Independent auditor's report
on the consolidated financial statements of
IBS IT Services PJSC
and its subsidiaries
for the year ended 31 March 2018

July 2018

Translation of the original Russian version

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Independent auditor's report

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To the Shareholder and board of directors of IBS IT Services PJSC

Opinion

We have audited the consolidated financial statements of IBS IT Services PJSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2018, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of revenue from rendering of services	
Revenue from rendering of services for the year ended 31 March 2018 was RUB 10,100,155 thousand. Revenue recognition was a key audit matter, since the amount of revenue is material for the Group's consolidated financial statements. Recognition of revenue under long-term service contracts requires that the Group's management make significant judgments with regard to the stage of completion to determine the amount and the period in which the respective revenue should be recognized. Recognition of revenue under multiple-element contracts requires that the Group's management make significant judgments with regard to certain elements of a contract and use accounting estimates with regard to the allocation of contractual amounts between individual components.	We compared financial and non-financial data related to revenue, analyzed movements in the amounts recognized in the consolidated financial statements, analyzed revenue under long-term agreements, assessed the period in which revenue was recognized, and reconciled the amount of accrued revenue with primary documents. For multiple-elements contracts, we analyzed the method used to determine components and allocation of the contractual amount between components. We obtained confirmation letters from selected customers with regard to the amount of revenue under significant contracts. We performed a comparative analysis of revenue amounts with those for the same period of the prior year. We compared the date of revenue recognition in accounting records for March and April 2018 with the date shown in relevant primary documents. In addition, we analysed the respective disclosures in the notes to the consolidated financial statements.
Goodwill impairment	
As disclosed in Note 13, the carrying amount of goodwill was RUB 1,447,361 thousand as at 31 March 2018. Goodwill impairment test was a key audit matter, since the amount of goodwill is material for the Group's consolidated financial statements. The analysis requires that the Group's management make significant judgments with regard to the discount rate and growth rate for cash flows beyond the forecast period.	During our audit procedures, we engaged our internal experts and analyzed key assumptions used by the Group's management during goodwill impairment test, including the discount rate and growth rates for cash flows. We also verified the mathematical accuracy of the model and assessed its sensitivity to changes in key assumptions. In addition, we assessed the respective disclosures in the notes to the consolidated financial statements.

Emphasis of matter

We draw attention to Note 1 "Corporate information" to the consolidated financial statements, which describes that on 6 July 2017 IBS IT Services LLC was reorganized through transformation to joint stock company IBS IT Services and on 20 November 2017 IBS IT Services JSC changed its legal form from joint-stock company to public joint-stock company.

Responsibilities of management, board of directors and audit committee of the board of directors for the consolidated financial statements

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

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

Board of directors and audit committee of the board of directors are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide board of directors and audit committee of the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors and audit committee of the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is A.A. Chizhikov.

A.A. CHIZHIKOV
Partner
Ernst & Young LLC

13 July 2018

Details of the audited entity

Name: IBS IT Services PJSC
Record made in the State Register of Legal Entities on 6 July 2017, State Registration Number 1177746672905.
Address: Russia 127434, Moscow, Dmitrovskoye shosse, 9-B, 5th floor, premises XIII, office 23.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

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IBS IT Services PJSC

Consolidated statement of profit or loss

for the year ended 31 March 2018

(in thousands of Russian rubles, unless otherwise indicated)

	Note	Year ended 31 March 2018	2017
Sale of goods		14 977 731	12 930 926
Rendering of services		10 100 555	8 491 260
Total revenue		**25 078 286**	**21 422 186**
Cost of sales	9.8	(16 350 357)	(14 965 119)
Gross profit		**8 727 929**	**6 457 067**
Administrative expenses	9.7	(5 146 271)	(4 112 090)
Depreciation of property, plant and equipment and amortization of intangible assets	11, 12	(135 561)	(136 718)
Selling and distribution expenses		(98 786)	(86 754)
Research and development costs	9.6	(52 229)	(6 602)
Gain from reversal of doubtful debt provision	16	79 505	111 261
Operating profit		**3 374 587**	**2 226 164**
Loss from impairment of investment in associate	7	(36 546)	-
Finance income	9.4	70 349	67 668
Finance expenses	9.3	(119 482)	(143 006)
Other income	9.1	192 570	65 451
Other expenses	9.2	(95 618)	(275 180)
Foreign exchange differences		13 661	(20 552)
Profit before tax		**3 399 521**	**1 920 545**
Income tax	10	(727 764)	(459 637)
Net profit		**2 671 757**	**1 460 908**
Net profit attributable to equity holders of the parent		**2 671 757**	**1 460 908**
Earnings per share			
Basic and diluted earnings for the year attributable to ordinary equity holders of the parent (RUB)	25	**51,10**	**-**

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IBS IT Services PJSC

Consolidated statement of other comprehensive income

for the year ended 31 March 2018

(in thousands of Russian rubles)

	Year ended 31 March	
	2018	**2017**
Profit for the year	**2 671 757**	**1 460 908**
Other comprehensive income reclassified to profit or loss in current period (net of tax) (Note 9.1)	(126 842)	-
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)		
Foreign exchange differences on translation of foreign operations	-	(7 714)
Total other comprehensive loss for the year, net of tax	**(126 842)**	**(7 714)**
Total comprehensive income for the year, net of tax, attributable to equity holders of the parent	**2 544 915**	**1 453 194**

The financial statements were approved by the General Director of IBS IT Services PJSC on 13 July 2018.

General Director of IBS IT Services PJSC
Svetlana Evgenyevna Balanova

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IBS IT Services PJSC

Consolidated statement of financial position

as at 31 March 2018

(in thousands of Russian rubles)

		At 31 March	
	Note	**2018**	**2017**
Assets			
Non-current assets			
Property, plant and equipment	11	220 110	181 267
Goodwill	13	1 447 361	1 438 234
Intangible assets	12	121 955	161 179
Investment in associate	7	1 692	38 238
Net investments in leases	14.1	5 274	-
Deferred tax assets	10	199 017	110 153
Total non-current assets		**1 995 409**	**1 929 071**
Current assets			
Inventories	15	1 385 670	1 406 167
Trade and other receivables	14.1, 16	3 380 532	3 628 955
Trade and other receivables due from related parties	14.1, 24	92 284	9 424
Loans issued to related parties	14.1, 24	-	74 124
Short-term loans receivable	14.1	7 000	6 000
Current portion of net investments in leases	14.1	5 890	-
VAT and other taxes receivable		100 055	24 427
Current income tax receivable		37 365	110 132
Advances issued		164 226	106 326
Derivative financial instruments	14.1, 14.4	904	485
Other current assets		83 331	40 554
Cash and cash equivalents	14.1, 17	3 523 698	1 035 100
Total current assets		**8 780 955**	**6 441 694**
Total assets		**10 776 364**	**8 370 765**

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IBS IT Services PJSC

Consolidated statement of financial position (continued)

	Note	At 31 March 2018	2017
Equity and liabilities			
Equity			
Share capital (52,287,100 ordinary shares)		523	523
Additional paid-in capital		4 265 508	4 265 508
Retained earnings/(accumulated loss)		1 701 193	(585 564)
Foreign currency translation reserve		-	126 842
Total equity		**5 967 224**	**3 807 309**
Non-current liabilities			
Finance lease liabilities, net of current portion	14.2, 23	9 569	7 079
Deferred revenue	21	8 794	5 864
Warranty provision	19.2	24 329	41 106
Total non-current liabilities		**42 692**	**54 049**
Current liabilities			
Trade payables	14.2, 22	1 516 082	1 766 670
Trade and other payables to related parties	14.2, 24	87 292	10 601
Loans received from related parties	14.2, 24	-	8 977
Short-term loans and borrowings	14.2	106 969	188 341
Current portion of long-term loans and borrowings	14.2	-	10 229
Finance lease liabilities, current portion	14.2, 23	14 107	35 004
Advances received		244 638	392 357
VAT and other taxes payable		370 697	296 537
Current income tax payable		4 895	10 155
Deferred revenue	21	160 290	84 675
Accrued liabilities	14.2, 19.1	1 971 256	1 347 095
Warranty provision	19.2	25 444	37 913
Net assets attributable to non-controlling participants	14.2, 18	264 778	287 615
Derivative financial instruments	14.2, 14.4	-	33 238
Total current liabilities		**4 766 448**	**4 509 407**
Total liabilities		**4 809 140**	**4 563 456**
Total liabilities and equity		**10 776 364**	**8 370 765**

The financial statements were approved by the General Director of IBS IT Services PJSC on 13 July 2018.

General Director of IBS IT Services PJSC
Svetlana Evgenyevna Balanova

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IBS IT Services PJSC

Consolidated statement of changes in equity

for the year ended 31 March 2018

(in thousands of Russian rubles)

	Share capital	Additional paid-in capital	(Accumulated loss)/retained earnings	Foreign currency translation reserve	Total equity
Balance at 1 April 2016	**500**	**4 265 508**	**(1 078 199)**	**134 556**	**3 322 365**
Profit for the year	-	-	1 460 908	-	**1 460 908**
Other comprehensive loss	-	-	-	(7 714)	**(7 714)**
Total comprehensive income	**-**	**-**	**1 460 908**	**(7 714)**	**1 453 194**
Increase in share capital	23	-	-	-	**23**
Dividends paid to equity holders of the parent (Note 26)	-	-	(985 000)	-	**(985 000)**
Other movements	-	-	16 727	-	**16 727**
Balance at 31 March 2017	**523**	**4 265 508**	**(585 564)**	**126 842**	**3 807 309**
Profit for the year	-	-	2 671 757	-	**2 671 757**
Other comprehensive loss (Note 9.1)	-	-	-	(126 842)	**(126 842)**
Total comprehensive income	**-**	**-**	**2 671 757**	**(126 842)**	**2 544 915**
Dividends paid to equity holders of the parent (Note 26)	-	-	(385 000)	-	**(385 000)**
Balance at 31 March 2018	**523**	**4 265 508**	**1 701 193**	**-**	**5 967 224**

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IBS IT Services PJSC

Consolidated statement of cash flows

for the year ended 31 March 2018

(in thousands of Russian rubles)

	Note	Year ended 31 March 2018	Year ended 31 March 2017
Operating activities			
Profit before tax		3 399 521	1 920 545
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	11	98 871	97 577
Amortization of intangible assets	12	36 690	39 141
Loss from impairment of investment in associate	7	36 546	-
Loss from impairment of available-for-sale financial assets		-	17 192
Foreign exchange differences		(13 661)	20 552
Finance income	9.4	(70 349)	(67 668)
Finance expenses	9.3	119 482	143 006
Change in doubtful debt provision and write-off of trade and other receivables		(24 492)	(29 025)
Losses from write-off of scanty and fast wearing items		-	13 444
Change in inventory impairment provision	15	10 035	(7 641)
Net losses on financial instruments at fair value through profit or loss	9.1, 9.2	15 487	146 105
Gain on disposal of property, plant and equipment and intangible assets		(3 369)	(3 404)
Other comprehensive income reclassified to profit	9.1	(126 842)	
Other non-cash adjustments		10 983	-
Working capital adjustments:			
Decrease/(increase) in trade and other receivables, net investments in leases and advances issued		42 829	(521 336)
Decrease in inventories		10 406	675 876
(Decrease)/increase in trade and other payables and advances received		(298 881)	75 086
Increase/(decrease) in deferred revenue		78 545	(1 224 626)
Increase in accrued liabilities and warranty provision		588 938	421 402
Change in other assets		(23 018)	10 076
Payments under foreign exchange forward contracts, net	9.2	(49 143)	(151 717)
Interest received		62 289	68 106
Interest paid		(35 547)	(74 785)
Income tax paid		(753 108)	(499 844)
Net cash flows from operating activities		**3 112 212**	**1 068 062**

IBS IT Services PJSC

Consolidated statement of cash flows (continued)

	Note	Year ended 31 March 2018	2017
Investing activities			
Acquisition of property, plant and equipment		(159 666)	(117 883)
Proceeds from disposal of property, plant and equipment		22 043	19 978
Purchases of intangible assets		(31 362)	(28 066)
Proceeds from sale of intangible assets		27 000	-
Loans issued to third parties		(3 000)	(287 668)
Proceeds from loans issued to third parties		2 000	285 668
Loans issued to related parties		(2 000)	(51 100)
Proceeds from loans issued to related parties		77 157	130 538
Acquisition of associate		-	(32 503)
Acquisition of subsidiary, net of cash acquired	6	9 911	-
Net cash used in investing activities		**(57 917)**	**(81 036)**
Financing activities			
Proceeds from bank loans and debt instruments	14.2	1 404 540	2 615 100
Repayment of bank loans and debt instruments	14.2	(1 476 035)	(2 809 774)
Payment of finance lease liabilities	14.2	(40 199)	(56 767)
Proceeds from loans from related parties	14.2	-	255 000
Repayment of loans from related parties	14.2	(8 748)	(473 000)
Increase in share capital	14.2	-	23
Dividends paid to equity holders of the parent	14.2, 26	(385 000)	(985 000)
Dividends paid to non-controlling participants	14.2, 26	(51 385)	(926)
Other payments	14.2	(12 697)	-
Net cash used in financing activities		**(569 524)**	**(1 455 344)**
Net change in cash and cash equivalents		**2 484 771**	**(468 318)**
Net foreign exchange difference		3 827	(42 015)
Cash and cash equivalents at 1 April		1 035 100	1 545 433
Cash and cash equivalents at 31 March		**3 523 698**	**1 035 100**

1. Corporate information

The consolidated financial statements of IBS IT Services PJSC (hereinafter, the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2018 were approved by the General Director of IBS IT Services PJSC on 13 July 2018. The Company is a public joint-stock company registered and operating in the Russian Federation. The registered office is located at Russia 127434, Moscow, Dmitrovskoye shosse, 9-B, 5th floor, premises XIII, office 23.

