Report on Review of Interim Financial Information
Joint Stock Company "Leasing company "Europlan" and its subsidiaries
for the six-month period ended 30 June 2018

August 2018

Contents

Совершенствуя бизнес,
улучшаем мир

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Report on Review of Interim Financial Information

To the sole shareholder of
Joint Stock Company "Leasing company "Europlan"

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Joint Stock Company "Leasing company "Europlan" and its subsidiaries ("the Group"), which comprise the condensed interim consolidated statement of financial position as at 30 June 2018 and the related condensed interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

S.M. Taskaev
Partner
Ernst & Young LLC

23 August 2018

Details of the entity

Name: Joint Stock Company "Leasing company "Europlan"
Record made in the State Register of Legal Entities on 30 June 2017, State Registration Number 1177746637584.
Address: Russia 119049, Moscow, ul. Koroviy Val, 5, building 1.

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.

Condensed interim consolidated statement of financial position as at 30 June 2018 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	Note	30 June 2018	31 December 2017
Assets			
Cash and cash equivalents	6	1,024,500	782,720
Deposits in banks	7	50,185	251,619
Net investment in leases after impairment allowance	8	46,416,979	40,551,497
Assets purchased and advances to suppliers for lease operations	9	620,037	789,586
Debtors on leasing activity	10	17,247	13,964
Current income tax prepayment		124,371	8,555
VAT recoverable		876,522	777,182
Property and equipment	11	387,567	338,322
Other assets	12	835,210	989,912
Total assets		**50,352,618**	**44,503,357**
Liabilities			
Advances received from lessees		1,116,920	1,207,176
Borrowings	13	23,225,912	21,790,611
Bonds issued	14	12,537,580	9,693,895
Current income tax payable		6,896	37,281
Deferred tax liabilities	22	1,141,643	995,481
VAT payable		47,930	54,611
Other liabilities	15	1,762,149	1,597,784
Total liabilities		**39,839,030**	**35,376,839**
Equity			
Share capital	16	120,000	120,000
Retained earnings		10,393,588	9,006,518
Total equity		**10,513,588**	**9,126,518**
Total liabilities and equity		**50,352,618**	**44,503,357**

Approved for issue and signed on behalf of the Company on 23 August 2018.

Alexander Mikhaylov
CEO

Акционерное общество «Лизинговая компания «Европлан» ОГРН 1177746637584
JSC "LC "Europlan"
европлан
JSC "LC "Europlan"
МОСКВА

Lyudmila Teterikova
Vice-President, Finance

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

Condensed interim consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2018 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	Note	*For the six months ended* 30 June 2018	30 June 2017
Interest income	17	4,559,983	3,768,601
Interest expense	17	(1,783,667)	(1,482,335)
Net interest income		**2,776,316**	**2,286,266**
Other income, net	18	1,175,563	851,541
Income from operations		**3,951,879**	**3,137,807**
Net foreign exchange income		506	2,636
Total income from operations and finance income		**3,952,385**	**3,140,443**
Impairment charges on leasing assets	19	(50,875)	(67,829)
Impairment charges on other assets	19	(25,491)	2,861
Staff expenses	20	(1,592,015)	(1,327,818)
Other operating expenses	21	(520,674)	(313,843)
Other non-operating income		5,669	–
Profit before income tax		**1,768,999**	**1,433,814**
Income tax expence	22	(360,106)	(305,568)
Net profit		**1,408,893**	**1,128,246**
Other comprehensive income		–	–
Total comprehensive income for the period		**1,408,893**	**1,128,246**

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

Condensed interim consolidated statement of changes in equity

for the six months ended 30 June 2018 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	Note	Share capital	Retained earnings	Total equity
Balance as at 1 January 2017		**–**	**12,323,158**	**12,323,158**
Net profit		–	1,128,246	**1,128,246**
Other comprehensive income for the period		–	–	**–**
Total comprehensive income for the period		**–**	**1,128,246**	**1,128,246**
Effect of the reorganisation	3	120,000	(5,460,988)	**(5,340,988)**
Balance as at 30 June 2017		**120,000**	**7,990,416**	**8,110,416**
Balance as at 1 January 2018		**120,000**	**9,006,518**	**9,126,518**
Effect of transition to IFRS 9		–	(21,823)	**(21,823)**
Balance as at 1 January 2018 under IFRS 9		**120,000**	**8,984,695**	**9,104,695**
Net profit		–	1,408,893	**1,408,893**
Other comprehensive income for the period		–	–	**–**
Total comprehensive income for the period		**–**	**1,408,893**	**1,408,893**
Balance as at 30 June 2018		**120,000**	**10,393,588**	**10,513,588**

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

Condensed interim consolidated statement of cash flows

for the six months ended 30 June 2018 (unaudited)

(in thousands of Russian roubles, unless otherwise stated)

	For the six months ended	
	30 June 2018	***30 June 2017***
Cash flows from operating activities		
Interest received	4,071,620	3,418,800
Comissions received	599,246	465,793
Interest paid	(1,690,349)	(1,400,675)
Proceeds from disposal of repossessed assets	466,902	330,482
Cash paid to employees and payroll related taxes paid	(1,448,602)	(1,230,869)
Other operating expenses	(346,458)	(290,897)
Cash flows from operating activities before changes in working capital	**1,652,359**	**1,292,634**
Changes in operating assets/liabilities		
Deposits in banks	188,988	79,588
Net investment in leases	(5,908,554)	(5,019,691)
Advances on leasing activities	79,899	123,077
Debtors on leasing activity	104,599	17,908
Other assets	354,581	399,236
Other liabilities	34,596	(130,276)
Net cash flows used in operating activities before income tax	**(3,493,532)**	**(3,237,524)**
Income tax paid	(354,689)	(241,439)
Net cash flows used in operating activities	**(3,848,221)**	**(3,478,963)**
Cash flows from investing activities		
Proceeds from sale of property and equipment	1,169	11,666
Purchase of property and equipment	(96,524)	(39,309)
Net cash flows used in investing activities	**(95,355)**	**(27,643)**
Cash flows from financing activities		
Borrowings received	2,000,000	4,000,000
Borrowings repaid	(572,332)	(1,403,484)
Bonds issued	2,950,000	2,582,489
Bonds repaid	(192,000)	–
Cash outflow as a result of the reorganisation	–	(3,018,181)
Net cash flows from financing activities	**4,185,668**	**2,160,824**
Effect of exchange rate changes on cash and cash equivalents	66	38
Effect of expected credit losses changes on cash and cash equivalents	(378)	–
Net increase (decrease) in cash and cash equivalents	**241,780**	**(1,345,744)**
Cash and cash equivalents at the beginning of the period (Note 6)	782,720	8,473,335
Cash and cash equivalents at the end of the period (Note 6)	**1,024,500**	**7,127,591**

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

(in thousands of Russian roubles, unless otherwise stated)

1 Introduction

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") for the six months ended 30 June 2018 for Joint Stock Company "Leasing company "Europlan" (the "Company") and its subsidiaries (together referred to as the "Group").

In February 2017 the decision on reorganisation of the Company in the form of split-off of Joint Stock Company "Leasing company "Europlan" was accepted at the extraordinary general meeting of the shareholders of Public Joint Stock Company "Europlan" (PJSC "Europlan") (in August 2017 PJSC "Europlan" changed its name to Public Joint Stock Company "SAFMAR Financial investments"). On 30 June 2017, after the reorganisation was completed, all rights and obligations under the contracts on leasing activity concluded before the completion date of reorganisation were transferred to the separated company. The subsidiaries LLC "Europlan Auto", LLC "Europlan Lease Payments" and LLC "Europlan Service" as well as all bonds issues (issued and not issued) were also transferred to JSC "LC "Europlan".

JSC "LC "Europlan's" registered address is 5, Korovy Val st., Moscow, 119049, Russian Federation.

As at 30 June 2018 the immediate parent company of JSC "LC "Europlan" is PJSC "SFI". As at 30 June 2018 the main ultimate beneficiaries of the Group are Gutseriev Said Mikhaylovich and Gutseriev Mikail Safarbekovich with 46.81% и 11.63% shares, respectively (31 December 2017: 47.12% и 11.47% shares, respectively).

Details of the subsidiaries are as follows:

			Ownership %	
Name	***Country of incorporation***	***Principal activities***	***30 June 2018***	***31 December 2017***
LLC "Europlan Auto"	Russian Federation	Finance leases	100.00	100.00
LLC "Europlan Lease Payments"	Russian Federation	Insurance agent	100.00	100.00
LLC "Europlan Service"	Russian Federation	Other	100.00	100.00

The principal activity of the Group is leasing of various types of automobiles and equipment to individual entrepreneurs and legal entities within the Russian Federation. The Group purchases leasing assets from suppliers operating on the territory of the Russian Federation. The Group's principal place of business is the Russian Federation. During the period the Group provided its services via 74 offices (31 December 2017: 72). As at 30 June 2018 the number of employees was 1,916 (31 December 2017: 1,856).

2 Operating environment of the Group

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the risks on economic and financial markets of the Russian Federation, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The condensed interim consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group.

Management determines investment in lease impairment provisions by considering the economic situation and outlook at the end of the reporting period and applies the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

Although the future business environment may differ from management's assessment, management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies

Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements have been prepared under the historical cost convention except as disclosed in this section.

These condensed interim consolidated financial statements are presented in thousands of Russian roubles ("RUB"), except per share amounts and unless otherwise indicated.

Changes in accounting policies

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of annual condensed interim consolidated financial statements of JSC "LC "Europlan" for the year ended 31 December 2017, except for the adoption of new Standards effective as of 1 January 2018 and described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed below.

(a) Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a "hold to collect" basis are measured at amortised cost;
- Instruments that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, will be measured at FVPL.

The classification and measurement of financial liabilities remains largely unchanged from the current IAS 39 requirements.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment of net investment in leases by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all net invesment in leases and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has adopted a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group combines its financial assets into Stage 1, Stage 2, Stage 3, as described below:

Stage 1: When financial assets are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 financial assets also include facilities where the credit risk has decreased and the financial asset has been reclassified from Stage 2.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination (overdue 31 days and more, decrease of external rating by 2 and more notches), the Group records an allowance for the LTECL. Stage 2 financial assets also include facilities, where the credit risk has decreased and the financial asset has been reclassified from Stage 3.

Stage 3: Financial assets are considered credit-impaired. The Group records an allowance for the LTECL.

For financial assets the Group has no reasonable expectations of recovering either the entire outstanding amount or its proportion, the gross carrying amount of the financial asset is reduced. This is considered as a (partial) derecognition of the financial asset.

If there is an evidence of an increase in credit risk or impairment for at least one of the transactions with a counterparty, the entire counterparty portfolio should be assigned to the relevant stage (2 or 3).

