Company Registration Number: 02760617 (England and Wales)

EASTLINK LANKER PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Blick Rothenberg Audit LLP
Chartered Accountants & Statutory Auditor
Palladium House
1-4 Argyll Street
London W1F 7LD

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
Auditors	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
	CJSC 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 2018

The directors present their strategic report for the year ended 31 December 2018.

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 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 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.

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 €26.4m in 2017 to €19.6m in 2018. The company's gross profit margin increased from 3.7% in 2017 to 5.2% in 2018 and the company achieved net profit after tax of €132,000 (2017: €165,000).

The Group's turnover in 2018 has decreased from €126.6m in 2017 to €116.8m in 2018 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 €14.1m in 2018 (2017: €8.9m). The Group was in a net asset position of €90.8m at 31 December 2018 (2017: €84.6m) with cash and cash equivalents of €26.5m at the year end (2017: €33.7m).

During 2018 the economic conditions in the Russian Federation where Alef Bank operates remained challenging, with continued sanctions imposed by the EU and the USA, increased inflation and a weakening of Russian Rouble against United States Dollar. There were also some positive trends: growth in GDP, a reduction in unemployment figures and increased oil prices which have had significant impact on the economy. Interest income from banking activities has decreased from last year's turnover of €24.4m to €20.5m, a decrease of 15.6%. However, the bank reported a gross profit margin of 73.3% (2017: 51.0%) on its activities due to a writeback of €436,000 in impairment allowance in 2018 compared to an increase in impairment provisions of €2,413,000 in 2017 and gains of €6.4m (2017: losses of €4.5m) from foreign exchange dealings. The bank achieved an increased net profit before tax of €14.3m in 2018 (2017: €3.6m).

In 2018, LCM Italia S.p.A continued to benefit from internal reorganisation which took place in 2016. Although turnover has fallen, it is well above the 2016 level. The company continues seeking client, geographical and product diversification. The year end results were affected by postponement of customer orders from 2018 to 2019. LCM Italia S.p.A has achieved revenue of €70.0m for 2018 (2017: €80.0m). Although its gross profit margin decreased from 24% in 2017 to 23% in 2018, it made an overall profit before tax of €2.9m in 2018 (2017: €7.2m) as a result of the decreased turnover and tighter control over its administrative expenditure.

Review of the business (continued)

The wholly-owned subsidiary, Magi Motors Ltd, has a significant interest in a company 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 company's share of the profit of the associate within the Magi Motors Ltd subgroup amounted to €466,000 in 2018 (2017: €976,000). The Group received dividends amounting to €Nil in 2018 (2017: €1.9m) from its associate.

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:

	2018	2017
	EUR'000	EUR'000
Revenue in year	19,624	26,391
Gross profit for the year	984	973
Profit before tax	172	204
Net assets	70,543	70,411

(ii) Banking and retail operations:

	2018	2017
	EUR'000	EUR'000
Net interest income	20,539	24,360
Profit before tax	13,342	3,615
Net assets	55,744	51,990

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

	2018	2017
	EUR'000	EUR'000
Revenue	70,047	80,032
Earnings before interest, tax, depreciation and amortisation	4,425	8,175
Earnings before interest and tax	2,835	6,990
Earnings before tax	2,873	7,209

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.

On behalf of the board

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D Korotkov-Koganovich
Director

Date: 30/05/2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the audited financial statements of the group and the company for the year ended 31 December 2018.

Directors
The following directors have held office since 1 January 2018:

D Korotkov-Koganovich
M Gilligan

Results and dividends
The results for the year are as set out on page 9. No ordinary dividend was paid and the directors do not recommend the payment of a dividend.

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.

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report 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

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D Korotkov-Koganovich
Director

Date: 30/05/2019

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018
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 2018 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 2018 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 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.

Emphasis of matter – credit risk and regulatory risk
We draw your attention to Note 15.2.1. 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.

We also draw attention to Note 27 in the financial statements which outlines that the group is exposed to a high regulatory risk. This has arisen due to the group's banking subsidiary's non-compliance with certain regulations of the Central Bank of the Russian Federation during the year ended 31 December 2018. Our opinion is not modified in respect of this matter and we have received confirmation from the management of Alef Bank that these matters have now been fully resolved.

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

Matters on which we are required to report by exception (continued)

- 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.

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: 31/5/2019

EASTLINK LANKER PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 EUR'000	2017 EUR'000 Restated
Continuing operations			
Revenue	3	116,836	126,574
Cost of sales	4	(79,718)	(96,506)
Gross profit		**37,118**	**30,068**
Administrative expenses		(17,259)	(19,386)
Net impairment losses on financial assets		(888)	(1,140)
Other income/(expenses)	7	1,566	(4,390)
Net (losses)/gains on financial instruments at fair value	8	(3,409)	1,578
Change in other provisions		532	4,349
Operating profit		**17,660**	**11,079**
Finance income		38	216
Finance costs		(159)	(266)
Finance costs - net		(121)	(50)
Share of profit of associate accounted for using the equity method		466	976
Profit for the year before income tax		**18,005**	**12,005**
Income tax expense	9	(3,841)	(3,061)
Profit for the year		**14,164**	**8,944**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	25	-	4
Currency translation differences	25	(7,961)	(3,846)
Movements in other reserves	25	-	(3)
Losses on employee severance fund		(8)	-
Other comprehensive deficit for the year		**(7,969)**	**(3,845)**
Total comprehensive income		**6,195**	**5,099**
Profit for the year attributable to owners of the parent	24	**14,164**	**8,944**
Total comprehensive income attributable to owners of the parent		**6,195**	**5,099**

The notes on pages 19 to 96 are an integral part of these consolidated financial statements

EASTLINK LANKER PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 EUR'000	2017 EUR'000
Assets			
Non-current assets			
Property, plant and equipment	10	11,707	10,827
Intangible assets	11	13,937	13,623
Investment in associate	12a	6,251	5,980
Assets held for sale	13	1,152	2,568
Deferred tax assets	22	1,348	1,494
Total non-current assets		**34,395**	**34,492**
Current assets			
Inventories	14	7,657	13,941
Trade and other receivables	15	94,565	106,446
Available-for-sale financial assets	16	-	1
Financial assets at fair value through profit or loss	17	90,514	117,383
Cash and cash equivalents (excluding bank overdrafts)	18	38,512	50,986
Total current assets		**231,248**	**288,757**
Total assets		**265,643**	**323,249**
Equity and liabilities			
Equity attributable to owners of the parent			
Ordinary shares	23	45,577	45,577
Preference shares	23	16,049	16,049
Other reserves	25	(21,831)	(13,862)
Retained earnings	24	51,037	36,873
Total equity		**90,832**	**84,637**
Liabilities			
Non-current liabilities			
Borrowings	21	6,994	1,908
Deferred tax liabilities	22	1,048	876
Other payables		418	453
Total non-current liabilities		**8,460**	**3,237**
Current liabilities			
Trade and other payables	19	149,146	209,980
Financial liabilities at fair value through profit or loss	20	211	242
Borrowings	21	16,663	23,913
Current tax liabilities		331	1,240
Total current liabilities		**166,351**	**235,375**
Total liabilities		**174,811**	**238,612**
Total equity and liabilities		**265,643**	**323,249**

The notes on pages 19 to 96 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

The financial statements were approved and authorised for issue by the Board on 30/05/2019 and signed on its behalf by:

....

D Korotkov-Koganovich
Director
Company Registration Number: 02760617

EASTLINK LANKER PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the parent				
	Notes	**Ordinary shares EUR'000**	**Preference shares EUR'000**	**Other reserves EUR'000**	**Retained earnings EUR'000**	**Total EUR'000**
Balance as at 1 January 2017		**45,577**	**16,049**	**(10,017)**	**27,929**	**79,538**
Comprehensive income						
Profit for the year	**24**	-	-	-	8,944	8,944
Other comprehensive deficit	**25**	-	-	(3,845)	-	(3,845)
Balance as at 31 December 2017 and 1 January 2018		**45,577**	**16,049**	**(13,862)**	**36,873**	**84,637**
Comprehensive income						
Profit for the year*	**24**	-	-	-	14,164	14,164
Other comprehensive deficit	**25**	-	-	(7,969)	-	(7,969)
Balance as at 31 December 2018		**45,577**	**16,049**	**(21,831)**	**51,037**	**90,832**

*Profit for the year includes a credit amount of €1,476,000 arising from the first time adoption of IFRS 9 (See Note 2.1(v)).