As at 31 March 2017, the Company was a Russian limited liability company with no equity share capital. It registered share capital which was formed by contributions from the participants. At the date of the state registration, the Company’s authorized share capital amounted to RUB 500 thousand. In July 2016, the Company’s share capital was increased to RUB 523 thousand.

As at 31 March 2017, the Company’s capital met the definition of equity instruments, since the participants did not have the right to request the redemption of their interests in cash in accordance with the charter.

Pursuant to the decision of the sole participant of IBS IT Services LLC dated 16 February 2017, the Company was reorganized through transformation into a joint-stock company. On 6 July 2017, Joint-stock Company IBS IT Services was registered in the Unified State Register of Legal Entities.

Starting from the above-mentioned date, the Limited Liability Company IBS IT Services discontinued its operations following the reorganization.

IBS IT Services JSC is the successor of IBS IT Services LLC.

In accordance with the decision of the sole shareholder of IBS IT Services JSC dated 20 November 2017, IBS IT Services JSC changed its legal form from joint-stock company to public joint-stock company and a relevant entry dated 1 February 2018 was made to the Unified State Register of Legal Entities.

As at 31 March 2018, the Company was a joint-stock company. The share capital comprised 52,287,100 registered, issued and fully paid ordinary shares with a nominal value of RUB 0.01 each.

The Group’s additional paid-in capital is the difference between the redemption and nominal value of participants’ shares and additional capital contributions.

The Group sells information technology (“IT”) products and services primarily in the Russian Federation. The Group is engaged in the development of IT solutions in the area of computing and network infrastructures, implementation of business applications, information analysis systems and solutions to analyze big data and Internet of Things, the development of generic and custom software, IT and business process outsourcing.

Information on the Group’s structure including that on the ultimate parent is provided in Note 6.

Information on related party relationships of the Group is provided in Note 24.

2. Significant accounting policies

2.1 Basis of preparation

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

These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets measured at fair value.

The consolidated financial statements are presented in Russian rubles and all values are rounded to the nearest thousand ('000), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2018 and 31 March 2017.

To determine control for the purpose of preparing the consolidated financial statements, the Group considers the requirements of IFRS 10 *Consolidated Financial Statements*. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above three elements of control.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policy.

2. Significant accounting policies (continued)

2.2 Basis of consolidation (continued)

Non-controlling interests in the Group's subsidiary established in the form of a limited liability company (BFT LLC) do not meet the definition of an equity instrument, since, in accordance with Russian legislation and the charter of the subsidiary, participants of those entities have the right to request the redemption of their interests in cash.

The Group classifies non-controlling interests as liabilities and presents them as current liabilities in the statement of financial position as "Net assets attributable to non-controlling participants". Profit of the reporting period attributable to non-controlling participants is included in finance expenses.

Net assets attributable to non-controlling participants are also adjusted for the amount of dividends paid to those non-controlling participants.

2.3 Summary of significant accounting policies

The Group applied the following significant accounting policies in the preparation of its consolidated financial statements:

2.3.1 Business combinations, goodwill and disposal of subsidiaries

The Group accounts for business combinations in accordance with IFRS 3 *Business Combinations* using the acquisition method.

For each business combination, the Group determines the following:

- The acquirer;
- The acquisition date, i.e. the date when control over the acquiree passes to the acquirer;
- The fair value of identifiable assets, assumed liabilities and consideration transferred for the acquiree as at the acquisition date;
- Non-controlling interests.

When the Group acquires a business, it classifies and designates identifiable acquired assets and assumed liabilities depending on contractual terms and conditions of the transaction, economic circumstances, its operating or accounting policies and pertinent conditions as at the acquisition date.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Costs related to business combinations are expensed as incurred and included in administrative expenses.

Goodwill (business reputation) is an asset representing future economic benefits arising from other assets acquired in a business combination that are not capable of being individually identified and separately recognized.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

The Group recognizes goodwill at the acquisition date at cost being the excess of:

(a) The total of:

- Consideration transferred, which is measured at acquisition date fair value;
- The amount of any non-controlling interests in the acquiree; and
- The fair value of the Group’s previously held equity interest in the acquiree at the acquisition date in a business combination achieved in stages over.

(b) The net value of the acquired identifiable assets net of the liabilities assumed at the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually as at 31 March and when events or circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units that are expected to benefit from the combination.

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

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

Disposal of subsidiaries

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, in which case the carrying amounts of controlling and non-controlling interests are adjusted for those changes respectively.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

According to IFRS 10 *Consolidated Financial Statements*, if the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary at the date when control is lost;
- Derecognizes the carrying amount of any non-controlling interest at the date when control is lost;
- Derecognizes accumulated translation differences recorded in equity (in case of disposal of a foreign operation);
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any interest retained at the date when control is lost;
- Recognizes the resulting difference as profit or loss within profit of loss of the period when control was lost;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3.2 Investments in associates

An associate is an entity over which the Group exercises significant influence, which means the authority to participate in decision-making related to financial and operating policy of the investee but is not control or joint control over those policies.

According to IAS 28 *Investments in Associates and Joint Ventures*, investments in associate are accounted for under the equity method and are initially recognized at cost from the date the Group begins to exercise significant influence until the date that influence is lost.

The acquisition cost of the share in the associate's net assets can be higher or lower than the carrying amount of those assets. Goodwill arising from acquisition of an associate is included in the carrying amount of investments and is tested for impairment within its cost. Any subsequent changes in the carrying amount of the investment represent changes in the Group's share in the associate's net assets following acquisition and goodwill impairment, if any, as adjusted to bring the associate's financial statements in line with the Group's current accounting policy.

The Group's share in the associate's loss, including impairment loss, is recognized in the statement of profit or loss for the period.

Dividends payable by the associate are not recognized in the consolidated statement of profit or loss but are rather credited to investments in the associate.

If the Group's share of losses in an associate exceeds the carrying amount of its investment in that associate, the carrying amount is reduced to zero. No subsequent losses are recognized unless the Group has incurred obligations in respect of the associate. If the associate subsequently makes profits, the Group resumes recognizing its share of the profits when such share equals or exceeds the share of losses not recognized.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

If the significant influence over the associate is lost, the Group assesses and recognizes the investments retained at fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the investment retained and proceeds from disposal are recognized in profit or loss.

2.3.3 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

2.3.4 Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosure on valuation methods, significant accounting judgements, estimates and assumptions (Notes 3, 8 and 14.4);
- Quantitative disclosures of fair value measurement hierarchy (Note 14.4);
- Financial instruments (including those carried at amortized cost) (Notes 14.1 and 14.2).

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best interest.

The Group uses valuation models that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are remeasured in the financial statements on a recurring basis, the Group determines whether transfers have to occur between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of business combinations (acquisitions). Involvement of external valuers is decided upon by the Group's management. Selection criteria include market knowledge, reputation, service fees, independence and whether professional standards are maintained. At each reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies.

For this analysis, the major inputs are verified which were applied in the latest valuation by agreeing the information in the valuation computation to actual data, available documents, and the respective external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group determines classes of assets and liabilities bases on their nature, inherent characteristics and risks and the level of the fair value hierarchy, as explained above.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

2.3.5 Functional currency and transactions in foreign currency

The consolidated financial statements are presented in Russian rubles, which are also the functional currency of the parent. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates at the date the transaction first qualifies for recognition.

At the end of the prior reporting period:

- Foreign currency monetary items are translated using the closing exchange rate at the reporting date;
- Non-monetary items that are measured at historical cost in foreign currency are translated using exchange rate at the date of the initial transaction;
- Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates other than those at which they were translated on initial recognition during the period or in the previous financial statements are recognized in profit or loss in the period in which they arise.

Exchange differences related to non-monetary items measured in a foreign currency are recognized pursuant to recognition principles applied to profit or loss from that non-monetary item. If profit or loss from a non-monetary item is recognized in other comprehensive income, each currency component of that profit or loss is also recognized in other comprehensive income. If profit or loss from a non-monetary item is recognized in profit or loss for the period, exchange differences are also recognized in profit or loss for the period in which they arise.

2.3.6 Cash and cash equivalents

Cash and cash equivalents in the Group's statement of financial position comprise cash at banks and in hand and short-term deposits with maturity of 90 days or less, which are subject to insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

2.3.7 Inventories

It classifies them as follows:

- Goods in storage;
- Goods shipped;
- Work-in-progress.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Goods in storage comprise goods stored for further resale in the course of the Group's operating activities, as well as spare parts and materials stored for future use in performance of work or provision of services. The Group measures this category of inventories at the lower of the acquisition cost and the net realizable value.

Net realizable value is determined by the Group as the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Any write-down of inventories to net realizable value or its reversal is recognized as profit/loss of the period when the measurement was made and is included in cost of sales.

Goods shipped comprise products shipped for which significant risks and rewards of ownership have not passed to the buyer. The Group measures this category of inventories at cost, which includes all acquisition costs as well as other costs incurred to bring a specific inventory to the current location and condition.

Work-in-progress comprises costs that are related to uncompleted stages of the Group's projects and are to be realized in the course of the Group's operating activities. Work-in-progress is measured at cost.

2.3.8 Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosure on significant accounting judgements, estimates and assumptions (Note 3);
- Intangible assets (Note 12);
- Goodwill (Note 13).

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired.

If any of such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are taken into account.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group determines the impairment amount using detailed plans and estimations prepared individually for each cash-generating unit to which certain assets are attributed. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation gain.

Goodwill is tested for impairment annually (as at 31 March) and when events or circumstances indicate that the carrying amount may be impaired.

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

2.3.9 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans issued and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Loans issued and receivables;
- Held-to-maturity investments;
- Available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Loans and receivables

This category is the most significant to the Group. Loans issued and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment.

Amortized 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 amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss as finance costs for loans and as administrative expenses for receivables.

This category generally applies to trade and other receivables. More details about the Company's receivables are provided in Note 16.

Available-for-sale financial assets

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the statement of profit or loss, and is recognized as finance expenses.

Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value of the asset at the date of reclassification becomes its new amortized cost, and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate.

Any difference between the new amortized cost and the amount payable at the repayment date is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (i.e. removed from the Group’s consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred all the rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Significant accounting judgments, estimates and assumptions (Note 3);
- Financial assets and financial liabilities (Note 14);
- Trade receivables (Note 16).

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows of the financial instrument, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

If a write-off is later recovered, the recovery is credited to finance expenses in the statement of profit or loss in case of loans and to “Gains from reversal of doubtful debt provision” in case of accounts receivable.

2.3.10 Property, plant and equipment

Property, plant and equipment include non-monetary assets which are used for the production and supply of goods and services or for administrative purposes and which are intended to be used during more than one year.

The Group identifies the following categories of property, plant and equipment:

Buildings	more than 10 years
Other structures	10 years
Vehicles, furniture and special equipment	3-7 years
Exhibition and demo equipment	3-5 years
Computers and office equipment	2-5 years
Leased equipment	depending on the type of equipment as determined by the lease contract
Inseparable leasehold improvements	as determined by the lease contract
Capital investments in progress	not amortized

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When assets are produced in-house, expenses associated with related work and direct overheads are included in cost of those assets. The cost of a PPE item held by a lessee under a financial lease contract is defined in accordance with IAS 17 *Lease*.

When a major inspection or overhaul is performed, its cost is recognized in the carrying amount of the PPE item if the asset recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss in the period in which they are incurred.

PPE are depreciated using the straight-line method. The Group reviews useful lives and depreciation methods on a regular basis and revises them, if necessary.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Impairment of property, plant and equipment

At each reporting date, the Group assesses whether there is an indication that a PPE item may be impaired. If any such indication exists, the Group estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

If impairment exists, the carrying amount is reduced to the recoverable amount, and the difference is recognized as an impairment loss in profit or loss as operating expenses.

An item of PPE is derecognized upon disposal or when no further future economic benefits are expected from its use.

2.3.11 Intangible assets

The Group identifies the following categories of intangible assets:

- In-house developments;
- Trademarks;
- Customers relationship;
- Vendor relationship;
- Other intangible assets (including licenses);
- Capital investments in progress.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

To assess whether an internally produced intangible asset can be recognized, the Group divides the asset production process into two stages:

- Research;
- Development.

The Group does not recognize intangible assets arising from research or from a research phase of an internal project. Research costs as recognized in profit or loss for the period in which they arise.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Development expenditures are recognized as an intangible asset only when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the intangible asset;
- Its ability to use or sell the intangible asset;
- How the asset will generate probable future economic benefits;
- The existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The ability to measure reliably the expenditure related to generating an intangible asset incurred during its development stage.

Where the Group is unable to distinguish between the research and development stages within an internal project to produce an intangible asset, it recognizes costs under that project as if they had been incurred at the research stage only.

The Group amortizes intangible assets with a finite useful life using the straight-line method.

The useful life of an intangible asset are determined when the asset is commissioned on the basis of the term of a license or certificate and (or) other contractual or legal limits, if any, on useful lives of items of intellectual property.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment in accordance with IAS 36 *Impairment of Assets* either individually or at the cash-generating unit level.

At each reporting date, the Group assesses the carrying amount of its intangible assets to determine whether there is an indication that an asset may be impaired. An impairment loss is recognized if the carrying amount of an asset either individually or at the cash-generating unit level exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

2.3.12 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, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized 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 and derivative financial instruments.

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 IAS 39. 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 recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.
The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses from such financial liabilities are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. More details are provided in Note 14.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 recognized in the statement of profit or loss.

Offsetting of financial instruments

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

Derivative financial instruments

The Group uses derivative financial instruments, such as foreign exchange forward contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

2.3.13 Taxes

Income tax

The Group applies the tax rates and tax laws of those tax jurisdictions where it operates when computing current tax assets and liabilities.

Since the Group companies operate mainly in the Russian Federation, the effective tax rate used to compute income tax for the purpose of financial reporting is 20%.

