Independent auditor's report
on the consolidated financial statements of
IBS IT Services PJSC and its subsidiaries
for the year ended 31 March 2019

July 2019

Translation of the original Russian version

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Independent auditor's report

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To the sole shareholder and the 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 2019, 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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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.

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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.

Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of revenue from rendering of services	
As disclosed in Note 7 to the consolidated financial statements, revenue from rendering of services for the year ended 31 March 2019 totaled RUB 10,611,652 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 from 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 from multiple-element contracts requires that the Group's management make significant judgments with regard to the determination of contract elements and the use of accounting estimates with regard to the allocation of contractual amounts between individual components. On 1 April 2018, the Group adopted IFRS 15, a new revenue recognition standard. See Note 2.4 to the consolidated financial statements for the description of the application, effect and additional disclosures required by the new standard.	We compared financial and non-financial data on revenue and analyzed movements in the items reported in the consolidated financial statements. We analyzed revenue from long-term contracts, assessed the period in which revenue was recognized, and reconciled the amount of accrued revenue with primary documents and completion stage assessment by management. For multiple-element contracts, we analyzed the method used to determine contract elements and how the contractual amount is allocated between them. We obtained confirmation letters from selected customers with regard to the amount of revenue from significant contracts. We performed a comparative analysis of revenue amounts with those for the same period of the prior year. We compared the dates of revenue recognition in the accounting records for March and April 2019 with the dates shown in the relevant primary documents. We considered the effect of adopting IFRS 15. In addition, we analyzed the respective disclosures, including those required by the new standard, in the notes to the consolidated financial statements.
Impairment of goodwill	
As disclosed in Note 13 to the consolidated financial statements, the carrying amount of goodwill totaled RUB 1,447,361 thousand as at 31 March 2019. Testing goodwill for impairment was a key audit matter, since the amount of goodwill is material for the Group's consolidated financial statements. The testing requires that the Group's management make significant judgments with regard to the discount rate and the growth rate for cash flows beyond the forecast period	During our audit procedures, we analyzed key assumptions used by the Group's management during the goodwill impairment test, including the discount rate and cash flow growth rates. We also verified the mathematical accuracy of the model and assessed its sensitivity to changes in key assumptions. We also reviewed the related disclosures in the notes to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Litigations	
As disclosed in Note 23 to the consolidated financial statements, in performing its contracts with legal entities, regional and municipal bodies, the Group is occasionally a party to legal proceedings as either a plaintiff or a defendant. Amounts claimed may be material and affect the reported revenue, allowances for expected credit losses (ECL) on trade receivables, as well as provisions for contingent liabilities.	We made inquiries of management and analyzed the responses to inquiries filed by lawyers, both in-house and external, who advised the Group on the legal claims. We read contracts with the key customers. We performed procedures on the events after the reporting period, including the review of how the claims pending at the reporting date were proceeding and how the receivables were repaid after the reporting date. We analyzed the conclusions that management had made on the negative outcome of the legal proceedings and the amount of potential losses, as well as the Group's approach to reporting this information.

Responsibilities of management, the Board of Directors and the 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors and the 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 ISA 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.

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As part of an audit in accordance with ISA, 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.
- 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 the Board of Directors and the 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 the Board of Directors and the 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.

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From the matters communicated with the Board of Directors and the 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.S. Ustimenko.

A.S. USTIMENKO
Partner
Ernst & Young LLC

15 July 2019

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 2019

(in thousands of Russian rubles, unless otherwise indicated)

	Note	Year ended 31 March 2019	Year ended 31 March 2018*
Sale of goods		17 296 871	14 977 731
Rendering of services		10 611 652	10 100 555
Total revenue from contracts with customers	7	**27 908 523**	**25 078 286**
Cost of sales	9.8	(19 613 992)	(16 350 357)
Gross profit		**8 294 531**	**8 727 929**
Administrative expenses	9.7	(5 471 576)	(5 092 506)
Depreciation of property, plant and equipment and amortization of intangible assets	11, 12	(206 006)	(135 561)
Selling and distribution expenses		(118 562)	(98 786)
Research and development costs	9.6	(209 384)	(52 229)
(Allowance for expected credit losses)/Reversal of doubtful debt provision	16	(72 416)	25 740
Operating profit		**2 216 587**	**3 374 587**
Loss from impairment of investment in associate	8	-	(36 546)
Finance income	9.4	160 931	70 349
Finance expenses	9.3	(50 676)	(119 482)
Other income	9.1	42 309	192 570
Other expenses	9.2	(46 287)	(95 618)
Foreign exchange differences		11 883	13 661
Profit before tax		**2 334 747**	**3 399 521**
Income tax	10	(511 207)	(727 764)
Net profit		**1 823 540**	**2 671 757**
Net profit attributable to equity holders of the parent		**1 823 540**	**2 671 757**
Earnings per share			
Basic and diluted earnings for the year attributable to ordinary equity holders of the parent (RUB)	25	**34,88**	**51,10**

* The Group for the first time applied IFRS 15, using a modified retrospective approach. Under this approach, comparative information doesn't change.
The Group has applied IFRS 9 since 1 April 2018 and doesn't change comparative information for a comparable financial period in terms of financial instruments within the scope of IFRS 9.

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

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IBS IT Services PJSC

Consolidated statement of other comprehensive income

for the year ended 31 March 2019

(in thousands of Russian rubles)

	Year ended 31 March	
	2019	**2018**
Profit for the year	**1 823 540**	**2 671 757**
Other comprehensive income reclassified to profit or loss in current period (net of tax) (Note 9.1)	-	(126 842)
Total other comprehensive loss for the year, net of tax	**-**	**(126 842)**
Total comprehensive income for the year, net of tax, attributable to equity holders of the parent	**1 823 540**	**2 544 915**

The financial statements were approved by the General Director of IBS IT Services PJSC on 15 July 2019.

General Director of IBS IT Services PJSC
Svetlana Evgenyevna Balanova

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

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IBS IT Services PJSC

Consolidated statement of financial position

as at 31 March 2019

(in thousands of Russian rubles)

		At 31 March*	
	Note	**2019**	**2018****
Assets			
Non-current assets			
Property, plant and equipment	11	494 130	220 110
Goodwill	13	1 447 361	1 447 361
Intangible assets	12	303 963	121 955
Investment in associate	8	-	1 692
Assets under investment partnership agreement	14.1, 14.4	1 465	-
Long-term receivables	14.1, 16	26 179	-
Net investments in leases	14.1	-	5 274
Other non-current assets		21 290	28 241
Deferred tax assets	10	128 409	199 017
Total non-current assets		**2 422 797**	**2 023 650**
Current assets			
Inventories	15	657 474	1 385 670
Trade and other receivables	14.1, 16	3 419 231	3 380 532
Contract assets	14.1, 16	795 763	-
Trade and other receivables from related parties	14.1, 24	57 544	92 284
Loans issued to related parties	14.1, 24	5 537	-
Short-term loans receivable	14.1	99 146	7 000
Current portion of net investments in leases	14.1	6 797	5 890
VAT and other taxes receivable		139 988	100 055
Current income tax receivable		31 147	37 365
Advances issued		179 804	164 226
Derivative financial instruments	14.1, 14.4	-	904
Other current assets		40 503	55 090
Cash and cash equivalents	14.1, 17	1 650 986	3 523 698
Total current assets		**7 083 920**	**8 752 714**
Total assets		**9 506 717**	**10 776 364**

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

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IBS IT Services PJSC

Consolidated statement of financial position (continued)

	Note	At 31 March* 2019	2018**
Equity and liabilities			
Equity			
Share capital (52,287,100 ordinary shares)	1	523	523
Additional paid-in capital		4 265 508	4 265 508
Retained earnings		18 598	1 701 193
Total equity		**4 284 629**	**5 967 224**
Non-current liabilities			
Finance lease liabilities, net of current portion	14.2, 14.5, 23	216 576	9 569
Deferred revenue	21	-	8 794
Long-term contract liabilities	21	17 156	-
Warranty provision	19.2	15 530	24 329
Total non-current liabilities		**249 262**	**42 692**
Current liabilities			
Trade payables	14.2, 14.5, 22	1 284 006	1 516 082
Trade and other payables to related parties	14.2, 14.5, 24	170 511	87 292
Loans received from related parties	14.2, 14.5, 24	44 000	-
Short-term loans and borrowings	14.2, 14.5	624 639	106 969
Finance lease liabilities, current portion	14.2, 14.5, 23	55 116	14 107
Advances received	21	-	244 638
Deferred revenue	21	-	160 290
Short-term contract liabilities	21	354 485	-
VAT and other taxes payable		460 129	370 697
Current income tax payable		51 941	4 895
Provisions	14.2, 14.5, 19.1	1 759 619	1 971 256
Warranty provision	19.2	14 122	25 444
Net assets attributable to non-controlling participants	14.2, 14.5, 18	154 258	264 778
Total current liabilities		**4 972 826**	**4 766 448**
Total liabilities		**5 222 088**	**4 809 140**
Total liabilities and equity		**9 506 717**	**10 776 364**

* The Group for the first time applied IFRS 15, using a modified retrospective approach. Under this approach, comparative information doesn't change.
The Group has applied IFRS 9 since 1 April 2018 and doesn't change comparative information for a comparable financial period in terms of financial instruments within the scope of IFRS 9.