The Group applies not only quantative, but also qualitative method for triggering a significant increase in credit risk for a financial asset. Regardless of the change in credit grades, if contractual payments for at least one of the transactions with a counterparty are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Group considers a financial instrument defaulted and therefore recognises it as Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments for at least one of the transactions with a counterparty, or there are other indicators of impairment.

The Group calculates ECL on a collective basis for all other classes of financial assets which it groups into homogeneous portfolios, based on a combination of internal and external characteristics of the assets.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

The key elements of the ECL calculations are outlined below:

PD — is a calculated estimate of the probability of default over a given time interval and is determined based on the risk-segment and the overdue group for a relevant period (12 months or the lifetime of an instrument (Lifetime PD)). Values are determined based on internal statistics using migration matrices (Markov Chains). Current and expected changes in the macroeconomic situation are used as forecast information. A default may happen over the assessed period, if the financial asset has not been previously derecognised and is still in the portfolio.

EAD — The amount of assets at risk (EAD) is an estimate of the exposure at default.

LGD — is the level of losses arising in the case where a default occurs and considering time value of money (discounting at effective interest rate). LGD is based on the difference between the contractual cash flows due and those that the Group receives and would expect to receive, taking into account the asset realisation experience. The values of LGD are determined using models developed on the basis of internal statistics.

The Group calculates the ECLs on the basis of three macroeconomic scenarios weighted by probability. When estimating the ECLs, the Group considers three macroeconomic scenarios (a base case, an upside and a downside. In its ECL models, the Group relies on information of the Ministry of Economic Development of the Russian Federation and the Central Bank of the Russian Federation as economic inputs.

Financial instruments with overdue more than 90 days, as well as financial instruments completed by notification (unilaterally on the initiative of the Group) irrespective of the period of overdue, are classified as defaulted.

(c) Effect of transition to IFRS 9

The following tables set out the impact of adopting IFRS 9 on the statement of financial position and retained earnings including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 ECL.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 measurement		*Reclas-*	*Remeasurement*		*IFRS 9 measurement*	
Financial assets	***Category***	***Amount***	***sification***	***ECL***	***Other***	***Amount***	***Category***
Cash and cash equivalents	L&R[1]	782,720	–	(464)	–	782,256	Amortised cost
Deposits in banks	L&R	251,619	–	(355)	–	251,264	Amortised cost
Net investment in leases after impairment allowance	L&R	40,551,497	–	(26,254)	–	40,525,243	Amortised cost
Assets purchased and advances to suppliers for lease operations	L&R	789,586	–	(433)	–	789,153	Amortised cost
Debtors on leasing activity	L&R	13,964	–	420	–	14,384	Amortised cost
Other financial asserts	L&R	85,508	–	(193)	–	85,315	Amortised cost
Total assets		**44,503,357**	**–**	**(27,279)**	**–**	**44,476,078**	
Total liabilities		**35,376,839**	**–**	**–**	**–**	**35,376,839**	

[1] L&R: Loans and receivables

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

The impact of transition to IFRS 9 on retained earnings is as follows:

	Retained earnings
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	**9,006,518**
Recognition of ECL under IFRS 9	(27,279)
Deferred tax in relation to the above	5,456
Opening balance under IFRS 9 (1 January 2018)	**8,984,695**
Total change in equity due to adopting IFRS 9	**(21,823)**

The following table reconciles the aggregate opening loan loss allowances under IAS 39 to the ECL allowances under IFRS 9.

	Loan loss allowance under IAS 39 / IAS 37 as at 31 December 2017	*Remeasurement*	*ECL under IFRS 9 as at 1 January 2018*
Impairment allowance			
Loans and receivables at amortised cost	(222,529)	(27,279)	(249,808)
Total impairment allowance on loans and receivables at amortised cost	**(222,529)**	**(27,279)**	**(249,808)**

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, and amended in April 2016, establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Group's revenue including interest income, gains/(losses) on operations with securities, lease income which are covered by IFRS 9 *Financial Instruments* and IAS 17 *Leases*. As a result, the majority of the Group's income are not impacted by the adoption of this standard.

Basis of consolidation

The Group was organised as a result of reorganisation under common control, during which PJSC "Europlan" transferred leasing activity business to JSC "LC "Europlan" registered on 30 June 2017. The reorganisation was accounted for using the pooling of interests method including comparative data on leasing activity, carved out from the consolidated financial statements of PJSC "Europlan".

Since leasing activity transferred was held by PJSC "Europlan" before the reorganisation, the Company used the following assumptions for carving out of assets and operations of transferred business from the financial statements of PJSC "Europlan":

- Assets, liabilities and operations of the subsidiaries LLC "Europlan Auto", LLC "Europlan Lease Payments" and LLC "Europlan Service", involved in leasing activity and transferred during the reorganisation, are reported in the consolidated financial statements of the Group at cost as in the previous parent company (PJSC "Europlan");
- Assets, liabilities and operations of PJSC "Europlan", related to leasing activity, are reported at their previous carrying values.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- 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(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date when control ceases to be. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Business combinations

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

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

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

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Business combinations (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, starting from the acquisition date, goodwill acquired in a business combination is allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these condensed interim consolidated financial statements at the carrying amounts of the transferring entity (the predecessor) at the date of the transfer. Related goodwill inherent in the predecessor's original acquisition is also recorded in these condensed interim consolidated financial statements. Any difference between the total book value of net assets, including the predecessor's goodwill, and the consideration paid is accounted for in these condensed interim consolidated financial statements as an adjustment to the shareholders' equity.

These condensed interim consolidated financial statements, including comparative data, are presented as if the subsidiaries had been acquired by the Group on the date they were originally acquired by the predecessor.

Fair value measurement

The Group measures financial instruments, such as trading and available-for-sale securities, derivatives and non-financial assets such as investment property, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 25.

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.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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 economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the condensed interim consolidated statement of profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand and highly liquid placements with banks with original maturities of up to 90 days. Funds placed for a period of more than 90 days are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost using the effective interest rate method.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the condensed interim consolidated statement of profit or loss as net gains/(losses) from trading securities or net gains/(losses) from foreign currencies, depending on the nature of the instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in profit or loss.

Hedge accounting

To qualify for hedge accounting in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, hedges must be highly effective. Derivatives used for hedging purposes are measured at fair value in the condensed interim consolidated statement of financial position.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Hedge accounting (continued)

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed for effectiveness on monthly basis. A hedge is regarded as highly effective if the changes in the fair value of cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the hedging period.

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised as other comprehensive income in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions, amounts due to customers, debt securities issued and other borrowed funds. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

Leases

Inception of the lease

The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

Commencement of the lease term

The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

Lease classification

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. All other leases are operating leases.

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Net investment in leases / finance income from leases

Net investment in leases is calculated as the aggregate of minimum lease payments net of reimbursable expenses, representing the amounts guaranteed by the lessee and any unguaranteed residual value (together gross investment in leases), discounted at the interest rate implicit in lease. The interest rate implicit in lease is the discount rate that, at the inception of lease, causes the present value of the gross investment in lease to be equal to the fair value of the leased asset.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Leases (continued)

The difference between the gross investment in leases and the net investment in leases represents unearned finance income. This income is recognised over the term of the lease using net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Initial direct transaction costs incurred by the lessor include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. For finance leases, initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Net investment in leases also includes equipment under installation if all the significant risks and rewards of ownership of leased assets are transferred to the lessee. The Group starts to accrue interest income from the commencement date.

Payments received by the Group from lessees are treated as advances received from lessees (a separate line within liabilities section) up to the commencement date of the lease when net investment in leases adjusted by payments received from lessees are recognised.

Any advances made to the supplier are recorded as advances to suppliers for lease operations.

Assets purchased for leasing purposes

Items purchased for leasing purposes represent assets purchased for subsequent transfer to lessees but not transferred at the reporting date. The assets are carried at the lower of cost and net realisable value.

Leased objects repossessed

Leased objects repossessed generally represent the assets repossessed by the Group from delinquent lessees under terminated finance lease contracts. The major types of assets held are cars, trucks and other equipment. When the Group takes possession of the collateral under terminated lease contracts, it measures the assets obtained at the lower of cost or net realisable value. When estimating the net realisable value the Group makes assumptions to assess the market values depending on the type of asset being assessed and then applies market realisation cost adjustments to certain types of assets for obsolescence, illiquidity and trade discounts expected.

Operating leases

Where the Group is a lessee in a lease, which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term.

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Measurement of financial instruments at initial recognition (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Group determines that the fair value at initial recognition differs from the transaction price, then:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- In all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Group recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognised.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the condensed interim consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the condensed interim consolidated statement of financial position.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of net investment in leases, debtors on leasing activities, loans to customers and other receivables

The Group reviews its net investment in lease ("NIL"), debtors on leasing activity, loans to customers and other receivables ("NIL and other receivables") to assess impairment on a regular basis. NIL and other receivables are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the NIL and other receivables and that event (or events) has had an impact on the estimated future cash flows of the assets that can be reliably estimated.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Objective evidence that financial assets are impaired can include default or delinquency by a lessee or other borrower, breach of contract conditions, restructuring of a contract or advance on terms that the Group would not otherwise consider, indications that a lessee or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for NIL and other receivables that are individually significant, and individually or collectively for NIL and other receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed NIL and other receivables, whether significant or not, it includes the NIL and other receivables in a group of NIL and other receivables with similar credit risk characteristics and collectively assesses them for impairment. NIL and other receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not collectively assessed for impairment.

If there is objective evidence that an impairment loss on NIL and other receivables has been incurred, the amount of the loss is measured as the difference between the carrying amount of NIL and other receivables and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at NIL or other receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on NIL and other receivables may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of NIL and other receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Uncollectible assets are written off against the related impairment loss allowance after all the necessary procedures to recover the receivable have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the other income account.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is reclassified from other comprehensive income to the condensed interim consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the condensed interim consolidated statement of profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the condensed interim consolidated statement of profit or loss.

Renegotiated lease agreements

Where possible, the Group seeks to restructure leases rather than to take possession of leased object. This may involve extending the payment arrangements and the agreement of new lease conditions.

The accounting treatment of such restructuring is as follows:

- If the currency of the leases has been changed the old leases are derecognised and the new leases are recognised;
- If the leases restructuring is not caused by the financial difficulties of the leasee the Group uses the same approach as for financial liabilities described below;
- If the leases restructuring is due to the financial difficulties of the leasee and the leases are impaired after restructuring, the Group recognises the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the allowance charges for the period. In case leases are not impaired after restructuring the Group recalculates the effective interest rate.

Once the terms have been renegotiated, the leases are no longer considered past due. Management continuously reviews renegotiated leases to ensure that all criteria are met and that future payments are likely to occur. The leases continue to be subject to an individual or collective impairment assessment, calculated using the leases' original or current effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them 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.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Russian Federation.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

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

Russia also has various operating taxes, that are assessed on the Group's activities. These taxes are included as a component of other operating expenses.

