,347,995	7,550,489

Trade receivables

The fair value of trade receivables approximates its carrying value. The ageing analysis of trade receivables is as follows:

	2019	**2018**
	RUB'000	**RUB'000**
Ageing analysis of trade receivable balances that are not past due nor impaired:		
Within 3 months	690,056	812,667
More than 3 months but less than 6 months	-	812
More than 6 months	-	12,953
	690,056	826,432
Ageing analysis of balances that are past due but not impaired:		
Past due up to 30 days	137,381	366,747
Past due 31-90 days	225,079	41,825
Past due 91-180 days	66,832	389,225
Past due over 180 days	167,395	281,164
	596,687	1,078,961

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2019	**2018**
	RUB'000	**RUB'000**
As at 1 January	2,808,989	3,018,260
Provision for expected credit losses	1,169,056	(131,046)
Write back of bad debt provision	(1,900,779)	(78,225)
As at 31 December	2,077,266	2,808,989

15. Trade and other receivables (continued)

Trade receivables (continued)
The maximum exposure to credit risk at the reporting date is the carrying amount of trade receivables. Please refer to Note 21 for secured borrowings on trade receivables balances.

Other receivables
The fair value of other receivables approximates its carrying value. There is no allowance for impairment of other receivables made. The maximum exposure to credit risk at the reporting date is the carrying amount.

15.1 Loans and advances to banks

	2019 RUB'000	2018 RUB'000
Placements with other banks	211,738	437,725
Less: allowance for expected credit losses	(2,330)	(6,182)
	209,408	431,543

The fair value of loans and advances to banks approximates the carrying value. This balance relates to the placements and deposits held by the subsidiary Alef Bank with other banks. The maximum exposure to credit risk at the reporting date is the carrying amount.

At the reporting date, Alef Bank had 6 accounts with banks (2018: 5) whose balance exceeded 10% of the total placements held. The gross value of this exposure at the reporting date is RUB 169,634,000 (2018: RUB 377,323,000)

15.2 Loans and advances to customers

	2019 RUB'000	2018 RUB'000
Corporate loans	5,893,761	7,315,037
Retail loans (individuals)	313,585	348,593
Mortgages (individuals)	44,050	22,365
	6,251,396	7,685,995
Less allowance for expected credit losses	(1,906,831)	(2,808,497)
Net loans to corporates and individuals	4,344,565	4,877,498
Claims and factoring	379,807	49,155
Less allowance for expected credit losses	(170,436)	(492)
Net claims and factoring	209,371	48,663
Net loans and advances to customers	4,553,936	4,926,161

15. Trade and other receivables (continued)

Corporate loans refer to loans made by Alef Bank to corporate entities. Loans made under this category are for a term of up to 3 years. These include overdrafts, facilities for imports and exports, general working capital requirements and acquisition of capital expenditure amongst others.

Analysis between current and non-current assets are as described in Note 32.3

Retail loans refer to loans made to individuals including overdrafts and personal loans amongst others. These exclude loans taken out for the acquisition of real estate properties.

Mortgages are long term secured loans to individuals for the purchase of real estates.

The maximum exposure to credit risk at the reporting date is the carrying amount.

15.2.1 Credit quality of loans and advances to customers

The credit quality of loans and advances that are not impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The following is an analysis of credit quality of loans and advances at 31 December 2019 based on Russian standards:

	Corporate loans RUB'000	Retail loans (individuals) RUB'000	Mortgages (individuals) RUB'000	Total RUB'000
Gross loans and advances				
Subject to collective impairment allowance				
Group 1	69,425	27,618	14,172	111,215
Group 2	1,937,418	4,358	-	1,941,776
Group 3	679,744	128,961	26,812	835,517
Group 4	2,631,908	73,363	-	2,705,271
Group 5	575,266	79,285	3,066	657,617
Total gross loans and advances before impairment allowance	5,893,761	313,585	44,050	6,251,396
Allowance for expected credit losses				
Collective	234,211	461	-	234,672
Specific	1,539,447	128,246	4,466	1,672,159
	1,773,658	128,707	4,466	1,906,831
Net loans and advances after impairment allowance	4,120,103	184,878	39,584	4,344,565

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

15.2.1 Credit quality of loans and advances to customers (continued)

	Corporate loans RUB'000	Retail loans (individuals) RUB'000	Mortgages (individuals) RUB'000	Total RUB'000
Factoring				
Amounts due	379,807	-	-	379,807
Impairment	(170,436)	-	-	(170,436)
	209,371	-	-	209,371
Total loans and advances after impairment allowances	4,329,474	184,878	39,584	4,553,936

The following is an analysis of credit quality as of 31 December 2018 based on Russian standards:

	Corporate loans RUB'000	Retail loans (individuals) RUB'000	Mortgages (individuals) RUB'000	Total RUB'000
Gross loans and advances				
Subject to collective impairment allowance				
Group 1	-	25,631	14,185	39,816
Group 2	2,138,958	3,714	-	2,142,672
Group 3	1,301,553	128,991	5,172	1,435,716
Group 4	3,145,052	101,823	73	3,246,948
Group 5	729,474	88,434	2,935	820,843
Total gross loans and advances before impairment allowance	7,315,037	348,593	22,365	7,685,995
Allowance for expected credit losses				
Collective	(1,970,006)	(121,466)	(3,931)	(2,095,403)
Specific	(713,094)	-	-	(713,094)
	(2,683,100)	(121,466)	(3,931)	(2,808,497)
Net loans and advances after impairment allowance	4,631,937	227,127	18,434	4,877,498

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

15.2.1 Credit quality of loans and advances to customers (continued)

The following is an analysis of credit quality as of 31 December 2018 (continued):

	Corporate loans RUB'000	Retail loans (individuals) RUB'000	Mortgages (individuals) RUB'000	Total RUB'000
Factoring				
Amounts due	49,155	-	-	49,155
Impairment	(492)	-	-	(492)
	48,663	-	-	48,663
Total loans and advances after impairment allowances	4,680,600	227,127	18,434	4,926,161

The assessment of the credit worthiness of counterparties through historical information is carried out through the use of credit history, financial position, goodwill and transparency of assets and liabilities amongst others. This results in their categorisation between five groups as follows:

Group 1 – This represents the most credit worthy counterparty (both corporate and individual). It is characterised by high liquidity, profitability and capital adequacy ratios with low risk of default.

Group 2 – This represents counterparties with moderate liquidity, profitability and capital adequacy ratios. The possibility of default is medium.

Group 3 – This represents counterparties with satisfactory levels of liquidity, profitability and capital adequacy ratios. The possibility of default is higher than medium.

Group 4 - This represents counterparties with lower than satisfactory levels of liquidity, profitability and capital adequacy ratios. The possibility of default is higher than that of Group 3.

Group 5 - This represents counterparties with lower than Group 4 levels of liquidity, profitability and capital adequacy ratios. The possibility of default is higher than that of Group 4.

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

15.2.1 Credit quality of loans and advances to customers (continued)

Loans and advances to customers past due but not impaired:

As at 31 December 2019 and 31 December 2018 there were no loans and advances to customers which were past due but not impaired.