** Certain amounts shown here do not correspond to the financial statements for the year ended 31 March 2018, because they reflect the reclassification made to ensure comparability of the reporting data.

The financial statements were approved by the General Director of IBS IT Services PJSC on 15 July 2019.

General Director of IBS IT Services PJSC
Svetlana Evgenyevna Balanova

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

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IBS IT Services PJSC

Consolidated statement of changes in equity

for the year ended 31 March 2019

(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 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	-	-	-	(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**
Effect of transition to IFRS 15 and IFRS 9 (Note 2.4)	-	-	20 651	-	**20 651**
Balance at 31 March 2018 after transition to IFRS 15 and IFRS 9	**523**	**4 265 508**	**1 721 844**	**-**	**5 987 875**
Profit for the year	-	-	1 823 540	-	**1 823 540**
Total comprehensive income	**-**	**-**	**1 823 540**	**-**	**1 823 540**
Dividends paid to equity holders of the parent (Note 26)	-	-	(3 550 000)	-	**(3 550 000)**
Acquisition of non-controlling interests	-	-	23 214	-	**23 214**
Balance at 31 March 2019	**523**	**4 265 508**	**18 598**	**-**	**4 284 629**

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

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IBS IT Services PJSC

Consolidated statement of cash flows

for the year ended 31 March 2019

(in thousands of Russian rubles)

	Note	Year ended 31 March 2019	Year ended 31 March 2018
Operating activities			
Profit before tax		2 334 747	3 399 521
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	11	141 851	98 871
Amortization of intangible assets	12	64 155	36 690
Loss from impairment of investment in associate	8	-	36 546
Foreign exchange differences		(11 883)	(13 661)
Finance income	9.4	(160 931)	(70 349)
Finance expenses	9.3	50 676	119 482
Change in doubtful debt provision and write-off of trade and other receivables		-	(24 492)
Change in allowance for expected credit losses and write-off of debt		78 565	-
Change in inventory impairment provision	15	423	10 035
Net losses on financial instruments at fair value through profit or loss	9.1, 9.2	4 126	15 487
Loss/(gain) on disposal of property, plant and equipment and intangible assets		3 573	(3 369)
Other comprehensive income reclassified to profit	9.1	-	(126 842)
Other non-cash adjustments		7 811	10 983
Adjustments of operating assets and liabilities:			
(Increase)/decrease in trade and other receivables, net investments in leases and advances issued		185 510	42 829
Decrease in inventories		417 288	10 406
Increase in contract assets		(795 763)	-
Decrease in trade and other payables		(167 259)	(151 162)
Decrease in advances received		(244 638)	(147 719)
(Decrease)/increase in deferred revenue		(169 084)	78 545
Increase in contract liabilities		371 641	-
(Decrease)/increase in provisions and warranty provision		(231 758)	588 938
Change in other assets		21 538	(23 018)
Other net settled financial instruments	9.2	(3 222)	(49 143)
Interest received		137 225	62 289
Interest paid		(42 234)	(35 547)
Income tax paid		(381 420)	(753 108)
Net cash flows from operating activities		**1 610 937**	**3 112 212**

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

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IBS IT Services PJSC

Consolidated statement of cash flows (continued)

	Note	Year ended 31 March 2019	2018
Investing activities			
Acquisition of property, plant and equipment		(177 125)	(159 666)
Proceeds from disposal of property, plant and equipment		1 826	22 043
Purchases of intangible assets		(250 243)	(31 362)
Proceeds from sale of intangible assets		-	27 000
Loans issued to third parties		(200 250)	(3 000)
Proceeds from loans issued to third parties		122 000	2 000
Loans issued to related parties		(102 500)	(2 000)
Proceeds from loans issued to related parties		97 000	77 157
Proceeds from disposal of associate	8	1 692	-
Acquisition of subsidiary, net of cash acquired		-	9 911
Other investments	28	(1 125)	-
Net cash used in investing activities		**(508 725)**	**(57 917)**
Financing activities			
Proceeds from bank loans and debt instruments	14.2	3 473 953	1 404 540
Repayment of bank loans and debt instruments	14.2	(2 957 369)	(1 476 035)
Payment of finance lease liabilities	14.2	(35 662)	(40 199)
Proceeds from loans from related parties	14.2	100 000	-
Repayment of loans from related parties	14.2	(56 000)	(8 748)
Acquisition of non-controlling interests	6	(50 000)	-
Dividends paid to equity holders of the parent	14.2 26	(3 422 000)	(385 000)
Dividends paid to non-controlling participants	14.2 26	(56 115)	(51 385)
Other payments	14.2	-	(12 697)
Net cash used in financing activities		**(3 003 193)**	**(569 524)**
Net change in cash and cash equivalents		**(1 900 981)**	**2 484 771**
Net foreign exchange difference		28 269	3 827
Cash and cash equivalents at 1 April		3 523 698	1 035 100
Cash and cash equivalents at 31 March		**1 650 986**	**3 523 698**

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

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 2019 were approved by the General Director of IBS IT Services PJSC on 15 July 2019. The Company is a public joint-stock company registered and operating in the Russian Federation. The Company's 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 its share capital which was formed by contributions from the participants. At the date of 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. On that date, 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 a joint-stock company to a public joint-stock company; the respective entry dated 1 February 2018 was made to the Unified State Register of Legal Entities.

As at 31 March 2019, the Company was a public 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 value and the nominal value of the 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, 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 assets under investment partnership agreement that are 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 2019 and 31 March 2018.

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 policies.

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 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 other pertinent conditions at the acquisition date.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree 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.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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.

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 of 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 policies 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 associates 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 the acquisition of an associate is included in the carrying amount of the investment 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 policies.

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 is 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 of valuation methods, significant accounting estimates and assumptions (Notes 3 and 14.4);
- Quantitative disclosures of the 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 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 parent company's functional currency. 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 a foreign currency are translated using the 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 on hand and short-term deposits with maturity of 90 days or less, which are subject to an 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

The Group classifies its inventories 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 rendering 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 estimated costs necessary to make the sale. Any write-down or reversal of inventories to net realizable value 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 at the reporting date. 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 item 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 of significant 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 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.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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

Classification and measurement

The Group classifies its financial assets as required by IFRS 9 *Financial Instruments*, as follows:

- Assets measured at amortized cost;
- Assets measured at fair value:
  - With fair value changes subsequently recognized in profit or loss.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

At initial recognition, the Group measures financial assets at fair value, plus any transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Receivables, which do not include a significant financing component, are initially recognized at the transaction cost.

Financial assets at amortized cost

The Group measures financial assets at amortized cost if the following conditions are met:

- The Group holds an asset within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortized cost comprise:

- Cash;
- Short-term deposits;
- Trade and other receivables;
- Loans issued.

The latter is the most significant to the Group and includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are measured at amortized cost, less impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivative financial instruments, which are not designated as hedging instruments at the Group's discretion and reflect a positive change in the fair values of the Group's foreign exchange forward contracts.

This category also includes financial assets acquired for the purpose of reselling, and investments in equity and debt instruments, which were included in this category at the Group's discretion.

Debt instruments in this category are assets that the Group intends to hold 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.

Impairment

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets measured at amortized cost is impaired. Impairment occurs when there has been a significant increase in credit risk and probability of default since the initial recognition of a financial asset.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Under IFRS 9 *Financial Instruments*, the Group recognizes expected credit losses on its financial assets in a loss allowance equal to:

- 12-month expected credit losses – expected credit losses resulting from defaults on a financial instrument that are possible within 12 months after the reporting date;
- Lifetime expected credit losses – expected credit losses arising from all default events over the life of a financial instrument.

The Group elected a simplified approach under IFRS 9 *Financial Instruments* and records expected credit losses on trade receivables over the life of the receivables with account of available historical and actual data adjusted for observable factors characteristic of certain debtors and economic conditions. The Group applies the same approach in assessing whether an allowance for expected credit losses on contract assets is required. Details of receivables and contract assets are provided in Note 16.

Credit risk from balances with banks is managed by establishing credit limits for each bank. Limits are set to minimize certain risks and, hence, to mitigate possible financial losses arising from a potential failure to make repayments. The Group assesses credit risk on this type of financial assets as unlikely and does not accrue additional allowance for losses.

The Group calculates expected credit losses on all the other financial assets as 12-month expected credit losses unless there has been a significant increase in credit risk, in which case the Group estimates expected credit losses for the entire life of a financial asset.

The Group records impairment losses in finance expenses for all financial assets at amortized cost other than receivables, for which impairment losses are taken to operating expenses.

Derecognition

A financial asset is derecognized 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)

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
Office and computer 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 depreciated

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

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 the cost of those assets. The cost of a PPE item held by a lessee under a finance lease contract is defined in accordance with IAS 17 *Leases*.

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.

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. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

2.3.11 Intangible assets

The Group identifies the following categories of intangible assets:

- Software;
- 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.

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 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.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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.

Useful lives of intangible assets are determined when the asset is commissioned on the basis of the term of licenses or certificates 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 the 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.

2.3.12 Financial liabilities

Classification and measurement

The Group classifies its financial liabilities as required by IFRS 9 *Financial Instruments*, as follows:

- Financial liabilities measured at amortized cost;
- Financial liabilities measured at fair value through profit or loss.