Value added tax ("VAT")

Output value added tax is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount due from the debtor, including VAT.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Taxation (continued)

VAT recoverable represents the amount of VAT paid on assets acquired for leasing purposes. This VAT is recoverable from lease payments of the lessees (sales VAT).

For the purpose of these condensed interim consolidated financial statements, VAT payable to the state is netted against VAT receivables from lessees and VAT recoverable on assets acquired for leasing purposes within each component of the Group.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of equipment items are capitalised and the replaced part is amortised. Gains and losses on disposals determined by comparing proceeds with the carrying amount are recognised in profit or loss. Costs related to repairs and renewals are charged as incurred and included in general and administrative expenses, unless they qualify for capitalisation.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Building	30 years
Computer equipment	5 years
Office equipment	5 years
Vehicles	5 years
Other equipment	5 years

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. Goodwill on an acquisition of a subsidiary is included in goodwill and other intangible assets. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than the operating segment as defined in IFRS 8 *Operating Segments* before aggregation.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Goodwill (continued)

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

Intangible assets other than goodwill

Intangible assets other than goodwill include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Group has no significant post-employment benefits.

Share capital

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the condensed interim consolidated financial statements are authorised for issue.

Contingencies

Contingent liabilities are not recognised in the condensed interim consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the condensed interim consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time

  Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

- Fee income from providing transaction services

  Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

Foreign currency translation

The condensed interim consolidated financial statements are presented in Russian roubles, which is the Group's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the condensed interim consolidated statement of profit or loss as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(in thousands of Russian roubles, unless otherwise stated)

3 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

Differences between the contractual exchange rate of a transaction in a foreign currency and the Central Bank exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official CBR exchange rates at 30 June 2018 and 31 December 2017, were 62.7565 roubles and 57.6002 roubles to 1 USD, respectively.

4 Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the condensed interim consolidated financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the condensed interim consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 25.

Allowance for net investment in leases and other receivables

The Group regularly reviews its net investment in leases and other receivables to assess impairment. The Group uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of net investment in leases and other receivables. The Group uses its experienced judgment to adjust observable data for a group of net investment in leases or other receivables to reflect current circumstances. The amount of allowance for impairment recognized in condensed interim consolidated statement of financial position at 30 June 2018 was RUB 310,849 thousand (31 December 2017: RUB 222,529 thousand).

5 Standards issued but not yet effective

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it 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 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 recognise 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 recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(in thousands of Russian roubles, unless otherwise stated)

5 Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

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 recognise 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 lessees and lessors 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 to assess the the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), 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.

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. The Group will assess the potential effect of IFRS 17 on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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.

An entity must 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 also addresses the assumptions an entity makes about the examination of tax treatments by taxation authorities, as well as how it considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

(in thousands of Russian roubles, unless otherwise stated)

6 Cash and cash equivalents

	30 June 2018	31 December 2017
Settlement accounts in banks	627,703	141,588
Term deposits in banks with original maturity up to 90 days	397,175	641,132
Cash and cash equivalents before impairment allowance	**1,024,878**	**782,720**
Impairment allowance	(378)	–
Total cash and cash equivalents	**1,024,500**	**782,720**

No settlement accounts in banks or term deposits in banks with original maturity up to 90 days are past due or impaired. The credit quality of cash and cash equivalent balances is based on Standard and Poor's ratings, or ratings of Moody's or Fitch, which are converted to the nearest equivalent to the Standard and Poor's ratings. Analysis by credit quality of settlement accounts in banks and term deposits in banks with original maturity up to 90 days is as follows:

	30 June 2018		31 December 2017	
	Settlement accounts in banks	Term deposits in banks with original maturity up to 90 days	Settlement accounts in banks	Term deposits in banks with original maturity up to 90 days
Neither past due nor impaired				
- Rated higher than BB+	35,124	396,508	57,711	475,484
- BB- to BB+ rated	592,464	667	62,408	165,648
- Rated lower than BB-	115	–	19,767	–
Unrated	–	–	1,702	–
Total cash and cash equivalents	**627,703**	**397,175**	**141,588**	**641,132**

As at 30 June 2018 and 31 December 2017 the Group does not have counterparties whose aggregate balances on settlement accounts in banks and term deposits in banks with original maturity up to 90 days exceed 10% of equity.

All balances of cash equivalents are allocated to Stage 1. The Stages are described in Note 3. An analysis of changes in the ECL allowances during the six months ended 30 June 2018 is as follows:

ECL allowance as at 1 January 2018	**(464)**
Impairment recovery	86
ECL allowance as at 30 June 2018	**(378)**

7 Deposits in banks

	30 June 2018	31 December 2017
Term deposits in banks with original maturity over 90 days before impairment allowance	50,268	251,619
Impairment allowance	(83)	–
Total deposits in banks	**50,185**	**251,619**

Deposits in banks as at 30 June 2018 were mainly deposits in RUB and had an average interest rate of 6.73% (31 December 2017: 7.88%). The maturity of these deposits is September 2018 (31 December 2017: March 2018).

All deposits in banks are neither past due nor impaired. The credit quality of the deposits in banks is based on Standard and Poor's ratings, or ratings of Moody's or Fitch, which are converted to the nearest equivalent to the Standard and Poor's ratings.

(in thousands of Russian roubles, unless otherwise stated)

7 Deposits in banks (continued)

Analysis by credit quality of deposits in banks is as follows:

	30 June 2018	*31 December 2017*
BB- to BB+ rated	50,185	251,619
Total deposits in banks	**50,185**	**251,619**

As at 30 June 2018 and 31 December 2017 the Group does not have counterparties, whose aggregate balances exceed 10% of equity.

All balances of deposits in banks are allocated to Stage 1. The Stages are described in Note 3. An analysis of changes in the ECL allowances during the six months ended 30 June 2018 is as follows:

ECL allowance as at 1 January 2018	**(355)**
Impairment recovery	272
ECL allowance as at 30 June 2018	**(83)**

8 Net investment in leases after impairment allowance

As at 30 June 2018 and 31 December 2017 net investment in leases comprises:

	30 June 2018	*31 December 2017*
Gross investment in leases	**57,486,371**	**50,755,235**
Unearned finance income	(10,825,185)	(10,030,461)
Net investment in leases before impairment allowance	**46,661,186**	**40,724,774**
Impairment allowance		
Total net investment in leases after impairment allowance	(244,207)	(173,277)
Gross investment in leases	**46,416,979**	**40,551,497**

Finance lease payments receivable (gross investment in leases) and their present values are as follows:

	Due in 1 year	*Due between 1 and 5 years*	*Total*
Gross investment in leases as at 30 June 2018	**33,365,416**	**24,120,955**	**57,486,371**
Unearned finance income	(2,901,051)	(7,924,134)	**(10,825,185)**
Impairment allowance	(139,778)	(104,429)	**(244,207)**
Net investment in leases after impairment allowance as at 30 June 2018	**30,324,587**	**16,092,392**	**46,416,979**

	Due in 1 year	*Due between 1 and 5 years*	*Total*
Gross investment in leases as at 31 December 2017	**29,204,722**	**21,550,513**	**50,755,235**
Unearned finance income	(2,679,817)	(7,350,644)	**(10,030,461)**
Impairment allowance	(95,963)	(77,314)	**(173,277)**
Net investment in leases after impairment allowance as at 31 December 2017	**26,428,942**	**14,122,555**	**40,551,497**

(in thousands of Russian roubles, unless otherwise stated)

8 Net investment in leases after impairment allowance (continued)

Movements in the impairment allowance for net investment in leases by types of leased assets for the six months ended 30 June 2018 are as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Vehicles				
Impairment allowance as at 1 January 2018	**(168,370)**	**(8,025)**	**(9,774)**	**(186,169)**
Transfers to Stage 1	(3,008)	2,953	55	–
Transfers to Stage 2	4,654	(4,656)	2	–
Transfers to Stage 3	354	155	(509)	–
Impairment charges	(40,294)	(1,285)	(3,513)	**(45,092)**
Written off	7,692	25	84	**7,801**
Impairment allowance as at 30 June 2018	**(198,972)**	**(10,833)**	**(13,655)**	**(223,460)**
Mobile machinery and other				
Impairment allowance as at 1 January 2018	**(12,411)**	**(314)**	**(637)**	**(13,362)**
Transfers to Stage 1	(18)	18	–	–
Transfers to Stage 2	278	(278)	–	–
Transfers to Stage 3	18	86	(104)	–
Impairment charges	(6,296)	(132)	(957)	(7,385)
Impairment allowance as at 30 June 2018	**(18,429)**	**(620)**	**(1,698)**	**(20,747)**

The Stages are described in Note 3.

Movements in the impairment allowance for net investment in leases by types of leased assets for the six months ended 30 June 2017 are as follows (according to IAS 39):

	Vehicles	*Mobile machinery and other*	*Total*
Impairment allowance as at 1 January 2017	**(106,813)**	**(9,942)**	**(116,755)**
Impairment charges	(83,685)	(1,128)	**(84,813)**
Written off	28,291	–	**28,291**
Impairment allowance as at 30 June 2017	**(162,207)**	**(11,070)**	**(173,277)**

The lessees of the Group are divided into 4 rating groups for credit quality analysis. The Group's rating scale reflects the credit quality of net investment in leases.

Prime credit rating: the lowest level of credit risk is attributable to the lessee and the leasing transaction.

Strong credit rating: high creditworthiness lessee and low risk for the Group.

Acceptable credit rating: average risk assigned to lessee and the leasing transaction.

Sufficient credit rating: the credit risk is higher than average.

The assigned ratings are under constant review and are regularly updated.

(in thousands of Russian roubles, unless otherwise stated)

8 Net investment in leases after impairment allowance (continued)

Analysis by credit quality of net investment in leases as at 30 June 2018 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Vehicles				
- Prime	7,939,294	28,048	1,910	**7,969,252**
- Strong	16,750,865	163,978	31,725	**16,946,568**
- Acceptable	16,617,914	364,031	61,425	**17,043,370**
- Sufficient	1,116,390	27,401	35	**1,143,826**
Net investment in leases before impairment allowance	**42,424,463**	**583,458**	**95,095**	**43,103,016**
Impairment allowance	(198,972)	(10,833)	(13,655)	**(223,460)**
Total net investment in leases after reserves	**42,225,491**	**572,625**	**81,440**	**42,879,556**
Mobile machinery and other				
- Prime	722,370	–	559	**722,929**
- Strong	1,726,260	59,941	491	**1,786,692**
- Acceptable	990,413	5,462	4,432	**1,000,307**
- Sufficient	47,886	229	127	**48,242**
Net investment in leases before impairment allowance	**3,486,929**	**65,632**	**5,609**	**3,558,170**
Impairment allowance	(18,428)	(620)	(1,699)	**(20,747)**
Total net investment in leases after reserves	**3,468,501**	**65,012**	**3,910**	**3,537,423**

Analysis by credit quality of net investment in leases as at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	*31 December 2017*
Not past due and less than 60 days overdue (gross)		
- Prime	8,691,625	8,210,686
- Strong	18,717,527	16,501,885
- Acceptable	18,023,509	14,932,249
- Sufficient	1,191,473	1,059,583
Total not past due and less than 60 days overdue (gross)	**46,624,134**	**40,704,403**
Past due (gross)		
- 61 days to 90 days overdue	12,279	8,008
- 91 days to 180 days overdue	20,354	8,249
- 181 days to 365 days overdue	2,093	774
- over 365 days overdue	2,326	3,340
Total past due (gross)	**37,052**	**20,371**
Impairment allowance	(244,207)	(173,277)
Total net investment in leases after impairment allowance	**46,416,979**	**40,551,497**

The Group normally structures its finance lease contracts so that the lessee makes an average prepayment of 25% of the asset purchase price at the beginning of the lease term. The Group holds the title to the asset during the lease term.