The group separates individually impaired loans to a designated group which is subject to a specific impairment allowance. This designated group consists of loans where there is a significant probability of default of the counterparty such as bad financial position and unsatisfactory servicing of a loan. This group contains loans which are past due over 90 days. The table above presents individually impaired loans in this designated group.

Reconciliation of impairment allowance for loans and advances to customers for 2019:

	Corporate loans RUB'000	**Retail loans (individuals) RUB'000**	**Mortgages (individuals) RUB'000**	**Total RUB'000**
Balance at 1 January 2019	2,683,592	121,465	3,932	2,808,989
Decrease in impairment	(739,498)	11,708	(3,932)	(731,722)
At 31 December 2019	1,944,094	133,173	-	2,077,267

Reconciliation of impairment allowance for loans and advances to customers for 2018:

	Corporate loans RUB'000	**Retail loans (individuals) RUB'000**	**Mortgages (individuals) RUB'000**	**Total RUB'000**
Balance at 1 January 2018	2,857,465	153,284	7,511	3,018,260
Decrease in impairment	(95,648)	(31,819)	(3,579)	(131,046)
Written-off irrecoverable debts	(78,225)	-	-	(78,225)
At 31 December 2018	2,683,592	121,465	3,932	2,808,989

Impairment losses and reversals of impairment losses are recognised in "Cost of sales" in the consolidated statement of comprehensive income.

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

15.2.2 Credit quality of loans and advances to customers

The following is an analysis of credit quality of loans and advances as of 31 December 2019 based on the expected credit loss model under IFRS:

	Corporate loans RUB'000	Retail loans (individual) RUB'000	Total RUB'000
Gross loans and advances			
Subject to specific impairment allowance			
Group 1	3,980,704	331,458	4,312,162
Group 2	477,500	3,066	480,566
Subject to collective impairment allowance			
Group 1	1,435,557	21,885	1,457,442
Group 2	-	1,226	1,226
Total gross loans and advances before impairment allowance	5,893,761	357,635	6,251,396
Allowance for expected credit losses	(1,773,658)	(133,173)	(1,906,831)
Net loans and advances after impairment allowance	4,120,103	224,462	4,344,565

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

15.2.2 Credit quality of loans and advances to customers

The following is an analysis of credit quality of loans and advances as of 31 December 2018 based on the expected credit loss model under IFRS:

	Corporate loans	Retail loans (individual)	Total
	RUB'000	RUB'000	RUB'000
Gross loans and advances			
Subject to collective impairment allowance			
Group 1	7,315,037	370,958	7,685,995
Group 2			
Total gross loans and advances before impairment allowance	7,315,037	370,958	7,685,995
Allowance for expected credit losses	(2,683,101)	(125,397)	(2,808,497)
Net loans and advances after impairment allowance	4,631,936	245,561	4,877,498

Group 1 is defined as loans and receivables with low credit risk as the risk of default is low; the borrower has a stable ability to fulfil the loan obligations. Adverse changes in economic and commercial conditions in the longer term may, but will not necessarily reduce the borrower's ability to fulfil his cash flow obligations. The loans show no significant increase in credit risk since their initial recognition. Key features include loan repayment being made in full and overdue period of up to 30 days.

Group 2 is defined as loans and receivables showing significant increase in credit risk since initial recognition. Key feature is overdue ranging from 31 to 90 days at the measurement date.

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

Renegotiated loans and advances

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loans. In the majority of cases, restructuring results in the asset continuing to be impaired. The following table summarises these loans in line with the expected conditions for revision:

	Corporate loans RUB'000	Retail loans (individuals) RUB'000	Total RUB'000
Loans with revised conditions at 31 December 2019	1,408,588	70,450	1,479,038
Loans with revised conditions at 31 December 2018	1,174,515	161,746	1,336,261

15.2.3 Fair value of collateral of loans and advances to customers

The group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for advances of funds, which is common practice. The group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss the group will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

According to the group's estimates, the fair value of collateral for loans and advances valued collectively exceed the carrying amount of these loans as shown below:

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

15.2.3 Fair value of collateral for loans measured collectively at 31 December 2019

	Corporate loans RUB'000	Retail loans (individuals) RUB'000	Mortgages (individuals) RUB'000	Total RUB'000
Realty	31,632	-	-	31,632
Machinery/transport	939,871	-	-	939,871
Goods in circulation	6,881	-	-	6,881
Guarantees including banking guarantees	410,277	25,718	-	435,995
	1,388,661	25,718	-	1,414,379

Fair value of collateral for loans measured collectively at 31 December 2018

	Corporate loans RUB'000	Retail loans (individuals) RUB'000	Mortgages (individuals) RUB'000	Total RUB'000
Realty	2,388,436	432,504	52,461	2,873,401
Machinery/transport	719,104	-	-	719,104
Goods in circulation	82,950	-	-	82,950
Guarantees including banking guarantees	2,086,769	74,363	-	2,161,132
Other assets	50,010	-	-	50,010
	5,327,269	506,867	52,461	5,886,597

During the year the group did not take possession of any collateral it holds as security.

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

15.2.4 Concentration of credit risks of loans and advances to customers

Industry sectors

The following table breaks down the group's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the group's counterparties.

	2019 RUB'000	2019 %	2018 RUB'000	2018 %
Finance	1,359,551	31%	832,159	17%
Trading	1,134,476	26%	1,768,677	36%
Realty	899,622	21%	1,127,848	23%
Production of machinery and vehicles	626,206	14%	662,148	14%
Construction	77,923	2%	3,621	0%
Other	22,326	1%	237,483	5%
Individuals	224,461	5%	245,562	5%
Total	4,344,565	100%	4,877,498	100%

15. Trade and other receivables (continued)

15.3 Other assets

	2019 RUB'000	2018 RUB'000
Other financial assets		
Cash in settlements	928	11,091
Other	70,709	74,547
	71,637	85,638
Other non-financial assets		
Receivables and advances	23,889	24,170
Deferred expense	-	320
Other	14,676	515
Impairment allowance for other assets	(36,798)	(17,714)
	1,767	7,291

The fair value of other assets approximates their carrying value. The maximum exposure to credit risk at the reporting date is the carrying amount.

15a.	**Trade and other receivables**	**2019**	**2018**
	Company	**RUB'000**	**RUB'000**
	Trade receivables	110,503	91,892
	Amounts due from subsidiaries	26,522	3,385
	Other receivables	28,065	573
	Prepayments and accrued income	16,763	8,765
		181,853	104,615

Trade receivables
The fair value of trade receivables approximates its carrying value. The ageing analysis of trade receivables is three to six months of the invoice date for both 2019 and 2018. There is no allowance for impairment of trade receivables made as the carrying amount is considered to be fully recoverable. The maximum exposure to credit risk at the reporting date is the carrying amount.

Amount due from subsidiaries
The fair value of amount due from subsidiaries approximates its carrying value. The maximum exposure to credit risk at the reporting date is the carrying amount.