The Group initially recognizes all financial liabilities at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities measured at amortized cost

The Group identifies the following main types of financial liabilities at amortized cost:

- Trade and other payables;
- Loans received;
- Bank loans and overdrafts;
- Net assets attributable to non-controlling participants.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

After initial recognition, financial liabilities in this category are measured at amortized cost using the effective interest rate method; interest expense is taken to finance expenses of the Group's statement of profit or loss.

The amortized cost of a financial liabilities is the cost of initial recognition less repayments of principal adjusted for the amortized difference between the cost and the repayments.

Non-controlling interests recognized by the Group do not qualify for equity instruments, since, in accordance with Russian legislation and the charter of the subsidiary, the participants have the right to request the redemption of their interests in cash.

Under IAS 32 *Financial Instruments: Presentation*, the Group decided to recognize the non-controlling interests as its financial liabilities, with the balance of financial liabilities adjusted for the non-controlling participants' share of the Group's profit/loss in the amount of dividends paid.

Details of the Group's financial liabilities are provided in Note 14.

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivative financial instruments, which are not designated as hedging instruments at the Group's discretion and reflect negative changes in the fair values of the Group's foreign exchange forward contracts.

Any changes in the value of financial liabilities in this category are recorded in other income or expenses of the Group's statement of profit or loss for the reporting period unless changes in the value of financial instruments are attributable to a change in the Group's credit risk, in which case the associated gains or losses are taken to the Group's other comprehensive income.

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.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

2.3.13 Taxes

Income tax

The tax rates and tax laws used to compute current income tax assets and liabilities are those in the tax jurisdictions where the Group operates.

The Group's entities operate primarily in the Russian Federation; thus, the effective tax rate to compute income tax for financial reporting purposes is 20%.

Management periodically evaluates positions taken in the tax returns of the Group's entities 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.

Deferred taxes are estimated using the balance sheet method, which involves calculating differences between the 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.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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 re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

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 in receivables or payables in the Group’s statement of financial position.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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 operating activities, the Group usually acts as a 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:

- The fair value of the leased assets (taking into account any initial direct costs incurred by the Group as the lessee); or
- The 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 in administrative expenses of the statement of profit or loss for the reporting period.

2.3.15 Revenue from contracts with customers

The Group recognizes revenue in order to record the transfer of promised goods or services to customers in an amount that reflects the consideration that the Group expects to receive in exchange for those goods or services.

In assessing how to recognize revenue, the Group follows IFRS 15 *Revenue from Contracts with Customers*, which establishes a revenue recognition model including the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the Group satisfies a performance obligation.

Revenue is recognized when or as the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer, when the customer obtains control of that asset, and in an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to the customer.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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 risk. Revenue is stated net of value-added tax charged to customers.

The Group uses a practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Sale of goods

Revenue from the sale of IT equipment and external software is usually recognized upon delivery, when control over the transferred goods is passed to the customer. Generally, the transaction price is fixed and does not include variable consideration; no right of return is granted.

The Group provides warranties for regular repairs for all types of goods and services sold other than personal computers and other computer parts. In accordance with the contractual terms, the Group does not provide extended maintenance warranties, nor does it render any additional services. Such warranties are assurance-type warranties, and the associated obligations are recognized when the goods are sold.

The Group may provide an extended warranty to service personal computers and other computer parts, i.e. it provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications. These are service-type warranties. This type of warranty represents a distinct service and gives rise to a separate performance obligation. Using an estimated stand-alone selling price of the warranty, the Group allocates a portion of the transaction price to such warranty and recognizes revenue over the warranty period.

Rendering 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.
- Sale of in-house software under license agreements.

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 contractual works are performed. The Group’s right to compensation under such contracts usually arises as the customer receives and consumes the outcome of the contractual performance.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Revenue is recognized based on the contract completion stage using the input method whereby it is recognized based on the Group's progress towards satisfaction of a performance obligation or the associated resources consumed.

Completion stages are determined on the basis of the ratio of expenses actually incurred to total planned expenses under a certain contract. The Group recognizes expenses under such contracts in cost of sales as they are incurred.

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

In certain cases, when performance obligations are highly interrelated, represent a combined output and cannot individually generate economic benefits or value for the customer, the Group regards the contracts as a single performance obligation and recognizes revenue when the entire bundle of works is accepted by the customer.

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

As a rule, the Group enters into contracts with customers for routine and post-warranty servicing of equipment, software and information systems upon the expiry of a standard warranty period.

The Group's obligation is 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, number of processed transactions, etc.) in accordance with the contract terms.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

Sale of in-house software under license agreements

In assessing when revenue from software sales should be recognized, the Group analyzes the nature of granting license rights. As a rule, the Group grants the right to use software as it exists at the point in time at which the license for this software is granted, and does not undertake activities that significantly affect the intellectual property to which the customer has rights. Such software sales represent the sale of the right-to-use license. The Group recognizes revenue from the sale of such software when the license is transferred to a customer.

Multiple-element contracts

The Group enters into 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 goods or services that are promised to a customer are distinct. A good or service is distinct if:

(a) The customer can benefit from the good or service on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) The entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the good or service is distinct within the context of the contract).

If goods or services are distinct, the Group recognizes revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service to a customer.

If goods and services are not distinct, the Group recognizes revenue from such contracts over time, similarly to the revenue from the design, development, upgrade and implementation of the customer's accounting information systems.

The Group combines contracts entered into at or near the same time with the same customer if one or more of the following criteria are met:

(a) The contracts are negotiated as a package with a single commercial objective.

(b) The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or

(c) The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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 in 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 New standards, interpretations and amendments applied for the first time

Accounting policies adopted in the preparation of the consolidated financial statements are in line with the policies adopted in the preparation of the Group's annual financial statements for the years ended 31 March 2019 and 31 March 2018, except for the new and amended IFRS and IFRIC interpretations adopted at 1 April 2018.

The Group applied IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* for the first time. The nature and the effect of these changes are disclosed below.

IFRS 15 Revenue from Contracts with Customers

The new IFRS 15 *Revenue from Contracts with Customers* becomes effective for reporting periods beginning on or after 1 January 2018. When preparing its financial statements for the year ended 31 March 2019, the Group adopted the standard and recorded the key changes in its accounting policies applying a modified retrospective approach and recognized the cumulative effect of the initial application on retained earnings at the date of the initial adoption, i.e. 1 April 2018. The Group applies this standard only to contracts that are unperformed at the date of the initial application. The Group did not apply use any other practical expedients.

The Group recognized the cumulative effect of initially applying IFRS 15 on its retained earnings as at 1 April 2018 and disclosed changes in each consolidated financial statement line item in the current reporting period by the application of this standard as compared to IAS 11 *Construction Contracts* and IAS 18 *Revenue*. The changes mainly occurred because for certain contracts for which revenue is recognized over time, the Group earlier recognized revenue upon completion of certain stages, and costs related to uncompleted stages were recognized within work in progress. Starting the current reporting period, the Group accrues revenue from such contracts as they are performed using the input method based on the ratio of costs actually incurred to planned costs, irrespective of the date of completion and acceptance of the stage by a customer, with the associated expenses taken to the cost. When accruing revenue on uncompleted stages, the Company estimates the risks of refusal to accept these or subsequent stages by a customer when calculating contract consideration.

2. Significant accounting policies (continued)

2.4 New standards, interpretations and amendments applied for the first time (continued)

The cumulative effect of the adjustments on the consolidated statement of financial position and the consolidated statement of profit or loss following the adoption of the new standard IFRS 15 *Revenue from Contracts with Customers* is described below.

	At 1 April 2018 before adjustments	Adjustments following the adoption of IFRS 15	At 1 April 2018 as adjusted
Assets			
Trade and other receivables	3 380 532	102 793	3 483 325
Inventories	1 385 670	(310 485)	1 075 185
Deferred tax assets	199 017	6 013	205 030
Contract assets	-	177 627	177 627
Liabilities			
Advances received	244 638	(244 638)	-
Deferred revenue	169 084	(169 084)	-
Contract liabilities	-	413 722	413 722
Net assets attributable to non-controlling participants	264 778	(44 703)	220 075
Equity			
Retained earnings	1 701 193	20 651	1 721 844

In accordance with the new revenue standard, the effect of applying this standard on the consolidated statement of profit or loss and the consolidated statement of financial position for the year ended 31 March 2019 is described below.

	Year ended 31 March 2019	Adjustments following the adoption of IFRS 15	Year ended 31 March 2019 before effect of IFRS 15
Revenue			
Sale of goods	17 296 871	-	17 296 871
Rendering of services	10 611 652	242 231	10 369 421
Cost of sales	**(19 613 992)**	23 311	**(19 637 303)**
Gross profit	**8 294 531**	**265 542**	**8 028 989**
Profit before tax	**2 334 747**	251 336	**2 083 411**
Income tax	(511 207)	(50 267)	(460 940)
Net profit	**1 823 540**	**201 069**	**1 622 471**

	At 31 March 2019	Adjustments following the adoption of IFRS 15	At 31 March 2019 before effect of IFRS 15
Assets			
Inventories	657 474	(285 099)	942 573
Deferred tax assets	128 409	(44 254)	172 663
Contract assets	795 763	795 763	-
Trade and other receivables	3 419 231	(289 393)	3 708 624
Liabilities			
Advances received	-	(277 357)	277 357
Deferred revenue	-	(94 284)	94 284
Contract liabilities	371 641	371 641	-
Net assets attributable to non-controlling participants	154 258	(44 703)	198 961
Equity			
Retained earnings	18 598	221 720	(203 122)

2. Significant accounting policies (continued)

2.4 New standards, interpretations and amendments applied for the first time (continued)

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018. The Group did not recalculate 2017 comparative data on financial instruments in the scope of IFRS 9. Therefore, the comparative information for the year ended 31 March 2018 is reported under IAS 39 and is not comparable to the information presented for the year ended 31 March 2019.