EASTLINK LANKER PLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 EUR'000	2017 EUR'000
Assets			
Non-current assets			
Property, plant and equipment	**10a**	118	121
Investments in subsidiaries	**12**	70,900	73,900
Total non-current assets		**71,018**	**74,021**
Current assets			
Inventory		53	14
Trade and other receivables	**15a**	1,310	2,208
Cash and cash equivalents	**18a**	3,895	2,188
Total current assets		**5,258**	**4,410**
Total assets		**76,276**	**78,431**
Equity and liabilities			
Equity attributable to owners of the parent			
Ordinary shares	**23**	45,577	45,577
Preference shares	**23**	16,049	16,049
Foreign exchange reserves		5,211	5,211
Retained earnings	**24a**	3,706	3,574
Total equity		**70,543**	**70,411**
Liabilities			
Non-current liabilities			
Borrowings	**21a**	1,560	-
Current liabilities			
Trade and other payables	**19a**	4,112	3,420
Borrowings	**21a**	24	4,560
Current tax liabilities		37	40
Total liabilities		**5,733**	**8,020**
Total equity and liabilities		**76,276**	**78,431**

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 €132,000 (2017: €165,000).

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

The financial statements were approved and authorised for issue by the Board on 30/05/2019 and signed on its behalf by:

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D Korotkov-Koganovich
Director
Company Registration Number: 02760617

The notes on pages 19 to 96 are an integral part of these consolidated financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the parent				
	Notes	Ordinary Shares	Preference shares	Foreign exchange reserve	Retained earnings	Total
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 January 2017		**45,577**	**16,049**	**5,211**	**3,409**	**70,246**
Comprehensive income						
Profit for the year	**24a**	-	-	-	165	165
Balance as at 31 December 2017 and 1 January 2018		**45,577**	**16,049**	**5,211**	**3,574**	**70,411**
Comprehensive income						
Profit for the year	**24a**	-	-	-	132	132
Balance as at 31 December 2018		**45,577**	**16,049**	**5,211**	**3,706**	**70,543**

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 consists of exchange gains arising from the change in the company's functional currency to Euro in 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 EUR'000	2017 EUR'000
Cash flows from operating activities			
Cash inflow from operations		5,552	17,107
Income tax paid		(4,269)	(3,135)
Interest paid		(130)	(266)
Net cash inflow from operating activities		**1,153**	**13,706**
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)	**10**	(4,886)	(3,352)
Proceeds from sale of PPE		134	72
Dividends received		-	1,938
Purchases of intangible assets	**11**	(623)	(465)
Sale of available-for-sale financial assets		-	1,924
Sale/(purchase) of held for sale investments		1,220	(1,563)
Net cash outflow from investing activities		**(4,155)**	**(1,446)**
Cash flows from financing activities			
Proceeds from bank borrowings/(repayment of bank borrowings)		5,708	(4,804)
Finance lease repayment		(30)	-
Loans repaid to related parties		(3,000)	(8,739)
Loans repaid by related parties		-	911
Borrowings through debts securities issued		28	32
Net cash inflow/(outflow) from financing activities		**2,706**	**(12,600)**
Net decrease in cash and cash equivalents		(296)	(340)
Cash and cash equivalents at beginning of year	**18**	33,697	35,976
Exchange losses on cash and cash equivalents		(6,894)	(1,939)
Cash and cash equivalents at end of year	**18**	**26,507**	**33,697**

The notes on pages 19 to 96 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

Cash inflow from operations	**Notes**	**2018 EUR'000**	**2017 EUR'000**
Operating profit		17,660	11,079
Adjustments for:			
Depreciation	**10**	1,433	1,155
Amortisation	**11**	303	233
Loss on disposal of PPE		11	3
(Gains)/losses on financial assets at fair value through profit or loss		(90)	801
Changes in other provisions		(397)	(4,327)
Other non-monetary gains		(435)	-
Unrealised exchange gains on transactions		(1,007)	-
Share of profit from associate		(466)	(976)
Changes in working capital:			
Inventories		6,284	(4,660)
Loans and advances (to)/from banks		(10,160)	33,883
Loans and advances (to)/from customers		(11,371)	9,930
Deposits (to)/from customers		(17,482)	14,792
Trade and other receivables		18,653	(13,952)
Financial assets at fair value through profit or loss		14,029	(34,977)
Trade and other payables		(11,413)	4,123
		5,552	17,107

EASTLINK LANKER PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 EUR'000	2017 EUR'000
Cash flows from operating activities			
Cash inflow from operations		1,028	312
Income tax paid		(40)	(18)
Net cash inflow from operating activities		**988**	**294**
Cash flows from investing activities			
Loan repayments received from subsidiaries		3,000	7,935
Purchases of PPE		(11)	-
Interest received		866	1,043
Interest paid		(136)	(266)
Net cash inflow from investing activities		**3,719**	**8,712**
Cash flows from financing activities			
Repayment of loans to related parties		(3,000)	(8,739)
Net cash outflow from financing activities		**(3,000)**	**(8,739)**
Net increase in cash and cash equivalents		1,707	267
Cash and cash equivalents at beginning of year	**18a**	2,188	1,921
Cash and cash equivalents at end of year	**18a**	**3,895**	**2,188**

Cash inflow from operations			
Operating loss before income tax		(526)	(573)
Adjustments for:			
Depreciation	**10a**	14	12
Changes in working capital			
Inventories		(39)	(14)
Trade and other receivables		887	626
Trade and other payables		692	261
		1,028	312

The notes on pages 19 to 96 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) Foreign currencies

The consolidated financial statements are presented in Euros, which became the company's functional currency from 1 January 2017. The company's functional currency was previously US$. From 2017, Euro became the primary currency in which the company's financing activities and investment returns are denominated, along with its customer base. Each entity in the Group determines its own functional currency and this consists of Russian Roubles, Israeli Shekels and Euros.

In line with the change in the company's functional currency, the Group also changed its presentational currency from US$ to Euros in 2017. This is in alignment with the geographical split of the group's operations.

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

(iv) 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)

(v) 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 2018:

- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers'; and

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

Several other amendments and interpretations apply for the first time in 2018, 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 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of IFRS 15 did not have a material impact in the current or prior year.

IFRS 9 *Financial instruments*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(v) New and amended standards and interpretations (continued)

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

	Adjustments	1 January 2018 €000
Assets		
Trade and other receivables	(b)	1,845
Net deferred tax assets	(c)	(369)
Total adjustment on equity:		
Retained earnings	(b) & (c)	(1,476)

a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The following are the changes in the classification of the Group's financial assets:

- Equity investments in non-listed companies classified as available for sale (AFS) financial assets as at 31 December 2017 are classified and measured as Equity instruments designated at fair value through Other Comprehensive Income ("OCI") beginning 1 January 2018.
- Trade receivables and other non-current financial assets (E.g: loan to customers) classified as Loans and Receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(v) New and amended standards and interpretations (continued)

a) Classification and measurement (continued)

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1 January 2018.

		IFRS 9 measurement category		
		Fair value through profit or loss	**Amortised cost**	**Fair value through OCI**
	€'000	**€'000**	**€'000**	**€'000**
IAS 39 measurement category				
Loans and receivables:				
Trade receivables	40,217		40,217	
Other receivables	2,571		2,571	
Loans and advances to banks	1,673		1,673	
Loans and advances to customers *	58,908		60,753	
Other assets	1,229		1,229	
Available for sale:				
Unquoted investment	1			1
			106,443	**1**

*The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

There are no changes in classification and measurement for the group's financial liabilities.

b) Impairment

The adoption of IFRS 9 has fundamentally changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the group recognised less impairment on the group's loans and advances to customers by €1,845,000, which resulted in an increase in retained earnings of €1,476,000.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(v) New and amended standards and interpretations (continued)

b) Impairment (continued)

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 31 December 2017	Remeasurement	ECL under IFRS 9 as at 1 January 2018
	€'000	€'000	€'000
Trade receivables	596	-	596
Loans and advances to banks	83	-	83
Loans and advances to customers	43,525	(1,845)	41,680
	44,204	**(1,845)**	**42,359**

Trade receivables
The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses lifetime expected loss allowance for all trade receivable balances. This focuses on the risk that a customer will default rather than whether a loss has been incurred. There was no change in impairment allowance arising from the adoption of IFRS 9.