Risks related to the leased asset such as damage caused by various reasons and theft are insured. The beneficiary under the insurance policy in case of total loss or theft is the Group.

Estimates of collateral value are based on the value of collateral assessed at the time of lease origination, and generally are not updated except when a lease is individually assessed as impaired.

(in thousands of Russian roubles, unless otherwise stated)

8 Net investment in leases after impairment allowance (continued)

Economic sector risk concentrations of net investment in leases are as follows:

	30 June 2018		31 December 2017	
	Amount	%	Amount	%
Automobile manufacturing and service	10,116,315	21.68	7,044,674	17.30
Goods transportation & logistics	8,829,121	18.92	8,056,533	19.78
Construction	5,930,139	12.71	4,821,125	11.84
Manufacturing activity	2,333,753	5.00	1,656,392	4.07
Agriculture	1,820,979	3.90	1,693,105	4.16
Wholesale operations – raw materials	1,643,378	3.52	2,101,976	5.16
Wholesale operations – foods	1,510,902	3.24	1,701,921	4.18
Leasing	1,440,624	3.09	1,119,506	2.75
Other services	1,350,299	2.89	878,121	2.16
Production of food and drinks	1,198,288	2.57	1,375,545	3.38
Real estate operations	1,038,366	2.23	938,544	2.30
IT and science	928,712	1.99	689,091	1.69
Pharmaceutical industry	881,745	1.89	1,071,079	2.63
Electricity, gas and water production	709,510	1.52	479,231	1.18
Other industries	6,929,055	14.85	7,097,931	17.42
Net investment in leases before impairment allowance	**46,661,186**	**100.00**	**40,724,774**	**100.00**

As at 30 June 2018 and 31 December 2017 the Group does not have lessees, the aggregate balances of which exceed 10% of equity.

9 Assets purchased and advances to suppliers for lease operations

Assets purchased for lease operations represent assets which will be subsequently transferred to lessees. Advances to suppliers for lease operations represent payments to suppliers for assets which will be subsequently transferred to lessees. In accordance with the Russian Civil Code, the lessor is not liable to the lessee if the supplier fails to fulfil its obligations under the asset sales contract when the lessee chooses the supplier.

The Group is exposed to financial risks in relation to assets purchased for leasing purposes and advances to suppliers for lease operations as these assets represent the first stage of settlements under the leasing contracts which are performed after inception of the lease.

	30 June 2018	31 December 2017
Assets purchased for lease operations	124,902	114,779
Advances to suppliers for lease operations	502,048	682,066
Impairment allowance	(6,913)	(7,259)
Total assets purchased and advances to suppliers for lease operations	**620,037**	**789,586**

(in thousands of Russian roubles, unless otherwise stated)

9 Assets purchased and advances to suppliers for lease operations (continued)

Movements in the impairment allowance for the six months ended 30 June 2018 and 30 June 2017 are as follows:

	For the six months ended				
	30 June 2018				*30 June 2017*
	Stage 1	*Stage 2*	*Stage 3*	*Total*	*Total*
Impairment allowance as at 1 January	**(144)**	**(4)**	**(7,544)**	**(7,692)**	**(6,538)**
Transfers to Stage 3	–	1	(1)	**–**	**–**
Impairment recovery	101	2	676	**779**	**2,861**
Written off	–	–	–	**–**	**224**
Impairment allowance as at 30 June	**(43)**	**(1)**	**(6,869)**	**(6,913)**	**(3,453)**

The Stages are described in Note 3.

Analysis by credit quality of advances to suppliers for lease operations as at 30 June 2018 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Advances to suppliers for lease operations	477,520	11,600	12,928	**502,048**
Impairment allowance	(43)	(1)	(6,869)	**(6,913)**
Total advances to suppliers for lease operations after impairment allowance	**477,477**	**11,599**	**6,059**	**495,135**

Analysis by credit quality of advances to suppliers for lease operations as at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	*31 December 2017*
Advances to suppliers for lease operations		
Neither past due nor impaired	**299,386**	**349,344**
Past due		
- less than 90 days overdue	196,772	321,201
- 91 days to 180 days overdue	73	4,451
- 181 days to 365 days overdue	5,025	3,791
- over 365 days overdue	792	3,279
Total past due	**202,662**	**332,722**
Impairment allowance	(6,913)	(7,259)
Total advances to suppliers for lease operations	**620,037**	**674,807**

10 Debtors on leasing activity

Debtors on leasing activity consist of accounts receivable on terminated lease agreements.

	30 June 2018	*31 December 2017*
Debtors on leasing activity	49,694	55,957
Impairment allowance	(32,447)	(41,993)
Total debtors on leasing activity	**17,247**	**13,964**

(in thousands of Russian roubles, unless otherwise stated)

10 Debtors on leasing activity (continued)

Movements in the impairment allowance for debtors on leasing activity for the six months ended 30 June 2018 and 30 June 2017 are as follows. The comparative information for the six months ended 30 June 2017 represent movements in the impairment allowance for debtors on leasing activity under IAS 39. The Stages are described in Note 3.

	For the six months ended				
	30 June 2018				*30 June 2017*
	Stage 1	*Stage 2*	*Stage 3*	*Total*	*Total*
Impairment allowance as at 1 January	**(217)**	**(122)**	**(41,234)**	**(41,573)**	**(95,034)**
Transfers to Stage 3	4	–	(4)	–	–
Impairment (charges) recovery	(6,898)	(260)	8,760	**1,602**	**(29,964)**
Written off	7,101	214	209	**7,524**	**38,295**
Impairment allowance as at 30 June	**(10)**	**(168)**	**(32,269)**	**(32,447)**	**(86,703)**

Analysis by credit quality of debtors on leasing activity as at 30 June 2018 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Debtors on leasing activity	3,097	4,889	41,708	**49,694**
Impairment allowance	(11)	(168)	(32,268)	**(32,447)**
Total debtors on leasing activity after impairment allowance	**3,086**	**4,721**	**9,440**	**17,247**

Analysis by credit quality of debtors on leasing activity as at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	*31 December 2017*
Not past due and less than 60 days overdue	7,203	7,229
Past due		
- 61 days to 90 days overdue	3,519	2,851
- 91 days to 180 days overdue	5,661	12,626
- 181 days to 365 days overdue	10,949	16,385
- over 365 days overdue	22,362	16,866
Total debtors on leasing actitvity	**49,694**	**55,957**
Impairment allowance	(32,447)	(41,993)
Total debtors on leasing actitvity after impairment allowance	**17,247**	**13,964**

The following table provides information on collateral securing debtors on leasing activity (net), by types of collateral (excluding the effect of overcollateralisation):

	30 June 2018	*31 December 2017*
Vehicles	16,571	12,895
Mobile machinery and other	676	1,069
Total debtors on leasing activity	**17,247**	**13,964**

The amounts shown in the table above represent the net carrying amount of the debtors on leasing activity, and do not necessarily represent the fair value of the collateral.

(in thousands of Russian roubles, unless otherwise stated)

11 Property and equipment

The movements in property and equipment for the six months ended 30 June 2018 and 30 June 2017 were as follows:

	Cars	*Computer equipment*	*Office equipment*	*Buildings and lands*	*Other*	*Capital expenditure*	*Total property and equipment*
Cost							
1 January 2017	**100,616**	**247,408**	**132,214**	**148,043**	**58,821**	**41**	**687,143**
Additions	2,613	–	–	–	36,696	–	**39,309**
Disposals	(16,752)	(1,483)	(6,733)	–	(282)	–	**(25,250)**
30 June 2017	**86,477**	**245,925**	**125,481**	**148,043**	**95,235**	**41**	**701,202**
1 January 2018	**95,085**	**269,069**	**129,619**	**148,043**	**64,926**	**10,588**	**717,330**
Additions	19,211	33,842	26,505	–	16,966	–	**96,524**
Disposals	(1,550)	(33,371)	(12,143)	–	(2,432)	–	**(49,496)**
Transfer between categories	–	10,055	–	–	510	(10,565)	**–**
Transfer from other assets	699	–	–	–	–	–	**699**
30 June 2018	**113,445**	**279,595**	**143,981**	**148,043**	**79,970**	**23**	**765,057**
Accumulated depreciation							
1 January 2017	**(69,113)**	**(140,100)**	**(87,731)**	**(25,957)**	**(36,376)**	**–**	**(359,277)**
Depreciation charge	(6,226)	(18,658)	(8,104)	(2,628)	(5,700)	–	**(41,316)**
Disposals	15,129	1,311	4,672	–	276	–	**21,388**
30 June 2017	**(60,210)**	**(157,447)**	**(91,163)**	**(28,585)**	**(41,800)**	**–**	**(379,205)**
1 January 2018	**(48,614)**	**(163,953)**	**(95,161)**	**(31,213)**	**(40,067)**	**–**	**(379,008)**
Depreciation charge	(7,882)	(25,156)	(8,426)	(2,628)	(1,313)	–	**(45,405)**
Disposals	1,550	32,440	10,843	–	2,090	–	**46,923**
30 June 2018	**(54,946)**	**(156,669)**	**(92,744)**	**(33,841)**	**(39,290)**	**–**	**(377,490)**
Carrying amount							
1 January 2017	**31,503**	**107,308**	**44,483**	**122,086**	**22,445**	**41**	**327,866**
31 December 2017	**46,471**	**105,116**	**34,458**	**116,830**	**24,859**	**10,588**	**338,322**
30 June 2018	**58,499**	**122,926**	**51,237**	**114,202**	**40,680**	**23**	**387,567**

(in thousands of Russian roubles, unless otherwise stated)

12 Other assets

	30 June 2018	*31 December 2017*
Other financial assets		
Insurance agency fee receivable	53,442	18,072
Settlements with counterparties	–	44,701
Other	33,686	22,735
Impairment allowance	(181)	–
Total other financial assets	**86,947**	**85,508**
Other non-financial assets		
Prepaid insurance cost	312,084	287,514
Leased objects repossessed/returned	192,991	220,625
Intangible assets	76,423	88,460
Deferred expenses	75,170	65,368
Advance payments to counterparties	63,803	207,682
Prepaid taxes other than income tax	12,019	7,647
Other	15,773	27,108
Total other non-financial assets	**748,263**	**904,404**
Total other assets	**835,210**	**989,912**

Leased objects repossessed are assets repossessed by the Group from delinquent lessees under cancelled finance lease contracts. These leased objects repossessed are recognised at lower of their cost or net realisable value.