Other receivables
The fair value of other receivables approximates its carrying value. There is no allowance for impairment of other receivables made. The maximum exposure to credit risk at the reporting date is the carrying amount.

16.	**Investment properties**	**2019**	**2018**
	Group	**RUB'000**	**RUB'000**
	Opening balance at 1 January	-	-
	Acquisitions	262,150	-
	Depreciation charge	(454)	-
	Closing balance	261,696	-

Investment properties are measured using the cost method and are comprised of the following:

Investment properties	**2019**	**2018**
Group	**RUB'000**	**RUB'000**
Land	224,279	-
Buildings (at cost)	37,871	-
Buildings (accumulated depreciation)	(454)	-
	261,696	-

17. **Financial assets at fair value through profit or loss**	**2019**	**2018**
Group	**RUB'000**	**RUB'000**
Regional debt securities of the Russian Federation ("RF")	1,036,121	1,056,726
Corporate debt securities	7,533,308	6,170,370
Total financial assets at fair value through profit or loss	8,569,429	7,227,096

All of the financial assets at fair value through profit or loss are part of Alef Bank's trading portfolio and they are held at fair value using active market prices. They are not tested for impairment as changes in the fair values are recorded in the income statement.

The carrying value of the financial assets at fair value through profit or loss pledged under a repurchase agreement at 31 December 2019 was RUB 3,375,783,000 (2018: RUB 4,025,457,000).

An analysis of the credit quality of the financial assets at fair value through profit or loss is provided below:

	Investment rating	**Speculative rating**	**No rating**	**Total**
	RUB'000	**RUB'000**	**RUB'000**	**RUB'000**
Regional debt securities of RF	110,761	925,360	-	1,036,121
Corporate debt securities	4,288,722	3,244,586	-	7,533,308
Total at 31 December 2019	4,399,483	4,169,946	-	8,569,429
Regional debt securities of RF	122,469	743,683	190,574	1,056,726
Corporate debt securities	3,503,279	1,817,538	849,553	6,170,370
Total at 31 December 2018	3,625,748	2,561,221	1,040,127	7,227,096

The categorisation of the above has been made on the basis of the rating scales provided by international rating agencies.

There was no collateral in respect of any of the above.

The maximum exposure to credit risk at the reporting date is the carrying amount.

		2019	2018
18.	**Cash and cash equivalents**		
	Group	**RUB'000**	**RUB'000**
	Cash in hand and at bank	674,084	1,570,109
	Cash balances with the Russian Central Bank (excluding mandatory balances)	399,983	284,011
	Placement with other Russian Federation banks	815,796	699,467
	Placement with foreign banks	378,917	511,547
	Settlement balances with non-credit organisations	13,122	9,608
	Total cash and cash equivalents	2,281,902	3,074,742

Cash and cash equivalents are highly liquid assets with less than three months' maturity and which do not have any restraints over their use.

As of 31 December 2019, the group had 1 bank account (2018: 3) whose balance exceeded 10% of the total cash and cash equivalents. The gross value of this exposure as of 31 December 2019 was RUB 373,060,000 (2018: RUB 722,316,000).

As of 31 December 2019, there were no indicators of impairment on cash and cash equivalents. The fair value of cash and cash equivalents approximates its carrying value.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2019	2018
	RUB'000	**RUB'000**
Cash and cash equivalents	2,281,902	3,074,742
Bank overdrafts (Note 21)	(660,911)	(958,541)
	1,620,991	**2,116,201**

		2019	2018
18a.	**Cash and cash equivalents**		
	Company	**RUB'000**	**RUB'000**
	Cash at bank	258,463	311,022
	Total cash and cash equivalents	**258,463**	**311,022**

Cash and cash equivalents are highly liquid assets with less than three months' maturity and do not have any restraints over their use.

		2019	2018
19.	**Trade and other payables**		
	Group	**RUB'000**	**RUB'000**
	Deposits from banks	3,079,023	3,612,781
	Deposits from customers	7,611,036	6,542,044
	Debt securities in issue	-	2,102
	Payments received on account	-	49,364
	Other payables	1,369,951	1,719,055
	Total trade and other payables	**12,060,010**	**11,925,346**

		2019	2018
19.1	**Deposits from banks**		
	Group	**RUB'000**	**RUB'000**
	Corresponding accounts of other banks	45,245	885
	Other attached funds	3,033,778	3,611,896
	Total deposits from banks	**3,079,023**	**3,612,781**

		2019	2018
19.2	**Deposits from customers**		
	Group	**RUB'000**	**RUB'000**
	Corporate customers:		
	- Current/settlement accounts	1,114,439	1,087,650
	- Term deposits	321,615	33,183
	Retail customers:		
	- Current/settlement accounts	829,258	708,608
	- Term deposits	5,345,724	4,712,603
	Total deposits from customers	**7,611,036**	**6,542,044**

The group's liabilities to customers are not secured other than the overall guarantee given to deposits by virtue of the mandatory reserves held by Alef Bank with the Central Bank of Russia. The carrying value approximates the fair value.

		2019	2018
19.3	**Other payables**		
	Group	**RUB'000**	**RUB'000**
	Cash in settlements	211	457
	Accrued expenses	23,137	31,287
	Lease liabilities	90,709	-
	Other payables	244,557	166,358
	Trade payables	911,714	1,441,602
	Social security and other taxes	31,787	53,467
	Loss allowance for credit related commitments	67,836	25,884
		1,369,951	**1,719,055**

The fair value of other payables approximates its carrying value.

		2019	2018
19a.	***Trade and other payables***		
	Company	**RUB'000**	**RUB'000**
	Non-current		
	Lease liabilities (non-current)	**146,654**	-
	Current		
	Trade payables	200,919	304,834
	Lease liabilities (current)	20,369	-
	Social security and other taxes	2,345	1,522
	Accrued expenses	10,518	21,934
	Total trade and other payables	**234,151**	**328,290**

		2019	2018
20	**Financial liabilities at fair value through profit or loss**		
	Group	**RUB'000**	**RUB'000**
	Derivative financial instruments	7,408	16,808

		2019	2018
21.	**Borrowings**		
	Group	**RUB'000**	**RUB'000**
	Non-current		
	Bank borrowings	180,754	412,526
	Finance lease liabilities	-	21,326
	Loan from related party (Note 30(b))	-	124,559
		180,754	558,411
	Current		
	Bank borrowings	326,403	362,147
	Finance lease liabilities	-	7,842
	Bank overdraft	660,911	958,541
	Loan from related parties (Note 30(b))	-	1,877
		987,314	1,330,407
	Total borrowings	**1,168,068**	**1,888,818**

(i) RUB 105,042,000 matures on 31 May 2024 and bears an average interest rate of Euribor 1m 365 plus 1.25% annually.

(ii) RUB 94,258,000 matures on 26 April 2021 and bears an interest rate of 1.7% per annum.

(iii) RUB 66,527,000 matures on 31 May 2021 and bears an interest rate of 1.3% per annum.

(iv) RUB 94,984,000 matures on 29 March 2021 and bears an interest rate of 1.026% per annum.