Management periodically evaluates positions taken in the tax returns of the Group companies with respect to situations in which applicable tax regulations are subject to varying interpretation and establishes provisions where appropriate.

Income tax expense/benefit recorded in profit or loss comprises the following:

- Current income tax expense/benefit;
- Deferred income tax expense/benefit.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Deferred taxes are estimated using the balance sheet method, which involves calculating differences between book value of an asset or liability and its tax value.

A deferred tax liability is recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, tax credits and unused tax losses to the extent that it is highly probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that, according to the Group, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Unrecognized deferred tax assets are reviewed at each reporting date and are recognized to the extent that it has become highly probable that future taxable profit will allow the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognized by the Group as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity.

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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances becomes available. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill and was made during the measurement period). Otherwise, the adjustment is recognized in profit or loss.

Value added tax

Revenues, expenses and assets of the Group are recognized net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item;
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Group's statement of financial position.

2.3.14 Leases

In accordance with IAS 17 *Leases*, the Group defines a lease as an agreement whereby the lessor conveys to the lessee in return for a rental payment or series of payments the right to use an asset for an agreed period of time. In the course of its operational activities, the Group usually acts as the lessee under these agreements.

Leases are classified as finance or operating leases. Classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

A lease is classified as a finance lease if it implies transfer of all the risks and rewards incidental to ownership of the asset.

A lease is classified as an operating lease if it does not transfer those risks and rewards.

The Group recognizes an asset and liability in its statement of financial position at the date of commencement of the finance lease term at the lower of:

- Fair value of the leased assets (taking into account any initial direct costs incurred by the Group as the lessee); or
- Present value of minimum lease payments.

Payments made under operating leases are recognized by the Group as expenses on a straight-line basis over the term of the lease.

Operating lease expenses are recognized as administrative expenses in the Group's statement of profit or loss for the reporting period.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

2.3.15 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

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

Sale of goods

Revenue from the sale of IT equipment and software is usually recognized upon delivery, when significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, rebates and discounts. The Group provides a common warranty covering all routine repair expenses, which is consistent with industry practices. The liability is recognized when the goods are sold – see Note 19.2.

Rending of services

The Group provides the following services:

- Design, development, upgrade and implementation of accounting information systems;
- Routine and post-warranty servicing, maintenance of equipment, software and information systems;
- Computer and telecommunication services;
- Outsourcing of HR business processes.

Design, development, upgrade and implementation of accounting information systems

Revenue from services related to the design, development, upgrade and implementation of accounting information systems is usually recognized in the period during which the work is performed under the contract. Compensation under such contracts is usually made based on the acceptance of completed contract stages by the customer. The work under such contracts is deemed to be unique and the respective results cannot be used for alternative purposes.

Revenue is recognized by reference to the stage of completion on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract. The stage of completion is measured based on the method of the appraisal of milestones reached.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Costs related to completed stages are expensed as incurred, while those related to uncompleted stages are recorded in work-in-progress on the balance sheet.

When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Routine and post-warranty servicing, maintenance of equipment, software and information systems

As a rule, the customer enters into an agreement for routine and post-warranty servicing of equipment, software and information systems upon the expiry of the standard warranty period.

The Group's obligation is to be ready to provide the required volume of services to the customer regardless of the number of customer requests and inquiries. The Group recognizes revenue from such contracts based on elapsed time and in equal amounts over the contract period.

Computer and telecommunication services

The Group provides the following computer and telecommunication services:

- Cloud technologies;
- Data center services;
- Maintenance services.

Compensation for computer and telecommunication services may take the following forms:

- Subscription fees with fixed marginal consumption volumes. The Group recognizes revenue from such contracts based on elapsed time and in equal amounts over the contract period;
- Tariffs for unlimited volume of services (payments made only for actually used services). The Group recognizes revenue from such contracts based on the volume of actually used services in accordance with tariffs stipulated in the contract.

Outsourcing of HR business processes

The Group recognizes revenue from contracts for outsourcing of HR business processes in the amount of services used taking into account the cost of each service (work time, a number of processed transactions, etc.) in accordance with the contract terms.

Multiple-element contracts

The Group provides services under multiple-element contracts, which can comprise the supply of IT equipment and software, installation, customization, start-up and commissioning services, customer personnel training, and maintenance services.

In analyzing such contracts, the Group determines whether contract elements are separately identifiable.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

If contract elements are not separately identifiable, the Group recognizes revenue upon delivery and acceptance by the customer of the whole software and hardware package in accordance with the contract terms.

If certain contract elements are separately identifiable, the Group recognizes revenue upon delivery of each separately identifiable element taking into account its fair value.

2.3.16 Government grants

Government grants are recognized only where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

If a grant is provided to finance certain expenses, it is recognized as a reduction of these expenses in the same periods when they are incurred. These expenses are included in R&D costs and administrative expenses.

Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. However, in the statement of profit or loss the grant is recognized over the useful life of the amortized asset as a decrease in accrued amortization expenses.

2.4 Changes in accounting policies and disclosures

Accounting policies adopted in preparation of the consolidated financial statements are in line with the policies adopted in preparation of the Group's annual financial statements for the years ended 31 March 2017, 31 March 2016 and 31 March 2015, except for adopted new and amended IFRS and IFRIC at 1 April 2017.

The Group applied for the first time certain new standards and amendments to existing standards, which become effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

The nature and impact of these changes are described below. Although these new standards and amendments were applied for the first time in the year ended 31 March 2018, they did not have a material impact on the annual consolidated financial statements of the Group.

The nature and effect of each new standard are described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group assessed the effect of these amendments and made the required disclosure in the Note 14.2 of its annual consolidated financial statements for the year ended 31 March 2018.

2. Significant accounting policies (continued)

2.4 Changes in accounting policies and disclosures (continued)

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, when amendments are applied initially, the change in equity as at the beginning of the earliest comparative period may be recognized as retained earnings at the beginning of the period (or within another component of equity, respectively), without allocating such change among the retained earnings and other components of equity as at the beginning of the period. Entities applying this relief must disclose that fact.

The amendments do not have any impact on the Group's financial statements as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual improvements 2014-2016 cycle

IFRS 12 Disclosure of Interests in Other Entities – clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that certain disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments have no impact on the Group's financial statements.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other information related to the Group's risk exposure and uncertainties is disclosed in the following notes:

- Capital management (Note 5);
- Financial risk management objectives and policies (Note 14.5);
- Disclosure on sensitivity analysis (Notes 13, 14.4, 14.5).

3. Significant accounting judgments, estimates and assumptions (continued)

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements:

Accounting estimates and assumptions

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

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions as they occur.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted on arm's length basis, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset performance of the cash-generating unit being tested for impairment. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected cash inflows and the growth rate used for extrapolation purposes. These estimates are appropriate for testing of goodwill recognized by the Group. For more information on key assumptions used to determine the recoverable amount of various cash-generating units, including the sensitivity analysis, please refer to Note 13.

Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from quoted prices on active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For more details, refer to Note 14.4.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgments (continued)

Development costs

According to the adopted accounting policies, the group capitalizes project development costs. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

4. Segment information

For management purposes, the Group is divided in business units, according to the nature of the products and services provided, and comprises the following four reporting segments:

- Corporate solutions and business applications;
- Integration of ready-to-go solutions;
- Solutions for regional and municipal authorities;
- Other segments.

The Group's segments are represented by business units with separate management procedures, focus on different customers and product specialization.

The segment of corporate solutions and business applications focuses on complex projects for major Russian and international companies and governmental entities.

The segment of integration of ready-to-go solutions focuses on ready-to-go solutions in the area of infrastructure integration.

The segment of solutions for regional and municipal authorities offers ready-to-go solutions for public finance and fiscal and budgetary management in the Russian constituent regions.

Other segments include the provision of cloud solutions and rendering services by the Data Processing Center. No operating segments have been combined to form the above reportable operating segments.

As required by the Charter and other regulatory documents of IBS IT Services PJSC, the General Director and Board of Directors monitor the operating results of each business unit separately for the purpose of making decisions on resource allocation and performance assessment.

Effective the year ended 31 March 2018, the key segment performance indicator communicated to the General Director and Board of Directors is operating income before depreciation and amortization and impairment of PPE and IA (OIBDA). Net profit is analyzed by management at the Group level. Segment profit data for the comparative period (year ended 31 March 2017) is presented in the same format. Segment reporting and performance indicators are based on the International Financial Reporting Standards.

OIBDA of a segment is calculated as revenue of the respective segment less operating expenses (less depreciation and amortization and impairment of property, plant and equipment and intangible assets), including corporate expenses of the Group allocated to the respective segment.

4. Segment information (continued)

According to IFRS, OIBDA is not a financial performance indicator. The algorithm for calculating OIBDA applied by the Group can differ from that used by other companies. Therefore, it cannot be used to measure one company against another or as an alternative measure of the Group's operating performance as promulgated under IFRS. OIBDA should not be considered as a direct or alternative measure of liquidity, such as operating cash flows, and should be considered together with the Group's financial liabilities. OIBDA may not reflect historical operating performance of the Group and is not intended to forecast potential future results of the Group. The Group believes that OIBDA is useful for the users of the consolidated financial statements, as it is an indicator of stability and performance of the Group's current business operations, including the Group's ability to finance discretionary expenses, such as capital expenditure, acquisition costs, and other investments, as well as the Group's borrowing and debt servicing abilities.

Assets and liabilities are not allocated to operating segments and are not subject to analysis by a body responsible for operating decision-making.

Prices in transactions between operating segments that are entered into primarily in the normal course on business are determined on an arm's length basis in a manner similar to transactions with third parties.

Intersegment revenues are not included for consolidation purposes and are recorded in column "Adjustments and eliminations".

Year ended 31 March 2018	Corporate solutions and business applications	Integration of ready-to-go solutions	Solutions for regional and municipal authorities	Other segments	Adjustments and eliminations	Consolidated
Revenue						
Sales to external customers	13 170 441	9 972 531	1 703 440	231 874	-	25 078 286
Intersegment sales	67 937	8 253	56 329	73 141	(205 660)	-
Revenue – total	**13 238 378**	**9 980 784**	**1 759 769**	**305 015**	**(205 660)**	**25 078 286**
Financial results						
OIBDA	2 853 237	316 603	291 517	48 791	-	3 510 148
Net profit	**-**	**-**	**-**	**-**	**-**	**2 671 757**

Year ended 31 March 2017	Corporate solutions and business applications	Integration of ready-to-go solutions	Solutions for regional and municipal authorities	Other segments	Adjustments and eliminations	Consolidated
Revenue						
Sales to external customers	11 034 807	8 869 957	1 310 583	206 839	-	21 422 186
Intersegment sales	63 531	2 767	210 687	50 668	(327 653)	-
Revenue – total	**11 098 338**	**8 872 724**	**1 521 270**	**257 507**	**(327 653)**	**21 422 186**
Financial results						
OIBDA	1 715 447	343 062	285 424	18 949	-	2 362 882
Net profit	**-**	**-**	**-**	**-**	**-**	**1 460 908**

4. Segment information (continued)

Adjustments and eliminations

Current taxes and deferred taxes are not allocated to those segments as they are also managed on a group basis.

Gains and losses from remeasurement of assets at fair value are not taken to separate segments and are recorded at the level of the Group.

Fair value of acquisitions, gains and losses from remeasurement of intangible assets identified as a result of acquisition and goodwill impairment are not allocated to operating segments.

Inter-segment revenue is eliminated in consolidation.

	Year ended 31 March	
OIBDA reconciliation	**2018**	**2017**
Segment OIBDA	**3 510 148**	**2 362 882**
Group OIBDA	**3 510 148**	**2 362 882**
Depreciation of property, plant and equipment and amortization of intangible assets	(135 561)	(136 718)
Finance income	70 349	67 668
Finance expenses	(119 482)	(143 006)
Loss from impairment of investment in associate	(36 546)	-
Other income	192 570	65 451
Other expenses	(95 618)	(275 180)
Foreign exchange differences	13 661	(20 552)
Profit before tax	**3 399 521**	**1 920 545**

The Group renders services primarily in the Russian Federation.

Seasonality

The Group's operating performance is subject to seasonality, which is mainly due to the customers' budget planning processes and respective project completion dates. The Group's revenue and cash flows tend to increase in Q4 of each calendar year. This is attributed to the fact that, since the planning and budgeting cycle has an annual nature, orders from the government and usually from businesses are mostly closed and paid at the end of a calendar year. Thus, the Group's operating results for certain quarters may not necessarily be balanced throughout the year and may differ significantly.

For the year ended 31 March 2018, the Group's revenue recognized from the sale of goods and provision of services to one customer amounted to 12% of its total revenue. This revenue is included in the segment "Corporate solutions and business applications".

For the year ended 31 March 2017, the Group's revenue recognized from the sale of goods and provision of services to two customers exceeded 10% of its total revenue. Revenue generated by those customers amounted to 13% and 10%, respectively. This revenue is included in segments "Corporate solutions and business applications" and "Integration of ready-to-go solutions".

5. Capital management

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

In order to achieve capital management objectives, the Group's management ensures that the Group meets all contractual limits for interest-bearing loans and borrowings, including debt burden requirements. There have been no breaches in the contractual terms of any interest-bearing loans and borrowing in the current period. The Group is not subjected to comply with externally imposed capital requirements.

In accordance with its capital management policy, the Group monitors financial ratios of net debt to OIBDA and total debt to OIBDA. The capital management policy of the Group does not provide for a formal debt to equity ratio.

For the years ended 31 March 2018 and 31 March 2017, total debt to OIBDA amounted to 0.04 and 0.11, respectively. The net debt to OIBDA ratio was negative, which means that the amount of cash balances on the Group's accounts exceeded its total debt. Net debt to OIBDA and total debt to OIBDA are important measures to assess the capital structure in light of the need to maintain a strong credit rating.