Other financial assets are classified as Stage 1. The Stages are described in Note 3. An analysis of changes in the ECL allowances during the six months ended 30 June 2018 is as follows:

ECL allowance as at 1 January 2018	**(193)**
Impairment recovery	12
ECL allowance as at 30 June 2018	**(181)**

13 Borrowings

As at 30 June 2018 borrowings in the amount of RUB 23,225,912 thousand (31 December 2017: RUB 21,790,611 thousand) are loans attracted from banks registered on the territory of the Russian Federation.

As at 30 June 2018 the Group has two counterparties (31 December 2017: three counterparties), the aggregate amount of borrowings from which individually exceed 10% of equity. The gross value of these borrowings as at 30 June 2018 is RUB 21,325,527 thousand (31 December 2017: RUB 21,790,611 thousand).

As at 30 June 2018 net investment in leases before impairment allowance in the amount of RUB 18,534,602 thousand (31 December 2017: RUB 17,060,338 thousand) were pledged as collateral for borrowings amounting to RUB 21,520,224 thousand (31 December 2017: RUB 19,722,716 thousand).

(in thousands of Russian roubles, unless otherwise stated)

14 Bonds issued

Bonds issued comprise the following:

	Date of placement	Maturity	Interest rate as at 30 June 2018	Interest rate as at 31 December 2017	30 June 2018	31 December 2017
Series 04	February 2013	February 2019	12.00%	12.00%	1,094,669	1,082,198
Series 05	April 2013	March 2019	8.75%	12.50%	1,533,072	1,444,213
Series BO-01	October 2013	September 2019	12.50%	12.50%	2,058,057	2,056,211
Series BO-02	August 2015	August 2021	10.50%	–	2,740,935	–
Series BO-07	October 2016	September 2026	11.75%	11.75%	5,110,847	5,111,273
Total bonds issued					**12,537,580**	**9,693,895**

In April 2016 the Group redeemed the bonds of the series 05 with nominal value of RUB 1,500,000 thousand prior to its maturity, and, in May-June 2016 the bonds of the series 05 with nominal value of RUB 1,400,000 thousand and in March 2018 the bonds of the series 05 with nominal value of RUB 100,000 thousand were realised again.

In August 2017 the Group redeemed the bonds of the series BO-02 with nominal value of RUB 598,150 thousand prior to its maturity, and, in December 2017 the Group redeemed the bonds of the series BO-02 with nominal value of RUB 2,101,850 thousand by agreement with the bondholders, and, in February-June 2018 the bonds of the series BO-02 with nominal value of RUB 2,650,000 thousand were realised again.

Bonds issued may be repaid by the Group ahead of schedule at the discretion of the bondholders in 2018-2019 within the framework of planned offers, as well as by agreement with the bondholders.

15 Other liabilities

Other liabilities comprise the following:

	30 June 2018	31 December 2017
Other financial liabilities		
Settlements with insurance companies	366,428	356,283
Settlements with counterparties	231,692	217,309
Settlements with employees	103,084	662
Accrued expenses	6,849	4,599
Total other financial liabilities	**708,053**	**578,853**
Other non-financial liabilities		
Deferred remuneration to employees	838,720	890,499
Taxes payable other than income tax	155,788	94,153
Legal claims provision	26,640	–
Deferred income	15,210	25,946
Other liabilities	17,738	8,333
Total other non-financial liabilities	**1,054,096**	**1,018,931**
Total other liabilities	**1,762,149**	**1,597,784**

(in thousands of Russian roubles, unless otherwise stated)

16 Share capital

In June 2017 PJSC "Europlan" have been reorganised in the form of split-off of Joint Stock Company "Leasing company "Europlan". The issued share capital of JSC "LC "Europlan" in the amount of RUB 120,000 thousand comprises 120,000,000 ordinary shares with nominal value of RUB 1 each, as a result of the reorganisation.

During the six months ended 30 June 2018 and 30 June 2017 no dividends were paid by the Group.

17 Interest income and expense

Interest income and expense are as follows:

	For the six months ended	
	30 June 2018	***30 June 2017***
Interest income		
Net investment in leases	4,527,911	3,256,611
Deposits in banks	31,297	511,990
Other assets	775	–
Total interest income	**4,559,983**	**3,768,601**
Interest expense		
Borrowings	(1,168,982)	(669,115)
Bonds issued	(614,685)	(813,220)
Total interest expense	**(1,783,667)**	**(1,482,335)**
Total net interest income	**2,776,316**	**2,286,266**

As at 30 June 2018 interest income accrued on impaired net investment in leases comprised RUB 2,250 thousand (31 December 2017: RUB 1,116 thousand).

18 Other income, net

Other income, net is as follows:

	For the six months ended	
	30 June 2018	***30 June 2017***
Revenues from sale of lease objects repossessed	466,902	330,482
Cost of leased objects repossessed	(379,985)	(223,250)
Net result from sale of leased objects repossessed	**86,917**	**107,232**
Insurance agency fee income	634,616	437,321
Revenues from services provided to lessees	303,946	275,624
Other gains from lease activities	167,095	60,569
Expenses on leased objects repossessed/returned	(17,121)	(22,576)
Impairment of leased objects repossessed	(6,672)	(5,084)
Other income (losses)	6,782	(1,545)
Other income less losses	**1,088,646**	**744,309**
Total other income, net	**1,175,563**	**851,541**

(in thousands of Russian roubles, unless otherwise stated)

19 Impairment charges

Impairment charges are as follows:

	For the six months ended	
	30 June 2018	***30 June 2017***
Impairment charges on leasing assets		
Net investment in leases impairment charges, net	(52,477)	(37,865)
Debtors on leasing activity impairment recovery (charges), net	1,602	(29,964)
Total impairment charges on leasing assets	**(50,875)**	**(67,829)**
Impairment charges on other assets		
Cash and cash equivalents impairment recovery, net	86	–
Deposits in banks impairment recovery, net	272	–
Assets purchased and advances to suppliers for lease operations impairment recovery, net	779	2,861
Other assets impairment recovery, net	12	–
Legal claims provision impairment charges, net	(26,640)	–
Total impairment charges on other assets	**(25,491)**	**2,861**
Total impairment charges	**(76,366)**	**(64,968)**

20 Staff expenses

Staff expenses are as follows:

	For the six months ended	
	30 June 2018	***30 June 2017***
Employee compensation	(1,239,570)	(1,005,632)
Payroll related taxes	(311,098)	(295,346)
Other staff expenses	(41,347)	(26,840)
Total staff expenses	**(1,592,015)**	**(1,327,818)**

21 Other operating expenses

Other operating expenses are as follows:

	For the six months ended	
	30 June 2018	***30 June 2017***
Office maintenance	(217,321)	(96,758)
General business expenses and other administrative expenses	(106,029)	(84,715)
Advertisement and marketing	(104,814)	(46,641)
Depreciation of property and equipment	(45,405)	(41,316)
Professional services	(16,096)	(16,099)
Amortisation of intangible assets	(14,492)	(14,351)
Communication	(12,642)	(12,919)
Other	(3,875)	(1,044)
Total other operating expenses	**(520,674)**	**(313,843)**

(in thousands of Russian roubles, unless otherwise stated)

22 Income tax

Income tax expense recorded in profit or loss for the period comprises the following:

	For the six months ended 30 June 2018	*For the six months ended 30 June 2017*
Current tax charge	(208,488)	(217,420)
Deferred tax charge	(151,618)	(88,148)
Total income tax expense	**(360,106)**	**(305,568)**

Current income tax rate applicable to the majority of the Group's income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

	For the six months ended 30 June 2018	*For the six months ended 30 June 2017*
Profit before income tax	**1,768,999**	**1,433,814**
Theoretical tax charge – the Russian Federation statutory rate: 20%	**(353,800)**	**(286,763)**
Non-deductible expenses and other permanent differences	(6,306)	(18,805)
Income tax expense	**(360,106)**	**(305,568)**

The effective income tax rate for the six months ended 30 June 2018 is 20% (30 June 2017: 21%).

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20%.

	1 January 2018	*Recognised in profit or loss*	*Effect of transition to IFRS 9*	*30 June 2018*
Other assets	67,750	97,638	289	165,677
Other liabilities	181,869	(11,083)	–	170,786
Deferred income tax asset	**249,619**	**86,555**	**289**	**336,463**
Net investment in leases after impairment allowance	(1,185,819)	(250,886)	5,167	(1,431,538)
Property and equipment	(34,965)	(4,286)	–	(39,251)
Borrowings	(24,316)	16,999	–	(7,317)
Deferred income tax liabilities	**(1,245,100)**	**(238,173)**	**5,167**	**(1,478,106)**
Net deferred income tax liabilities	**(995,481)**	**(151,618)**	**5,456**	**(1,141,643)**

	1 January 2017	*Recognised in profit or loss*	*30 June 2017*
Other assets	168,983	(168,983)	–
Other liabilities	80,597	(25,257)	55,340
Deferred income tax asset	**249,580**	**(194,240)**	**55,340**
Net investment in leases after impairment allowance	(1,120,044)	108,756	(1,011,288)
Property and equipment	(38,931)	5,883	(33,048)
Other assets	–	(8,482)	(8,482)
Borrowings	(18,972)	(65)	(19,037)
Deferred income tax liabilities	**(1,177,947)**	**106,092**	**(1,071,855)**
Net deferred income tax liabilities	**(928,367)**	**(88,148)**	**(1,016,515)**

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management

The risk management function within the Group is carried out in respect of financial risks (credit, market, and liquidity risks), operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Risk management structure

Risk management functions are implemented at all corporate governance levels and are allocated as follows.

The Executive committee for leasing activities ensures the implementation of strategy, approves the risk management policy, allocates the risk management functions between the governance bodies and business units of the Group and controls their performance. The responsibilities of the Executive committee include the approval of total risk limits by type of risk and type of business. The Executive committee reviews risk level reports on a regular basis and reallocates the risk limits where necessary.