The fair value of borrowings approximates to their carrying amount.

	2019	2018
	RUB'000	**RUB'000**
The carrying amount of assets pledged as security for current and non-current borrowings are:		
Current		
Trade receivables	803,106	918,216
Total current assets pledged as security	**803,106**	**918,216**
Non-Current		
Freehold land and buildings	572,649	654,728
Total non-current assets pledged as security	**572,649**	**654,728**

21a. Borrowings

Company	**2019 RUB'000**	**2018 RUB'000**
Non-current		
Loan from related party (Note 30a)	-	124,559
Current		
Loan from related party (Note 30a)	-	1,877

22. *Deferred income tax*

Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2019 RUB'000	**2018 RUB'000**
Deferred tax assets:		
– To be recovered after more than 12 months	199,145	107,546
Deferred tax liabilities:		
– To be recovered after more than 12 months	277,292	83,660
Net deferred tax asset / (liability)	(78,147)	23,886

The gross movement on the deferred income tax account is as follows:

	2019 RUB'000	**2018 RUB'000**
At 1 January	23,886	42,869
Income statement movement	35,688	(18,771)
Exchange differences and other	(137,721)	(212)
At 31 December	(78,147)	23,886

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Provisions RUB'000**	**Other RUB'000**	**Total RUB'000**
At 1 January 2018	-	60,683	60,683
Credited to the income statement	-	(4,728)	(4,728)
Adjustment – IFRS 9 impact	-	21,786	21,786
Exchange differences	-	5,919	5,919
At 31 December 2018	-	83,660	83,660
Credited to the income statement	-	199,058	199,058
Exchange differences	-	(5,426)	(5,426)
At 31 December 2019	-	277,292	277,292

22. Deferred income tax (continued)
Group

Deferred tax assets	Accelerated tax depreciation	Fair value gains	Other	Total
	RUB'000	RUB'000	RUB'000	RUB'000
At 1 January 2018	59,008	-	44,543	103,551
Charged to the income statement	260	-	(15,406)	(15,146)
Adjustment – IFRS 9 impact	-	-	13,434	13,434
Exchange differences	-	-	5,707	5,707
At 31 December 2018	59,268	-	48,278	107,546
Credited to the income statement	-	-	97,736	97,736
Exchange differences	-	-	(6,137)	(6,137)
At 31 December 2019	59,268	-	139,877	199,145

Temporary differences of RUB 543,345,000 (2018: RUB 141,935,000) have arisen as a result of differences between IFRS and the tax regulations for the group's subsidiary in Russia. These are carried at the rate of 20%.

23. Share capital	**2019**	**2018**
Allotted, called up and fully paid	**RUB'000**	**RUB'000**
30,000,000 Ordinary shares of £1 each	1,431,302	1,431,302
10,000,000 Zero coupon preference shares of £1 each	431,039	431,039
	1,862,341	1,862,341

The preference shares do not hold any voting rights but rank ahead of the ordinary shares on a winding-up of the company.

24. Retained earnings	**2019**	**2018**
Group	**RUB'000**	**RUB'000**
Balance at beginning of the year	3,091,252	2,042,366
Profit for the year	32,482	1,048,886
Dividends paid	(273,674)	-
Balance at end of the year	2,850,060	3,091,252

24a. Retained earnings	**2019**	**2018**
Company	**RUB'000**	**RUB'000**
Balance at beginning of the year	113,790	103,746
Profit for the year	424,580	10,044
Dividends paid	(273,674)	-
Balance at end of the year	264,696	113,790

25. *Other reserves*

Group	**Foreign exchange reserve RUB'000**	**Other reserves RUB'000**	**Total RUB'000**
At 1 January 2018	1,921,796	212	1,922,008
Currency translation differences	376,869	-	376,869
Movement on other reserves	-	(819)	(819)
At 31 December 2018	2,298,665	(607)	2,298,058
Currency translation differences	(284,240)	-	(284,240)
Movement on other reserves	-	(2,724)	(2,724)
At 31 December 2019	2,014,425	(3,331)	2,011,094

a) Foreign exchange reserve

The foreign exchange reserves include the effects of changes in exchange rates arising from translating the financial statements of the subsidiary and associate undertakings into the group's reporting currency.

26. Segmental analysis

	2019 RUB'000	**2018 RUB'000**
Turnover by geographical location		
Russian Federation	1,733,359	2,714,228
United Kingdom	162,798	21,397
Italy	561,319	216,415
Rest of the world	1,553,019	5,698,328
	4,010,495	8,650,368

The group has not presented a segmental analysis of the operations as required by IFRS 8 – Operating Segments as its securities are not traded in a quoted market.

27. Contingent liabilities

The group has no contingent liabilities in respect of legal claims arising from the ordinary course of business. The group has been exposed to high level of scrutiny from the Banking Regulations Authority in the Russian Federation following certain areas of non-compliance that were identified during a compliance audit. The issues have been fully rectified and brought in line with the Russian Regulations. The accounts do not include any provisions in respect of this matter.

The group has the following credit related commitments that are outstanding at the reporting date in relation to the operation of its banking division through Alef Bank:

27. Contingent liabilities (continued)

	2019 RUB'000	2018 RUB'000
Guarantees issued	750,930	89,249
Undrawn loan commitments	152,089	77,507
Less allowance for losses on credit related commitments	(15,114)	(4,768)
	887,905	**161,988**

The total contractual amount of credit related commitments outstanding does not represent the total amount of future financial obligations of the group as these credit commitments are contingent upon certain specific credit standards being met. These standards may or may not be met by the counterparties.

As at the reporting date, the group did not have any contingent liabilities on outstanding derivative financial instruments.

27.1 Contingent liabilities arising from interest in associate

Group

	2019 RUB'000	2018 RUB'000
Bank guarantee in favour of suppliers, customers and government authorities	61,146,187	62,059,624
Contingent liability based on lawsuit filed on the associate	25,163	45,839
Loan security on associate's assets	2,802,156	3,114,710

The amounts disclosed represent the aggregate amount of the contingent liabilities for the group based on the percentage holding in China Motors Ltd. The extent to which an outflow of funds will be required is dependent on future operations of China Motors Ltd and its subsidiaries.

28. Capital commitments
Group

There was no capital expenditure contracted for at the end of the reporting year but not yet provided.

28a. Capital commitments (continued)
Company

There was no capital expenditure contracted for at the end of the reporting year but not yet provided.

29. Leases

The group has adopted IFRS 16 – Leases from 1 January 2019 using the modified retrospective method.

(i) Amounts recognised in the Consolidated Statement of Financial Position

The balance sheet includes the following amounts relating to leases:

	2019 RUB '000	1 Jan 2019 RUB '000
Right-of-use assets		
Land and buildings	273,366	243,547
Vehicle	63,601	16,847
Fixtures and Fittings	11,732	7,106
	348,699	267,500
Lease Liabilities		
Current	90,709	61,500
Non-current	202,634	227,174
	293,343	288,674

In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to Note 36.

Additions to right-of-use assets for the year ended 31 December 2019 were RUB 189,997,000.