(a) Classification and measurement

The application of classification and measurement requirements in IFRS 9 does not have any significant effect on the Group's balance sheet or equity.

The Group proceeds with its fair value measurement of all financial assets that are currently measured at fair value through profit or loss.

Trade receivables and loans are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest.

The Group reviewed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9 and do not require to be reclassified.

The Group classified its unquoted equity instruments as financial assets at fair value through profit or loss.

(b) Impairment

IFRS 9 changes the accounting for impairment losses on financial assets by replacing the incurred loss model with the expected credit losses (ECL) model. In accordance with the new model, an allowance for ECL on a financial asset is accrued before a credit loss event occurs in contrast to the incurred loss model.

The new impairment model applies to financial assets classified as at amortized cost, fair value through other comprehensive income, and contract assets in accordance with IFRS 15 *Revenue from Contracts with Customers.*

The Group applies a simplified approach to trade receivables and records ECL over the life of the receivables with account of available historical and actual data adjusted for observable factors characteristic of certain debtors and economic conditions.

Other financial assets at amortized cost include loans issued, including loans to related parties. The Group applies a general approach to providing for expected credit losses on such financial assets.

2. Significant accounting policies (continued)

2.4 New standards, interpretations and amendments applied for the first time (continued)

Cash and cash equivalents of the Group are subject to low credit risk based on external credit ratings of banks and financial institutions. Therefore, the Group determined that the adoption of the new impairment model under IFRS 9 *Financial Instruments* does not require any additional adjustments at 1 April 2018.

In general, IFRS 9 had no material impact on the Group's financial statements.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective. The nature and the effect of these changes are described below. Although these new standards and amendments were applied for the first time during the year ended 31 March 2019, they did not have any material effect on the interim condensed consolidated financial statements of the Group. The nature and the effect of each new standard and amendment are described below.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration, is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The interpretation has no impact on the Group's consolidated financial statements.

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 the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are not applicable to the Group.

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

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of share-based payment transactions with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

The Group has no share-based payment transactions with net settlement features for withholding tax obligations and has not made any modifications to the terms and conditions of its share-based payment transactions. These amendments are not applicable to the Group.

2. Significant accounting policies (continued)

2.4 New standards, interpretations and amendments applied for the first time (continued)

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

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

These amendments are not applicable to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's 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 (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Group's consolidated financial statements.

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

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose.

These amendments are not applicable to the Group.

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.

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

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 of sensitivity analysis (Notes 13, 14.4, 14.5).

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 may cause 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 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 an 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 the discounted cash flow model. 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.

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

Judgments (continued)

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.

Development costs

According to the adopted accounting policies, the Group capitalizes project development costs. The 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 flows from the project, discount rates to be applied and the expected period of benefits.

Litigations

In performing its contracts with legal entities, regional and municipal bodies, the Group is occasionally a party to legal proceedings as either a plaintiff or a defendant (please see Note 23). Amounts claimed may be material and affect the reported revenue, allowances for expected credit losses (ECL) on trade receivables, as well as provisions for contingent liabilities.

Judgment is necessary in assessing the likelihood that pending claims will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. The estimated provision may change as new information becomes available. Changes in the estimated provision may have a material impact on future performance.

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.

4. Segment information (continued)

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 entities.

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 segments.

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

The key segment performance indicator communicated to the General Director and the Board of Directors is operating income before depreciation, amortization and impairment of property, plant and equipment and intangible assets (OIBDA). Net profit is analyzed by management at the Group level. 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, amortization and impairment of property, plant and equipment and intangible assets), including corporate expenses of the Group allocated to the respective segment. 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 entities. Therefore, it cannot be used to measure one entity 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 are primarily set in the normal course of business on an arm's length basis in a manner similar to transactions with third parties.

4. Segment information (continued)

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

Year ended 31 March 2019	Corporate solutions and business applications	Integration of ready-to-go solutions	Solutions for regional and municipal authorities	Other segments	Adjustments and eliminations	Consolidated
Revenue						
Revenue from contracts with customers	12 125 068	13 640 322	1 850 873	292 260	-	27 908 523
Intersegment sales	87 542	8 099	1 962	101 183	(198 786)	-
Revenue — total	**12 212 610**	**13 648 421**	**1 852 835**	**393 443**	**(198 786)**	**27 908 523**
Financial results						
OIBDA	1 808 640	460 425	72 106	81 422	-	2 422 593
Net profit	**-**	**-**	**-**	**-**	**-**	**1 823 540**

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						
Revenue from contracts with 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**

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

4. Segment information (continued)

Adjustments and eliminations (continued)

Inter-segment revenue is eliminated in consolidation.

	Year ended 31 March	
OIBDA reconciliation	**2019**	**2018**
Segment OIBDA	**2 422 593**	**3 510 148**
Group OIBDA	**2 422 593**	**3 510 148**
Depreciation of property, plant and equipment and amortization of intangible assets	(206 006)	(135 561)
Finance income	160 931	70 349
Finance expenses	(50 676)	(119 482)
Loss from impairment of investment in associate	-	(36 546)
Other income	42 309	192 570
Other expenses	(46 287)	(95 618)
Foreign exchange differences	11 883	13 661
Profit before tax	**2 334 747**	**3 399 521**

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 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 2019, the Group did not recognize any revenue from the sale of goods and rendering of services to a sole customer exceeding 10% of its total revenue.

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

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 financial covenants. 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 financial covenants for interest-bearing loans and borrowings, including debt burden requirements. There have been no breaches of the financial covenants of any interest-bearing loans or borrowings in the current period. The Group is not subject to externally imposed capital requirements.

In accordance with its capital management policy, the Group monitors the 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 2019 and 31 March 2018, total debt to OIBDA amounted to 0,39 and 0,04, respectively. The net debt to OIBDA ratio was negative, which means that the amount on the Group's cash and its equivalents 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	
	2019	**2018**
Interest-bearing loans, overdrafts and borrowings	624 639	106 969
Loans received from related parties	44 000	-
Finance lease liabilities	271 692	23 676
Total debt	**940 331**	**130 645**
Cash and cash equivalents	(1 650 986)	(3 523 698)
Net debt	**(710 655)**	**(3 393 053)**
OIBDA	2 422 593	3 510 148
Debt ratio	0,39	0,04

6. Group information

Information on the subsidiaries

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

	Interest at 31 March	
Entity	**2019**	**2018**
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%	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%	100%
IBS Platformix LLC, Russia	100%	100%
SILA LLC (former Platformix Center LLC), Russia	99%	99%
Platformix Distributive Solutions LLC, Russia	99%	99%
IBS DataFort LLC, Russia	100%	100%
BFT Dubna LLC, Russia*	71%	57%
BFT LLC, Russia*	71%	57%
BFT-Project LLC, Russia*	71%	57%
BFT-Expert LLC (former Zirvan LLC), Russia*	71%	57%
Algorithm LLC, Russia*	71%	56%
IBS Europe Ltd., Cyprus	100%	100%
BFT-BOLSHAYA ZEMLYA LLC, Russia**	36%	-

(*) On 22 November 2018, the Group signed an agreement to purchase a 14% stake in its subsidiary, BFT LLC, thus increasing its share to 71%. The stakes in BFT LLC's subsidiaries (BFT Dubna LLC, BFT-Project LLC, BFT-Expert LLC, Algorithm LLC) were increased accordingly. Consideration to the non-controlling participant amounted to RUB 50 million.

(**) On 21 November 2018, a new entity, BFT-BOLSHAYA ZEMLYA LLC, was registered in the Unified State Register of Legal Entities. The BFT Dubna LLC subsidiary holds the controlling 51% stake in the entity. The Group's effective stake in BFT-BOLSHAYA ZEMLYA LLC is 36%.

Ultimate parent

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

7. Revenue from contracts with customers

The Group presents revenue from contracts with customers by key segment and type of contract, since such presentation is most indicative in terms of how economic factors influence the nature, amount, timing and uncertainty of revenue and cash flows.

Information on the respective categories and types of contracts is presented below (by key segment).

Year ended 31 March 2019	Corporate solutions and business applications	Integration of ready-to-go solutions	Solutions for regional and municipal authorities	Other segments	Adjustments and eliminations	Consolidated
Type of contract						
Sale of goods	4 512 948	12 787 841	215	2 955	(7 088)	17 296 871
Rending of services	7 699 662	860 580	1 852 620	390 488	(191 698)	10 611 652
Revenue — total	**12 212 610**	**13 648 421**	**1 852 835**	**393 443**	**(198 786)**	**27 908 523**
Recognition of revenue						
At a certain point in time	4 631 573	12 787 841	215	2 955	(7 088)	17 415 496
Over a period	7 581 037	860 580	1 852 620	390 488	(191 698)	10 493 027
Revenue — total	**12 212 610**	**13 648 421**	**1 852 835**	**393 443**	**(198 786)**	**27 908 523**

8. 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% 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 an investment in an associate.