Loan advances to banks and customers
The application of the lifetime expected credit loss model as defined in note 2.11 resulted in the recognition of a reduced loss allowance of €1,845,000 on 1 January 2018, based on credit risk not changing significantly from the date of initial recognition of those financial instruments issued by Alef Bank.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(v) New and amended standards and interpretations (continued)

b) Impairment (continued)

Cash and cash equivalents
Cash and cash equivalents are also subject to the impairment requirements of IFRS 9. However, the identified impairment loss was immaterial.

c) Other adjustments

In addition to the adjustments described above, other items such as deferred taxes were adjusted to retained earnings as necessary upon adoption of IFRS 9 as at 1 January 2018.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 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 except for the following:

- IFRS 16 Leases (Issued in January 2016 and effective for annual periods beginning on or after 1 January 2019)

This will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value assets.

The standard will primarily affect how the group accounts for its operating leases. As at the reporting date, the group has non-cancellable operating leases of €2,840,000 (Note 29).

The amount of right-of-use assets and lease liabilities that would have been recognised on the early-adoption of the new standard in 2018 is estimated to be €2.9m based on an implicit rate of return of 5%. The group intends to apply the simplified transition approach and not restate amounts for the prior year on first time adoption of IFRS 16.

There are no other IFRSs or IFRS IC interpretations that are not yet effective that are expected to have a significant impact on the group.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(vi) Prior year adjustment

Losses of €4,542,000 arising from foreign exchange dealing were incorrectly classified within "Gains/losses on foreign exchange" under administrative expenses in the prior year. The comparative figures have been restated to reclassify this amount from administrative expenses and include it as part of revenue to align it with the trading activity of the group. Below is a summary of the effect of the reclassification:

	As previously reported €'000	Adjustment €'000	As restated €'000
Revenue	131,116	(4,542)	126,574
Administrative expenses	23,928	(4,542)	19,386
Total comprehensive income attributable to the owners of the parent	5,099	-	5,099

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 2018.

(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 Euro, which is also Eastlink Lanker Plc's functional currency.

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

From 1 January 2018, 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.

- 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 does not have any financial assets classified as FVOCI.

(iv) Impairment
From 1 January 2018, 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) Accounting policies applied until 31 December 2017

Classification
Until 31 December 2017, the group classified its financial assets in the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables; and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

(v) Accounting policies applied until 31 December 2017 (continued)

Subsequent measurement
The measurement at initial recognition did not change on adoption of IFRS 9, except for loans and advances to customers (see above). Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value.

Gains or losses arising from changes in the fair value were recognised as follows:
- for financial assets at FVPL – in profit or loss within other gains/(losses);
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss, and other changes in the carrying amount were recognised in other comprehensive income; and
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

Impairment
The group assessed, at the end of each reporting period, whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

(v) Accounting policies applied until 31 December 2017 (continued)

Assets carried at amortised cost
For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Assets classified as available-for-sale
If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

(vi) 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)

(vii) 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.

(viii) 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.

(ix) 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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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 and VAT. 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, 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.

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%

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 2018 (2017: 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 using the straight-line method over the following periods:
IT development and software 3 - 7 years

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

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

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.

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. Summary of significant accounting policies (continued)

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 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. Summary of significant accounting policies (continued)

2.20 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.

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.

2. Summary of significant accounting policies (continued)

2.20 Income tax (continued)

b) Deferred income tax (continued)

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.

2.21 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:

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.

2. Summary of significant accounting policies (continued)

2.21 Critical accounting estimates and judgments (continued)

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.

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.

		2018	2017
3.	**Revenue**		
	Group	**EUR'000**	**EUR'000**
			Restated
	Income from sales of ferrous products	19,624	26,391
	Interest income from retail and commercial banking	20,539	24,360
	Gains/(losses) from forex trading	6,428	(4,542)
	Income from supply of products for the fuel and oil industries	70,047	80,032
	Rent receivable	-	126
	Other	198	207
		116,836	126,574

		2018	2017
3.1	**Interest income from banking activities**		
	Group	**EUR'000**	**EUR'000**
	Loans and advances to customers	11,863	13,747
	Financial assets at fair value through profit or loss	8,527	10,347
	Overnight and due from other banks	15	4
	Other	134	262
		20,539	24,360

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

		2018	2017
4.	**Cost of sales**		
	Group	**EUR'000**	**EUR'000**
	Purchases and direct costs of ferrous products	18,640	25,544
	Interest expenses and costs associated from retail and commercial banking	7,870	12,775
	Purchases of raw materials and components	47,789	61,656
	Net change of inventory in work in progress and finished goods	5,419	(3,469)
		79,718	96,506

		2018	2017
4.1	**Interest expenses and costs associated with banking activities**		
	Group	**EUR'000**	**EUR'000**
	Interest:		
	Customers' accounts	6,756	9,513
	Due to other banks	674	746
	Debt securities in issue	1	16
	Other	875	87
		8,306	10,362
	Other direct costs:		
	Changes in provision for impairment losses on loan portfolio	(436)	2,413
		7,870	12,775

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

5.	**Expenses by nature**	**2018**	**2017**
	Group	**EUR'000**	**EUR'000**
			Restated
	Purchases and direct costs of ferrous products	18,640	40,972
	Interest expense from retail and commercial banking	7,870	12,775
	Purchases of raw materials and components	47,789	46,228
	Movement in inventory	5,419	(3,469)
	Legal and professional fees	1,337	643
	Office expenses	459	1,326
	Employee expenses	11,636	11,363
	Operating lease payments	1,394	1,617
	Depreciation of PPE	1,433	1,155
	Amortisation of intangibles	303	233
	(Gains)/losses on foreign exchange	(2,731)	(880)
	Other	3,428	3,929
	Total cost of sales and administrative expenses	96,977	115,892

5.1	**Auditors' remuneration**	**2018**	**2017**
		EUR'000	**EUR'000**
	Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	86	61
	Provision of non-audit services including tax compliance	11	27
		97	88

6.	**Directors' remuneration**	**2018**	**2017**
		EUR'000	**EUR'000**
	Remuneration for qualifying services	127	108
	Company pension contributions to defined contribution schemes	4	4
		131	112

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017: 2).

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

6.1 Employees

Average number of employees in year	**2018**	**2017**
Management	14	13
Operations and transactions	178	162
Administration	92	84
Internal control	8	9
IT and finance	25	47
	317	315

Employment costs	**2018**	**2017**
	EUR'000	**EUR'000**
Wages and salaries	8,793	8,813
Social security costs	2,010	1,824
Pension contribution	833	726
	11,636	11,363

7. Other income/(expenses)

Other income/(expenses)	**2018**	**2017**
Group	**EUR'000**	**EUR'000**
Refunds, grant and penalties issued	1,108	371
Net fee and commission income from retail and commercial banking	523	744
Sale of claim	37	113
Rental income	55	-
Income from other non-core activities	425	741
	2,148	1,969
Expenses arising from assignment of claims	(582)	(5,072)
Other expenses	-	(1,287)
	(582)	(6,359)
	1,566	**(4,390)**

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

Net (losses)/gains on financial instruments at fair value	**2018**	**2017**
Group	**EUR'000**	**EUR'000**
Gains on financial instruments at fair value	7	1,580
Losses on financial instruments at fair value	(3,416)	(2)
	(3,409)	1,578

9. **Income tax expense** **Group**	**2018** **EUR'000**	**2017** **EUR'000**
Current tax:		
Current tax on profits for year	3,335	4,425
Prior year adjustment to tax	78	39
Total current tax	3,413	4,464
Deferred tax:		
Origination and reversal of temporary differences	428	(1,403)
Total deferred tax	428	(1,403)
Income tax expense	3,841	3,061
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	17,539	11,029
Profit on ordinary activities before taxation multiplied by weighted average rate of corporation tax of 21% (2017: 25%)	3,683	2,757
Effects of:		
Associate's results reported net of tax	98	244
Non-deductible expenses	10,826	24,116
Income not subject to tax	(7,581)	(23,408)
Income subject to tax at a different rate	1,098	1,868
Depreciation add back	3	2
Capital allowances	(3)	(1)
Other tax adjustments	(4,283)	(2,517)
Income tax expense	3,841	3,061

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%. The change in applicable tax rate from 25% to 21% is as a result of a larger contribution by Alef Bank to the group's profit before tax and the tax rate applicable to this company is 20%.