29. Leases (continued)

(ii) Amounts recognised in the Consolidated Statement of Comprehensive Income

	2019 RUB'000	2018 RUB'000
Depreciation charge of right-of-use assets		
Land and buildings	72,802	-
Vehicles	8,256	-
Fixtures and Fittings	3,042	-
	84,100	-
Interest expense	26,416	-
Expenses relating to low value assets not included above	71,358	103,226

(iii) The group's leasing activities and how these are accounted for

The group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 10 years. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 2.16 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of future fixed lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and adjusts for other notable factors.

The group's leases do not include variable lease payments, residual value guarantees or extension options.

30. Related party transactions

Group

The following transactions were carried out with related parties:

	2019 RUB'000	2018 RUB'000
a) Key management compensation		
Salaries and other short-term employee benefits	46,451	107,896
Post-employment benefits	273	264
	46,724	108,160

Key management includes directors.

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the group and include directors and members of the management board.

b) Loan from the immediate parent company, Lanker Enterprises Limited

	2019 RUB'000	2018 RUB'000
At 1 January	126,436	316,171
Loan repaid during the year	(126,436)	(189,735)
At 31 December (Note 21)	-	126,436

The loan incurred interest at a rate of 5.5% per annum and was repaid in full during the year. The interest charged on the loan during the year was RUB 1,090,000 (2018: RUB 11,772,000). Included in trade and other payables is unpaid interest of RUB nil (2018: RUB 1,777,000).

The trade and other receivable balance include an outstanding management fee of RUB 3,469,000 due from China Motors Ltd at 31 December 2019 (2018: RUB 5,864,000). Other revenue of RUB 15,598,000 (2018: RUB 14,668,000) represents a management fee charge to China Motors Ltd.

Included in loans and advances to customers is a total receivable balance of RUB 34,432,000 (2018: RUB 40,151,000) due from key management personnel.

30. Related party transactions (continued)
Group

Loan and advances to customers also include the following balances due from related parties:

	Close relatives of shareholders		Companies controlled by shareholders of the group		Shareholders of the group	
	2019 RUB'000	**2018 RUB'000**	**2019 RUB'000**	**2018 RUB'000**	**2019 RUB'000**	**2018 RUB'000**
Overdraft balance	40	-	209,410	49,189	-	-
Allowance	-	-	(2,094)	(526)	-	-
Net receivable balance	40	-	207,316	48,663	-	-
Customer account including current account and attracted deposit	175,646	39,028	382,400	154,095	97,828	101,906
Total	175,686	39,028	589,716	202,758	97,828	101,906

During the year, loans totalling RUB 6,190,000 (2018: RUB 4,525,000) were granted to key management personnel. There was a total loan repayment of RUB 7,635,000 from key management personnel in 2019 (2018: RUB 5,538,000).

30. Related party transactions (continued)
Group

Interest income from the banking activities of the group include RUB 92,000 (2018: RUB 288,000) from key management personnel. Cost of sales includes operating expenses of RUB 217,000 (2018: RUB 51,000) from foreign exchange dealing payable to key management personnel.

Interest income from the banking activities of the group include RUB Nil (2018: RUB Nil) from close relatives of the shareholders of the group.

Other payables include an amount of RUB Nil (2018: RUB 4,631,000) received as payment on account from companies that are under the control of the group's shareholders. Sales made to these companies amounted to RUB Nil in 2019 (2018: RUB 59,971,000).

30a. Related party transactions
Company
The following transactions were carried out with related parties:

	2019 RUB'000	2018 RUB'000
a) Key management compensation		
Salaries and other short-term employee benefits	9,084	9,375
Post-employment benefits	273	264
	9,357	9,639

Key management is considered to comprise only of the company's directors.

	2019 RUB'000	2018 RUB'000
b) Loan from related party		
Loan from parent company Lanker Enterprises Limited		
At 1 January	126,436	316,171
Loan repaid during the year	(126,436)	(189,735)
At 31 December (Note 21a)	-	126,436

The loan incurred interest at a rate of 5.5% per annum and was repaid in full during the year. The interest charged on the loan during the year was RUB 1,089,000 (2018: RUB 11,763,000). Included in trade and other payables is unpaid interest of RUB nil (2018: RUB 1,916,000).

31. Control
The immediate and ultimate parent company is Lanker Enterprises Limited, a company registered in Cyprus.

The group is jointly controlled by G. Schtulberg and M. Shabad.

32. Financial risk management

The group's activities expose it to a variety of financial risks: credit risk, market risk including interest rate risk, currency risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The sector of the group which is most sensitive to financial risks is the banking activities of Alef Bank.

32.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the group's customers, clients or market counterparties fail to fulfil their contractual obligations to the group. Credit risk arises mainly from trade receivables and commercial and consumer loans and advances, and loan commitments arising from such lending activities but can also arise from credit related commitments provided, such as financial guarantees, letters of credit, endorsements and acceptances.

Credit risk is one of the more significant risks for the group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

The group manages, limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries and countries.

The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent reviews, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors.

Actual exposures against limits are monitored daily. Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

32. Financial risk management (continued)

32.1 Credit risk (continued)

32.1.1 Geographical analysis of credit risks

The following table breaks down the group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region. For this table, the group has allocated exposures to regions based on the country of domicile of its counterparties.

Assets at 31 December 2019	**Russian Federation RUB'000**	**Italy RUB'000**	**Other countries RUB'000**	**Total RUB'000**
Intangible assets	5,934	854,662	111,396	971,992
Property, plant and equipment	77,581	809,406	169,521	1,056,508
Investment properties	-	-	261,696	261,696
Investment in associate	-	-	278,312	278,312
Deferred tax assets	134,961	64,184	-	199,145
Inventories	-	483,012	18,540	501,552
Trade and other receivables	4,429,778	1,350,746	609,489	6,390,013
Financial assets at fair value through profit or loss	8,569,429	-	-	8,569,429
Cash and cash equivalents	1,755,914	131,032	394,956	2,281,902
	14,973,597	3,693,042	1,843,910	20,510,549
Liabilities at 31 December 2019				
Deferred tax liabilities	243,630	33,662	-	277,292
Borrowings	-	1,168,068	-	1,168,068
Trade and other payables	10,479,762	982,079	821,813	12,283,654
Current tax liabilities	18,570	39,470	-	58,040
	10,741,962	2,223,279	821,813	13,787,054
Net financial position	4,231,635	1,469,763	1,022,097	6,723,495
Credit commitments	887,905	-	-	887,905