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 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.

On 15 May 2018, the Group sold a 49% interest in the share capital of SCAO LLC for RUB 1 692 thousand.

9. Other income/expenses

9.1 Other income

	Year ended 31 March	
	2019	**2018**
Fines and penalties received	13 879	23 688
Other comprehensive income reclassified to profit	-	126 842
Net gain on derivative financial instruments at fair value through profit or loss	7 512	32 445
Gain on disposal of property, plant and equipment and other assets	618	4 198
Other income	20 300	5 397
Total other income	**42 309**	**192 570**

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 for the period.

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

9.2 Other expenses

	Year ended 31 March	
	2019	**2018**
Net loss on derivative financial instruments at fair value through profit or loss	11 638	47 932
Charity expenses	9 494	11 413
Expenses accrued on provisions	8 151	7 690
Write-off of loans issued	4 000	-
Write-off of receivables	2 149	1 248
Fines and penalties	1 063	19 965
State duties	650	1 101
Other expenses	9 142	6 269
Total other expenses	**46 287**	**95 618**

Net loss on derivative financial instruments measured at fair value through profit or loss relates to foreign exchange 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 planned 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	
	2019	**2018**
Net profit attributable to non-controlling participants (Note 26)	7 392	84 663
Interest on loans and borrowings	30 694	31 081
Finance expenses under finance lease and hire purchase agreements	9 270	3 204
Interest on borrowings received from related parties	3 320	534
Total finance expenses	**50 676**	**119 482**

9.4 Finance income

	Year ended 31 March	
	2019	**2018**
Interest income on deposits and external loans/borrowings	152 970	65 679
Interest income on loans issued to related parties	540	3 202
Other finance income	7 421	1 468
Total finance income	**160 931**	**70 349**

9.5 Employee benefits expense

	Year ended 31 March	
	2019	**2018**
Included in cost of sales	1 527 368	1 282 866
Included in administrative expenses and research and development costs	4 769 922	4 447 813

The Group's subsidiaries registered in Russia make contributions payable by employers to the Russian Federation pension fund, social insurance fund and compulsory medical insurance fund. Contributions depend on annual benefits of an employee and amount 8% to 22% for contributions to the pension fund, 0% to 2,9% for the social insurance fund and 0% to 5,1% for the compulsory medical insurance fund. Contributions for mandatory insurance premiums against accidents amount to 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:

- Enhancing the state information system of payments (GISP), including the design of GISP enhancement project solutions, building infrastructure complexes and the industry analysis complex, monitoring markets, technologies and functional components, designing a system to model and project industry developments, connecting to external information sources, and communication with the GISP.
- Designing the methodology and tools to create applications, supporting the life cycle of IT tools, and making decisions to carry out effective administrative and management processes within the authority given; designing an integrated system of tools enabling high-level implementation and environment and functioning of corporate information systems (IK ISKU).
- Designing software for the Real Property Valuation Robot automated system.
- Designing the ICE software platform.
- Designing new methods and tools to manage budget sector property and their implementation in the program complex of the information analytics system of centralized management of property owned by Russian constituent entities and municipal bodies, as well as by state-owned entities: the program complex of the information analytics system of centralized property management (PK TsUI).

9.7 Administrative expenses

	Year ended 31 March	
	2019	**2018**
Payroll and staff expenses, including taxes	3 338 550	3 163 054
Employee benefits and bonuses	1 270 882	1 284 759
Expenses for office rental and maintenance	550 270	453 307
Professional services	173 251	76 095
Travel and entertainment expenses	81 470	64 602
Taxes accrued (excluding income tax)	37 748	26 014
Bank services	17 393	22 192
Other	2 012	2 483
Total general and administrative expenses	**5 471 576**	**5 092 506**

For the year ended 31 March 2019, minimum lease payments within operating lease and office maintenance expenses amounted to RUB 320 671 thousand (31 March 2018: RUB 302 815 thousand).

9.8 Inventories recognized as expenses

For the year ended 31 March 2019, inventories recognized as expenses amounted to RUB 14 866 303 thousand (31 March 2018: RUB 12 062 913 thousand). Inventories are recognized as expenses within the cost of sales.

10. Income tax

The main components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are as follows:

	Year ended 31 March	
	2019	**2018**
Current income tax expense	(434 586)	(816 628)
Deferred income tax (expense)/benefit	(76 621)	88 864
Total income tax expense reported in consolidated statement of profit or loss	**(511 207)**	**(727 764)**

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 2019 and 31 March 2018:

	Year ended 31 March	
	2019	**2018**
Profit before tax	**2 334 747**	**3 399 521**
Income tax expense calculated at Russian statutory income tax rate of 20%	**(466 949)**	**(679 904)**
Different tax rates of subsidiaries*	5 263	3 295
Tax effect of non-deductible expenses at applicable tax rates	(49 521)	(49 824)
Effect of write-off of unrealized deferred tax asset related to tax losses	-	(1 331)
Income tax expense recognized in these consolidated financial statements at the effective income tax rate of 22% (for the year ended 31 March 2018: 21%)	**(511 207)**	**(727 764)**

* At 31 March 2019, reduced income tax rates were applied by the following entities of the Group: IBS Ulyanovsk LLC — 16%, BFT Dubna LLC — 8%, BFT-Project LLC (certain activities) — 0%.

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		Year ended 31 March	
	2019	2018	2019	2018
Deferred tax assets				
Cash and cash equivalents	-	5 635	(5 635)	5 635
Investment in associate	-	7 309	(7 309)	7 309
Trade and other receivables	34	32	2	(1 171)
Advances issued	7 243	-	7 243	(8 885)
Other current assets	7 310	3 884	3 426	2 850
Trade payables	11 188	5 839	5 349	(14 951)
Provisions	28 419	124 367	(95 948)	31 757
Contract liabilities	10 392	20 004	(9 612)	4 846
Inventories	135 079	26 448	108 631	3 085
Finance lease liabilities	53 430	2 754	50 676	1 566
Losses available for offset against future taxable income	64 966	28 361	36 605	(2 327)
Property, plant and equipment and intangible assets	71 899	40 989	30 910	(4 178)
Other	5 424	3 981	1 443	(99)
Total deferred tax assets	**395 384**	**269 603**	**125 781**	**25 437**
Deferred tax liabilities				
Trade and other receivables	(219 757)	(58 080)	(161 677)	60 801
Advances issued	(151)	-	(151)	-
Contract liabilities	(301)	(1 632)	1 331	4 033
Inventories	(172)	(5 189)	5 017	(1 242)
Property, plant and equipment and intangible assets	(46 594)	(4 935)	(41 659)	134
Other	-	(750)	750	(299)
Total deferred tax liabilities	**(266 975)**	**(70 586)**	**(196 389)**	**63 427**
Net deferred tax asset	**128 409**	**199 017**		
Deferred income tax (expense)/benefit			**(70 608)**	**88 864**

Reconciliation of deferred tax	**2019**	**2018**
Balance at 1 April	**199 017**	**110 153**
Effect of transition to IFRS 15 and IFRS 9 (Note 2.4)	6 013	-
Balance at 1 April after transition to IFRS 15 and IFRS 9	**205 030**	**110 153**
Deferred income tax (expense)/benefit	(76 621)	88 864
Balance at 31 March	**128 409**	**199 017**

10. Income tax (continued)

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 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 324 829 thousand (year ended 31 March 2018: RUB 141 805 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.

In addition, as at 31 March 2019 and 31 March 2018, 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 the 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 deferred 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.

At 31 March 2019, the Group had no recognized deferred tax liability (31 March 2018: 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 investments in subsidiaries which arise when the carrying amount of those investments (namely, the parent's share of net assets of the subsidiary, including the carrying amount of goodwill) differs from their tax value, which usually equals their cost, total RUB 1 282 399 thousand as at 31 March 2019 (31 March 2018: RUB 2 701 904 thousand).