Risk Management Department is responsible for:

- Consideration and structuring of applications for new leasing limits, supporting of applications approval by the Executive committee;
- Preparing internal documents on the risk management procedures, including the identification, evaluation and control of risks;
- Independent analyses and evaluation of all types of risk to which the Group is exposed, including risks associated with its lease portfolio;
- Determining categories of credit risks;
- Independent monitoring of the financial and business position of clients (corporate customers, middle market customers and small-business customers);
- Evaluating and monitoring of assets leased out (collateral).

The Credit Committee is responsible for:

- Review and approval of limits for finance lease contracts;
- Determination and approval of the terms of leasing products;
- Determination of categories of credit risks;
- Establishing requirements to assets and equipment leased out (collateral).

The Treasury Department is responsible for management of foreign currency risk, liquidity risk and interest rate risk.

The Portfolio Assets Department is responsible for notification of the customers about overdue lease payments (early collection) and monitoring the repayment of overdue net investment in leases.

Used Vehicles Sales Department is responsible for sale of problem assets.

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)

Risk management strategy

The risk management strategy is approved by the Company's Management board. The objective of this strategy is to define standards for the composition of the leasing portfolio with regard to the exposure to certain industries and to define specific underwriting criteria, in particular with regard to the structure of risk limits and assets leased out (collateral). The credit policies utilise pre-defined customer profiles and scorecards which allow the risk originating units to efficiently evaluate risks associated with potential customers.

The decision whether or not to conclude a leasing contract with small and medium businesses depends primarily on the lessee's credit quality as reflected by the credit rating assigned under the internal rating system and leasing object provided in the transaction. In assigning such a rating, the Group considers factors such as the customer's financial position, the market in which the customer operates, the marketability of the customer's products and the customer's management syste.

The decision-making process is centralised in the Head office.

All business processes starting from the initiation of the project and ending with a proposed agreement approval (or rejection in funding) are fully automated in the Front Office Automation System (the "FOAS").

The Group applied the following approach to collateralised assets:

- The Group is the owner of the leased property;
- The Group funds liquid and highly liquid property (illiquid assets are not funded);
- The lessee is required to make a down payment on the lease agreement.

Additional collateral may be presented by:

- Corporate guarantee/surety;
- Personal guarantee of an owner/director.

There are procedures in place that help to determine acceptability and the amount of collateral depending on the type of transaction, and the procedures of monitoring of the fair value of the collateral, which include the request of additional collateral in case of impairment of the current collateral. In order to mitigate the risks, the Group requires insurance of the leased asset.

Lease approval policies and procedures

A basic feature of the lease application process is a clear separation between business origination and risk management activities. Risk assessments are performed by the business origination and the risk management units.

The credit quality group depends on the client's financial performance, the liquidity of the leased property, the client's share in the project and the availability of additional collateral. The subsequent support and monitoring of the lease transactions are carried out by client managers, managers of the payment control department, monitoring experts (debt servicing monitoring), credit experts (financial performance monitoring) and property risk assessment managers (leased assets monitoring).

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one lessee, or groups of related lessees. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)

Credit risk (continued)

The Group holds collateral against net investment in leases and loans to customers. Estimates of value are based on the value assessed at the time of concluding the finance lease and loan agreement, and generally are not updated.

Credit quality per class of the following assets is disclosed in respective notes: Net investment in leases after impairment allowance – in the Note 8.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity is managed on a continuous basis and is designed to establish and maintain a diversified funding base. Liquidity risk is managed by the Treasury Department.

The Treasury Department performs day-to-day management of liquidity risk designed to maintain current and medium-term liquidity. Key management tools include the daily and long-term cash-flows planning, liquidity gap analysis and establishing portfolios (reserves) of liquid assets at different levels.

The table below shows financial liabilities as at 30 June 2018 and 31 December 2017 by their remaining contractual maturities. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the condensed interim consolidated statement of financial position because the amount in the condensed interim consolidated statement of financial position is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The undiscounted maturity analysis of financial liabilities as at 30 June 2018 is as follows:

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 12 months to 5 years*	*Over 5 years*	*Total*
Advances received from lessees	806,221	310,699	–	–	–	**1,116,920**
Borrowings	231,416	2,273,140	4,741,767	19,928,385	–	**27,174,708**
Bonds issued	–	4,943,871	2,236,867	5,232,150	3,525,325	**15,938,213**
Other financial liabilities	701,204	4,334	2,515	–	–	**708,053**
Total potential future payments for financial liabilities	**1,738,841**	**7,532,044**	**6,981,149**	**25,160,535**	**3,525,325**	**44,937,894**

The undiscounted maturity analysis of financial liabilities as at 31 December 2017 is as follows:

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 12 months to 5 years*	*Over 5 years*	*Total*
Advances received from lessees	958,900	248,276	–	–	–	**1,207,176**
Borrowings	229,884	1,488,702	2,626,579	22,241,267	–	**26,586,432**
Bonds issued	–	1,268,548	4,031,025	4,138,198	3,671,800	**13,109,571**
Other financial liabilities	574,254	4,599	–	–	–	**578,853**
Total potential future payments for financial liabilities	**1,763,038**	**3,010,125**	**6,657,604**	**26,379,465**	**3,671,800**	**41,482,032**

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)

Liquidity risk (continued)

The maturity analysis of borrowings is based on contractual tranches of repayment.

The maturity of the borrowings is longer than maturity of the current lease portfolio and the Group is in compliance with covenant requirements set by loan agreements.

The maturity analysis of assets and liabilities as at 30 June 2018 is as follows:

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 12 months to 5 years*	*Over 5 years / not stated maturity*	*Total*
Assets						
Cash and cash equivalents	1,024,500	–	–	–	–	**1,024,500**
Deposits in banks	268	49,917	–	–	–	**50,185**
Net investment in leases after impairment allowance	2,902,501	12,411,351	10,786,360	20,316,767	–	**46,416,979**
Assets purchased and advances to suppliers for lease operations	402,196	217,841	–	–	–	**620,037**
Debtors on leasing activity	–	17,247	–	–	–	**17,247**
Current income tax prepayment	–	124,371	–	–	–	**124,371**
VAT recoverable	876,522	–	–	–	–	**876,522**
Property and equipment	–	–	–	–	387,567	**387,567**
Other assets	200,303	459,593	70,908	27,983	76,423	**835,210**
Total assets	**5,406,290**	**13,280,320**	**10,857,268**	**20,344,750**	**463,990**	**50,352,618**
Liabilities						
Advances received from lessees	806,221	310,699	–	–	–	**1,116,920**
Borrowings	176,843	1,285,242	3,702,806	18,061,021	–	**23,225,912**
Bonds issued	–	4,534,656	1,799,731	3,712,711	2,490,482	**12,537,580**
Current income tax payable	–	6,896	–	–	–	**6,896**
Deferred income tax liabilities	–	–	–	–	1,141,643	**1,141,643**
VAT payable	–	47,930	–	–	–	**47,930**
Other liabilities	912,431	35,091	608,182	198,319	8,126	**1,762,149**
Total liabilities	**1,895,495**	**6,220,514**	**6,110,719**	**21,972,051**	**3,640,251**	**39,839,030**
Net position	**3,510,795**	**7,059,806**	**4,746,549**	**(1,627,301)**	**(3,176,261)**	**10,513,588**
Cumulative liquidity position	**3,510,795**	**10,570,601**	**15,317,150**	**13,689,849**	**10,513,588**	

As at 30 June 2018 bonds issued totalling RUB 749,468 thousand with maturity from 6 to 12 months, bonds issued totalling RUB 996,935 thousand with maturity from 12 months to 5 years and bonds issued totalling RUB 2,490,482 thousand with maturity over 5 years can be repaid earlier at the buyback option date in the period from 1 to 6 months.

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)

Liquidity risk (continued)

The maturity analysis of assets and liabilities as at 31 December 2017 is as follows:

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 12 months to 5 years*	*Over 5 years / not stated maturity*	*Total*
Assets						
Cash and cash equivalents	782,720	–	–	–	–	**782,720**
Deposits in banks	–	251,619	–	–	–	**251,619**
Net investment in leases after impairment allowance	2,308,890	10,587,864	9,753,504	17,901,239	–	**40,551,497**
Assets purchased and advances to suppliers for lease operations	631,714	157,872	–	–	–	**789,586**
Debtors on leasing activity	–	13,964	–	–	–	**13,964**
Current income tax prepayment	–	8,555	–	–	–	**8,555**
VAT recoverable	777,182	–	–	–	–	**777,182**
Property and equipment	–	–	–	–	338,322	**338,322**
Other assets	152,876	675,617	69,946	3,013	88,460	**989,912**
Total assets	**4,653,382**	**11,695,491**	**9,823,450**	**17,904,252**	**426,782**	**44,503,357**
Liabilities						
Advances received from lessees	958,900	248,276	–	–	–	**1,207,176**
Borrowings	178,032	535,231	1,500,393	19,576,955	–	**21,790,611**
Bonds issued	–	985,698	3,485,619	2,732,669	2,489,909	**9,693,895**
Current income tax payable	–	37,281	–	–	–	**37,281**
Deferred income tax liabilities	–	–	–	–	995,481	**995,481**
VAT payable	–	54,611	–	–	–	**54,611**
Other liabilities	720,545	49,187	333,085	494,967	–	**1,597,784**
Total liabilities	**1,857,477**	**1,910,284**	**5,319,097**	**22,804,591**	**3,485,390**	**35,376,839**
Net position	**2,795,905**	**9,785,207**	**4,504,353**	**(4,900,339)**	**(3,058,608)**	**9,126,518**
Cumulative liquidity position	**2,795,905**	**12,581,112**	**17,085,465**	**12,185,126**	**9,126,518**	

As at 31 December 2017 bonds issued totalling RUB 1,694,831 thousand with maturity from 12 months to 5 years can be repaid earlier at the buyback option date in the period from 1 to 6 months in the amount of RUB 699,121 thousand, and in the period from 6 to 12 months in the amount of RUB 995,710 thousand, and bonds issued totalling RUB 2,489,909 thousand with maturity over 5 years can be repaid earlier at the buyback option date in the period from 6 to 12 months.

When the amount payable is not fixed the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the official CBR exchange rate at the end of reporting period.

Geographical risk

All assets and liabilities relate to Russian entities.

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)

Market risk

The Group is exposed to market risks. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements. The Group sets limits on the value of risk that may be accepted which is monitored on a daily basis. However, the use of this approach does not prevent from incurring losses outside of these limits in the event of more significant market movements.

Currency risk

The Group is exposed to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group sets limits on the level of exposure by currency (primarily US dollars and euro).

The Group minimises foreign exchange risk by matching its fundraising to the ongoing demand for its lease products. In case of discrepancy between its borrowings and the lease portfolio, the Group may face significant foreign exchange risk. This could occur in the event of a drastic shift in currency demanded by its customers for lease contracts rapidly changing the currency composition of the lease portfolio. On the other hand, the loan portfolio will only change in a material way at a slower pace through new borrowings. The Group can choose either to restrain the risk origination or more likely enter into derivative transactions to cover this currency risk as has been the case historically. Historically, the Group has used options and SWAPs to cover open currency positions.