	At 31 March	
	2018	**2017**
Interest-bearing loans, overdrafts and borrowings	106 969	198 570
Loans received from related parties	-	8 977
Finance lease liabilities	23 676	42 083
Total debt	**130 645**	**249 630**
Cash and cash equivalents	(3 523 698)	(1 035 100)
Net debt	**(3 393 053)**	**(785 470)**
OIBDA	3 510 148	2 362 882
Debt to OIBDA ratio	0,04	0,11

6. Group information

Information on the subsidiaries

These consolidated financial statements of the Group include the following significant entities:

	Interest at 31 March	
Entity name	**2018**	**2017**
Business Information Systems Company LLC, Russia	100%	100%
IBS LLC, Russia	100%	100%
IBS Expertise LLC, Russia	100%	100%
IBS Soft LLC, Russia	100%	100%
IBS Consulting LLC, Russia	100%	-
IBS Perm LLC, Russia	100%	100%
IBS Penza LLC, Russia	100%	100%
IBS Ulyanovsk LLC, Russia	100%	100%
IBS Saint Petersburg LLC, Russia	100%	-
IBS Platformix LLC, Russia	100%	100%
Platformix Center LLC, Russia	99%	-
Platformix Distributive Solutions LLC, Russia	99%	-
IBS DataFort LLC, Russia	100%	100%
BFT Dubna LLC, Russia	57%	57%
BFT LLC, Russia	57%	57%
BFT-Project LLC, Russia	57%	57%
BFT-Expert LLC (former Zirvan LLC), Russia	57%	54%
Algorithm LLC, Russia	56%	56%
IBS Europe Ltd., Cyprus	100%	100%

On 26 April 2017, the Group purchased a 100% interest in the share capital of E-Level LLC (subsequently renamed as IBS Consulting LLC) from a third party. IBS Consulting LLC provides consulting and other services relating to computer technology.

Total consideration paid amounted to RUB 500 thousand. At the date of acquisition, liabilities assumed less the fair value of assets acquired amounted to RUB 8,627 thousand. During the year ended 31 March 2018, the Group finalized initial recognition of business combination and recognized goodwill of RUB 9,127 thousand, which was allocated to the “Corporate solutions and business applications” unit. Goodwill related to the expected synergy from combining operations of the acquiree and the Group.

Net cash of RUB 10,411 thousand acquired with the subsidiary less cash paid of RUB 500 thousand was recognized in the consolidated statement of cash flows as “Acquisition of a subsidiary, net of cash acquired”.

Ultimate parent

The Group’s ultimate parent is IBS Holding LLC, the ultimate beneficiary of which is Mr. A.M. Karachinsky.

7. Investment in associate

On 24 November 2016, the Group acquired a 49% interest in the share capital of Stolichny Centr Audita y Otsenki LLC for RUB 38,238 thousand. The remaining 51% of interest is owned by an individual.

Stolichny Centr Audita y Otsenki LLC ("SCAO") is an audit and advisory firm rendering a wide range of services across the Russian Federation. Its principal activities include audit, valuation, accounting outsourcing, legal and HR advisory services.

This acquisition was accounted for as investment in associate.

The Group analyzed whether it is necessary to recognize loss from impairment of its investment in SCAO. As at 31 March 2018, the Group determined that there was objective evidence that the investment in the associate was impaired and calculated the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount. During the year ended 31 March 2018, the Group recognized an impairment loss of RUB 36,546 thousand. The loss was recognized as "Losses from impairment of investment in an associate" in the consolidated statement of profit or loss. As at 31 March 2018, the recoverable amount of the investment was RUB 1,692 thousand.

8. Available-for-sale financial assets

On 28 June 2012, the Group acquired 5% interest in Service Holding Company LLC ("MAYKOR"). This acquisition was recognized as an available-for-sale financial asset in the Group's consolidated financial statements.

Fair value of interest in MAYKOR, which is not listed, was measured using comparable companies/ transactions method.

On 6 November 2013, the interest in MAYKOR was reduced from 5% to 3.65% due to attracting additional investment by this group.

As at 31 March 2017, the Group measured the fair value of its interest and recognized impairment in the amount of RUB 17,192 thousand. The decline in the value of the financial asset was recorded in other expenses in the consolidated statement of profit or loss.

As at 31 March 2018, the Group's fair value measurement of its interest remained unchanged.

9. Other income/expenses

9.1 Other income

	Year ended 31 March	
	2018	**2017**
Other comprehensive income reclassified to profit	126 842	-
Net gain on financial instruments measured at fair value through profit or loss	32 445	48 033
Fines and penalties received	23 688	2 616
Loss on disposal of property, plant and equipment and other assets	4 198	3 404
Other income	5 397	11 398
Total other income	**192 570**	**65 451**

During the year ended 31 March 2018, the Group reclassified accumulated exchange differences of RUB 126,842 thousand arising from translation of foreign operations from other comprehensive income to profit of the period.

Net gain on financial instruments measured at fair value through profit or loss relates to currency forward contracts, which do not meet hedge accounting criteria.

9.2 Other expenses

	Year ended 31 March	
	2018	**2017**
Net loss on financial instruments measured at fair value through profit or loss	47 932	194 138
Fines and penalties	19 965	29 328
Loss on impairment of available-for-sale financial assets (Notes 8, 14.4)	-	17 192
Charity expenses	11 413	5 817
Expenses accrued on provisions	7 690	13 892
Write-off of receivables	1 248	4 293
State duties	1 101	1 676
Other expenses	6 269	8 844
Total other expenses	**95 618**	**275 180**

Net loss on financial instruments measured at fair value through profit or loss relates to currency forward contracts, which do not meet hedge accounting criteria.

The Group uses derivative financial instruments, such as foreign exchange forward contracts, to hedge its foreign currency risks arising from purchases and sales in foreign currency in the course of its operating activities.

9. Other income/expenses (continued)

9.3 Finance expenses

	Year ended 31 March	
	2018	**2017**
Net profit attributable to non-controlling participants (Note 26)	84 663	69 115
Interest on loans and borrowings	31 081	44 077
Finance expenses under finance lease and hire purchase agreements	3 204	13 836
Interest on borrowings received from related parties	534	15 978
Total finance expenses	**119 482**	**143 006**

9.4 Finance income

	Year ended 31 March	
	2018	**2017**
Interest income on deposits and external loans/borrowings	65 679	63 967
Interest income on loans issued to related parties	3 202	2 566
Other finance income	1 468	1 135
Total finance income	**70 349**	**67 668**

9.5 Employee benefits expense

	Year ended 31 March	
	2018	**2017**
Included in cost of sales	1 282 866	1 028 014
Included in administrative expenses	4 447 813	3 417 497

The Group’s subsidiaries registered in Russia make contributions payable by employers to the Russian Federation pension fund, social insurance fund and medical insurance fund. The amount of contributions depends on annual benefits of an employee and comprises from 8% to 22% for contributions to the pension fund, from 0% to 2.9% for the social insurance fund and from 0% to 5.1% for the medical insurance fund. Contributions for mandatory insurance premiums against accidents comprise 0.2%.

9. Other income/expenses (continued)

9.6 Research and development costs

In the segments “Corporate solutions and business applications” and “Solutions for regional and municipal authorities” of the Group, research and development are performed primarily in the following areas:

- Development of a high-level platform to promptly create PR EVM IK ISKU corporate applications;
- Development of software (computer program) intended to manage Virtuozzo 7 (P – Virtualization) and Virtuozzo Storage (P – Storage) using visual web-interface;
- Development of software (computer program) intended to manage VDI virtual desktops;
- Development of the “Item-by-item planning” module intended to automate the process of planning allocations to the provision of public social support services.

9.7 Administrative expenses

	Year ended 31 March	
	2018	**2017**
Payroll and staff expenses, including taxes	3 015 866	2 415 698
Employee benefits and bonuses	1 431 947	1 001 799
Expenses for office rental and maintenance	453 307	453 866
Professional services	76 095	72 118
Travel and entertainment expenses	64 602	56 506
Provision for doubtful debt	53 765	77 942
Taxes accrued (excluding income tax)	26 014	11 782
Bank services	22 192	20 946
Other	2 483	1 433
Total general and administrative expenses	**5 146 271**	**4 112 090**

For the year ended 31 March 2018, operating lease and office maintenance expenses amounted to RUB 302,815 thousand (2017: RUB 307,872 thousand).

9.8 Amount of inventories recognized as expenses

For the year ended 31 March 2018, the amount of inventories recognized as expenses was RUB 12,062,913 thousand (31 March 2017: RUB 10,748,087 thousand). Inventories are recognized as expenses within cost of sales.

10. Income tax

The main components of income tax expense for the years ended 31 March 2018 and 31 March 2017 are as follows:

	Year ended 31 March	
	2018	**2017**
Current income tax expense	(816 628)	(396 123)
Deferred income tax benefit/(expense)	88 864	(63 514)
Total income tax expense reported in the consolidated statement of profit or loss	**(727 764)**	**(459 637)**

Reconciliation between income tax benefit/(expense) and profit before tax multiplied by the income tax rate effective in the Russian Federation for the years ended 31 March 2018 and 31 March 2017:

	Year ended 31 March	
	2018	**2017**
Profit before tax	**3 399 521**	**1 920 545**
Income tax expense calculated at Russian statutory income tax rate of 20%	**(679 904)**	**(384 109)**
Different tax rates of subsidiaries	3 295	(1 086)
Tax effect of non-deductible expenses at applicable tax rates	(49 824)	(67 309)
Effect of write-off of unrealized deferred tax asset related to tax losses	(1 331)	(7 133)
Income tax expense recognized in these consolidated financial statements at the effective income tax rate of 21% (for the year ended 31 March 2017: 24%)	**(727 764)**	**(459 637)**

10. Income tax (continued)

Deferred income tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	At 31 March		For the year ended 31 March	
	2018	2017	2018	2017
Deferred tax assets				
Cash equivalents	5 635	-	5 635	-
Investment in associate	7 309	-	7 309	-
Receivables including advances issued	3 916	11 122	(7 206)	6 278
Payables and accrued liabilities	130 206	113 400	16 806	60 112
Deferred revenue	20 004	15 158	4 846	(245 676)
Inventories and deferred cost of sales	26 448	23 363	3 085	20 044
Loans and payables under finance lease agreements	2 754	1 188	1 566	(14 597)
Losses available for offset against future taxable income	28 361	30 688	(2 327)	(47 076)
Property, plant and equipment	40 989	45 167	(4 178)	(6 064)
Intangible assets	-	-	-	(1 692)
Other	3 981	4 080	(99)	4 080
Total deferred tax assets	**269 603**	**244 166**	**25 437**	**(224 591)**
Deferred tax liabilities				
Receivables including advances issued	(58 080)	(118 881)	60 801	6 398
Payables including advances received and accrued liabilities	(1 632)	(5 665)	4 033	(1 259)
Inventories and deferred cost of sales	(5 189)	(3 947)	(1 242)	160 934
Property, plant and equipment	(4 935)	(5 069)	134	(5 069)
Intangible assets	-	-	-	524
Other	(750)	(451)	(299)	(451)
Total deferred tax liabilities	**(70 586)**	**(134 013)**	**63 427**	**161 077**
Net deferred tax asset	**199 017**	**110 153**		
Deferred income tax benefit/(expense)			**88 864**	**(63 514)**

Reconciliation of deferred tax assets/(liabilities), net	2018	2017
Balance at 1 April	**110 153**	**173 667**
Deferred income tax benefit/(expense)	88 864	(63 514)
Balance at 31 March	**199 017**	**110 153**

The Group offsets tax assets and liabilities only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same tax authority.

The Group has accumulated tax losses amounting to RUB 141,805 thousand (year ended 31 March 2017: RUB 153,440 thousand) which originated in the Russian Federation. These losses are available for offsetting against future taxable profits of the subsidiaries, in which the losses arose, and for which deferred tax assets were recognized.

10. Income tax (continued)

In addition, as at 31 March 2018 and 31 March 2017, the Group incurred tax losses in the amount of RUB 178,095 thousand, for which no deferred tax assets were recognized since they are unavailable for offsetting against taxable profits of the Group's subsidiaries, which did not generate any profit in previous reporting periods. The Group's management analyzed recoverability of deferred tax assets for these tax losses and concluded that the possibility was low. If the Group had been able to recognize all unrecognized tax assets, profit would have increased by RUB 35,619 thousand. Current tax legislation does not limit the life of accumulated tax losses for which no deferred tax assets have been recognized.

As at 31 March 2018, the Group had no recognized deferred tax liability (31 March 2017: nil) for taxes that would be payable with regard to retained earnings of the Group's subsidiaries. The Group determined that retained earnings of its subsidiaries will be partially distributed in the foreseeable future and the applicable tax rate will be 0% pursuant to the Russian legislation. Temporary differences associated with investment in subsidiaries which arise when the carrying amount of that investment (namely, the parent's share in net assets of the subsidiary, including the carrying amount of goodwill) differs from its tax value, which usually equals its cost, total RUB 2,701,904 thousand as at 31 March 2018 (31 March 2017: RUB 596,743 thousand).

The Group paid dividends to its participants for the periods ended 31 March 2018 and 2017 without any income tax consequences.