The Group pays dividends to the participants for the periods ended 31 March 2019 and 31 March 2018 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
Cost								
At 1 April 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**
Proceeds	-	2 348	28 007	1 849	-	-	384 986	417 190
Internal transfers	-	-	-	31 936	(31 936)	-	-	-
Commissioning	3 051	12 219	20 785	105 122	240 065	4 113	(385 355)	-
Disposals	-	(13 910)	(839)	(53 658)	-	(14 763)	(460)	(83 630)
At 31 March 2019	**9 115**	**161 981**	**144 229**	**479 127**	**251 170**	**23 337**	**7 519**	**1 076 478**
Depreciation and impairment								
At 1 April 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)**
Depreciation charge for the period	(1 504)	(15 317)	(21 819)	(77 415)	(24 673)	(1 123)	-	(141 851)
Depreciation of internal transfers	-	-	-	(22 410)	22 410	-	-	-
Disposal	-	13 626	724	53 301	-	14 660	-	82 311
At 31 March 2019	**(2 523)**	**(117 448)**	**(89 762)**	**(335 617)**	**(24 181)**	**(12 817)**	**-**	**(582 348)**
Net book value								
At 31 March 2018	**5 045**	**45 567**	**27 609**	**104 785**	**21 123**	**7 633**	**8 348**	**220 110**
At 31 March 2019	**6 592**	**44 533**	**54 467**	**143 510**	**226 989**	**10 520**	**7 519**	**494 130**

12. Intangible assets

	Software	Trademarks	Customers relationship	Vendor relationship	Other	Capital investments in progress	Total
Cost							
At 1 April 2017	**356 471**	**2 011**	**11 817**	**1 393 991**	**19 000**	**46 241**	**1 829 531**
Additions	-	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)
At 31 March 2018	**359 593**	**2 216**	**-**	**-**	**18 780**	**30 226**	**410 815**
Additions	238 527	271	-	-	-	11 445	250 243
Commissioning	28 094	55	-	-	1 035	(29 184)	-
Disposals	-	-	-	-	-	(4 080)	(4 080)
At 31 March 2019	**626 214**	**2 542**	**-**	**-**	**19 815**	**8 407**	**656 978**
Amortization and impairment							
At 1 April 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)**
Amortization	(63 194)	(154)	-	-	(807)	-	(64 155)
Disposals	-	-	-	-	-	-	-
At 31 March 2019	**(335 408)**	**(1 932)**	**-**	**-**	**(15 675)**	**-**	**(353 015)**
Net book value							
At 31 March 2018	**87 379**	**438**	**-**	**-**	**3 912**	**30 226**	**121 955**
At 31 March 2019	**290 806**	**610**	**-**	**-**	**4 140**	**8 407**	**303 963**

13. Goodwill

Goodwill acquired through the business combination with Borlas Group and the 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 both operating and reporting segments for the purpose of impairment testing.

At the time of the combination, Borlas Group engaged in the 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 the 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)

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

	At 31 March	
	2019	**2018**
Corporate solutions and business applications	1 370 350	1 370 350
Solutions for regional and municipal authorities	77 011	77 011
Total	**1 447 361**	**1 447 361**

The Group performed impairment tests as at the reporting dates.

“Corporate solutions and business applications” unit

At 31 March 2019, 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 capital expenditures. The projected cash flows were updated based on actual results for the year ended 31 March 2019 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 19,1% (31 March 2018: 18.1%) and cash flows beyond the five-year period were extrapolated using a 3,0% growth rate (31 March 2018: 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 at 31 March 2019.

“Solutions for regional and municipal authorities” unit

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 19,7% (31 March 2018: 18,2%) and cash flows beyond the five-year period were extrapolated using a 3,0% growth rate (31 March 2018: 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 at 31 March 2019.

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 are mostly 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 the 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 growth 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	
	2019	**2018**
Assets under investment partnership agreement	1 465	-
Derivative financial instruments	-	904
Total financial instruments at fair value	**1 465**	**904**
Financial assets at amortized cost		
Cash	338 405	336 164
Short-term deposits	1 312 581	3 187 534
Trade and other receivables (Note 16)	3 445 410	3 380 532
Trade and other receivables due from related parties (Note 24)	57 544	92 284
Loans issued to related parties (Note 24)	5 537	-
Short-term loans receivable	99 146	7 000
Net investments in leases	6 797	11 164
Total financial assets	**5 266 885**	**7 015 582**
Total current financial assets	**5 239 241**	**7 010 308**
Total non-current financial assets	**27 644**	**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 a positive change in the fair values of those foreign exchange forward 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 2019	At 31 March 2018
Short-term interest-bearing loans and borrowings		
Bank overdrafts (with an interest rate of 9-12%)	86 390	2 344
Bank loans (credit facilities) (with an interest rate of 8-12%)	538 249	100 386
Installment agreements (with an interest rate of 11%)	-	4 239
Total short-term interest-bearing loans and borrowings	**624 639**	**106 969**
Long-term interest-bearing loans and borrowings	**-**	**-**
Total interest-bearing loans and borrowings	**624 639**	**106 969**

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

As at 31 March 2019, the Group had undrawn credit facilities of RUB 3 247 million (31 March 2018: RUB 3 179 million).

14. Financial assets and financial liabilities (continued)

14.2 Financial liabilities (continued)

Changes in liabilities and assets arising from financing activities

	1 April 2018	Cash flows, net	Dividends declared	New finance lease liabilities	Other movements*	31 March 2019
Movements in liabilities:						
Loans received from related parties	-	44 000	-	-	-	44 000
Short-term loans and borrowings	106 969	516 584	-	-	1 086	624 639
Net assets attributable to non-controlling participants	264 778	(50 000)	-	-	(60 520)	154 258
Finance lease liabilities, current portion	14 107	(35 662)	-	51 174	25 497	55 116
Finance lease liabilities, net of current portion	9 569	-	-	232 379	(25 372)	216 576
Dividends to equity holders of the parent	-	(3 422 000)	3 550 000	-	-	128 000
Trade and other payables to related parties**	56 115	(56 115)	-	-	-	-
Movements in assets:						
Other current assets***	(12 697)	-	-	-	12 697	-
Total liabilities and assets arising from financing activities	**438 841**	**(3 003 193)**	**3 550 000**	**283 553**	**(46 612)**	**1 222 589**

	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 2019	2018
Other financial liabilities at amortized cost, less interest-bearing loans and borrowings		
Trade payables	1 284 006	1 516 082
Trade and other payables to related parties	170 511	87 292
Loans received from related parties	44 000	-
Net assets attributable to non-controlling participants (Note 18)	154 258	264 778
Provisions (Note 19.1)	1 759 619	1 971 256
Finance lease liabilities	**271 692**	**23 676**
Total other financial liabilities	**3 684 086**	**3 863 084**
Total current financial liabilities	**3 467 510**	**3 853 515**
Total non-current financial liabilities	**216 576**	**9 569**

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 foreign currency 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 approximate their fair values.

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

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 created for expected losses on 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 with 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.

Quantitative disclosures of the fair value measurement hierarchy for assets as at 31 March 2019:

			Fair value measurement using		
	Date of measurement	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value					
Assets under investment partnership agreement	31 March 2019	**1 465**	-	-	1 465

14. Financial assets and financial liabilities (continued)

14.4 Fair value (continued)

As at 31 March 2019, the Group had no financial liabilities at fair value.

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

			Fair value measurement using		
	Date of measurement	Total	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 instruments					
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.

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. 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.

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

14. Financial assets and financial liabilities (continued)

14.5 Financial risk management objectives and policies (continued)

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.

Year ended 31 March	Change in USD rate	Effect on profit before tax
2019	+14%	+62 736
	-14%	-62 736
2018	+11%	+12 040
	-11%	-12 040

Year ended 31 March	Change in EUR rate	Effect on profit before tax
2019	+14%	-705
	-14%	705
2018	+12.5%	-3 352
	-12.5%	+3 352

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 a 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.

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.

14. Financial assets and financial liabilities (continued)

14.5 Financial risk management objectives and policies (continued)

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

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 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.

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 agreements.

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.

14. Financial assets and financial liabilities (continued)

14.5 Financial risk management objectives and policies (continued)

Aging structure of financial liabilities

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Trade payables	1 284 006	-	-	-	**1 284 006**
Due to related parties	170 511	-	-	-	**170 511**
Loans received from related parties	46 633	-	-	-	**46 633**
Loans and borrowings	643 464	-	-	-	**643 464**
Finance lease liabilities	78 973	213 244	42 785	-	**335 002**
Net assets attributable to non-controlling participants	154 258	-	-	-	**154 258**
Provisions	1 759 619	-	-	-	**1 759 619**
At 31 March 2019	**4 137 464**	**213 244**	**42 785**	**-**	**4 393 493**
Trade payables	1 516 082	-	-	-	**1 516 082**
Due to related parties	87 292	-	-	-	**87 292**
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**
Provisions	1 971 256	-	-	-	**1 971 256**
At 31 March 2018	**3 966 802**	**10 579**	**-**	**-**	**3 977 381**

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

The Group was not engaged in any derivative transactions at 31 March 2019.

	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

15. Inventories

	At 31 March	
	2019	**2018**
Goods in storage (at the lowest of cost or net realizable value)	279 281	574 148
Goods shipped (at cost)	9 986	61 751
Work in progress (at cost)	368 207	749 771
Total inventories	**657 474**	**1 385 670**

15. Inventories (continued)

During the year ended 31 March 2019, the Group recognized reversal of the allowance for inventories impaired in prior periods in the amount of RUB 29 256 thousand (31 March 2018: RUB 5, 40 thousand).

During the year ended 31 March 2019, impairment of inventories amounted to RUB 29 679 thousand (31 March 2018: RUB 15 675 thousand) and was recognized as expenses within the cost of sales.

16. Trade and other receivables and contract assets

	At 31 March	
	2019	2018
Long-term trade receivables	26 179	-
Trade receivables	3 195 445	3 251 258
Other receivables	223 786	129 274
Total trade and other receivables less provision	**3 445 410**	**3 380 532**
Short-term	3 419 231	3 380 532
Long-term	26 179	-
Contract assets less provision	**795 763**	**-**

For terms and conditions of related party receivables, refer to Note 24.

Trade and other receivables are non-interest-bearing and are generally on terms of 30 to 90 days. As at 31 March 2019, trade and other receivables with an initial carrying amount of RUB 125 897 thousand (31 March 2018: RUB 82 430 thousand) were impaired and fully provided for.

