SOLLERS GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors
of Public Joint-Stock Company SOLLERS

Details of auditor
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Baker Tilly Rus JSC is a member of Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS).
Baker Tilly Rus JSC is included in the control copy of the register of auditors and audit organizations, main registration number 12006010438.

Details of the audited entity
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State Registration number: 1023501244524
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AUDITOR'S REPORT

**To the Shareholders and the Board of Directors
of Public Joint-Stock Company SOLLERS**

Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company SOLLERS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of compliance with the covenants of the loan agreements

The Group has a significant amount of the borrowed funds to finance its activities. The amount of the borrowed funds raised by the Group amounted to 7,160 million rubles as of December 31, 2019. The terms of the loan agreements contain a number of financial and non-financial covenants. Further details are provided in Note 16 “Borrowings” to the consolidated financial statements.

We performed the following procedures, within the materiality level, regarding compliance with the terms of loan agreements:

- calculated the financial covenants;

- checked the observance of non-financial restrictive conditions;

- checked the disclosures in these consolidated financial statements.

Accounting for research and development costs

The Group incurred significant research and development costs (R&D) to develop new vehicles. Determination of costs that qualify for capitalization and subsequent measurement of the recoverable amount of these development costs, as well as the date of amortization commencement, are the areas requiring significant judgments. Therefore, accounting for R&D costs was one of our key audit matters. Information on the Group’s R&D costs is disclosed in Note 8 “Development costs” to the consolidated financial statements.

We analyzed R&D assets as at 31 December 2019 and R&D costs incurred by the Group in 2019 to ensure that they meet the recognition criteria. We recalculated the amortization of R&D assets included in non-current assets. We reviewed management judgments concerning the ability of R&D results to generate economic benefits in the future by reading technical documents and/or estimated sales plans, if applicable. We analyzed the nature and the period of cost capitalization and, among other things, reconciled certain cost items with primary documents.

Other information

Management is responsible for the other information. The other information includes information contained in the management report, but does not include the consolidated financial statements and our auditor’s report thereon. The management report is expected to be provided to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information, and we will not express any form of assurance conclusion regarding this information.

In connection with our audit of the consolidated financial statements, our responsibility is to review the other information identified above and to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. At the date of this audit report, other information is not available to us, and we do not submit any report regarding other information.

Responsibilities of Management and the Board of Directors for the consolidated financial statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

d) Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partner on the audit
resulting in this independent auditor's report is Z.B. Shalumov

June 30, 2020

The Russian original signed by
Z.B. Shalumov, Director
JSC "Baker Tilly Rus"

Moscow, Russian Federation

Translation note: This version of our report is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

(in millions of Russian Roubles)

	Note	RR million At 31 December 2019	RR million At 31 December 2018	Supplementary information US$ million (Note 2) At 31 December 2018	Supplementary information US$ million (Note 2) At 31 December 2018
ASSETS					
Non-current assets					
Property, plant and equipment	6	23,160	10,970	374	158
Right of use assets	6	145	-	2	-
Goodwill	7	1,484	1,484	24	21
Development costs	8	3,798	3,204	61	46
Other intangible assets	9	2,597	773	42	11
Deferred income tax assets	27	653	961	11	14
Investments in associates and joint ventures	10	1,949	2,438	32	35
Other financial assets		70	45	1	1
Other non-current assets	11	79	69	1	1
Total non-current assets		**33,935**	**19,944**	**548**	**287**
Current assets					
Inventories	12	7,475	5,108	121	74
Trade and other receivables	13	12,941	14,194	209	205
Financial instruments		-	9,379	-	135
Restricted cash	14	3,918	1,761	63	25
Cash and cash equivalents	14	6,689	226	108	3
Total current assets		**31,023**	**30,668**	**501**	**442**
TOTAL ASSETS		**64,958**	**50,612**	**1,049**	**729**
LIABILITIES AND EQUITY					
Equity					
Share capital	15	530	530	9	8
Share premium	15	4,538	4,538	73	65
Additional paid-in capital	15	1,438	1,438	23	21
Retained earnings		12,244	12,099	198	174
Equity attributable to the Company's owners		**18,750**	**18,605**	**303**	**268**
Non-controlling interest	32	8,226	364	133	5
Total equity		**26,976**	**18,969**	**436**	**273**
Liabilities					
Non-current liabilities					
Long-term borrowings	16	586	1,254	10	18
Deferred income tax liabilities	27	695	1,507	11	22
Long-term lease liablilities		116		2	
Deferred income	17	1 058	1,147	17	17
Total non-current liabilities		**2,455**	**3,908**	**40**	**57**
Current liabilities					
Trade accounts payable	18	20,440	15,817	330	228
Advances received and other payables	18	2,082	1,834	34	26
Short-term lease liablilities		27	-	-	-
Taxes payable	19	4,368	4,890	70	70
Warranty and other provisions	20	2,036	758	33	11
Short-term borrowings	16	6,574	4,436	106	64
Total current liabilities		**35,527**	**27,735**	**573**	**399**
Total liabilities		**37,982**	**31,643**	**613**	**456**
TOTAL LIABILITIES AND EQUITY		**64,958**	**50,612**	**1,049**	**729**