11. Property, plant and equipment

	Buildings and structures	Vehicles, furniture and special equipment	Exhibition and demo equipment	Computer and office equipment	Leased equipment	Other	Capital investments in progress	Total
At 1 April 2016	**3 364**	**117 993**	**97 251**	**244 155**	**177 508**	**32 052**	**799**	**673 122**
Proceeds	-	5 218	5 212	3 415	-	-	104 038	117 883
Internal transfers	-	8 263	-	73 573	(86 496)	4 660	-	-
Commissioning	-	28 195	14 260	41 374	4 393	239	(88 461)	-
Disposals	(1 380)	(18 652)	(9 912)	(91 979)	-	(10 191)	(13 444)	(145 558)
At 31 March 2017	**1 984**	**141 017**	**106 811**	**270 538**	**95 405**	**26 760**	**2 932**	**645 447**
Proceeds	-	20	16 824	1 305	-	-	141 546	159 695
Internal transfers	-	2 047	-	69 920	(71 967)	-	-	-
Commissioning	4 080	21 040	13 589	70 557	19 603	7 227	(136 096)	-
Disposals	-	(2 800)	(40 948)	(18 442)	-	-	(34)	(62 224)
At 31 March 2018	**6 064**	**161 324**	**96 276**	**393 878**	**43 041**	**33 987**	**8 348**	**742 918**
Depreciation and impairment								
At 1 April 2016	**(764)**	**(99 106)**	**(58 168)**	**(214 810)**	**(83 546)**	**(27 232)**	**-**	**(483 626)**
Depreciation charge for the period	(121)	(8 566)	(20 802)	(32 853)	(33 014)	(2 221)	-	(97 577)
Depreciation of internal transfers	-	(12 303)	-	(47 372)	63 535	(3 860)	-	-
Disposal	257	15 131	6 925	85 999	-	8 711	-	117 023
At 31 March 2017	**(628)**	**(104 844)**	**(72 045)**	**(209 036)**	**(53 025)**	**(24 602)**	**-**	**(464 180)**
Depreciation charge for the period	(391)	(12 588)	(16 044)	(47 749)	(20 347)	(1 752)	-	(98 871)
Depreciation of internal transfers	-	(1 125)	-	(50 329)	51 454	-	-	-
Disposal	-	2 800	19 422	18 021	-	-	-	40 243
At 31 March 2018	**(1 019)**	**(115 757)**	**(68 667)**	**(289 093)**	**(21 918)**	**(26 354)**	**-**	**(522 808)**
Net book value								
At 31 March 2017	**1 356**	**36 173**	**34 766**	**61 502**	**42 380**	**2 158**	**2 932**	**181 267**
At 31 March 2018	**5 045**	**45 567**	**27 609**	**104 785**	**21 123**	**7 633**	**8 348**	**220 110**

12. Intangible assets

	In-house developments	Trademarks	Customer relationship	Vendor relationship	Other	Capital investments in progress	Total
At 1 April 2016	**333 069**	**1 916**	**11 817**	**1 393 991**	**18 998**	**41 679**	**1 801 470**
Additions – in-house developments	-	-	-	-	-	28 066	28 066
Commissioning	23 402	95	-	-	7	(23 504)	-
Disposals	-	-	-	-	(5)	-	(5)
Internal transfers	-	-	-	-	-	-	-
At 31 March 2017	**356 471**	**2 011**	**11 817**	**1 393 991**	**19 000**	**46 241**	**1 829 531**
Additions – in-house developments	-	40	-	-	-	31 359	31 399
Commissioning	36 968	165	-	-	-	(37 133)	-
Disposals	(33 846)	-	(11 817)	(1 393 991)	(220)	(10 241)	(1 450 115)
Internal transfers	-	-	-	-	-	-	-
At 31 March 2018	**359 593**	**2 216**	**-**	**-**	**18 780**	**30 226**	**410 815**
Amortization and impairment							
At 1 April 2016	**(206 886)**	**(1 193)**	**(11 817)**	**(1 391 371)**	**(13 570)**	**-**	**(1 624 837)**
Amortization	(39 826)	(304)	-	(2 620)	(770)	-	(43 520)
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	5	-	5
At 31 March 2017	**(246 712)**	**(1 497)**	**(11 817)**	**(1 393 991)**	**(14 335)**	**-**	**(1 668 352)**
Amortization	(35 656)	(281)	-	-	(753)	-	(36 690)
Impairment	-	-	-	-	-	-	-
Disposals	10 154	-	11 817	1 393 991	220	-	1 416 182
At 31 March 2018	**(272 214)**	**(1 778)**	**-**	**-**	**(14 868)**	**-**	**(288 860)**
Net book value							
At 31 March 2017	**109 759**	**514**	**-**	**-**	**4 665**	**46 241**	**161 179**
At 31 March 2018	**87 379**	**438**	**-**	**-**	**3 912**	**30 226**	**121 955**

Amortization of intangible assets in the amount of RUB 4,379 thousand for the period ended 31 March 2017 was included in work in progress. For the period ended 31 March 2018, no such adjustments were made.

13. Goodwill

Goodwill acquired through business combination with Borlas group and acquisition of Algorithm LLC was allocated to two cash-generating units (“Corporate solutions and business applications” and “Solutions for regional and municipal authorities”), which are also operating and reporting segments, for the purpose of impairment testing.

At the time of combination, Borlas Group engaged in implementation of business applications (primarily, Oracle-based), IT-management advisory, IT infrastructure solutions and rendering associated technical support services. Goodwill recognized as a result of business combination with Borlas group includes the value of expected synergies arising from the acquisition and the list of customers, which are not recognized as a separate asset in the financial statements.

13. Goodwill (continued)

Carrying amount of goodwill allocated to each of the cash-generating units:

	At 31 March	
	2018	**2017**
Corporate solutions and business applications (Note 6)	1 370 350	1 361 223
Solutions for regional and municipal authorities	77 011	77 011
Total	**1 447 361**	**1 438 234**

The Group performed impairment tests as at the reporting dates.

"Corporate solutions and business applications" unit

At 31 March 2018, the recoverable amount of the "Corporate solutions and business applications" unit was determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period. Assumptions used for calculating cash flows of the business unit are based on the projected income, operating expenses and other relevant factors, including the amount of working capital and estimated capital expenditures. The projected cash flows were updated based on actual results for the year ended 31 March 2018 to reflect changes in the demand for the Group's products and services, need for production personnel, target business profitability as well as operating working capital and capital investments. The pre-tax discount rate applied to cash flow projections was 18.1% (31 March 2017: 19.7%) and cash flows beyond the five-year period were extrapolated using a 3.0% growth rate (31 March 2017: 3.0%) that is the same as the long-term average growth rate for the IT industry.

The Group's management compared the carrying amount of the "Corporate solutions and business applications" unit with its recoverable amount and concluded that goodwill was not impaired as at 31 March 2018.

"Solutions for regional and municipal authorities" unit

As at 31 March 2018, the recoverable amount of the "Solutions for regional and municipal authorities" unit was determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period. Assumptions used for calculating cash flows of the business unit are based on the projected income, operating expenses and other relevant factors, including the amount of working capital and capital expenditures. The projected cash flows are updated to reflect changes in the demand for products and services, need for production personnel, target business profitability as well as operating working capital and capital investments.

The pre-tax discount rate applied to cash flow projections was 18.2% (31 March 2017: 19.9%) and cash flows beyond the five-year period were extrapolated using a 3.0% growth rate (31 March 2017: 3.0%) that is the same as the long-term average growth rate for the IT industry.

The Group's management compared the carrying amount of the "Solutions for regional and municipal authorities" unit with its recoverable amount and concluded that goodwill was not impaired as at 31 March 2018.

13. Goodwill (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for both corporate solutions and business applications and solutions for regional and municipal authorities units is most sensitive to the following assumptions:

- Discount rate;
- Growth rate used to extrapolate cash flows beyond the forecast period;
- OIBDA margin;
- Average annual rate of growth in revenue over the forecast period.

OIBDA margin and average annual rate of growth in revenue

The OIBDA margin and average annual rate of growth in revenue are projected based on the Group's current five-year financial plans. Reasonably possible changes in the projected OIBDA margin and average annual rate of growth in revenue would not result in impairment losses for the "Corporate solutions and business applications" unit or the "Solutions for regional and municipal authorities" unit.

Discount rate

Discount rates represent the current market assessment of the risks specific to each cash-generating unit, taking into consideration the time value of money and individual risks. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's participants. Risks specific to the industry where the operating segments operate are incorporated by applying industry beta factors. The beta factors are evaluated annually based on publicly available market data. The cost of debt is based on the interest-bearing borrowings that are typical to the industry where the company operates and the country where they have been issued within the given period.

An increase in the discount rate by 3 percentage points would not result in impairment losses for the "Corporate solutions and business applications" unit or the "Solutions for regional and municipal authorities" unit.

Growth rate used to extrapolate cash flows beyond the forecast period

Growth rates are based on research and projected long-term annual rates for the CPI.

Management recognizes that the speed of technological change, competitor behavior and changes in external environment can have a significant impact on growth rate assumptions. A slowdown in terminal growth rate to 1% would not result in impairment losses for the "Corporate solutions and business applications" unit or the "Solutions for regional and municipal authorities" unit.

14. Financial assets and financial liabilities

14.1 Financial assets

	At 31 March 2018	At 31 March 2017
Derivatives not designated as hedging instruments at the Group's discretion		
Foreign exchange forward contracts	904	485
Total financial instruments at fair value	**904**	**485**
Financial assets at amortized cost		
Cash	336 164	535 604
Short-term deposits	3 187 534	499 496
Trade and other receivables (Note 16)	3 380 532	3 628 955
Trade and other receivables due from related parties	92 284	9 424
Loans issued to related parties	-	48 386
Loans to key management personnel of the Group	-	25 738
Short-term loans receivable	7 000	6 000
Net investments in leases	11 164	-
Total financial assets	**7 015 582**	**4 754 088**
Total current financial assets	**7 010 308**	**4 754 088**
Total non-current financial assets	**5 274**	**-**

Derivatives not designated as hedging instruments at the Group's discretion

Derivatives not designated as hedging instruments at the Group's discretion reflect positive change in the fair values of those forward currency contracts, which were not designated as hedging instruments at the Group's discretion but still are used to mitigate currency risk related to expected sales and purchases.

14.2 Financial liabilities

Interest-bearing loans, overdrafts and borrowings

	At 31 March 2018	At 31 March 2017
Current interest-bearing loans and borrowings		
Bank overdrafts (with an interest rate of 10-12%)	2 344	7 483
Bank loans (credit facilities) (with an interest rate of 8-14%)	100 386	180 858
Installment agreement (with an interest rate of 9-11%)	4 239	10 229
Total short-term interest-bearing loans and borrowings	**106 969**	**198 570**
Long-term interest-bearing loans and borrowings	**-**	**-**
Total interest-bearing loans and borrowings	**106 969**	**198 570**

14. Financial assets and financial liabilities (continued)

14.2 Financial liabilities (continued)

All loans and borrowings of the Group are unsecured. Loans provided to related parties are disclosed in Note 24.

As at 31 March 2018, the Group had undrawn credit facilities of RUB 3,179 million (31 March 2017: RUB 2,904 million).

Changes in liabilities and assets arising from financing activities

	1 April 2017	Cash flows, net	Dividends declared	New finance lease liabilities	Other movements*	31 March 2018
Movements in liabilities:						
Loans received from related parties	8 977	(8 748)	-	-	(229)	-
Short-term loans and borrowings	188 341	(82 888)	-	-	1 516	106 969
Current portion of long-term loans and borrowings	10 229	(10 229)	-	-		-
Finance lease liabilities, current portion	35 004	(40 199)	-	8 611	10 691	14 107
Finance lease liabilities, net of current portion	7 079	-	-	13 011	(10 521)	9 569
Dividends to equity holders of the parent	-	(385 000)	385 000	-	-	-
Trade and other payables to related parties**	-	(51 385)	107 500	-	-	56 115
Movements in assets:						
Other current assets***	-	(12 697)	-	-	-	(12 697)
Total liabilities and assets arising from financing activities	**249 630**	**(591 146)**	**492 500**	**21 622**	**1 457**	**174 063**

* Other movements include, among other, interest accrued on debt liabilities net of interest paid.

** Payables to related parties comprise dividends to non-controlling participants that w ere declared but not yet paid.

*** Other current assets include transaction costs related to the planned initial public offering of ordinary shares.

Other financial liabilities

	At 31 March 2018	At 31 March 2017
Derivatives not designated as hedging instruments at the Group's discretion		
Foreign exchange forward contracts	-	33 238
Total financial instruments at fair value	**-**	**33 238**
Other financial liabilities at amortized cost, less interest-bearing loans and borrowings		
Trade payables	1 516 082	1 766 670
Trade and other payables to related parties	87 292	10 601
Loans received from related parties	-	8 977
Net assets attributable to non-controlling participants	264 778	287 615
Accrued liabilities (Note 19)	1 971 256	1 347 095
Finance lease liabilities	**23 676**	**42 083**
Total other financial liabilities	**3 863 084**	**3 496 279**
Total current financial liabilities	**3 853 515**	**3 489 200**
Total non-current financial liabilities	**9 569**	**7 079**

14. Financial assets and financial liabilities (continued)

14.3 Derivatives

Derivatives not designated as hedging instruments

The Group uses foreign currency-denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from 1 to 12 months.

14.4 Fair value

Carrying amounts of the Group's financial instruments presented in the financial statements approximates their fair values.

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The valuation requires management to use unobservable inputs in the model. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
- The fair values of the remaining available-for-sale financial assets are derived based on the valuation techniques for which the input that is significant to the fair value measurement is directly or indirectly observable.

14. Financial assets and financial liabilities (continued)

14.4 Fair value (continued)

Quantitative disclosures of fair value measurement hierarchy for assets as at 31 March 2018:

	Date of measurement	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value					
Derivative financial assets					
Foreign exchange forward contracts not designated as hedging instruments	31 March 2018	**904**	-	904	-

As at 31 March 2018, the Group had no financial liabilities at fair value.

Quantitative disclosures of fair value measurement hierarchy for assets as at 31 March 2017:

	Date of measurement	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value					
Derivative financial assets					
Foreign exchange forward contracts not designated as hedging instruments	31 March 2017	**485**	-	485	-

Quantitative disclosures of fair value measurement hierarchy for liabilities as at 31 March 2017:

	Date of measurement	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities measured at fair value					
Derivative financial liabilities					
Foreign exchange forward contracts not designated as hedging instruments	31 March 2017	**33 238**	-	33 238	-

14. Financial assets and financial liabilities (continued)

14.4 Fair value (continued)

Reconciliation of fair value measurements of Level 3 financial instruments

The Group recognizes equity instruments in available-for-sale financial instruments classified at Level 3 of the fair value hierarchy.