32. Financial risk management (continued)

32.1 Credit risk (continued)

32.1.1 Geographical analysis of credit risks (continued)

Assets at 31 December 2018	Russian Federation RUB'000	Italy RUB'000	Other countries RUB'000	Total RUB'000
Intangible assets	2,272	983,844	126,706	1,112,822
Property, plant and equipment	29,452	895,470	9,746	934,668
Investment in associate	-	-	498,497	498,497
Deferred tax assets	67,092	40,454	-	107,546
Inventories	-	607,201	4,214	611,415
Trade and other receivables	4,940,054	1,977,647	724,760	7,642,461
Financial assets at fair value through profit or loss	7,227,096	-	-	7,227,096
Cash and cash equivalents	1,673,596	659,721	741,425	3,074,742
	13,939,562	5,164,337	2,105,348	21,209,247
Liabilities at 31 December 2018				
Deferred tax liabilities	38,705	44,955	-	83,660
Borrowings	-	1,762,382	126,436	1,888,818
Trade and other payables	9,702,237	1,359,829	896,653	11,958,719
Current tax liabilities	3,325	20,135	2,940	26,400
	9,744,267	3,187,301	1,026,029	13,957,597
Net financial position	4,195,295	1,977,036	1,079,319	7,251,650
Credit commitments	161,988	-	-	161,988

32.2 Market risk

The group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

32.2.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

32. Financial risk management (continued)

32.2 Market risk (continued)

32.2.1 Interest rate risk (continued)

The main objective of interest rate risk management to the group is to minimise the effect of changes in interest rate on net interest income from the banking operations. As part of the interest risk management techniques, the group sets limits for maximum interest rates for funds placed from customers and the minimum interest rates it requires for placements and loans advanced to third parties.

A sensitivity analysis is provided below which seeks to measure the extent of a change in reported profits/ (losses) if interest rates fluctuate by 100 basis points:

Analysis of sensitivity of interest rates	**2019**	**2018**
	RUB'000	**RUB'000**
Increase in interest rates by 100 basis points	2,428	1,504
Decrease in interest rates by 100 basis points	2,428	1,504

The sensitivity analysis above assumes a side-by-side change in yield curve for all positions sensitive to changes in interest rates i.e. interest rates for all remaining periods to maturity were changed by the same rate. The measurement was performed exclusive of possible repayment or earlier demand of an instrument.

32. Financial risk management (continued)

32.2 Market risk (continued)

32.2.1 Interest rate risk (continued)

The table below categorises the group's financial instruments as at 31 December 2019 into variable, fixed or no interest bearing assets and liabilities:

	Non-interest bearing	Fixed interest bearing	Variable interest bearing	Total
Assets at 31 December 2019	**RUB'000**	**RUB'000**	**RUB'000**	**RUB'000**
Intangible assets	971,992	-	-	971,992
Property, plant and equipment	1,056,508	-	-	1,056,508
Investment properties	261,696	-	-	261,696
Investment in associate	278,312	-	-	278,312
Deferred tax assets	199,145	-	-	199,145
Inventories	501,552	-	-	501,552
Trade and other receivables	1,640,681	2,491,763	2,257,569	6,390,013
Financial assets at fair value through profit or loss	-	8,569,429	-	8,569,429
Cash and cash equivalents	2,281,902	-	-	2,281,902
	7,191,788	11,061,192	2,257,569	20,510,549
Liabilities at 31 December 2019				
Deferred tax liabilities	277,292	-	-	277,292
Borrowings	-	931,317	236,751	1,168,068
Trade and other payables	9,174,168	3,109,486	-	12,283,654
Current tax liabilities	58,040	-	-	58,040
	9,509,500	4,040,803	236,751	13,787,054

32. Financial risk management (continued)

32.2 Market risk (continued)

32.2.1 Interest rate risk (continued)

The table below categorises the group's financial instruments as at 31 December 2018 into variable, fixed or no interest bearing assets and liabilities:

Assets at 31 December 2018	Non-interest bearing RUB'000	Fixed interest bearing RUB'000	Variable interest bearing RUB'000	Total RUB'000
Intangible assets	1,112,822	-	-	1,112,822
Property, plant and equipment	934,668	-	-	934,668
Investment in associate	498,497	-	-	498,497
Deferred tax assets	107,546	-	-	107,546
Inventories	611,415	-	-	611,415
Trade and other receivables	2,716,106	2,176,871	2,749,484	7,642,461
Financial assets at fair value through profit or loss	-	7,227,096	-	7,227,096
Cash and cash equivalents	3,074,742	-	-	3,074,742
	9,055,796	9,403,967	2,749,484	21,209,247
Liabilities at 31 December 2018				
Deferred tax liabilities	83,660	-	-	83,660
Borrowings	1,916	153,684	1,733,218	1,888,818
Trade and other payables	11,941,911	16,808	-	11,958,719
Current tax liabilities	26,400	-	-	26,400
	12,053,887	170,492	1,733,218	13,957,597

32. Financial risk management (continued)

32.2 Market risk (continued)

32.2.1 Interest rate risk (continued)

The table below shows the group's fair value exposure to interest rate risks within one year as at 31 December 2019. It includes the group's financial instruments at carrying amounts categorised by the earlier of contractual repricing.

	Up to 1 month	Between 1 to 6 months	Between 6 to 12 months
	RUB'000	RUB'000	RUB'000
Assets sensitive to interest change fluctuation	11,604	34,996	928,136
Liabilities sensitive to interest change fluctuation	(5,052,826)	-	(960,336)
Spread sensitive to interest change fluctuation	(5,041,222)	34,996	(32,200)
Net balance on financial instruments	(5,041,222)	34,996	(32,200)
Spread coefficient	0.23%	0.92%	16.21%
Time coefficient	0.959	0.712	0.252
Increase in % interest rate (basis points)	100	100	100
Increase in net interest income	(483,405)	2,479	(805)
Decrease in % interest rate (basis points)	(100)	(100)	(100)
Decrease in net interest income	483,405	(2,479)	805

The table below shows the group's fair value exposure to interest rate risks within one year as at 31 December 2018. It includes the group's financial instruments at carrying amounts categorised by the earlier of contractual repricing.

	Up to 1 month	Between 1 to 6 months	Between 6 to 12 months
	RUB'000	RUB'000	RUB'000
Assets sensitive to interest change fluctuation	4,131,504	2,956	1,548,535
Liabilities sensitive to interest change fluctuation	(1,873,423)	-	(289,560)
Spread sensitive to interest change fluctuation	2,258,081	2,956	1,258,975
Net balance on financial instruments	2,258,081	2,956	1,258,975
Spread coefficient	220.53%	220.69%	262.74%
Time coefficient	0.959	0.712	0.252
Increase in % interest rate (basis points)	100	100	100
Increase in net interest income	216,399	209	31,474
Decrease in % interest rate (basis points)	(100)	(100)	(100)
Decrease in net interest income	(216,399)	(209)	(31,474)

32. Financial risk management (continued)

32.2 Market risk (continued)

32.2.2 Equity price risk

The group is exposed to equity securities price risk because of investments held by the group and classified in the consolidated statement of financial position at fair value. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is carried out in accordance with the limits set by the group.

32.2.3 Foreign exchange risk

The group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the group's exposure to foreign currency exchange rate risk at 31 December 2019. Included in the table are the group's financial instruments at carrying amounts, categorised by currency.