10. Property, plant and equipment

Group	**Land and buildings freehold EUR'000**	**Land and buildings leasehold EUR'000**	**Motor Vehicles EUR'000**	**Fixtures, fittings & equipment EUR'000**	**Total EUR'000**
Cost					
At 1 January 2017	8,341	240	361	10,672	19,614
Additions	2,429	-	75	848	3,352
Disposals	(7)	-	(105)	(17)	(129)
Exchange differences	-		223	(289)	(66)
At 31 December 2017	10,763	240	554	11,214	22,771
Additions	3,021	-	168	1,697	4,886
Disposals	-	-	-	(2,620)	(2,620)
Exchange differences	-	-	(250)	70	(180)
At 31 December 2018	13,784	240	472	10,361	24,857
Depreciation					
At 1 January 2017	2,765	98	216	7,931	11,010
Charge for the year	239	13	29	874	1,155
Disposals	-	-	(48)	(17)	(65)
Exchange differences	-	-	(6)	(150)	(156)
At 31 December 2017	3,004	111	191	8,638	11,944
Charge for the year	284	12	54	1,083	1,433
Disposals	-	-	-	(107)	(107)
Exchange differences	-	-	(4)	(116)	(120)
At 31 December 2018	3,288	123	241	9,498	13,150
Net book value					
At 31 December 2018	10,496	117	231	863	11,707
At 31 December 2017	7,759	129	363	2,576	10,827

Included in land and building is plant under construction with a carrying value of €44,000 (2017: €2,412,000).

Motor vehicles and fixtures, fittings and equipment include the following amounts where the group is a lessee under a finance lease:

	2018 EUR'000	**2017 EUR'000**
Cost-capitalised finance lease	3,461	3,139
Accumulated depreciation	(2,773)	(2,551)
Net book value	688	588

The group leases various vehicles and machinery under non-cancellable finance lease agreements. The ownership of the assets lies within the group.

10. Property, plant and equipment (continued)

10a.

Company	**Land and buildings leasehold EUR'000**	**Computer equipment EUR'000**	**Fixtures, fittings & equipment EUR'000**	**Total EUR'000**
Cost				
At 1 January 2017	242	603	206	1,051
Assets written off	-	(371)	(127)	(498)
At 31 December 2017	242	232	79	553
Additions	-	11	-	11
At 31 December 2018	242	243	79	564
Depreciation				
At 1 January 2017	109	603	206	918
Charge for the year	12	-	-	12
Assets written off	-	(371)	(127)	(498)
At 31 December 2017	121	232	79	432
Charge for the year	12	2	-	14
At 31 December 2018	133	234	79	446
Net book value				
At 31 December 2018	109	9	-	118
At 31 December 2017	121	-	-	121

11. Intangible assets

Group	Goodwill	Other intangible assets	Total
	EUR'000	EUR'000	EUR'000
Cost			
At 1 January 2017	13,081	848	13,929
Additions	-	465	465
Disposal	-	(9)	(9)
Exchange differences			
At 31 December 2017	13,081	1,304	14,385
Additions	-	623	623
Exchange differences	(1)	(20)	(21)
At 31 December 2018	13,080	1,907	14,987
Amortisation			
At 1 January 2017	-	540	540
Charge for the year	-	233	233
Disposal	-		
Exchange differences	-	(11)	(11)
At 31 December 2017	-	762	762
Charge for the year	-	303	303
Exchange differences	-	(15)	(15)
At 31 December 2018	-	1,050	1,050
Net book value			
At 31 December 2018	13,080	857	13,937
At 31 December 2017	13,081	542	13,623

The goodwill of €13,000,000 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:

	2019	**2020**	**2021**
% Annuals sales (decline)/growth	(25.7%)	53.8%	15%
Budgeted gross profit margin	24.9%	23.2%	24.1%
EBITDA as a % of sales	10.4%	12.6%	14.1%

12. Investments in subsidiaries

Company	**Shares in group undertakings EUR'000**	**Loans to group undertakings EUR'000**	**Total EUR'000**
Cost			
At 1 January 2017	57,750	24,142	81,892
Additions	-	1,026	1,026
Loan repayments	-	(8,966)	(8,966)
Reclassification to short term liability		(52)	(52)
At 31 December 2017	57,750	16,150	73,900
Additions	-	-	-
Loan repayments	-	(3,000)	(3,000)
At 31 December 2018	57,750	13,150	70,900
Net book value			
At 31 December 2018	57,750	13,150	70,900
At 31 December 2017	57,750	16,150	73,900

At the reporting date out of the total investments in subsidiaries of €70,900,000 (2017: € 73,900,000) the investment holding that related to CJSC JSCB Alef Bank totalled €49,150,000 (2017: €49,150,000).

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 2018 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
CJSC 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	**2018**	**2017**
	China Motors Ltd EUR'000	**China Motors Ltd EUR'000**
Summarised balance sheet		
Current assets		
Cash and cash equivalents	1,086	4,427
Other current assets	47,630	40,421
	48,716	44,848
Non-current assets	15,049	6,599
Current liabilities		
Trade and other payables	(7,100)	(5,325)
Provisions	-	(1,303)
Financial liabilities (excluding trade and other payables and provision)	(29,419)	(26,134)
Total current liabilities	**(36,519)**	**(32,762)**
Total non-current liabilities	(19,108)	(11,308)
Net assets	**8,138**	**7,377**
Summarised statement of comprehensive income		
Revenue	68,300	91,375
Depreciation and amortisation	(137)	(98)
Interest income	566	362
Interest expense	(1,035)	(1,104)
Income tax expense	(224)	(756)
Profit from continuing operations	1,007	2,308
Profit	1,007	2,308
Other comprehensive income	-	-
Total comprehensive income	1,007	2,308

12a. Investment in associate (continued)

	2018 EUR'000	2017 EUR'000
Reconciliation of summarised financial information		
Opening net assets	7,377	9,454
Profit for the year	1,007	2,308
Dividend payable	-	(4,191)
Foreign exchange differences	(246)	(194)
Closing net assets	8,138	7,377
Proportion of the group's ownership	46.25%	46.25%
	3,764	3,412
Goodwill	2,487	2,568
Carrying value of the group's interest in associate	**6,251**	**5,980**
Dividend received from associate	**-**	**1,938**

Management has reviewed the future discounted performance of the Magi Motors Ltd subgroup based on its pre–tax projections covering a four -year period. No impairment was considered necessary as the parent's share of the net present value of the future cash flow projections based on a discount rate of 15% is considered to be greater than the carrying value of the associated goodwill.

The forecast is based on the following assumptions:

	2019	2020	2021	2022
% Annuals sales growth	15%	20%	2%	14%
Budgeted gross profit margin	12%	12%	12%	12%
Marketing expense as a % of sales	2.45%	2.38%	2.5%	2.63%
Administrative cost as a% of sales	6.56%	5.90%	5.84%	5.26%

13. Assets held for sale

	Land	Real Estate EUR'000	Others EUR'000	Total EUR'000
Group				
At 31 December 2017:				
Gross balance	300	888	1,398	2,586
Provisions	(8)	(10)	-	(18)
Net balance	292	878	1,398	2,568
At 31 December 2018:				
Gross balance	538	576	104	1,218
Provisions	(8)	(58)	-	(66)
Net balance	**530**	**518**	**104**	**1,152**

Assets held of sale consists mainly of land and real estate of €1,048,000 (2017: €1,170,000) 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	**2018 EUR'000**	**2017 EUR'000**
Finished goods	2,994	4,114
Raw materials	1,967	2,870
Work in progress	2,950	7,211
Provisions	(254)	(254)
	7,657	13,941

During the year, inventory with a carrying value of €1,100,000 (2017: €1,100,000) was scrapped in the year and expensed accordingly.