A reconciliation of the beginning and closing balances including movements is summarized below:

	Equity instruments
At 1 April 2016	**17 192**
Impairment recognized in the statement of profit or loss	(17 192)
Acquisitions	-
Disposals	-
At 31 March 2017	**-**

The Group determines fair value of an equity instrument based on the actual interest in and net assets of MAYKOR and using the comparable entities method.

As at 31 March 2017, the Group measured the fair value of its interest and recognized impairment in the amount of RUB 17,192 thousand. The decline in the value of the financial asset was recorded in other expenses in the consolidated statement of profit or loss. As at 31 March 2018, the Group's fair value measurement of its interest remained unchanged.

14.5 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions.

The Group is exposed to currency risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The management of the Group reviews and agrees policies for managing each of these risks, which are summarized below.

Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group's exposure to currency risk is primarily due to its operating activities, when revenue or expenses are denominated in a foreign currency.

14. Financial assets and financial liabilities (continued)

14.5 Financial risk management objectives and policies (continued)

The Group manages its currency risk through forward contracts maturing in up to 12 months.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives.

The Group's exposure to foreign currency changes for all other currencies is not material.

For the year ended 31 March	Change in USD rate	Effect on profit before tax
2018	+11%	+12 040
	-11%	-12 040
2017	+20%	-34 125
	-20%	+34 125

For the year ended 31 March	Change in EUR rate	Effect on profit before tax
2018	+12.5%	-3 352
	-12.5%	+3 352
2017	+20%	-212
	-20%	+212

The movement in the effect on profit before tax is a result of a change in the fair value of derivative financial instruments not designated as hedging instruments at the Group's discretion and monetary assets and liabilities nominated in currency other than the functional currency of the entity. Despite the fact that derivative instruments were not designated as hedging instruments at the Group's discretion, they are considered commercial hedging instruments and will compensate for basic transactions when they occur.

14. Financial assets and financial liabilities (continued)

14.5 Financial risk management objectives and policies (continued)

The movement in equity is a result of a change in the amounts payable by associates to a foreign business unit located on Cyprus nominated in US dollars.

For the year ended 31 March	Change in USD rate	Effect on equity
2018	+11%	-
	-11%	-
2017	+20%	+7 378
	-20%	-7 378

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets disclosed in Note 16. The Group does not hold collateral as security.

The Group evaluates the risk concentration with respect to trade receivables as low, as the buyers operate in several industries and largely independent markets.

Financial instruments and cash deposits

The credit risk from balances with banks is managed by establishing credit limits for each bank. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a potential failure to make repayments.

The Group’s maximum exposure to credit risk for the components of the statement of financial position as at 31 March 2018 is the carrying amounts as illustrated in Note 17 except for derivative financial instruments. The Group’s maximum exposure relating to financial derivative instruments is noted in the liquidity table below.

14. Financial assets and financial liabilities (continued)

14.5 Financial risk management objectives and policies (continued)

Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity-planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include instruments to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including estimated interest payments:

Aging structure for financial liabilities

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Trade payables	1 516 082	-	-	-	**1 516 082**
Due to related parties	87 292	-	-	-	**87 292**
Loans received from related parties	-	-	-	-	**-**
Loans and borrowings	111 443	-	-	-	**111 443**
Finance lease liabilities	15 951	10 579	-	-	**26 530**
Net assets attributable to non-controlling participants	264 778	-	-	-	**264 778**
Accrued liabilities	1 971 256	-	-	-	**1 971 256**
At 31 March 2018	**3 966 802**	**10 579**	**-**	**-**	**3 977 381**
Trade payables	1 766 670	-	-	-	**1 766 670**
Due to related parties	10 601	-	-	-	**10 601**
Loans received from related parties	9 670	-	-	-	**9 670**
Loans and borrowings	213 963	-	-	-	**213 963**
Finance lease liabilities	38 099	7 478	-	-	**45 577**
Net assets attributable to non-controlling participants	287 615	-	-	-	**287 615**
Derivative financial instruments*	33 238	-	-	-	**33 238**
Accrued liabilities	1 347 095	-	-	-	**1 347 095**
At 31 March 2017	**3 706 951**	**7 478**	**-**	**-**	**3 714 429**

* Payments on derivative financial instruments are presented on a net basis.

14. Financial assets and financial liabilities (continued)

14.5 Financial risk management objectives and policies (continued)

Settlements under derivatives disclosed in the table above can be performed both on a gross and net basis. Reconciliation of gross flows under derivative financial instruments with their carrying amounts is provided in the table below.

	Less than 1 year
At 31 March 2018	
Contractual cash flows to purchase foreign currency, gross	(64 189)
Planned cash flows to purchase foreign currency, gross	65 093
Asset related to derivative financial instruments	904
At 31 March 2017	
Contractual cash flows to purchase foreign currency, gross	(470 813)
Contractual cash flows to sell foreign currency, gross	19 008
Planned cash flows to purchase foreign currency, gross	437 575
Planned cash flows to sell foreign currency, gross	(18 523)
Asset related to derivative financial instruments	485
Liability related to derivative financial instruments	(33 238)

15. Inventories

	At 31 March	
	2018	**2017**
Goods in storage (at the lowest of cost or net realizable value)	574 148	753 999
Goods shipped (at cost)	61 751	10 396
Work in progress (at cost)	749 771	641 772
Total inventories	**1 385 670**	**1 406 167**

During the year ended 31 March 2018, the Group recognized reversal of allowance for inventories impaired in prior periods in the amount of RUB 5,640 thousand (31 March 2017: RUB 14,118 thousand).

During the year ended 31 March 2018, impairment of inventories amounted to RUB 15,675 thousand (31 March 2017: RUB 6,477 thousand) and was recognized as expenses within cost of sales.

16. Trade and other receivables

	At 31 March 2018	At 31 March 2017
Trade receivables	3 251 258	3 468 808
Other receivables	129 274	160 147
Total trade and other receivables less provision for doubtful debt	**3 380 532**	**3 628 955**
Short-term	3 380 532	3 628 955
Long-term	-	-

For terms and conditions relating to related part receivables, refer to Note 24.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As at 31 March 2018, trade receivables with an initial carrying amount of RUB 82,430 thousand (31 March 2017: RUB 118,978 thousand) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables.

	Total
At 1 April 2016	**153 873**
Charge for the year	77 942
Amounts used	(1 576)
Unused amounts reversed	(111 261)
At 31 March 2017	**118 978**
Charge for the year	51 466
Amounts used	(8 509)
Unused amounts reversed	(79 505)
At 31 March 2018	**82 430**

As at 31 March, the aging analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 30 days	30-60 days	61-90 days	91-180 days	More than 180 days
2018	**3 251 258**	3 014 456	129 303	47 886	25 881	21 556	12 176
2017	**3 468 808**	3 086 312	185 614	65 552	56 540	16 170	58 620

See Note 14.5 for the summary of processes used by the Group to assess the credit quality of trade receivables that are neither past due nor impaired.

17. Cash and cash equivalents

	At 31 March	
	2018	**2017**
Cash on hand and at banks	336 164	535 604
Short-term deposits	3 187 534	499 496
Total cash and cash equivalents	**3 523 698**	**1 035 100**

Short-term deposits are placed for different terms (one day to three months), subject to the Group's need for cash. Such deposits bear interest based on the respective rates applicable to short-term deposits. For the year ended 31 March 2018, short-term deposits bear interest rates of 4.0%-9.3% (for the year ended 31 March 2017: 7.8%-11.0%).

18. Net assets attributable to non-controlling participants

The information about subsidiaries with significant non-controlling interests is as follows.

The Group owns a 57% controlling interest in BFT LLC ("BFT"), its subsidiary. The non-controlling interest in BFT is 43%. BFT is a limited liability company registered and operating in the Russian Federation. BFT sells information technology services in the Russian Federation.

Non-controlling interests in BFT established in the form of a limited liability company ("LLC") do not satisfy the conditions of an equity instrument, since, in accordance with the Russian legislation and the charter, participants of BFT have the right to request the redemption of their interests in cash. According to the provisions of the law determining the exit period, net assets attributable to non-controlling participants in BFT were recorded in current liabilities. The share of non-controlling participants in profit is presented as finance expenses in the consolidated statement of profit or loss.

	At 31 March	
	2018	**2017**
Non-current assets	189 335	227 300
Current assets	886 824	809 740
Total assets	**1 076 159**	**1 037 040**
Non-current liabilities	-	-
Current liabilities	464 146	370 965
Total liabilities	**464 146**	**370 965**
Net assets	**612 013**	**666 075**
Total net assets attributable to equity holders of the entity	348 847	379 663
Total net assets attributable to non-controlling participants	263 166	286 412
Non-controlling interest	43%	43%

18. Net assets attributable to non-controlling participants (continued)

Key financial information of BFT is presented below:

	Year ended 31 March	
	2018	**2017**
Revenue	1 759 769	1 521 270
Net profit	195 938	159 948
Total comprehensive income for the year, net of tax	195 938	159 948
Net profit attributable to owners of the entity	111 684	91 170
Net profit attributable to non-controlling participants recognized in finance expenses	84 254	68 778
Dividends accrued to non-controlling participants	(107 500)	(925)
Net cash flows from operating activities	110 713	51 919
Net cash flows used in investing activities	(5 023)	(26 345)
Net cash flows used in financing activities	(80 000)	(25 000)
Net increase/(decrease) in cash	25 690	574

In addition, the Group recognized insignificant non-controlling interests in other subsidiaries. The balance of net assets attributable to non-controlling participants of those subsidiaries amounted to RUB 1,612 thousand as at 31 March 2018 (31 March 2017: RUB 1,203 thousand). For the year ended 31 March 2018, net profit attributable to non-controlling participants was RUB 409 thousand (for the year ended 31 March 2017: RUB 337 thousand).

19. Accrued liabilities and warranty provision

19.1 Salary accruals and accrued expenses related to subcontracted works

	At 31 March	
	2018	**2017**
Salary accruals, including bonuses and unused vacation	1 871 223	1 180 333
Accrued expenses related to subcontracted works	88 989	152 005
Other accrued liabilities	11 044	14 757
Total accrued liabilities	**1 971 256**	**1 347 095**

19. Accrued liabilities and warranty provision (continued)

19.2 Maintenance warranties

A provision is recognized for expected warranty claims on products sold during the last three years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within three years after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the three-year warranty period for all products sold (except for software).

At 1 April 2016	**85 205**
Arising during the year	33 036
Utilized	(2 365)
Unused amounts reversed	(36 857)
At 31 March 2017	**79 019**
Short-term	37 913
Long-term	41 106
At 1 April 2017	**79 019**
Arising during the year	32 034
Utilized	(2 195)
Unused amounts reversed	(59 085)
At 31 March 2018	**49 773**
Short-term	25 444
Long-term	24 329

20. Government grants

	Year ended 31 March	
	2018	**2017**
At the beginning of the year	-	-
Received during the year	120 000	70 000
Used to perform R&D by the Leading Contractor under a complex project in accordance with R&D agreement	(120 000)	(70 000)
At the end of the year	**-**	**-**

On 27 April 2016, the Group and the Government of the Russian Federation (Ministry of Education and Science of the Russian Federation) entered into an agreement to implement a complex project for establishing high-tech production “Creation of an integrated system for managing design and extraction of hydrocarbons based on a three-dimensional digital model of an oil and gas field”, according to which the Group undertakes to invest RUB 130.0 million during two years until 31 December 2017. According to the agreement, the Russian Government shall provide the Group with RUB 130.0 million as grants to compensate for R&D-costs to be incurred by Lomonosov Northern (Arctic) Federal University.

20. Government grants (continued)

The results of the agreement were partially delivered in 2016-2017 and are expected to be delivered in full by 2022. As at 31 March 2017, the Group received RUB 70 million as grants under the agreement, which were transferred to Lomonosov Northern (Arctic) Federal University in full for the purpose of research and development. As at 31 March 2018, the Group received RUB 60 million as grants under this agreement, which were transferred to Lomonosov Northern (Arctic) Federal University in full for the purpose of research and development.

On 28 April 2017, the Group and the Government of the Russian Federation (Ministry of Education and Science of the Russian Federation) entered into an agreement to implement a complex high-tech production project “Development of a software-based technological platform for interactive strategizing and business analysis adapted to building forecasts for government entities and commercial organizations”, under which the Group undertakes to invest RUB 120.0 million during the three years ended 31 December 2019. According to the agreement, the Government of the Russian Federation shall provide the Group with RUB 120.0 million as grants in order to compensate for R&D costs to be incurred by Federal State Autonomous Educational Institution for Higher Education Peter the Great St. Petersburg Polytechnic University.

The results of the agreement were partially delivered in 2017 and are expected to be delivered in full by 2024. As at 31 March 2018, the Group received RUB 30 million as grants under the agreement and transferred them in full to Federal State Autonomous Educational Institution for Higher Education Peter the Great St. Petersburg Polytechnic University to finance R&D work.

On 28 April 2017, the Group and the Government of the Russian Federation (Ministry of Education and Science of the Russian Federation) entered into an agreement to implement a complex high-tech production project “Development of a methodology and tools for creating applications, supporting the life cycle of IT support and decision-making for carrying out effective administrative and management processes within the authority given”, under which the Group undertakes to invest RUB 200.0 million until 31 December 2019. According to the agreement, the Russian Government shall provide the Group with RUB 200.0 million as grants to compensate for R&D-costs to be incurred by Belgorod State National Research University.

The results of the agreement were partially delivered in 2017 and are expected to be delivered in full by 2024. As at 31 March 2018, the Group received RUB 30 million as grants under the agreement and transferred them in full to Belgorod State National Research University to finance R&D work.