See below for movements in the provision for impairment of receivables and the allowance for expected credit losses.

	Provision for impairment of receivables
At 1 April 2017	**118 978**
Charge for the year	51 466
Amounts used	(8 509)
Unused amounts reversed	(79 505)
At 31 March 2018	**82 430**

	Allowance for expected credit losses on receivables	Allowance for expected credit losses on contract assets	Total allowance for expected credit losses
At 1 April 2018	**82 430**	**-**	**82 430**
Effect of transition to IFRS 15 and IFRS 9 (Note 2.4)	-	69 650	69 650
At 31 March 2018 after transition to IFRS 15 and IFRS 9	**82 430**	**69 650**	**152 080**
Charge for the year	57 579	25 750	83 329
Amounts used	(2 975)	(44 644)	(47 619)
Unused amounts reversed	(11 137)	-	(11 137)
At 31 March 2019	**125 897**	**50 756**	**176 653**

16. Trade and other receivables and contract assets (continued)

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

	Total	Neither past due nor impaired	Past due but not impaired				
			Less than 30	30-60 days	61-90 days	91-180 days	than 180 days
2019	**3 221 624**	2 832 539	218 219	40 948	70 159	47 774	11 985
2018	**3 251 258**	3 014 456	129 303	47 886	25 881	21 556	12 176

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	
	2019	**2018**
Cash on hand and at banks	338 405	336 164
Short-term deposits	1 312 581	3 187 534
Total cash and cash equivalents	**1 650 986**	**3 523 698**

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 2019, short-term deposits bear interest rates of 5,0-8,5% (year ended 31 March 2018: 4,0-9,3%).

18. Net assets attributable to non-controlling participants

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

On 22 November 2018, the Group signed an agreement to purchase a 14% stake in its subsidiary, BFT LLC. Consideration to the non-controlling participant amounted to RUB 50 million.

At 31 March 2019, the Group owns a 71% controlling interest in BFT LLC ("BFT"), its subsidiary. The non-controlling interest in BFT is 29%. 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 non-controlling participants' share of profit is presented as finance expenses in the consolidated statement of profit or loss.

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

Key financial information of BFT is presented below:

	At 31 March 2019	At 31 March 2018
Non-current assets	240 181	189 335
Current assets	704 406	886 824
Total assets	**944 587**	**1 076 159**
Non-current liabilities	-	-
Current liabilities	412 878	464 146
Total liabilities	**412 878**	**464 146**
Net assets	**531 709**	**612 013**
Total net assets attributable to equity holders of the entity	377 513	348 847
Total net assets attributable to non-controlling participants	154 196	263 166
Non-controlling interest	29%	43%

	Year ended 31 March 2019	Year ended 31 March 2018
Revenue	1 852 835	1 759 769
Net profit	22 100	195 938
Total comprehensive income for the year, net of tax	22 100	195 938
Net profit attributable to equity holders of the entity	14 736	111 684
Net profit attributable to non-controlling participants recognized in finance expenses	7 364	84 254
Dividends accrued to non-controlling participants	-	(107 500)
Net cash flows (used in)/from operating activities	(42 014)	110 713
Net cash flows used in investing activities	(18 382)	(5 023)
Net cash flows from/(used in) financing activities	30 000	(80 000)
Net (decrease)/increase in cash	(30 396)	25 690

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 62 thousand at 31 March 2019 (31 March 2018: RUB 1 612 thousand). For the year ended 31 March 2019, net profit attributable to non-controlling participants was RUB 28 thousand (year ended 31 March 2018: RUB 409 thousand).

19. Provisions and warranty provision

19.1 Salary provisions and other liabilities

	At 31 March 2019	At 31 March 2018
Salary accruals, including bonuses and unused vacation	1 593 327	1 871 223
Provision for accrued expenses	80 200	-
Accrued expenses related to subcontracted works	71 228	88 989
Other provisions	14 864	11 044
Total provisions	**1 759 619**	**1 971 256**

19. Provisions 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).

	Warranties
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
At 1 April 2018	**49 773**
Arising during the year	18 748
Utilized	(5 291)
Unused amounts reversed	(33 578)
At 31 March 2019	**29 652**
Short-term	14 122
Long-term	15 530

20. Government grants

	Year ended 31 March	
	2019	**2018**
At the beginning of the year	-	-
Received during the year	140 000	120 000
Used to perform R&D by the Leading Contractor under complex project in accordance with R&D agreement	(140 000)	(120 000)
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-dimension digital model of an oil and gas field,” according to which the Group undertakes to invest RUB 130,0 million within a two-year period ended 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.

The results of the agreement were partially delivered in 2016-17 and are expected to be delivered in full by 2022.

20. Government grants (continued)

During the year ended 31 March 2018, the Group received RUB 60 million as grants under this agreement and transferred them in full to Lomonosov Northern (Arctic) Federal University to finance R&D work.

At 31 March 2018, the Group received the entire amount of the grants under the agreement.

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 within a three-year period 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 2017-18 and are expected to be delivered in full by 2024.

During the year ended 31 March 2019, the Group received RUB 50 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.

During the year ended 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 11 July 2018, 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 based on automated computer-aided learning algorithms for ontologic classification of reference data (including gradient boosting of neural networks) using cloud technologies,” under which the Group undertakes to invest RUB 210,0 million within a three-year period ended 31 December 2020. According to the agreement, the Russian Government shall provide the Group with RUB 210,0 million as grants to compensate for R&D costs to be incurred by Federal State Budgetary Educational Institution of Higher Education Ogarev National Research Mordovia State University.

The results of the agreement are expected to be delivered in full by 2025.

During the year ended 31 March 2019, the Group received RUB 10 million as grants under this agreement and transferred them in full to Federal State Budgetary Educational Institution of Higher Education Ogarev National Research Mordovia State 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 “Designing the methodology and tools to create applications, supporting the life cycle of IT tools, and making decisions to carry 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.

20. Government grants (continued)

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 2017-18 and are expected to be delivered in full by 2024.

During the year ended 31 March 2019, the Group received RUB 70 million as grants under this agreement and transferred them in full to Belgorod State National Research University to finance R&D work.

During the year ended 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.

On 11 July 2018, 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 “Designing new methods and tools to manage budget sector property and their implementation in the program complex of the information analytics system of centralized management of property owned by Russian constituent entities and municipal bodies, as well as by state-owned entities,” under which the Group undertakes to invest RUB 210,0 million until 2020.

According to the agreement, the Russian Government shall provide the Group with RUB 210,0 million as grants to compensate for R&D costs to be incurred by Federal State Budgetary Educational Institution of Higher Education Shukhov Belgorod State Technological University.

During the year ended 31 March 2019, the Group received RUB 10 million as grants under this agreement and transferred them in full to Shukhov Belgorod State Technological University.

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

21. Contract liabilities

The Group’s contract liabilities are described below.

	At 31 March 2019
Short-term contract liabilities	**354 485**
Advances received	277 357
Deferred revenue	77 128
Long-term contract liabilities	**17 156**
Deferred revenue	17 156

21. Contract liabilities (continued)

Movements in contract liabilities for the reporting period are shown below.

	2019
Contract liabilities at 1 April	-
Effect of transition to IFRS 15 (Note 2.4)	413 722
Contract liabilities at 1 April after transition to IFRS 15	**413 722**
Revenue recognized in the reporting period for contract liabilities at the beginning of the reporting year	(382 136)
Balance of outstanding contract liabilities accrued during the reporting period	340 055
At 31 March	**371 641**
Short-term	354 485
Long-term	17 156

The balance of contract liabilities at 31 March 2019 is mostly represented by equipment and software technical support services acquired by customers without a right of return, as well as by works under contracts with customers where revenue is recognized in full after the entire bundle of project works has been completed and accepted.

Movements in deferred revenue for the comparable reporting period are shown below.

	2018
At 1 April	**90 539**
Allocated to future periods during the reporting year	169 778
Recognized in the statement of profit or loss during the reporting period	(91 233)
At 31 March	**169 084**
Short-term	160 290
Long-term	8 794

The largest portion of deferred revenue at 31 March 2018 represents the cost of components paid and delivered to fulfill obligations under multiple-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 balance of advances received at the comparable reporting date amounted to RUB 244 638 thousand and was recorded in the Group's current liabilities.

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	
	2019	**2018**
Trade and other payables	1 284 006	1 516 082
Trade and other payables to related parties	170 511	87 292

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 payments under operating lease agreements as at 31 March were as follows:

	At 31 March	
	2019	**2018**
Within 1 year	283 013	277 995
Over 1 year	1 278 316	1 252 632
Over 5 years	737 366	720 666

Finance lease and hire purchase liabilities

The Group entered into a number of finance lease agreements with an option to 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 minimum lease payments, are provided below.

	At 31 March 2019		At 31 March 2018	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within 1 year	78 973	55 116	15 951	14 107
Over 1 year but no more than 5 years	256 029	216 576	10 579	9 569
Total	**335 002**	**271 692**	**26 530**	**23 676**
Less future finance expenses	(63 310)	-	(2 854)	-
Present value of minimum lease payments	**271 692**	**271 692**	**23 676**	**23 676**

23. Commitments and contingencies (continued)

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 future 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.

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 to 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.

In 2019, the rate of value-added tax was increased from 18% to 20%.