15. Trade and other receivables

	2018	2017
Group	**EUR'000**	**EUR'000**
Trade receivables	24,534	40,813
Write back of bad debt provision	28	-
Allowance for expected credit losses	(698)	(596)
	23,864	**40,217**
Other receivables	2,324	2,571
Loans and advances to banks	5,405	1,673
Loans and advances to customers (Note 15.2)	61,698	58,908
Other assets (Note 15.3)	1,164	2,930
Prepayments and accrued income	110	147
	94,565	106,446

Trade receivables

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

	2018	2017
	EUR'000	**EUR'000**
Ageing analysis of trade receivable balances that are not past due nor impaired:		
Within 3 months	10,178	24,478
More than 3 months but less than 6 months	10	2,161
More than 6 months	163	322
	10,351	26,961
Ageing analysis of balances that are past due but not impaired:		
Past due up to 30 days	4,593	5,517
Past due 31-90 days	524	3,332
Past due 91-180 days	4,875	12
Past due over 180 days	3,521	4,395
	23,864	40,217

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

	2018	2017
	EUR'000	**EUR'000**
As at 1 January	1,245	649
Provision for expected credit losses	698	596
Write back of bad debt provision	(28)	-
As at 31 December	1,915	1,245

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

	2018 EUR'000	2017 EUR'000
Placements with other banks	5,482	1,756
Less: allowance for expected credit losses	(77)	(83)
	5,405	1,673

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 five accounts with banks (2017: 2) whose balance exceeded 10% of the total placements held. The gross value of this exposure at the reporting date is €3,382,000 (2017: €1,327,000)

15.2 Loans and advances to customers

	2018 EUR'000	2017 EUR'000
Corporate loans	91,616	95,334
Retail loans (individuals)	4,366	5,698
Mortgages (individuals)	280	781
	96,262	101,813
Less allowance for expected credit losses	(35,174)	(43,525)
Net loans to corporates and individuals	61,088	58,288
Claims and factoring	616	626
Less allowance for expected credit losses	(6)	(6)
Net claims and factoring	610	620
Net loans and advances to customers	61,698	58,908

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 as of 31 December 2018:

	Corporate loans EUR'000	Retail loans (individuals) EUR'000	Mortgages (individuals) EUR'000	Total EUR'000
Gross loans and advances				
Subject to collective impairment allowance				
Group 1	-	321	177	498
Group 2	26,791	46	-	26,837
Group 3	16,301	1,616	65	17,982
Group 4	39,388	1,275	1	40,664
Group 5	9,136	1,108	37	10,281
Total gross loans and advances before impairment allowance	91,616	4,366	280	96,262
Allowance for expected credit losses				
Collective	(24,673)	(1,521)	(49)	(26,243)
Specific	(8,931)	-	-	(8,931)
	(33,604)	(1,521)	(49)	(35,174)
Net loans and advances after impairment allowance	58,012	2,845	231	61,088

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 EUR'000	Retail loans (individuals) EUR'000	Mortgages (individuals) EUR'000	Total EUR'000
Factoring				
Amounts due	616	-	-	616
Impairment	(6)	-	-	(6)
	610	-	-	610
Total loans and advances after impairment allowances	58,622	2,845	231	61,698

The following is an analysis of credit quality as of 31 December 2017:

	Corporate loans EUR'000	Retail loans (individuals) EUR'000	Mortgages (individuals) EUR'000	Total EUR'000
Gross loans and advances				
Subject to collective impairment allowance				
Group 1	2,504	496	113	3,113
Group 2	6,826	353	416	7,595
Group 3	37,306	2,005	249	39,560
Group 4	34,592	1,575	3	36,170
Group 5	14,106	1,269	-	15,375
	95,334	5,698	781	101,813
Allowance for expected credit losses				
Collective	(31,347)	(2,211)	(108)	(33,666)
Specific	(9,859)	-	-	(9,859)
	(41,206)	(2,211)	(108)	(43,525)
Net loans and advances after impairment allowance	54,128	3,487	673	58,288

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 2017 (continued):

	Corporate loans EUR'000	Retail loans (individuals) EUR'000	Mortgages (individuals) EUR'000	Total EUR'000
Factoring				
Amounts due	626	-	-	626
Impairment	(6)	-	-	(6)
	620	-	-	620
Total loans and advances after impairment allowances	54,748	3,487	673	58,908

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.

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)

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.

Loans and advances to customers past due but not impaired:

As at 31 December 2018 and 31 December 2017 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 2018:

	Corporate loans EUR'000	Retail loans (individuals) EUR'000	Mortgages (individuals) EUR'000	Total EUR'000
Balance at 1 January 2018	41,206	2,221	108	43,535
Decrease in impairment	(1,198)	(399)	(45)	(1,642)
Written-off irrecoverable debts	(980)	-	-	(980)
Exchange differences	(5,424)	(301)	(14)	(5,739)
At 31 December 2018	33,604	1,521	49	35,174

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)

Reconciliation of impairment allowance for loans and advances to customers for 2017:

	Corporate loans EUR'000	Retail loans (individuals) EUR'000	Mortgages (individuals) EUR'000	Total EUR'000
Balance at 1 January 2017	47,028	3,181	209	50,418
Decrease in impairment	(707)	(678)	(86)	(1,471)
Written-off irrecoverable debts	(1,973)	(69)	-	(2,042)
Exchange differences	(3,142)	(213)	(15)	(3,370)
At 31 December 2017	41,206	2,221	108	43,535

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

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 EUR'000	Retail loans (individuals) EUR'000	Mortgage (individuals) EUR'000	Total EUR'000
Loans with revised conditions at 31 December 2018	14,710	2,026	-	16,736
Loans with revised conditions at 31 December 2017	16,406	2,503	-	18,909

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

15.2.2 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:

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

	Corporate loans EUR'000	Retail loans (individuals) EUR'000	Mortgages (individuals) EUR'000	Total EUR'000
Realty	29,913	5,417	657	35,987
Machinery/transport	9,006	-	-	9,006
Goods in circulation	1,039	-	-	1,039
Guarantees including banking guarantees	26,135	931	-	27,066
Other assets	626	-	-	626
	66,719	6,348	657	73,724

15. Trade and other receivables (continued)

15.2 Loans and advances to customers (continued)

15.2.2 Fair value of collateral of loans and advances to customers (continued)

Fair value of collateral for loans measured collectively at 31 December 2017

	Corporate loans EUR'000	Retail loans (individuals) EUR'000	Mortgages (individuals) EUR'000	Total EUR'000
Realty	33,332	39,328	6,763	79,423
Machinery/transport	10,293	-	-	10,293
Goods in circulation	1,785	-	-	1,785
Guarantees including banking guarantees	35,687	1,216	-	36,903
Other assets	721	-	-	721
	81,818	40,544	6,763	129,125

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

15.2.3 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.

	2018 EUR'000	2018 %	2017 EUR'000	2017 %
Finance	10,422	17%	11,041	19%
Trading	22,151	36%	17,359	30%
Realty	14,125	23%	18,219	31%
Production of machinery and vehicles	8,293	14%	6,547	11%
Construction	45	0%	157	0%
Other	2,977	5%	805	1%
Individuals	3,075	5%	4,160	8%
Total	61,088	100%	58,288	100%

15. Trade and other receivables (continued)

15.3 Other assets

	2018 EUR'000	2017 EUR'000
Other financial assets		
Cash in settlements	139	148
Other	934	1,081
	1,073	1,229
Other non-financial assets		
Receivables and advances	303	1,670
Tax settlements	-	-
Deferred expense	4	14
Other	6	17
Impairment allowance for other assets	(222)	-
	1,164	2,930

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

Company	2018 EUR'000	2017 EUR'000
Trade receivables	1,151	2,008
Amounts due from subsidiaries	42	52
Other receivables	7	-
Prepayments and accrued income	110	148
	1,310	2,208

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 2018 and 2017. 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. Available-for-sale financial assets	2018	2017
Group	**EUR'000**	**EUR'000**
Unquoted shares	-	1

The unquoted shares above were reclassified from available-for-sale financial assets to financial assets at FVOCI on 1 January 2018 and the available-for-sale reserve of of €8,000 was reclassified to other reserves, following the adoption of IFRS 9.

17. Financial assets at fair value through profit or loss	2018	2017
Group	**EUR'000**	**EUR'000**
Regional debt securities of the Russian Federation ("RF")	13,235	18,778
Corporate debt securities	77,279	98,605
Total financial assets at fair value through profit or loss	90,514	117,383

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 2018 was €61,734,000 (2017: €63,166,000).

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
	EUR'000	EUR'000	EUR'000	EUR'000
Regional debt securities of RF	1,534	9,314	2,387	13,235
Corporate debt securities	43,876	22,763	10,640	77,279
Total at 31 December 2018	45,410	32,077	13,027	90,514

17. Financial assets at fair value through profit or loss (continued)
Group

	Investment rating	Speculative rating	No rating	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Regional debt securities of RF	1,075	13,217	4,486	18,778
Corporate debt securities	26,479	21,635	50,491	98,605
Total at 31 December 2017	27,554	34,852	54,977	117,383

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.

18. Cash and cash equivalents	**2018**	**2017**
Group	**EUR'000**	**EUR'000**
Cash in hand and at bank	19,668	13,389
Cash balances with the Russian Central Bank (excluding mandatory balances)	3,557	6,706
Placement with other Russian Federation banks	8,760	21,532
Placement with foreign banks	6,407	8,808
Settlement balances with non-credit organisations	120	551
Total cash and cash equivalents	38,512	50,986

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 2018, the group had three bank accounts (2017: 3) whose balance exceeded 10% of the total cash and cash equivalents. The gross value of this exposure as of 31 December 2018 was €9,046,000 (2017: €25,909,000).