R&D costs under these agreements are recognized within R&D costs and administrative expenses less government grants received.

21. Deferred revenue

	2018	2017
At 1 April	**90 539**	**1 315 165**
Allocated during the reporting year to future periods	169 778	121 494
Recognized in the statement of profit or loss during the reporting period	(91 233)	(1 346 120)
At 31 March	**169 084**	**90 539**
Short-term	160 290	84 675
Long-term	8 794	5 864

The largest portion of deferred revenue as at 31 March 2018 represents the cost of components paid and delivered to fulfill obligations under multi-element contracts for which elements are not separately identifiable and for which revenue is recognized after delivery and acceptance of the whole software and hardware package or an information system.

The largest portion of deferred revenue as at 31 March 2017 represents equipment and software support services which were acquired by customers and cannot be rejected any time later. Revenue under those contracts is recognized on a straight-line basis over the support service period.

22. Trade payables

Trade payables are non-interest-bearing and are normally settled within 60 days. For terms and conditions regarding related parties, refer to Note 24.

	At 31 March	
	2018	**2017**
Trade and other payables	1 516 082	1 766 670
Trade and other payables to related parties	87 292	10 601

For a description of the Group’s liquidity risk management processes, refer to Note 14.5.

23. Commitments and contingencies

Future operating lease commitments – Group as lessee

The Group leases office and storage premises for up to 7 years. Future minimum lease payable under operating lease agreements as at 31 December were as follows:

	At 31 March	
	2018	**2017**
Within 1 year	277 995	242 399
Over 1 year	1 252 632	1 107 102
Over 5 years	720 666	647 022

Finance lease and hire purchase liabilities

The Group has entered into a number of finance lease agreements with an option of purchase of various equipment. The Group's obligations under finance leases are secured by the lessor's ownership rights over the leased assets. Minimum lease payments of future periods under finance lease and hire purchase agreements, as well as the present value of net minimal lease payments are provided below:

	At 31 March 2018		At 31 March 2017	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within 1 year	15 951	14 107	38 099	35 004
Over 1 year but no more than 5 years	10 579	9 569	7 478	7 079
Total	26 530	23 676	**45 577**	**42 083**
Less: future financial expenses	(2 854)	-	(3 494)	-
Present value of minimum lease payments	**23 676**	**23 676**	**42 083**	**42 083**

Operating environment of the Group

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy has been negatively impacted by a decline in oil prices and sanctions imposed on Russia by several countries. The ruble interest rates remain high. The combination of these factors resulted in reduced access to capital, a higher cost of capital and increased uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. The Group's management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

23. Commitments and contingencies (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group's entities may be challenged by the relevant regional and federal authorities.

In 2017, the concept of tax benefit was formalized at the statutory level for all taxes collected in the Russian Federation, with a focus being made on the primary goal of a business transaction and the need to confirm that the obligation for the transaction has been performed by a party of a contract or by a party that has to execute the transaction under the contract or under the law. This new development significantly changes the concept of recognizing unjustified tax benefits received by the taxpayers, which will have a significant impact on the existing court practice. However, the mechanism of applying the concept of unjustified tax benefit in practice has not yet been regulated, and the court practice has not been modified accordingly.

It is possible that the labor law regulators may challenge accounting methods that they have never challenged before. As such, significant additional penalties and liabilities may be assessed. It is not possible to determine claim amounts for claims which may be, but have not actually been, filed, or to assess the likelihood of an adverse outcome. Claims under lawsuits, which have not been filed may be lodged regardless of their limitation period.

These changes and recent trends in the application and interpretation of certain provisions of Russian tax legislation, indicate that the tax authorities may take a more assertive position in their interpretation and application of this legislation and reviewing tax returns. It is therefore possible that transactions and accounting methods of the Group that have not been challenged in the past may be challenged at any time in the future.

As a result, significant additional taxes, penalties and fines may be assessed. It is not possible to determine claim amounts for claims which may be, but have not actually been, filed, or to assess the likelihood of an adverse outcome.

Tax audits may cover a period of three calendar years immediately preceding the audited year. Under certain circumstances, reviews may cover earlier periods. However, it can be stated that the tax regime in Russia following recent cases becomes even less predictable.

New transfer pricing legislation enacted from 1 January 2012 provides for major modifications which made transfer pricing rules closer to OECD guidelines, and also created additional uncertainty in practical application of tax legislation in certain circumstances.

The transfer pricing rules introduce an obligation for taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

23. Commitments and contingencies (continued)

Taxation (continued)

The transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 1 billion in 2014 and thereon). Since the wording of the current transfer pricing legislation is ambiguous and there is no established court practice, it is quite difficult to make reliable assessment of the outcome of disputes with the tax authorities regarding the market level of prices. However, management believes that such disputes cannot have a material effect on the financial performance or operations of the Group.

Deoffshorization

Tax legislation was amended to counter the use of low tax jurisdictions and aggressive tax planning structures.

These changes and recent trends in the application and interpretation of certain provisions of the Russian tax legislation indicate that the tax authorities may take a more assertive position in the interpretation of legislation and the review of tax assessments. It is therefore possible that transactions and accounting methods of the Group that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed. It is not possible to determine the amounts of potential claims or assess the probability of an unfavorable outcome. Tax audits may cover a period of three calendar years immediately preceding the audited year. Under certain circumstances, reviews may cover longer tax periods.

According to management, they had properly construed the respective legislation as at 31 March 2018, and the probability that the Company will retain its position with regard to tax, labor, currency and customs legislation is thus assessed as high.

As at 31 March 2018, entities outside the Russian Federation have been or are being liquidated.

Litigations

In the ordinary course of business, the Group may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environments in which the Group operates. In the opinion of management, the Group’s liability, if any, in all pending litigation, other legal proceeding or other matters will not have a material effect upon the financial condition, results of operations or liquidity of the Group.

24. Related party transactions

The details on the Group's structure, including the holding company and subsidiaries, are disclosed in Note 6. The table below shows total amounts of related party transactions performed during financial periods ended 31 March 2018 and 31 March 2017, as well as outstanding balances with related parties as at 31 March 2018 and 31 March 2017:

	At 31 March	
Balances with related parties	**2018**	**2017**
Trade and other receivables due from related parties	92 284	9 424
Trade and other payables to related parties	87 292	10 601
Associate		
Loans payable	-	-
Loans receivable	-	48 386
Key management personnel of the Group		
Loans payable	-	8 977
Loans receivable	-	25 738

	Year ended 31 March	
Related party transactions	**2018**	**2017**
Sales to related parties	174 735	41 211
Purchases from related parties	331 935	285 471
Associate		
Interest accrued on loans received from related parties	-	4 877
Interest paid on loans received from related parties	-	(4 877)
Interest accrued on loans issued to related parties	3 147	-
Interest paid on loans issued to related parties	(3 244)	(1 949)
Key management personnel of the Group		
Interest accrued on loans received from related parties	534	11 101
Interest paid on loans received from related parties	(763)	(11 971)
Interest accrued on loans issued to related parties	55	3 000
Interest paid on loans issued to related parties	(793)	(2 262)

24. Related parties transactions (continued)

On 21 January 2016, the Group and IBS Holding LLC (the parent) entered into a loan agreement for the amount of up to RUB 33,000 thousand. The interest rate for the loan is 14.5% p.a. The loan matures on 30 September 2016. As at 31 March 2017, the outstanding amount was repaid.

IBS Holding LLC provided the following loans to the Group: on 22 July 2016 for RUB 220 million maturing on 3 October 2016 at the rate of 11.8% p.a. and on 10 August 2016 for RUB 30 million maturing on 10 January 2017 at the rate of 11.7% p.a. As at 31 March 2017, the outstanding amount was repaid.

On 25 March 2010, the Group and Frontline Com. LLC (a company with a common ultimate beneficiary) entered into a loan agreement for the amount of up to RUB 250 million to finance acquisition and maintenance of office equipment. The interest rate for the loan is 6% p.a. The loan matures on 31 March 2017. As at 31 March 2017, the outstanding amount was repaid.

On 19 November 2009, the Group and IBS Systems Integration Limited (a company with the common ultimate beneficiary) entered into a loan agreement for the amount of USD 500 thousand. The interest rate for the loan is 12% p.a. The maturity of this loan was extended until 30 December 2014 and then until 30 December 2015. On 2 October 2015, the cession agreement was signed, under which IBS Systems Integration Limited (a company with the common ultimate beneficiary) assigned the loan of SouthEast Integration Inc. (a company with the common ultimate beneficiary) payable not later than 31 December 2017. As at 31 March 2018, the outstanding amount was repaid in full.

On 12 and 20 December 2016, 7 February 2017 and 6 April 2017, the Group and SCAO (an associate) entered into four loan agreements for the amounts of RUB 2,000 thousand, RUB 4,000 thousand, RUB 5,400 thousand and RUB 2,000 thousand, respectively. The loans mature on 29 and 31 December 2017, 31 January 2018 and 31 March 2018, respectively. The interest rates for the loans are 10% p.a. On 31 March 2018, the outstanding amounts were repaid in full.

On 21 October 2016, the Group entered into an agreement to provide a loan of RUB 25,000 thousand to key management personnel. The interest rate for the loan was 6.7% p.a. On 30 March 2017, the Group signed additional agreement to extend the maturity until 31 July 2017. As at 31 March 2018, the loan was repaid in full.

For the year ended 31 March 2018, the Group sold licenses for software and computers to the companies with the common ultimate beneficiary, and provided technological, support and maintenance services.

For the year ended 31 March 2018, the Group acquired software licenses and subcontracted services from Medialogiya LLC (a company with the common ultimate beneficiary), SCAO (an associate) and BFT Volgograd LLC (a company controlled by a member of key management personnel), as well as lease services from Frontline Com. LLC (a company with the common ultimate beneficiary).

24. Related parties transactions (continued)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those with third parties. Borrowings are provided at market rates. Outstanding balances with related parties at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guaranties provided or received for any related party receivables or payables. As at 31 March 2018, the Group did not record any impairment of receivables from related parties. This assessment is undertaken each financial year through examining the financial position of the related party

Compensation to key management personnel of the Group

	Year ended 31 March	
	2018	**2017**
Short-term employee benefits	267 228	237 856

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period in relation to key management personnel.

25. Earnings per share

Basic and diluted earnings per share were calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of outstanding ordinary shares during the year.

The following reflects the income and share data used in the basic and diluted EPS computations:

	Year ended 31 March 2018
Profit attributable to equity holders of the parent for basic and diluted earnings (RUB thousand)	2 671 757
Weighted average number of ordinary shares for basic and diluted earnings per share	52 287 100
Basic and diluted earnings per share (RUB)	**51,10**

For the year ended 31 March 2017, the Group did not calculate earnings per share, since the Company was a Russian limited liability company with no share capital as at 31 March 2017.

26. Made and declared distributions to shareholders

	Year ended 31 March	
Dividends to owners of the parent to be paid in cash	**2018**	**2017**
Declared and paid dividends on ordinary shares (RUB 7.36 per share for the year ended 31 march 2018)	385 000	985 000
Proposed dividends on ordinary shares (RUB 7.36 per share for the year ended 31 March 2018)	385 000	985 000

	Year ended 31 March	
Movements in (accumulated loss)/retained earnings	**2018**	**2017**
Accumulated loss at 1 April	**(585 564)**	**(1 078 199)**
Profit for the year	2 671 757	1 460 908
Dividends to be paid in cash	(385 000)	(985 000)
Other movements	-	16 727
Retained earnings/(accumulated loss) at 31 March	**1 701 193**	**(585 564)**

For the year ended 31 March 2018, net profit attributable to non-controlling participants recorded within finance expenses of the Group was RUB 84,663 thousand (for the year ended 31 March 2017: RUB 69,115 thousand).

For the year ended 31 March 2018, dividends paid to non-controlling participants amounted to RUB 51,385 thousand (for the year ended 31 March 2017: RUB 926 thousand).

27. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. The hedge accounting requirements are generally applied prospectively with some limited exceptions.

27. Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

The Group plans to adopt the new standard on the required effective date and will not restate the comparative information. During the year ended 31 March 2018, the Group made an assessment of the impact of all three phases of IFRS 9. The assessment is based on currently available information and may be subject to changes arising from additional reasonable and supportable information that will become available to the Group during the year ended 31 March 2019 when the Group adopts IFRS 9. Overall, the Group expects no significant impact of new requirements on its statement of financial position or equity.

(a) Classification and measurement

The Group does not expect the adoption of the classification and measurement requirements of IFRS 9 to have a significant impact on its statement of financial position or equity. The Group expects that all financial assets currently held at fair value will be further measured likewise.

The equity instruments in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact on the financial statements. If the Group were not to apply that option, the shares would be measured at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects to continue measuring such items at amortized cost under IFRS 9. However, the Group will analyze the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires that the Group record expected credit losses for 12 months or expected credit losses for the entire effective period with regard to all loans and trade receivables. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group plans to apply general approach to providing for expected credit losses for such financial assets as loans, borrowings and cash and cash equivalents. The Group does not expect that these requirements will have any significant impact on its equity, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

27. Standards issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or a joint venture. The amendments clarify that gains or losses arising as a result of the sale or contribution of assets that constitute a business, as defined in IFRS 3, in a transaction between an investor and its associate or joint venture are recognized in full. However, any gain or loss resulting from the sale or contribution of assets that do not constitute a business is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments for an indefinite term. These amendments are not expected to have any impact on the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and amended in April 2016. The standard establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application will be required for annual periods beginning on or after 1 January 2018, with early adoption permitted. During the year ended 31 March 2017, the Group performed a preliminary assessment of the implications of adopting IFRS 15. Subsequently, a detailed analysis was performed, which was completed during the year ended 31 March 2018.

The Group plans to adopt the standard using a modified retrospective approach. The Group will apply this standard only with respect to agreements, which are not fulfilled at the date of initial application.