Assets at 31 December 2019	**US$ RUB'000**	**RUB RUB'000**	**EUR RUB'000**	**Others RUB'000**	**Total RUB'000**
Intangible assets	-	5,934	966,058	-	971,992
Property, plant and equipment	-	77,581	809,406	169,521	1,056,508
Investment properties	-	-	-	261,696	261,696
Investment in associate	-	-	-	278,312	278,312
Deferred tax assets	-	134,961	64,184	-	199,145
Inventories	-	-	501,552	-	501,552
Trade and other receivables	311,769	3,049,429	3,020,437	8,378	6,390,013
Financial assets at fair value through profit or loss	-	8,569,429	-	-	8,569,429
Cash and cash equivalents	550,177	881,669	794,607	55,449	2,281,902
	861,946	12,719,003	6,156,244	773,356	20,510,549
Liabilities at 31 December 2019					
Deferred tax liabilities	-	243,630	33,662	-	277,292
Borrowings	-	-	1,168,068	-	1,168,068
Trade and other payables	971,647	9,566,865	1,549,194	195,948	12,283,654
Current tax liabilities	-	18,570	39,470	-	58,040
	971,647	9,829,065	2,790,394	195,948	13,787,054
Net financial position	(109,701)	2,889,938	3,365,850	577,408	6,723,495
Credit commitments	887,905	-	-	-	887,905

32. Financial risk management (continued)

32.2 Market risk (continued)

32.1.3 Foreign exchange risk (continued)

Assets at 31 December 2018	**US$ RUB'000**	**RUB RUB'000**	**EUR RUB'000**	**Others RUB'000**	**Total RUB'000**
Intangible assets	-	2,272	1,110,550	-	1,112,822
Property, plant and equipment	-	29,452	895,550	9,666	934,668
Investment in associate	-	-	-	498,497	498,497
Deferred tax assets	-	67,092	40,454	-	107,546
Inventories	-	-	607,201	4,214	611,415
Trade and other receivables	642,686	2,713,461	4,265,818	20,496	7,642,461
Financial assets at fair value through profit or loss	-	7,227,096	-	-	7,227,096
Cash and cash equivalents	878,004	792,295	1,180,171	224,272	3,074,742
	1,520,690	10,831,668	8,099,744	757,145	21,209,247
Liabilities at 31 December 2018					
Deferred tax liabilities	-	38,705	44,955	-	83,660
Borrowings	-	-	1,888,818	-	1,888,818
Trade and other payables	9,014,248	1,178,487	1,745,475	20,509	11,958,719
Current tax liabilities	3,325	-	20,135	2,940	26,400
	9,017,573	1,217,192	3,699,383	23,449	13,957,597
Net financial position	(7,496,883)	9,614,476	4,400,361	733,696	7,251,650
Credit commitments	161,988	-	-	-	161,988

The analysis below shows the group's sensitivity to fluctuation in foreign exchange rates as of 31 December 2019:

	Effect on profit/(loss) RUB'000	**Effect on net assets RUB'000**
Appreciation of USD by 5%	5,224	5,224
Depreciation of USD by 5%	(5,774)	(5,774)
Appreciation of EUR by 5%	(160,279)	(160,279)
Depreciation of EUR by 5%	177,150	177,150
Appreciation of other currencies by 5%	(24,180)	(27,496)
Depreciation of other currencies by 5%	26,726	30,390

32. Financial risk management (continued)

32.2 Market risk (continued)

32.2.3 Foreign exchange risk (continued)

The analysis below shows the group's sensitivity to fluctuation in foreign exchange rates as of 31 December 2018:

	Effect on profit/(loss) RUB'000	Effect on net assets RUB'000
Appreciation of USD by 5%	356,994	356,994
Depreciation of USD by 5%	(394,573)	(394,573)
Appreciation of EUR by 5%	(209,541)	(209,541)
Depreciation of EUR by 5%	231,598	231,598
Appreciation of other currencies by 5%	(34,938)	(34,938)
Depreciation of other currencies by 5%	38,616	38,616

32.3 Liquidity risk

Liquidity risk is the risk that the group is unable to meet its obligations when they fall due. Cash flow forecasting is performed for the operating entities of the group. Each operating entity monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants where applicable on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, and external regulatory requirements (refer to Note 33 for further details of external capital adequacy requirements).

The group's liquidity management process includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The group maintains an active presence in global money markets to enable this to happen;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios of the consolidated statement of financial position against internal and regulatory requirements; and
- managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

32. Financial risk management (continued)

32.3 Liquidity risk (continued)

The group also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The table below presents the cash flows payable by the group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the consolidated statement of financial position.

As at 31 December 2019	Up to 1 month RUB'000	1 to 6 months RUB'000	6 to 12 months RUB'000	Over 12 months RUB'000	No stated maturity RUB'000	Total RUB'000
Assets						
Intangible assets	-	-	-	5,934	966,058	971,992
Property, plant and equipment	-	-	-	77,581	978,927	1,056,508
Investment properties	-	-	-	-	261,696	261,696
Investments in associate	-	-	-	-	278,312	278,312
Deferred tax assets	-	-	-	199,145	-	199,145
Inventories	-	18,540	-	-	483,012	501,552
Trade and other receivables	582,331	728,799	973,198	3,495,838	609,847	6,390,013
Financial assets at fair value through profit or loss	3,306,336	5,263,093	-	-	-	8,569,429
Cash and cash equivalents	2,143,896	-	-	-	138,006	2,281,902
	6,032,563	6,010,432	973,198	3,778,498	3,715,858	20,510,549
Liabilities						
Deferred tax liabilities	108,669	-	-	168,623	-	277,292
Borrowings	39,055	876,296	153,696	99,021	-	1,168,068
Trade and other payables	5,720,224	561,291	980,343	4,964,321	57,475	12,283,654
Current tax liabilities	18,570	39,470	-	-	-	58,040
	5,886,518	1,477,057	1,134,039	5,231,965	57,475	13,787,054
Net financial position	146,045	4,533,375	(160,841)	(1,453,467)	3,658,383	6,723,495
Credit commitments	-	-	-	-	887,905	887,905

32. Financial risk management (continued)

32.3 Liquidity risk (continued)

As at 31 December 2018	Up to 1 month RUB'000	1 to 6 months RUB'000	6 to 12 months RUB'000	Over 12 months RUB'000	No stated maturity RUB'000	Total RUB'000
Assets						
Intangible assets	-	-	-	2,156	1,110,666	1,112,822
Property, plant and equipment	-	-	-	29,542	905,126	934,668
Investments in associate	-	-	-	-	498,497	498,497
Deferred tax assets	66,905	-	-	40,641	-	107,546
Inventories	-	4,231	-	-	607,184	611,415
Trade and other receivables	1,567,675	544,862	1,634,346	3,407,247	488,331	7,642,461
Financial assets at fair value through profit or loss	4,118,893	3,108,203	-	-	-	7,227,096
Cash and cash equivalents	2,186,467	-	-	-	888,275	3,074,742
	7,939,940	3,657,296	1,634,346	3,479,586	4,498,079	21,209,247
Liabilities						
Deferred tax liabilities	38,725	-	-	44,935	-	83,660
Borrowings	-	1,164,785	165,598	558,435	-	1,888,818
Trade and other payables	6,347,218	850,189	289,598	4,413,826	57,888	11,958,719
Current tax liabilities	3,353	20,093	2,954	-	-	26,400
	6,389,296	2,035,067	458,150	5,017,196	57,888	13,957,597
Net financial position	1,550,644	1,622,229	1,176,196	(1,537,610)	4,440,191	7,251,650
Credit commitments	-	-	-	-	161,988	161,988

33. Capital management

The group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the group operate;
- to safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

33. Capital management (continued)

Capital adequacy and the use of regulatory capital are monitored daily by the group's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Central Bank of Russia (CBR) for supervisory purposes. The required information is filed with the CBR on a monthly basis.