As of 31 December 2018, 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:

	2018	**2017**
	EUR'000	**EUR'000**
Cash and cash equivalents	38,512	50,986
Bank overdrafts (Note 21)	(12,005)	(17,289)
	26,507	**33,697**

18a.	**Cash and cash equivalents**	**2018**	**2017**
	Company	**EUR'000**	**EUR'000**
	Cash at bank	3,895	2,188
	Total cash and cash equivalents	**3,895**	**2,188**

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

19.	**Trade and other payables**	**2018**	**2017**
	Group	**EUR'000**	**EUR'000**
	Deposits from banks	45,247	58,404
	Deposits from customers	81,935	112,825
	Debt securities in issue	26	30
	Payments received on account	618	622
	Other payables	21,320	38,099
	Total trade and other payables	**149,146**	**209,980**

19.1	**Deposits from banks**	**2018**	**2017**
	Group	**EUR'000**	**EUR'000**
	Corresponding accounts of other banks	11	10
	Deposits from other banks	-	926
	Other attached funds	45,236	57,468
	Total deposits from banks	**45,247**	**58,404**

19.2	**Deposits from customers**	**2018**	**2017**
	Group	**EUR'000**	**EUR'000**
	Corporate customers:		
	- Current/settlement accounts	13,622	27,025
	- Term deposits	416	785
	Retail customers:		
	- Current/settlement accounts	8,875	7,864
	- Term deposits	59,022	77,151
	Total deposits from customers	**81,935**	**112,825**

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.

19. Trade and other payables (continued)

19.3 Other payables

Group	2018 EUR'000	2017 EUR'000
Cash in settlements	6	497
Accrued expenses	392	1,077
Other payables	2,084	1,943
Trade payables	17,844	32,797
Social security and other taxes	670	685
Loss allowance for credit related commitments	324	1,100
	21,320	**38,099**

The fair value of other payables approximates its carrying value.

19a. Trade and other payables

Company	2018 EUR'000	2017 EUR'000
Trade payables	3,818	3,161
Other payables	-	28
Social security and other taxes	19	15
Accrued expenses	275	216
Total trade and other payables	**4,112**	**3,420**

20 Financial liabilities at fair value through profit or loss

Group	2018 EUR'000	2017 EUR'000
Derivative financial instruments	211	242

21. Borrowings

Group	2018 EUR'000	2017 EUR'000
Non-current		
Bank borrowings	5,167	1,806
Finance lease liabilities	267	102
Loan from related party (Note 30(b))	1,560	-
	6,994	1,908
Current		
Bank borrowings	4,536	2,039
Finance lease liabilities	98	25
Bank overdraft	12,005	17,289
Loan from related parties (Note 30(b))	24	4,560
	16,663	23,913
Total borrowings	**23,657**	**25,821**

21. Borrowings (continued)
Group

(i) €1,806,000 matures on 31 May 2024 and bears an average interest rate of Euribor 1m 365 plus 1.25% annually.

(ii) €2,347,000 matures on 26 April 2021 and bears an interest rate of 1.7% per annum.

(iii) €1,618,000 matures on 31 May 2021 and bears an interest rate of 1.3% per annum.

(iv) €2,455,000 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.

	2018	2017
	EUR'000	EUR'000
The carrying amount of assets pledged as security for current and non-current borrowings are:		
Current		
Trade receivables	11,500	10,120
Total current assets pledged as security	**11,500**	**10,120**
Non-Current		
Freehold land and buildings	8,200	8,200
Total non-current assets pledged as security	**8,200**	**8,200**

(v) *Finance lease liabilities*

Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default.

	2018	2017
	EUR'000	EUR'000
Gross finance lease liabilities – minimum lease payments		
No later than one year	98	25
Later than one year and no later than 5 years	267	102
	365	127
Future finance charges on finance leases	-	-
Present value of finance lease liabilities	**365**	**127**
The present value of finance lease liabilities is as follows:		
No later than one year	98	127
Later than 1 year and no later than 5 years	267	-
	365	**127**

21a. Borrowings

Company	**2018 EUR'000**	**2017 EUR'000**
Non-current		
Loan from related party (Note 30a)	**1,560**	**-**
Current		
Loan from related party (Note 30a)	**24**	**4,560**

22. Deferred income tax

Group

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

	2018 EUR'000	**2017 EUR'000**
Deferred tax assets:		
– To be recovered after more than 12 months	1,348	1,494
Deferred tax liabilities:		
– To be recovered after more than 12 months	1,048	876
Net deferred tax asset	300	618

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

	2018 EUR'000	**2017 EUR'000**
At 1 January	618	537
Income statement movement	(246)	125
Exchange differences and other	(72)	(44)
At 31 December	300	618

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 EUR'000**	**Other EUR'000**	**Total EUR'000**
At 1 January 2017	228	683	911
Transfers			
Credited to the income statement	(224)	209	(15)
Credited directly to equity Exchange differences	(4)	(16)	(20)
At 31 December 2017	-	876	876
Credited to the income statement	-	(64)	(64)
Adjustment – IFRS 9 impact	-	273	273
Exchange differences	-	(37)	(37)
At 31 December 2018	-	1,048	1,048

22. Deferred income tax (continued)
Group

Deferred tax assets	**Accelerated tax depreciation**	**Fair value gains**	**Other**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**
At 1 January 2017	896	-	552	1,448
Transfers	-	-	-	-
Credited to the income statement	18	-	93	111
Charged to other comprehensive income	(61)		(4)	(65)
At 31 December 2017	853	-	641	1,494
Transfer	-	-	-	-
Charged to the income statement	3	-	(209)	(206)
Adjustment – IFRS 9 impact	-	-	168	168
Exchange differences	(111)	-	3	(108)
At 31 December 2018	745	-	603	1,348

Temporary differences of €1,778,000 (2017: €2,968,000) 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

Allotted, called up and fully paid	**2018**	**2017**
	EUR'000	**EUR'000**
30,000,000 Ordinary shares of £1 each	45,577	45,577
10,000,000 Zero coupon preference shares of £1 each	16,049	16,049
	61,626	61,626

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

Group	**2018**	**2017**
	EUR'000	**EUR'000**
Balance at beginning of the year	36,873	27,929
Profit for the year	14,164	8,944
Balance at end of the year	51,037	36,873

24a. Retained earnings

Company	**2018**	**2017**
	EUR'000	**EUR'000**
Balance at beginning of the year	3,574	3,409
Profit for the year	132	165
Balance at end of the year	3,706	3,574

25. Other reserves

Group	Available-for-sale reserve EUR'000	Foreign exchange reserve EUR'000	Other reserves EUR'000	Total EUR'000
At 1 January 2017	4	(10,021)	-	(10,017)
Currency translation differences	-	(3,846)	-	(3,846)
Movement on other reserves	4	-	(3)	1
At 31 December 2017	8	(13,867)	(3)	(13,862)
Currency translation differences	-	(7,961)	-	(7,961)
Movement on other reserves	(8)	-	-	(8)
At 31 December 2018	-	(21,828)	(3)	(21,831)

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

	2018 EUR'000	2017 EUR'000
Turnover by geographical location		
Russian Federation	36,660	25,469
United Kingdom	289	1,800
Italy	2,923	4,915
Rest of the world	76,964	94,390
	116,836	126,574

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)

	2018 EUR'000	2017 EUR'000
Guarantees issued	1,118	3,121
Undrawn loan commitments	971	1,960
Less allowance for losses on credit related commitments	(60)	(1,100)
	2,029	**3,981**

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

	2018 EUR'000	2017 EUR'000
Bank guarantee in favour of suppliers, customers and government authorities	360	320
Contingent liability based on lawsuit filed on the associate	266	156
Loan security on associate's assets	18,063	12,462

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. Financial commitments

The group leases offices under non-cancellable operating lease agreements. The lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2018	**2017**
	EUR'000	**EUR'000**
Within one year	316	451
Later than one year but less than five years	1,262	1,803
In over five years	1,262	2,254
	2,840	4,508

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

	2018	**2017**
	EUR'000	**EUR'000**
a) Key management compensation		
Salaries and other short-term employee benefits	1,458	463
Post-employment benefits	4	4
	1,462	467

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

	2018	**2017**
	EUR'000	**EUR'000**
At 1 January	4,560	12,606
Loan repaid during the year	(3,000)	(5,918)
Offset against receivable balance	-	(2,128)
At 31 December (Note 21)	1,560	4,560

30. Related party transactions (continued)
Group

The loan incurred interest at a rate of 5.5% per annum and is repayable by 2023. The interest charged on the loan during the year was €159,000 (2017: €266,000). Included in trade and other payables is unpaid interest of €24,000 (2017: €nil).