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 of this legislation and reviewing tax returns. It is therefore possible that transactions and accounting methods that have not been challenged in the past may be challenged 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.

23. Commitments and contingencies (continued)

Taxation (continued)

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 on 1 January 2012 provides for major modifications which made transfer pricing rules closer to OECD guidelines, and also created additional uncertainty in the 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 the new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

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 a 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 that have not been challenged in the past may be challenged 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 properly construed the respective legislation as at 31 March 2019, 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 2019, an entity outside the Russian Federation is being liquidated.

23. Commitments and contingencies (continued)

Litigations

In the ordinary course of business, the Group may be party to various legal and tax proceedings, and subject to claims, some 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 litigations, other legal proceedings or other matters will not have a material effect on the financial position, results of operations or liquidity of the Group.

As at the reporting date, the Group is party to a court proceeding which arose in the course of its ordinary activities; claims filed amount to RUB 127 million. The Group challenged the claims, as, in management's opinion, the associated contractual obligations were performed. The Group did not accrue any provisions for the claims, as it assessed the negative outcome to be unlikely.

24. Related party transactions

Details on the Group's structure, including subsidiaries and the holding company, are disclosed in Note 6. The table below shows total amounts of related party transactions performed during the financial periods ended 31 March 2019 and 31 March 2018, as well as outstanding balances with related parties as at 31 March 2019 and 31 March 2018.

	At 31 March	
Balances with related parties	**2019**	**2018**
Trade and other receivables from related parties	57 544	92 284
Trade and other payables to related parties	170 511	87 292
Associate		
Loans payable	44 000	-
Loans receivable	5 537	-

	Year ended 31 March	
Related party transactions	**2019**	**2018**
Sales to related parties	111 539	174 735
Purchases from related parties	560 025	331 935
Associate		
Interest accrued on loans received from related parties	3 320	-
Interest paid on loans received from related parties	(3 320)	-
Interest accrued on loans issued to related parties	81	3 147
Interest paid on loans issued to related parties	(44)	(3 244)
Key management personnel of the Group		
Interest accrued on loans received from related parties	-	534
Interest paid on loans received from related parties	-	(763)
Interest accrued on loans issued to related parties	459	55
Interest paid on loans issued to related parties	(459)	(793)

24. Related party transactions (continued)

On 25 January 2019, the Group and DAI LLC (an associate) entered into a loan agreement for RUB 5,5 million. The loan matures on 25 January 2020 and bears an interest rate of 8% p.a. At 31 March 2019, the outstanding amount of the loan was RUB 5,5 million.

On 3 October 2018, IBS Holding LLC (the ultimate parent) provided the Group with a loan of RUB 100 million. The loan matures on 29 December 2019 and bears an interest rate of 8% p.a. At 31 March 2019, the outstanding amount of the loan was RUB 44 million.

On 2 April 2018, the Group into an agreement to provide a loan of RUB 17 million to key management personnel. The loan matured on 30 September 2018 and bore an interest rate of 7,25% p.a. At 31 March 2019, the loan was repaid in full.

On 12 December and 20 December 2016, 7 February 2017 and 6 April 2017, the Group and SCAO LLC (an associate) entered into four loan agreements for RUB 2 000 thousand, RUB 4 000 thousand, RUB 5 400 thousand and RUB 2,000 thousand, respectively. The loans matured on 29 December and 31 December 2017, 31 January 2018 and 31 March 2018, respectively, and bore an interest rate of 10% p.a. At 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 million to key management personnel. The interest rate for the loan was 6,7% p.a. On 30 March 2017, the Group signed an additional agreement to extend the maturity until 31 July 2017. 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 entities under common control of the ultimate beneficiary, and provided technological, support and maintenance services.

For the year ended 31 March 2019, the Group acquired software licenses and subcontracted services from Medialogiya LLC (an entity under common control of the ultimate beneficiary) and Luxoft Professional LLC (an entity under common control of the ultimate beneficiary), as well as lease services from Frontline Com. LLC (an entity under common control of the ultimate beneficiary)

Terms and conditions of transactions with related parties

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. No guarantees were provided or received for any related party payables or receivables. 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	
	2019	**2018**
Short-term employee benefits	351 164	267 228

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 net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

The following provides information on the profit and number of shares used to calculate basic and diluted earnings per share.

	Year ended 31 March	
	2019	**2018**
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings (RUB thousand)	1 823 540	2 671 757
Weighted average number of ordinary shares for basic and diluted earnings per share	52 287 100	52 287 100
Basic and diluted earnings per share (RUB)	**34,88**	**51,10**

26. Made and declared distributions to shareholders

	Year ended 31 March	
Dividends to equity holders of the parent to be paid in cash	**2019**	**2018**
Dividends paid on ordinary shares (RUB 7.36 per share for the year ended 31 March 2018; RUB 65.45 per share for the year ended 31 March 2019)	3 422 000	385 000
Dividends declared on ordinary shares (RUB 7.36 per share for the year ended 31 March 2018; RUB 67.89 per share for the year ended 31 March 2019)	3 550 000	385 000

The balance of dividends payable to the ultimate parent at 31 March 2019 in the amount of RUB 128 million was repaid after the reporting date.

	Year ended 31 March	
Movements in retained earnings/(accumulated loss)	**2019**	**2018**
Retained earnings/(accumulated loss) at 1 April	**1 701 193**	**(585 564)**
Effect of transition to IFRS 15 and IFRS 9 (Note 2.4)	20 651	-
Retained earnings/(accumulated loss) at 1 April after transition to IFRS 15 and IFRS 9	**1 721 844**	**(585 564)**
Profit for the year	1 823 540	2 671 757
Dividends to be paid in cash	(3 550 000)	(385 000)
Acquisition of non-controlling interests	23 214	-
Retained earnings at 31 March	**18 598**	**1 701 193**

For the year ended 31 March 2019, net profit attributable to non-controlling participants recorded within finance expenses of the Group was RUB 7 392 thousand (year ended 31 March 2018: RUB 84 663 thousand).

During the year ended 31 March 2019, the Group paid dividends of RUB 56 115 thousand to non-controlling participants that were previously declared but not yet fully paid (Note 14.2).

27. Standards issued but not yet effective

The standards and interpretations that were issued, but are 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 16 Leases

IFRS 16 was issued in January 2016 and replaces 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 Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability from the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessors and lessees to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as at the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group plans to apply IFRS 16 using a modified retrospective approach, i.e. to apply it retrospectively only to the latest period presented in the financial statements.

27. Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

Using the modified retrospective approach, the Group will measure:

- The lease liability at the date of the initial application to lease contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the Group will not apply the standard to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4.
- The right-of-use asset at the date of the initial application to lease contracts that were previously identified as leases under IAS 17 and IFRIC 4. The Group will measure the right-of-use asset at an amount equal to the lease liability adjusted for lease payments made or accrued in advance under such leases recorded in the statement of financial position immediately before the date of the initial application.

The Group continues to assess the aggregate effect of IFRS 16 on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Group.

27. Standards issued but not yet effective (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

Since the Group does not operate in a complex multinational tax environment, it does not expect the interpretation to significantly affect its consolidated financial statements.

Amendment to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective for annual periods beginning on 1 January 2019, with earlier application permitted.

The amendments are not expected to have any impact on the Group’s consolidated financial statements.

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 conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, 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 indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The amendments are not expected to have any impact on the Group’s consolidated financial statements.

27. Standards issued but not yet effective (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

These amendments are not applicable to the Group.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

Since the Group does not have such long-term interests in its associate or joint venture, the amendments will not have any impact on its consolidated financial statements.

27. Standards issued but not yet effective (continued)

Annual Improvements 2015-2017 cycle (issued in December 2017) include the following amendments:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity should apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

Currently, these amendments are not applicable to the Group.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity should apply those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

Currently, these amendments are not applicable to the Group.

Amendment to IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity must apply these amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

These amendments will not have any impact on the Group’s consolidated financial statements.

27. Standards issued but not yet effective (continued)

Amendment to IAS 23 Borrowing Costs

The amendments clarify that an entity should treat as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity should apply those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity must apply these amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

These amendments are not applicable to the Group.

Amendments to IAS 1 and IAS 8 Definition of Material in October 2018

The IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments must be applied prospectively and are effective for annual reporting periods beginning on or after 1 January 2020. Early application is permitted and must be disclosed. Although the amendments to the definition of 'material' are not expected to have any significant impact on the Group's financial statements, the introduction of the term 'obscuring information' could potentially impact how materiality judgments are made in practice, by elevating the importance of how information is communicated and organized in the financial statements.

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.

27. Standards issued but not yet effective (continued)

The Conceptual Framework for Financial Reporting (continued)

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*, 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 any effect on the Group's consolidated financial statements as all of its transactions and operations are covered by the current IFRS.

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 five 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 14 July 2019, Luxoft Group entities ceased to be the Group's related parties following the sale of Luxoft Group by the ultimate beneficiary to third parties.

After the reporting date the Group acquired additional funding within the existing renewable credit facilities in UniCreditBank JSC and Rosbank PJSC.

The outstanding indebtedness as at date of signing the financial statements comprised amount of RUB 220 000 thousand and of RUB 165 000 thousand due to UniCreditBank JSC and Rosbank PJSC respectively with maturity period till 31 December 2019.