Under current legal requirements, Alef Bank must maintain a certain proportion of capital to assets risk. This proportion is called "capital adequacy rating" and its level must be above 8%, with the base capital ratio above 4.5% and fixed capital ratio above 6%.

The regulatory capital requirements, which arise mainly on the banking operations, are strictly observed when managing economic capital. This regulatory capital is managed by Alef Bank's local treasury team.

The table below summarises the composition of regulatory capital and the ratios of Alef Bank for the years ended 31 December 2018 and 2019. During these two years, Alef Bank has complied with all of the externally imposed capital requirements which it is subject to.

	2019 RUB'000	2018 RUB'000
Capital		
Fixed capital	3,696,483	3,583,809
Additional capital	554,714	611,927
Total regulatory capital	**4,251,197**	**4,195,736**
Risk-weighted assets	**17,602,701**	**17,003,267**
Basel ratio	**24%**	**25%**

The group also monitors capital on the basis of its gearing ratio.

	2019 RUB'000	2018 RUB'000
Borrowings	1,168,068	1,888,818
Total equity	**6,915,568**	**7,251,650**
Net borrowings to equity ratio	**17%**	**26%**

33. Capital management (continued)

Capital includes issued capital, preference shares and all other equity reserves attributable to the equity holders of the parent. The primary objective of the group's capital management is to maximise shareholders' value.

The group manages its capital structure and makes changes in light of changes in economic conditions and requirements for financial covenants. To maintain or adjust the capital structure, the group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. The group include within net debt, interest bearing loans and borrowings, less cash and short-term deposits. The group's policy is to maintain the gearing ratio between 20% and 40%.

The group's capital management among other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

34. Fair value of financial assets and liabilities

The fair value for each class of financial assets and liabilities that is carried at other than fair value is disclosed in the corresponding note to the accounts of the financial instruments. The carrying values of those financial instruments are a reasonable approximation to their corresponding fair value.

Fair value hierarchy
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, New York Stock Exchange and FS MICEX – Financial Stock Exchange of Moscow Interbank Currency Exchange).

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

34.1 Assets measured at fair value

At 31 December 2019	Level 1 RUB'000	Level 2 RUB'000	Level 3 RUB'000	Total RUB'000
Financial assets at fair value (FVPL):				
Regional debt securities of Russian Federation	457,447	578,674	-	1,036,121
Debt securities	5,753,046	1,780,262	-	7,533,308
	6,210,493	2,358,936	-	8,569,429

At 31 December 2018	Level 1 RUB'000	Level 2 RUB'000	Level 3 RUB'000	Total RUB'000
Financial assets at fair value (FVPL):				
Regional debt securities of Russian Federation	398,833	657,892	-	1,056,725
Debt securities	4,339,951	1,830,420	-	6,170,371
	4,738,784	2,488,312	-	7,227,096

35. Reconciliation of movements of liabilities to cash flows arising from financing activities

Group

	At 1 January 2019 RUB'000	Cash flows RUB'000	Other RUB'000	At 31 December 2019 RUB'000
Interest bearing bank loans	774,673	7,341	(274,857)	507,157
Loans from related parties	126,436	(112,973)	(13,463)	-
Obligations under finance lease	29,168	(79,886)	50,718	-
Bank overdraft	958,541	(184,029)	(113,601)	660,911
Total liabilities from financing activities	**1,888,818**	**(369,547)**	**(351,203)**	**1,168,068**

35. Reconciliation of movements of liabilities to cash flows arising from financing activities Group (Continued)

	At 1 January 2018	Cash flows	Other	At 31 December 2018
	RUB'000	RUB'000	RUB'000	RUB'000
Interest bearing bank loans	266,675	600,688	(92,690)	774,673
Loans from related parties	316,198	(222,116)	32,354	126,436
Obligations under finance lease	8,834	(2,221)	22,555	29,168
Bank overdraft	1,198,658	(240,117)	-	958,541
Total liabilities from financing activities	**1,790,365**	**136,234**	**(37,781)**	**1,888,818**

35.a Reconciliation of movements of liabilities to cash flows arising from financing activities Company

	Loans and borrowings	Total
	RUB'000	RUB'000
At 31 December 2018 and 1 January 2019	126,436	126,436
Changes from financing cash flows		
Repayment of borrowings	(112,973)	(112,973)
Total changes from financing cash flows	**(112,973)**	**(112,973)**
Movement due to foreign exchange	(13,463)	(13,463)
At 31 December 2019	-	-

	Loans and borrowings	Total
	RUB'000	RUB'000
At 31 December 2017 and 1 January 2018	316,198	316,198
Changes from financing cash flows		
Repayment of borrowings	(222,116)	(222,116)
Total changes from financing cash flows	**(222,116)**	**(222,116)**
Movement due to foreign exchange	32,354	32,354
At 31 December 2018	**126,436**	**126,436**

36. *Net debt reconciliation*

This section sets out an analysis of net debt for each of the periods presented

Group

	2019 RUB'000	2018 RUB'000
Cash and cash equivalents	1,620,991	2,116,202
Borrowings (including overdraft and lease liabilities)	(1,168,068)	(1,888,818)
Net debt	**452,823**	**227,384**

36.a Net debt reconciliation

Company

	2019 RUB'000	2018 RUB'000
Cash and cash equivalents	258,463	311,022
Borrowings (including lease liabilities)	(167,023)	(126,436)
Net debt	**91,440**	**184,586**

37. Change in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements.

As indicated in Note 29 above, the group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2(16).

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.6%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

(ii) Measurement of lease liabilities

	1 Jan 2019
	RUB'000
Operating lease commitments disclosed as at 31 December 2018	278,111
Discounted using the lessee's incremental borrowing rate	259,531
Add: finance lease liabilities recognised as at 31 December 2018	29,143
Lease liability recognised as at 1 January 2019	**288,674**

38. Events after the reporting period

Subsequent to year end, economies across the world were hit by the spread of the COVID-19 virus. Lockdown measures were imposed by governments trying to limit the spread of the disease. LCM Italia SpA closed its factory in Italy for a short period of a few weeks before resuming its operations. The motor vehicle industry in Israel has been affected as demand for public and private transport declined due to the lockdown. Although Alef Bank's and Eastlink Lanker PLC's operations have continued without significant impact, it is likely that sales level for the company and for the group as a whole will be hit as a result of slowing economies across the world, the effect of which cannot be predicted with certainty.