	2018 EUR'000	2017 EUR'000
c) Dividend income		
Dividend received from associate, China Motors Ltd	-	1,938

The trade and other receivable balance include an outstanding management fee of €73,000 due from China Motors Ltd at 31 December 2018 (2017: €Nil). Other revenue of €198,000 (2017: €207,000) represents a management fee charge to China Motors Ltd.

Included in loans and advances to customers is a total receivable balance of €503,000 (2017: €814,000) due from key management personnel.

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	
	2018 EUR'000	2017 EUR'000	2018 EUR'000	2017 EUR'000	2018 EUR'000	2017 EUR'000
Overdraft balance	-	2	616	-	-	-
Allowance	-	-	(7)	-	-	-
Net receivable balance	-	2	609	-	-	-
Customer account including current account and attracted deposit	489	3,542	1,886	-	1,276	-
Total	489	3,544	2,495	-	1,276	-

During the year, loans totalling €61,000 (2017: €5,312,000) were granted to key management personnel. There was a total loan repayment of €75,000 from key management personnel in 2018 (2017: €5,345,000).

30. Related party transactions (continued)
Group

Interest income from the banking activities of the group include €13,000 (2017: €23,000) from key management personnel. Cost of sales includes operating expenses of €nil (2017: €325,000) from foreign exchange dealing payable to key management personnel.

Interest income from the banking activities of the group include €nil (2017: €88,000) from close relatives of the shareholders of the group.

Other payables include an amount of €58,000 (2017: €93,000) received as payment on account from companies that are under the control of the group's shareholders. Sales made to these companies amounted to €810,000 in 2018 (2017: €695,000)

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

	2018 EUR'000	2017 EUR'000
a) Key management compensation		
Salaries and other short-term employee benefits	127	108
Post-employment benefits	4	4
	131	112

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

	2018 EUR'000	2017 EUR'000
b) Loan from related party		
Loan from parent company Lanker Enterprises Limited		
At 1 January	4,560	12,606
Loan repaid during the year	(3,000)	(5,918)
Offset against receivable balance	-	(2,128)
At 31 December (Note 21a)	1,560	4,560

The loan incurred interest at a rate of 5.5% per annum and is repayable by 2023. The interest charged on the loan during the year was €159,000 (2017: €266,000). Included in trade and other payables is unpaid interest of €24,000 (2017: €nil).

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 2018	**Russian Federation EUR'000**	**Italy EUR'000**	**Other countries EUR'000**	**Total EUR'000**
Intangible assets	29	12,322	1,586	13,937
Property, plant and equipment	370	11,214	123	11,707
Investment in associate	-	-	6,251	6,251
Deferred tax assets	841	507	-	1,348
Inventories	-	7,604	53	7,657
Trade and other receivables	61,871	24,768	9,078	95,717
Financial assets at fair value through profit or loss	90,514	-	-	90,514
Cash and cash equivalents	20,960	8,263	9,289	38,512
	174,585	64,678	26,380	265,643
Liabilities at 31 December 2018				
Deferred tax liabilities	485	563	-	1,048
Borrowings	-	22,073	1,584	23,657
Trade and other payables	121,511	17,031	11,233	149,775
Current tax liabilities	42	252	37	331
	122,038	39,919	12,854	174,811
Net financial position	52,547	24,759	13,526	90,832
Credit commitments	2,029	-	-	2,029

32. Financial risk management (continued)

32.1 Credit risk (continued)

32.1.1 Geographical analysis of credit risks (continued)

Assets at 31 December 2017	**Russian Federation EUR'000**	**Italy EUR'000**	**Other countries EUR'000**	**Total EUR'000**
Intangible assets	27	12,007	1,589	13,623
Property, plant and equipment	505	10,199	123	10,827
Investment in associate	-	-	5,980	5,980
Deferred tax assets	905	588	1	1,494
Inventories	-	13,927	14	13,941
Trade and other receivables	62,372	42,092	4,550	109,014
Available-for-sale financial assets	-	-	1	1
Financial assets at fair value through profit or loss	117,383	-	-	117,383
Cash and cash equivalents	39,324	3,457	8,205	50,986
	220,516	82,270	20,463	323,249
Liabilities at 31 December 2017				
Deferred tax liabilities	312	564	-	876
Borrowings	-	21,261	4,560	25,821
Trade and other payables	169,276	32,900	8,499	210,675
Current tax liabilities	42	1,158	40	1,240
	169,630	55,883	13,099	238,612
Net financial position	50,886	26,387	7,364	84,637
Credit commitments	3,981	-	-	3,981

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	**2018**	**2017**
	EUR'000	**EUR'000**
Increase in interest rates by 100 basis points	19	5
Decrease in interest rates by 100 basis points	19	5

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 2018 into variable, fixed or no interest bearing assets and liabilities:

	Non-interest bearing	Fixed interest bearing	Variable interest bearing	Total
Assets at 31 December 2018	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Intangible assets	13,937	-	-	13,937
Property, plant and equipment	11,707	-	-	11,707
Investment in associate	6,251	-	-	6,251
Deferred tax assets	1,348	-	-	1,348
Inventories	7,657	-	-	7,657
Trade and other receivables	34,017	27,264	34,436	95,717
Financial assets at fair value through profit or loss	-	90,514	-	90,514
Cash and cash equivalents	38,512	-	-	38,512
	113,429	117,778	34,436	265,643
Liabilities at 31 December 2018				
Deferred tax liabilities	1,048	-	-	1,048
Borrowings	24	1,925	21,708	23,657
Trade and other payables	149,565	210	-	149,775
Current tax liabilities	331	-	-	331
	150,968	2,135	21,708	174,811

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 2017 into variable, fixed or no interest bearing assets and liabilities:

Assets at 31 December 2017	**Non-interest bearing EUR'000**	**Fixed interest bearing EUR'000**	**Variable interest bearing EUR'000**	**Total EUR'000**
Intangible assets	13,623	-	-	13,623
Property, plant and equipment	10,827	-	-	10,827
Investment in associate	5,980	-	-	5,980
Deferred tax assets	1,494	-	-	1,494
Inventories	13,941	-	-	13,941
Trade and other receivables	50,106	58,908	-	109,014
Available-for-sale financial assets	-	1	-	1
Financial assets at fair value through profit or loss	-	117,383	-	117,383
Cash and cash equivalents	50,986	-	-	50,986
	146,957	176,292	-	323,249
Liabilities at 31 December 2017				
Deferred tax liabilities	876	-	-	876
Borrowings	1,497	6,438	17,886	25,821
Trade and other payables	133,002	75,582	2,091	210,675
Current tax liabilities	1,240	-	-	1,240
	136,615	82,020	19,977	238,612

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 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
	EUR'000	EUR'000	EUR'000
Assets sensitive to interest change fluctuation	51,744	37	19,394
Liabilities sensitive to interest change fluctuation	(23,463)	-	(3,627)
Spread sensitive to interest change fluctuation	28,281	37	15,767
Net balance on financial instruments	28,281	37	15,767
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	2,712	3	397
Decrease in % interest rate (basis points)	(100)	(100)	(100)
Decrease in net interest income	(2,712)	(3)	(397)

The table below shows the group's fair value exposure to interest rate risks within one year as at 31 December 2017. 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
	EUR'000	EUR'000	EUR'000
Assets sensitive to interest change fluctuation	62,521	960	10,827
Liabilities sensitive to interest change fluctuation	(36,214)	-	(4,205)
Spread sensitive to interest change fluctuation	26,307	960	6,622
Net balance on financial instruments	26,307	960	6,622
Spread coefficient	172.64%	175.29%	183.84%
Time coefficient	0.959	0.712	0.252
Increase in % interest rate (basis points)	100	100	100
Increase in net interest income	2,523	68	167
Decrease in % interest rate (basis points)	(100)	(100)	(100)
Decrease in net interest income	(2,523)	(68)	(167)

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 2018. Included in the table are the group's financial instruments at carrying amounts, categorised by currency.