The Group applies a foreign-currency risk-management strategy that uses derivative instruments to protect its interests from unanticipated fluctuations in earnings and cash flows that may arise from volatility in currency exchange rates. Movements in foreign-currency exchange rates pose a risk to the Group's operations and competitive position, since changes in exchange rates may affect the profitability and cash flows.

As at 30 June 2018 and 31 December 2017 the Group is constrained by covenants under loan agreements to have a maximum open currency position of 15% of its equity. As at 30 June 2018 and 31 December 2017 the Group complied with this contractual obligation.

The table below summarises exposure to foreign currency exchange rate risk as at 30 June 2018:

	RUB	*USD*	*EUR*	*GBP*	*Total*
Financial assets					
Cash and cash equivalents	1,023,635	229	636	–	**1,024,500**
Deposits in banks	50,185	–	–	–	**50,185**
Net investment in leases after impairment allowance	46,413,817	–	3,162	–	**46,416,979**
Assets purchased and advances to suppliers for lease operations	565,468	16,420	38,149	–	**620,037**
Debtors on leasing activity	17,247	–	–	–	**17,247**
Other financial assets	86,947	–	–	–	**86,947**
Total financial assets	**48,157,299**	**16,649**	**41,947**	**–**	**48,215,895**
Financial liabilities					
Advances received from lessees	1,114,488	2,086	346	–	**1,116,920**
Borrowings	23,225,912	–	–	–	**23,225,912**
Bonds issued	12,537,580	–	–	–	**12,537,580**
Other financial liabilities	697,160	4,251	1,386	5,256	**708,053**
Total financial liabilities	**37,575,140**	**6,337**	**1,732**	**5,256**	**37,588,465**
Net position	**10,582,159**	**10,312**	**40,215**	**(5,256)**	

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)

Market risk (continued)

The table below summarises exposure to foreign currency exchange rate risk as at 31 December 2017:

	RUB	*USD*	*EUR*	*Total*
Financial assets				
Cash and cash equivalents	781,755	361	604	**782,720**
Deposits in banks	251,619	–	–	**251,619**
Net investment in leases after impairment allowance	40,546,279	–	5,218	**40,551,497**
Assets purchased and advances to suppliers for lease operations	693,382	22,966	73,238	**789,586**
Debtors on leasing activity	13,960	4	–	**13,964**
Other financial assets	85,499	–	9	**85,508**
Total financial assets	**42,372,494**	**23,331**	**79,069**	**42,474,894**
Financial liabilities				
Advances received from lessees	1,205,163	1,914	99	**1,207,176**
Borrowings	21,790,611	–	–	**21,790,611**
Bonds issued	9,693,895	–	–	**9,693,895**
Other financial liabilities	568,874	913	9,066	**578,853**
Total financial liabilities	**33,258,543**	**2,827**	**9,165**	**33,270,535**
Net position	**9,113,951**	**20,504**	**69,904**	

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates calculated based on currency volatility in the reporting year applied to the positions at the end of reporting period with all other variables held constant:

	30 June 2018			*31 December 2017*		
	Change in currency rate in %	*Impact on profit before tax, gain/(loss)*	*Impact on net profit and equity, gain/(loss)*	*Change in currency rate in %*	*Impact on profit before tax, gain/(loss)*	*Impact on net profit and equity, gain/(loss)*
USD	10.00	1,031	825	10.00	2,050	1,640
USD	(10.00)	(1,031)	(825)	(10.00)	(2,050)	(1,640)
EUR	10.00	4,022	3,218	10.00	6,990	5,592
EUR	(10.00)	(4,022)	(3,218)	(10.00)	(6,990)	(5,592)
GBP	10.00	(526)	(421)	10.00	–	–
GBP	(10.00)	526	421	(10.00)	–	–

A strengthening of the rouble against the above currencies at 30 June 2018 and 31 December 2017 would have had the opposite effect on the above currencies if all other variables had remained constant.

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Margins between finance income earned and interest expenses paid may increase as a result of such changes but may reduce or create losses in the event unexpected movements arise.

The Treasury Department focuses mainly on the management of interest rate risk arising from net investment in leases and borrowings.

The Group only offers lease product on a fixed term basis and therefore is exposed to interest rate risk through its borrowings and bonds issued with variable coupon. The treasury policy of the Group is to minimise interest rate risk on its long term funding.

The Group does not have significant interest rate risk on this partially open interest rate risk exposure as it occurs after the average repayment term on its current portfolio (repaying at an average of 26 months) and thus the Group is able to change the pricing on its offered leases or choose to have a lower margin.

(in thousands of Russian roubles, unless otherwise stated)

23 Financial risk management (continued)

Market risk (continued)

The sensitivity of profit and loss to changes in market interest rates (with other factors unchanged) calculated for financial instruments with floating interest rate (borrowings) and bonds issued with variable coupon as at 30 June 2018 is following:

	Impact on profit before tax, gain/(loss)	*Impact on net profit and equity, gain/(loss)*
10% parallel rise	(70,652)	(56,521)
10% parallel fall	70,652	56,521

The sensitivity of profit and loss to changes in market interest rates (with other factors unchanged) calculated for financial instruments with floating interest rate (borrowings) and bonds issued with variable coupon as at 31 December 2017 is following:

	Impact on profit before tax, gain/(loss)	*Impact on net profit and equity, gain/(loss)*
10% parallel rise	(171,099)	(136,880)
10% parallel fall	171,099	136,880

Operational risk

Operational risk is the risk of direct or indirect losses resulting from deficiencies or errors in internal processes, actions of employees, operations of information systems and technologies, and resulting from external events.

The Risk Management Department is engaged in the control over operational risks. Key tasks of this department include the day-to-day control over compliance with internal regulations, control over reporting by the employees of the Group and correct reporting on the impaired / potentially impaired debt by the employees of the Group. In addition, the Department controls compliance with the obligation to insure the leased assets, documentation and filing procedures. The Portfolio Assets Department controls over the client's payment discipline.

24 Management of capital

The objective when managing capital is to maintain healthy capital ratios in order to support its business and to maximise shareholder's value.

The Group considers total capital under management to be equity attributable to equity holders of the Group as shown in the condensed interim consolidated statement of financial position. Certain loan agreements establish the minimum level of capital that the Group should maintain.

The amount of capital that the Group managed as at 30 June 2018 is equity attributable to equity holders of the Group of RUB 10,513,588 thousand (31 December 2017: RUB 9,126,518 thousand), which is in compliance with covenants under loan agreements.

In order to maintain or adjust the capital structure the Group attracts funding with maturity of not less than the average period of the lease contracts (32 months).

(in thousands of Russian roubles, unless otherwise stated)

25 Fair value estimation

The estimated fair values of financial instruments at fair value through profit or loss is based on quoted market prices at the reporting date without any reduction for transaction costs. If quoted market prices are not available, the fair value is estimated using valuation techniques, which include discounted cash flow analysis and other valuation techniques commonly used by market participants.

Management believes that the fair value of its financial assets and financial liabilities as at 30 June 2018 is not materially different from their carrying values, except for the following financial assets and liabilities:

	Total carrying amount	***Fair value***
Net investment in leases after impairment allowance	46,416,979	47,159,304
Borrowings	23,225,912	24,081,979
Bonds issued	12,537,580	12,300,131

Management believes that the fair value of its financial assets and financial liabilities as at 31 December 2017 is not materially different from their carrying values, except for the following financial assets and liabilities:

	Total carrying amount	***Fair value***
Net investment in leases after impairment allowance	40,551,497	41,489,751
Borrowings	21,790,611	22,545,495
Bonds issued	9,693,895	9,647,344

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as realisable in an immediate sale of the assets or transfer of liabilities.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(in thousands of Russian roubles, unless otherwise stated)

25 Fair value estimation (continued)

Fair value hierarchy (continued)

The following table analyses the fair value of major financial instruments not measured at fair value, by the level in the fair value hierarchy as at 30 June 2018 and 31 December 2017.

	Level 1	*Level 2*	*Level 3*	*Total*
As at 30 June 2018				
Assets for which fair values are disclosed				
Cash and cash equivalents	1,024,500	–	–	**1,024,500**
Deposits in banks	–	50,185	–	**50,185**
Net investment in leases after impairment allowance	–	–	47,159,304	**47,159,304**
Debtors on leasing activity	–	–	17,247	**17,247**
Other financial assets	–	–	86,947	**86,947**
Liabilities for which fair values are disclosed				
Borrowings	–	24,081,979	–	**24,081,979**
Bonds issued	5,043,500	7,256,631	–	**12,300,131**
Other financial liabilities	–	–	708,053	**708,053**
As at 31 December 2017				
Assets for which fair values are disclosed				
Cash and cash equivalents	782,720	–	–	**782,720**
Deposits in banks	–	251,619	–	**251,619**
Net investment in leases after impairment allowance	–	–	41,489,751	**41,489,751**
Debtors on leasing activity	–	–	13,964	**13,964**
Other financial assets	–	–	85,508	**85,508**
Liabilities for which fair values are disclosed				
Borrowings	–	22,545,495	–	**22,545,495**
Bonds issued	5,050,000	4,597,344	–	**9,647,344**
Other financial liabilities	–	–	578,853	**578,853**

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2018			*31 December 2017*		
	Carrying value	*Fair value*	*Unrecognised gains/(losses)*	*Carrying value*	*Fair value*	*Unrecognised gains/(losses)*
Financial assets						
Cash and cash equivalents	1,024,500	1,024,500	–	782,720	782,720	–
Deposits in banks	50,185	50,185	–	251,619	251,619	–
Net investment in leases after impairment allowance	46,416,979	47,159,304	742,325	40,551,497	41,489,751	938,254
Debtors on leasing activity	17,247	17,247	–	13,964	13,964	–
Other financial assets	86,947	86,947	–	85,508	85,508	–
Financial liabilities						
Borrowings	23,225,912	24,081,979	(856,067)	21,790,611	22,545,495	(754,884)
Bonds issued	12,537,580	12,300,131	237,449	9,693,895	9,647,344	46,551
Other financial liabilities	708,053	708,053	–	578,853	578,853	–
Total unrecognised change in fair value			**123,707**			**229,921**

(in thousands of Russian roubles, unless otherwise stated)

26 Contingencies and commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of own estimates and internal professional advice the Group has formed legal claims provision of RUB 26,640 thousand (Note 15) in these condensed interim consolidated financial statements as at 30 June 2018.

Taxation

Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. The tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged at any time in the future. As a result, additional taxes, penalties and interest may be assessed by the relevant authorities.