As a rule, the Group receives only short-term prepayments from its customers. The Group decided to use a practical expedient stipulated in IFRS 15 and will not adjust the promised amount of consideration for the effects of a significant financing component in contracts if the Group expects, at contract inception, that the period between when the Group transfers a promised service or good to a customer and when the customer pays for that service will be one year or less.

The Group made a preliminary assessment of the aggregate effect of initial application of this standard at the initial application date as compared to IAS 11 and IAS 18. The Group expects that the changes in the accounting policy related to compliance with IFRS 15 will not have a significant impact on its statement of financial position or equity.

(a) Presentation and disclosure requirements

IFRS 15 contains more detailed requirements to presentation and disclosure than the IFRS, which are effective now. Presentation requirements introduce material changes to the existing practice and significantly increase the amount of information to be disclosed in the Group's financial statements. IFRS 15 introduces a lot of completely new disclosure requirements.

27. Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Also, IFRS 15 requires that the Group should provide details of its revenue from contracts with customers by categories showing how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows. In addition, it should disclose interdependence between disclosure of detailed revenue and information on revenue disclosed for each reporting segment.

During the year ended 31 March 2018, the Group continued testing the respective internal control systems and procedures as well as policies and processes necessary to collect and disclose the required information.

Amendments to IFRS 2 Classification and Measurement of Share-based Payments

The IASB issued amendments to IFRS 2 *Share-based Payments*, which cover the following three aspects: the effects of vesting conditions on the measurement of a cash-settled share-based payment; classification of share-based payments with settlement of the tax at source on a net basis; accounting for amended terms of share-based payments resulting in cease of classification as a cash-settled transaction and start of classification as equity-settled transaction.

When adopting the amendments, entities do not have to restate data for the prior periods, however retrospective application is possible if the entity applies all three aspects and if other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. These amendments are not expected to have any impact on the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 to replace IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires that lessees account for all lease agreements using a single lessee accounting model, i.e. similarly to the accounting for finance leases in IAS 17. The standard provides for two types of disclosure exemptions for lessees: for leases of ‘low-value’ assets (e.g. computers) and ‘short-term’ leases (e.g. leases expiring in 12 months or less). At the inception of the lease, the lessee will recognize a liability to make lease payments (i.e. a lease liability) and an asset granting the right to use an underlying asset over the lease term (i.e. a right-of-use asset).

The lessees will recognize the interest expense related to the lease liability separately from the amortization expense related to the right-of-use asset.

The lessees will also remeasure the lease liability on occurrence of a certain event (e.g. a change in lease terms or future lease payments resulting from a change in the index or rate used to determine those payments). In most cases, a lessee will account for the amount of the remeasured lease liability as an adjustment to the right-of-use asset.

The accounting treatment for the lessor under IFRS 16 remains almost unchanged from the existing requirements of IAS 17. Lessors will continue to classify their leases as operating leases or finance leases, and to account for those two types of leases differently, similarly to IAS 17 classification principles.

27. Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

In addition, IFRS 16 requires that lessors and lessees provide a more detailed disclosures as compared with IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before the date on which the entity begins to apply IFRS 15.

A lessee may apply this standard using either a full or modified retrospective approach. The transitional provisions of the standard contain certain exemptions.

In 2018, the Group will continue to assess the potential impact of IFRS 16 on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a new comprehensive financial reporting standard related to insurance contracts, which addresses the issues of recognition, measurement, information presentation and disclosures. When IFRS 17 is effective, it will replace IFRS 4 *Insurance Contracts*, which was issued in 2005. IFRS 17 applies to all insurance contracts (i.e., life insurance and insurance other than life insurance, direct insurance and reinsurance) regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation conditions. There are several scope exceptions. The main objective of IFRS 17 is to provide a recognition model for insurance contracts, which is more effective and consistent for insurers. Unlike requirements of IFRS 4, which are based mostly on previous local accounting policies, IFRS 17 provides a comprehensive recognition model for insurance contracts covering all the relevant accounting considerations.

IFRS 17 is based on the general model with the following additions:

- Certain modifications related to insurance contracts with an investment component (variable compensation method).
- Simplified approach (based on premium distribution) related mainly to short-term contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021. In addition, comparative information shall be provided. Earlier application is permitted on condition that the entity also applies IFRS 9 and IFRS 15 on or before the date of initial application of IFRS 17.

These amendments have no impact on the financial statements of the Group.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into or out of investment property. The amendments state that a change in use occurs when property begins or ceases to comply with the definition of investment property and there is evidence of a change in use.

27. Standards issued but not yet effective (continued)

Amendments to IAS 40 Transfers of Investment Property (continued)

Any change in management's intentions regarding the use of the property itself does not indicate a change in its use. Entities should apply these amendments prospectively with respect to changes in use, which occurred on or after the beginning of the annual reporting period, in which the entity applies these amendments for the first time, or after that date. The entity shall re-assess the classification of real estate held at that date and, if necessary, transfer real estate to reflect conditions that exist at that date. Retrospective application is permitted according to IAS 8 only if it is possible without more recent information.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted in all cases, provided that the fact is disclosed. The Group intends to apply these amendments when they become effective. However, since the current activities of the Group comply with the requirements of the clarification, the Group does not expect that it will have any impact on its consolidated financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards – elimination of short-term exemptions for first-time adopters

Short-term exemptions stipulated by paragraphs E3-E7 of IFRS 1 were deleted since they had served their purpose. The amendments are effective from 1 January 2018. These amendments have no impact on the financial statements of the Group.

IAS 28 Investments in Associates and Joint Ventures – clarification that the decision to measure investees at fair value through profit or loss should be made individually for each investment

The amendments clarify:

- An entity that is a venture capital organization, or other similar entity may decide to measure investments in associates and joint ventures at fair value through profit or loss. This decision is made individually for each investment.
- If the entity that is an investment entity itself has an interest in associate or joint venture that are investment entities, when applying the equity method, such entity can retain the fair value measurement applied by its investment associate or joint venture to its interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:
  (a) The investment entity associate or joint venture is initially recognized;
  (b) The associate or joint venture becomes an investment entity; and
  (b) The investment entity associate or joint venture first becomes a parent.

These amendments must be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies these amendments for an earlier period, it must provide the respective disclosure. The amendments are not applicable to the Group.

27. Standards issued but not yet effective (continued)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts − Amendments to IFRS 4

These amendments eliminate concerns arising from implementing the new standard related to financial instruments, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments grant two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated at the entity's discretion on transition to IFRS 9. In addition, the entity restates comparative information to reflect the overlay application approach if, and only if, it restates comparative data while applying IFRS 9. These amendments are not applicable to the Group.

IFRIC 22 Foreign Currency Transactions and Prepayment

It clarifies that for the purpose of determining exchange rate to be applied at initial recognition of the respective assets, expenses or revenues (or their part) at derecognition of a non-monetary asset or non-monetary liability related to making or receiving prepayment, the date of transaction should be considered the date when an entity initially recognizes non-monetary asset or non-monetary liability related to making or receiving prepayment. If the entity enters into several transactions related to making or receiving prepayment, it should determine transaction dates for each instance of making or receiving prepayment. Entities are permitted to apply this clarification retrospectively. Alternatively, the entity may apply the clarification prospectively for all assets, expenses and revenues within the scope of the clarification initially recognized on or after:

- The beginning of the reporting period in which the entity applies this clarification for the first time; or
- The beginning of the previous reporting period presented as comparative information in the financial statements for the reporting period, in which the entity applies this clarification for the first time.

The clarification become effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted in all cases, provided that the fact is disclosed. However, since the current activities of the Group comply with the requirements of the clarification, the Group does not expect that it will have any impact on its consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

The clarification addresses the treatment of income tax when there is uncertainty over tax interpretations, which affects the application of IAS 12. The clarification does not apply to taxes or fees that are not within the scope of IAS 12, nor does it contain specific requirements for interest and penalties related to uncertain tax interpretations. In particular, the clarification addresses the following issues:

- Whether the entity considers uncertain tax interpretations separately;
- The assumptions that the entity makes with regard to review of tax interpretations by tax authorities;
- How the entity determines taxable profit (tax loss), tax base, unused tax losses, unused tax benefits and tax rates;
- How the entity considers changes in facts and circumstances.

27. Standards issued but not yet effective (continued)

IFRIC 23 Uncertainty over Income Tax Treatments (continued)

The entity should decide whether to consider each uncertain tax interpretation separately or together with one or several other uncertain tax interpretations. It is necessary to use an approach that will allow predicting results of resolving uncertainty more accurately. The clarification becomes effective for annual periods beginning on or after 1 January 2019.

On transition, certain exemptions are permitted. The Group intends to apply this clarification when it becomes effective.

Since the Group is not an international organization and does not operate in a complex tax environment, it does not expect that application of the clarifications will have a significant impact on its consolidated financial statements.

Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

These amendments clarify whether the previously held interest in a joint operation (that constitute a business as defined in IFRS 3) should be remeasured at fair value, when:

- A party to a joint operation obtains control over the joint operation (IFRS 3);
- A party that participates in (but does not have joint control over) a joint operation obtains joint control over the joint operation (IFRS 11).

IFRS 3 Business Combinations

When a party to a joint operation obtains control over the joint operation that constitutes a business, such a party should remeasure the previously held interest in the joint operation at fair value. This is due to the fact that, according to the IASB, a transaction, under which an entity obtains control, results in a significant change in the interest in joint operation and associated economic conditions. Therefore, IFRS 3 was amended with paragraph 42A to clarify that such a transaction should be recognized as a business combination achieved in stages.

Entities are required to apply the amendments for business combinations with acquisition dates after 1 January 2019. Earlier application is permitted provided that the fact is disclosed.

The amendments are not applicable to the Group.

IFRS 11 Joint Arrangements

If either party to a joint operation (which does not have control over this operation) obtains control over the joint operation that constitutes a business (as defined in IFRS 3), such a party is not required to remeasure the previously held interest in this joint operation. Despite the fact that such a transaction results in changes in the nature of entity’s interest in the joint operation, IASB believes that it does not result in any changes in the group’s structure. Therefore, IFRS 11 was amended with paragraph B33CA, which includes relevant clarifications.

Entities are required to apply the amendments for those transactions, under which they obtain joint control, starting from 1 January 2019. Earlier application is permitted provided that the fact is disclosed. These amendments are not applicable to the Group.

27. Standards issued but not yet effective (continued)

Amendment to IAS 12 Income Taxes

The IASB was asked to clarify, whether income tax implications, which are associated with payments on financial instruments classified as equity instruments, should be recorded in profit or loss or in equity. The IASB amended IAS 12 with paragraph 57A to clarify that an entity should recognize all income tax implications associated with dividend payment in profit or loss, other comprehensive income or equity depending on the line item where initial operation or event resulting in distributable profit from which dividends are paid has been recognized. Paragraph 52B was deleted.

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided that the fact is disclosed. First of all, the amendments are applicable to income tax implications associated to payment of dividends that are recognized at or after the beginning of the earliest comparative period.

The Group intends to apply these amendments when they become effective. Currently, the Group is analyzing the impact of these amendments on the consolidated financial statements.

Amendment to IAS 23 Borrowing Costs

In accordance with IAS 23.14, an entity shall exclude from its calculation borrowings made specifically for the purpose of obtaining a qualifying asset to determine the amount of funds borrowed generally and used for, among other things, the purpose of obtaining the qualifying asset.

The IASB made an amendment to IAS 23.14 clarifying that when a qualifying asset is ready for its intended use or sale and a portion of the special-purpose loan related to that qualifying assets is still outstanding as at that date, that loan is included in general borrowings.

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided that the fact is disclosed.

These amendments are not applicable to the Group.

Amendment to IAS 19 Employee Benefits

The IASB issued amendments to IAS 19 *Employee Benefits*, which address the accounting when a defined-benefit plan amendment, curtailment or settlement occurs during the reporting period.

The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event.

The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments apply to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted.

These amendments are not applicable to the Group.

27. Standards issued but not yet effective (continued)

The Conceptual Framework for Financial Reporting

The IASB issued the *Conceptual Framework* in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The *Conceptual Framework* includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1: The objective of financial reporting;
- Chapter 2: Qualitative characteristics of useful financial information;
- Chapter 3: Financial statements and the reporting entity;
- Chapter 4: The elements of financial statements;
- Chapter 5: Recognition and derecognition;
- Chapter 6: Measurement;
- Chapter 7: Presentation and disclosure;
- Chapter 8: Concepts of capital and capital maintenance.

The *Conceptual Framework* is accompanied by a *Basis for Conclusions*. The Board has also issued a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards*, which sets out the amendments to affected standards in order to update references to the *Conceptual Framework*. In most cases, the standard references are updated to refer to the *Conceptual Framework.* There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 *Business Combinations* and for those applying IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

These changes will not have an effect on the Group's consolidated financial statements as all of its transactions and operations are covered by the current IFRS Standards.

28. Commitments under an investment partnership agreement

On 13 October 2017, the Company signed an investment partnership agreement with Skolkovo Ventures LLC. According to the agreement, the maximum amount of the Group's investment commitments is RUB 100 million. The maximum period during which the Group's investment commitments should be fulfilled is 5 years. Committed investments are to be made as required by the investment fund as new participants join the fund and as the need to cover expenses incurred by the partnership arises.

29. Events after the reporting period

On 9 July 2018, the Board of Directors proposed dividends in respect of the year ended 31 March 2018 totaling RUB 2,350,000 thousand. The amount of dividends per share is determined in proportion to the total number of shares placed that are held by the Company's shareholders.

After the reporting date the Group acquired additional funding by entering into agreements to extend the term of renewable credit facility of RUB 60,000 thousand and of RUB 406,000 thousand provided by UniCreditBank JSC and Rosbank PJSC respectively until 28 December 2018.