Assets at 31 December 2018	US$ EUR'000	RUR EUR'000	EUR EUR'000	Others EUR'000	Total EUR'000
Intangible assets	-	28	13,909	-	13,937
Property, plant and equipment	-	370	11,215	122	11,707
Investment in associate	-	-	-	6,251	6,251
Deferred tax assets	-	840	508	-	1,348
Inventories	-	-	7,604	53	7,657
Trade and other receivables	8,048	33,986	53,426	257	95,717
Financial assets at fair value through profit or loss	-	90,514	-	-	90,514
Cash and cash equivalents	10,997	9,922	14,781	2,812	38,512
	19,045	135,660	101,443	9,495	265,643
Liabilities at 31 December 2018					
Deferred tax liabilities	-	485	563	-	1,048
Borrowings	-	-	23,657	-	23,657
Trade and other payables	112,897	14,759	21,861	258	149,775
Current tax liabilities	42	-	252	37	331
	112,939	15,244	46,333	295	174,811
Net financial position	(93,894)	120,416	55,110	9,200	90,832
Credit commitments	2,029	-	-	-	2,029

32. Financial risk management (continued)

32.2 Market risk (continued)

32.1.3 Foreign exchange risk (continued)

Assets at 31 December 2017	**US$ EUR'000**	**RUR EUR'000**	**EUR EUR'000**	**Others EUR'000**	**Total EUR'000**
Intangible assets	-	26	13,597	-	13,623
Property, plant and equipment		505	10,322	-	10,827
Investment in associate	-	-	-	5,980	5,980
Deferred tax assets	-	907	587	-	1,494
Inventories	-	-	13,927	14	13,941
Trade and other receivables	3,444	38,005	67,373	192	109,014
Available-for-sale financial assets	-	-	-	1	1
Financial assets at fair value through profit or loss	-	117,383	-	-	117,383
Cash and cash equivalents	17,700	14,625	14,553	4,108	50,986
	21,144	171,451	120,359	10,295	323,249
Liabilities at 31 December 2017					
Deferred tax liabilities	-	312	564	-	876
Borrowings	-	-	25,821	-	25,821
Trade and other payables	151,238	12,057	46,485	895	210,675
Current tax liabilities	42	-	1,158	40	1,240
	151,280	12,369	74,028	935	238,612
Net financial position	(130,136)	159,082	46,331	9,360	84,637
Credit commitments	3,981	-	-	-	3,981

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

	Effect on profit/(loss) EUR'000	**Effect on net assets EUR'000**
Appreciation of USD by 5%	4,471	6,197
Depreciation of USD by 5%	(4,942)	(6,849)
Appreciation of RUR by 5%	(5,734)	(7,575)
Depreciation of RUR by 5%	6,338	8,373
Appreciation of other currencies by 5%	(438)	(446)
Depreciation of other currencies by 5%	484	493

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 2017:

	Effect on profit/(loss)	**Effect on net assets**
	EUR'000	**EUR'000**
Appreciation of USD by 5%	6,197	6,197
Depreciation of USD by 5%	(6,849)	(6,849)
Appreciation of RUR by 5%	(7,575)	(7,575)
Depreciation of RUR by 5%	8,373	8,373
Appreciation of other currencies by 5%	(446)	(446)
Depreciation of other currencies by 5%	493	493

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 2018	Up to 1 month EUR'000	1 to 6 months EUR'000	6 to 12 months EUR'000	Over 12 months EUR'000	No stated maturity EUR'000	Total EUR'000
Assets						
Intangible assets	-	-	-	27	13,910	13,937
Property, plant and equipment	-	-	-	370	11,337	11,707
Investments in associate	-	-	-	-	6,251	6,251
Deferred tax assets	839	-	-	509	-	1,348
Inventories	(1)	53	-	-	7,605	7,657
Trade and other receivables	19,634	6,824	20,469	42,674	6,116	95,717
Financial assets at fair value through profit or loss	51,587	38,928	-	-	(1)	90,514
Cash and cash equivalents	27,387	-	-	-	11,125	38,512
	99,446	45,805	20,469	43,580	56,343	265,643
Liabilities						
Deferred tax liabilities	485	-	-	563	-	1,048
Borrowings	-	14,589	2,074	6,994	-	23,657
Trade and other payables	79,495	10,648	3,627	55,280	725	149,775
Current tax liabilities	42	252	37	-	-	331
	80,022	25,489	5,738	62,837	725	174,811
Net financial position	19,424	20,316	14,731	(19,257)	55,618	90,832
Credit commitments	-	-	-	-	2,029	2,029

32. Financial risk management (continued)

32.3 Liquidity risk (continued)

As at 31 December 2017	Up to 1 month EUR'000	1 to 6 months EUR'000	6 to 12 months EUR'000	Over 12 months EUR'000	No stated maturity EUR'000	Total EUR'000
Assets						
Intangible assets	-	-	-	-	13,623	13,623
Property, plant and equipment	-	-	-	-	10,827	10,827
Investments in associate	-	-	-	-	5,980	5,980
Deferred tax assets	904	-	-	588	2	1,494
Inventories	-	-	-	-	13,941	13,941
Trade and other receivables	23,118	24,456	10,860	48,524	2,056	109,014
Available for sale assets	-	-	-	-	1	1
Financial assets at fair value through profit or loss	2,721	-	6,139	108,523	-	117,383
Cash and cash equivalents	44,678	-	-	-	6,308	50,986
	71,421	24,456	16,999	157,635	52,738	323,249
Liabilities						
Deferred tax liabilities	312	-	-	564	-	876
Borrowings	3,648	20,887	-	1,286	-	25,821
Trade and other payables	111,012	20,184	4,289	73,226	1,964	210,675
Current tax liabilities	42	-	1,198	-	-	1,240
	115,014	41,071	5,487	75,076	1,964	238,612
Net financial position	(43,593)	(16,615)	11,512	82,559	50,774	84,637
Credit commitments	-	-	-	-	3,981	3,981

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 2017 and 2018. During these two years, Alef Bank has complied with all of the externally imposed capital requirements which it is subject to.

	2018 EUR'000	2017 EUR'000
Capital		
Fixed capital	44,885	48,141
Additional capital	7,664	3,562
Total regulatory capital	**52,549**	**51,703**
Risk-weighted assets	**212,954**	**258,296**
Basel ratio	**25%**	**20%**

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

	2018 EUR'000	2017 EUR'000
Borrowings	23,657	25,821
Total equity	**90,832**	**84,637**
Net borrowings to equity ratio	**26%**	**30%**

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 2018	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets at fair value (FVPL):				
Regional debt securities of Russian Federation	4,995	8,240	-	13,235
Debt securities	54,354	22,925	-	77,279
	59,349	31,165	-	90,514

At 31 December 2017	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000	Total EUR'000
Financial assets at fair value (FVPL):				
Regional debt securities of Russian Federation	12,422	6,356	-	18,778
Debt securities	79,756	18,849	-	98,605
	92,178	25,205	-	117,383
Available-for-sale assets at fair value:				
Unquoted equity	1	-	-	1
Quoted bonds	-	-	-	-
	1	-	-	1

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

Group

	At 1 January 2018 EUR'000	Cash flows EUR'000	Other EUR'000	At 31 December 2018 EUR'000
Interest bearing bank loans	3,845	5,708	150	9,703
Loans from related parties	4,560	(3,000)	24	1,584
Obligations under finance lease	127	(30)	268	365
Bank overdraft	17,289	(5,284)	-	12,005
Total liabilities from financing activities	**25,821**	**(2,606)**	**442**	**23,657**

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

	At 1 January 2017	Cash flows	Other	At 31 December 2017
	EUR'000	EUR'000	EUR'000	EUR'000
Interest bearing bank loans	8,649	(4,804)	-	3,845
Loans from related parties	12,606	(7,828)	(218)	4,560
Obligations under finance lease	22	-	105	127
Bank overdraft	7,815	9,474	-	17,289
Total liabilities from financing activities	**29,092**	**(3,158)**	**(113)**	**25,821**

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

	Loans and borrowings	Total
	EUR'000	EUR'000
At 31 December 2017 and 1 January 2018	4,560	4,560
Changes from financing cash flows		
Repayment of borrowings	(3,000)	(3,000)
Total changes from financing cash flows	**(3,000)**	**(3,000)**
At 31 December 2018	**1,560**	**1,560**

	Loans and borrowings	Total
	EUR'000	EUR'000
At 31 December 2016 and 1 January 2017	13,299	13,299
Changes from financing cash flows		
Offset against receivable balance	(2,128)	(2,128)
Repayment of borrowings	(6,877)	(6,877)
Non cash movement – interest charge	266	266
Total changes from financing cash flows	**(8,739)**	**(8,739)**
At 31 December 2017	**4,560**	**4,560**