In accordance with the Russian transfer pricing legislation, tax authorities are entitled to apply tax base adjustments and impose additional income tax and value added tax (VAT) liabilities in respect of "controlled" transactions, where the transaction price differs from the market price. Management believes that the Group fully complies with transfer pricing rules, and "controlled" transaction prices are consistent with market prices.

As at 30 June 2018 management believes that its interpretation of the tax, currency and customs legislation as applied to the Group is appropriate.

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including a growth in the cost of borrowings and declaration of default. The Group is in compliance with covenants as at 30 June 2018 and 31 December 2017.

27 Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Amounts of related party transactions for the six months ended 30 June 2018 and 31 December 2017 are as follows:

	For the six months ended					
	30 June 2018			*30 June 2017*		
	Share-holders	*Other related parties*	*Key management*	*Share-holders*	*Other related parties*	*Management company*
Interest income	–	11,191	–	–	153,962	–
Interest expense	(51,001)	(2,075)	–	–	(140,656)	–
Other income, net	–	355,096	–	–	213,917	–
Impairment charges on leasing assets	–	(1,017)	–	–	(35)	–
Staff expenses	–	(14,538)	(268,430)	–	(11,681)	–
Other operating expense	–	–	–	–	–	(2,500)

(in thousands of Russian roubles, unless otherwise stated)

27 Related party transactions (continued)

	30 June 2018			*31 December 2017*		
	Share-holders	***Other related parties***	***Key management***	***Share-holders***	***Other related parties***	***Key management***
Net investment in leases after impairment allowance	–	167,431	–	–	46,324	–
Other assets	–	15,570	–	–	1,409	–
Bonds issued	2,565,497	36,486	–	–	35,467	–
Other liabilities	–	–	489,097	–	–	599,592

During the six months ended 30 June 2018 the remuneration of members of the key management including salaries, discretionary bonuses and other short-term remuneration amounted to RUB 268,430 thousand. During the six months ended 30 June 2018 the remuneration of the Management company, that served as a managing body, amounted to RUB 2,500 thousand.

The Group has the long-team remuneration program for members of the key management, under which the Group establishes the reserve fund with payouts made resulting from achievement of determined key performance indicators.

28 Changes in liabilities arising from financing activities

	Borrowings	*Bonds issued*	*Total liabilities from financing activities*
Carrying amount at 31 December 2016	**10,204,713**	**13,361,729**	**23,566,442**
Proceeds from issue	4,000,000	2,582,489	**6,582,489**
Redemption	(1,403,484)	–	**(1,403,484)**
Other	43,754	37,919	**81,673**
Carrying amount at 30 June 2017	**12,844,983**	**15,982,137**	**28,827,120**
Carrying amount at 31 December 2017	**21,790,611**	**9,693,895**	**31,484,506**
Proceeds from issue	2,000,000	2,950,000	**4,950,000**
Redemption	(572,332)	(192,000)	**(764,332)**
Other	7,633	85,685	**93,318**
Carrying amount at 30 June 2018	**23,225,912**	**12,537,580**	**35,763,492**

The "Other" line includes the effect of accrued but not yet paid interest on borrowings and bonds issued. The Group classifies interest paid as cash flows from operating activities.

29 Subsequent events

In July 2018 placement of exchange-traded bonds of JSC "LC "Europlan" with a nominal value of RUB 5,000,000 thousand with maturity in June 2028 was completed. The coupon rate on the bonds issued is set at 9.35% per annum.

In August 2018 the sole participant of LLC "Europlan Auto", which is JSC "LC "Europlan", decided to rename the company LLC "Europlan Auto" to LLC "Autoleasing". In August 2018 the sole participant of LLC "Europlan Lease Payments", which is JSC "LC "Europlan", decided to rename the company LLC "Europlan Lease Payments" to LLC "Europlan Service". In August 2018 the sole participant of LLC "Europlan Service", which is JSC "LC "Europlan", decided to rename the company LLC "Europlan Service" to LLC "Service".

(in thousands of Russian roubles, unless otherwise stated)

30 Supplementary information (unaudited)

In June 2017 PJSC "Europlan" ceased control over JSC "POMESTIE" and its subsidiaries LLC "KRAUN KD" and LLC "IC Europlan" (together referred to as the "Group JSC "POMESTIE") as a result of the sale of its shares to the related parties. As the Group JSC "POMESTIE" have been disposed before the reorganisation of PJSC "Europlan", and the shares of JSC "POMESTIE" have not been transferred to JSC "LC "Europlan" during the reorganisation of PJSC "Europlan", the assets, liabilities and transactions of the Group JSC "POMESTIE" are not included in these consolidated financial statements in accordance to the pooling of interests method, used in preparation of these consolidated financial statements.

Due to the fact that before the disposal the insurance activity of the Group JSC "POMESTIE" was an integral part of the leasing business of the Group PJSC "Europlan" and the Group's investors are interested in obtaining the information on the consolidated statement of profit or loss and other comprehensive income of the Group and the Group JSC "POMESTIE" (together referred to as the "Total Group"), for the users convinience the management of the Group provided the financial information set out below, that reflects financial data consolidated with the Group JSC "POMESTIE" before the control over it has been ceased. The consolidated statement of financial position of the Group as at 30 June 2018 and 31 December 2017 is compiled after cease of control over JSC "POMESTIE", therefore it is not presented as supplementary information.

The information accompanying the consolidated financial statements of the Group which has been disclosed as supplementary information is presented for purposes of additional analysis and for the convenience of users. The supplementary information presented is not within the scope of International Financial Reporting Standards.

The Group JSC "POMESTIE" was classified as discontinued operations in the consolidated statement of profit or loss and other comprehensive income set out below. Transactions between discontinued and continuing operations are eliminated according to requirements of IFRS. As a consequence, income and expense ascribed to discontinued operations are only from transactions with counterparties external to the Total Group. Information on intragroup adjustments of the Group JSC "POMESTIE" with other entities of the Total Group in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income is presented below as an information for the "Insurance activity" segment, that reates to the Group JSC "POMESTIE" and the "Leasing activity" and "Cession activity", that relate to the other companies of the Group.

(in thousands of Russian roubles, unless otherwise stated)

30 Supplementary information (unaudited) (continued)

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018

	For the six months ended 30 June 2018	*For the six months ended* 30 June 2017
Continuing operations		
Interest income	4,559,983	3,768,601
Interest expense	(1,783,667)	(1,482,335)
Net interest income	**2,776,316**	**2,286,266**
Other income, net	1,175,563	755,367
Income from operations	**3,951,879**	**3,041,633**
Net foreign exchange income	506	2,636
Total income from operations and finance income	**3,952,385**	**3,044,269**
Impairment charges on leasing assets	(50,875)	(67,829)
Impairment charges on other assets	(25,491)	2,861
Staff expenses	(1,592,015)	(1,327,818)
Other operating expenses	(520,674)	(313,334)
Other non-operating expenses	5,669	–
Profit before income tax from continuing operations	**1,768,999**	**1,338,149**
Income tax expense	(360,106)	(286,434)
Net profit from continuing operations	**1,408,893**	**1,051,715**
Discontinued operations		
Profit before income tax from discontinued operations	–	281,540
Financial result from disposal of discontinued operations	–	954,134
Income tax expense	–	(456,089)
Net profit from discontinued operations	**–**	**779,585**
Net profit	**1,408,893**	**1,831,300**
Other comprehensive income	–	–
Total comprehensive income for the period	**1,408,893**	**1,831,300**

Consolidated statement of changes in equity for the six months ended 30 June 2018

	Share capital	*Retained earnings*	*Total equity*
Balance as at 1 January 2017	**–**	**13,406,851**	**13,406,851**
Net profit from continuing operations	–	1,051,715	**1,051,715**
Net profit from discontinued operations	–	779,585	**779,585**
Other comprehensive income for the period	–	–	–
Total comprehensive income for the period	**–**	**1,831,300**	**1,831,300**
Effect of the reorganisation	120,000	(7,247,735)	**(7,127,735)**
Balance as at 30 June 2017	**120,000**	**7,990,416**	**8,110,416**
Balance as at 1 January 2018	**120,000**	**9,006,518**	**9,126,518**
Effect of transition to IFRS 9	–	(21,823)	**(21,823)**
Balance as at 1 January 2018 under IFRS 9	**120,000**	**8,984,695**	**9,104,695**
Net profit from continuing operations	–	1,408,893	**1,408,893**
Net profit from discontinued operations	–	–	**–**
Other comprehensive income for the period	–	–	–
Total comprehensive income for the period	**–**	**1,408,893**	**1,408,893**
Balance as at 30 June 2018	**120,000**	**10,393,588**	**10,513,588**

(in thousands of Russian roubles, unless otherwise stated)

30 Supplementary information (unaudited) (continued)

Segment information

The Total Group has three segments, as described below, which are the Total Group's strategic business components. The strategic business components offer different products and services, and are managed separately because they require different technology and marketing strategies. Each of the strategic business components may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (the "CODM") and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the Total Group.

The following summary describes the operations in each of the reportable segments:

- Leasing activity includes conclusion of financial lease contracts with legal entities and its further monitoring.
- Insurance activity includes sales and servicing of insurance contracts.

For the six months ended 30 June 2018 all income and expenses of the Total Group were refered to the "Leasing activity" segment. As at 30 June 2018 all the assets, liabilities and equity of the Total Group were refered to the "Leasing activity" segment.

Information for the segments of the Total Group for six months ended 30 June 2017 is set out below:

	Leasing activity	***Insurance activity***	***Intersegment adjustments***	***Total***
Interest income	3,768,601	58,374	–	**3,826,975**
Interest expense	(1,482,335)	–	–	**(1,482,335)**
Net interest income	**2,286,266**	**58,374**	**–**	**2,344,640**
Other income, net	851,541	172,412	11,064	**1,035,017**
Income from operations	**3,137,807**	**230,786**	**11,064**	**3,379,657**
Net losses from financial instruments at fair value through profit or loss	–	(366)	–	**(366)**
Net foreign exchange income	2,636	–	–	**2,636**
Income from operations and finance income	**3,140,443**	**230,420**	**11,064**	**3,381,927**
Impairment charges on leasing assets	(67,829)	–	–	**(67,829)**
Impairment charges on other assets	2,861	–	–	**2,861**
Staff expenses	(1,327,818)	(28,399)	–	**(1,356,217)**
Other operating expenses	(313,843)	(10,558)	(16,140)	**(340,541)**
Other non-operating income	–	953,622	–	**953,622**
Profit (loss) before income tax	**1,433,814**	**1,145,085**	**(5,076)**	**2,573,823**
Income tax (expense) benefit	(305,568)	(437,971)	1,016	**(742,523)**
Net profit (loss)	**1,128,246**	**707,114**	**(4,060)**	**1,831,300**

As at 31 December 2017 all the assets, liabilities and equity of the Total Group were refered to the "Leasing activity" segment.