Approved for issue and signed on behalf of the Board of Directors on 30 June 2020

General Director
N.A. Sobolev

Deputy General Director
for Finance and Economics
E.A. Frolova

The accompanying notes on pages 5 to 47 are an integral part of these consolidated financial statements.

		RR million		Supplementary information US$ million (Note 2)	
		Year ended 31 December		Year ended 31 December	
	Note	2019	2018	2019	2018
Sales	21	57,839	39,479	894	630
Cost of sales	22	(49,577)	(34,088)	(766)	(544)
Gross profit		**8,262**	**5,391**	**128**	**86**
Distribution costs	23	(4,539)	(3,538)	(70)	(56)
General and administrative expenses	24	(3,577)	(2,867)	(55)	(46)
Other operating income/ (expenses), net	25	2,194	(9)	34	-
Operating profit/(loss)		**2,340**	**(1,023)**	**37**	**(16)**
Finance costs, net	26	(1,397)	(1,007)	(22)	(16)
Change in fair value of financial instrument		(645)	1,759	(10)	28
Share in profit of joint ventures and associates	10	405	232	6	4
Profit/ (loss) before income tax		**703**	**(39)**	**11**	**-**
Income tax income/ (expense)	27	646	85	10	1
Profit for the year		**1,349**	**46**	**21**	**1**
Total comprehensive income for the year		**1,349**	**46**	**21**	**1**
Profit is attributable to:					
Owners of the Company		128	32	2	1
Non-controlling interest	32	1,221	14	19	-
Profit for the year		**1,349**	**46**	**21**	**1**
Total comprehensive income is attributable to:					
Owners of the Company		128	32	2	1
Non-controlling interest		1,221	14	19	-
Total comprehensive income for the year		**1,349**	**46**	**21**	**1**
Weighted average number of shares outstanding during the period (in thousands of shares) – basic		34,270	34,270	34,270	34,270
Weighted average number of shares outstanding during the period (thousands) – diluted		34,270	34,270	34,270	34,270
Profit per share (in RR and US$) – basic		3.73	0.94	0.06	0.02
Profit per share (in RR and US$) – diluted		3.73	0.94	0.06	0.02

(in millions of Russian Roubles)

		RR million		Supplementary information US$ million (Note 2)	
		Year ended 31 December		Year ended 31 December	
	Note	**2019**	**2018**	**2019**	**2018**
Cash flows from operating activities					
Profit/ (loss) before income tax		**703**	**(39)**	**11**	**-**
Adjustments for:					
Depreciation		1,877	1,172	29	19
Amortisation		783	321	12	5
Provision for impairment of receivables and write-offs	24	109	30	2	-
Provision for inventories	12	508	(257)	8	(4)
Salary and guarantee provision	18,20	(789)	(72)	(12)	(1)
Other provision movements	20	(600)	40	(9)	1
Net gain/ loss on disposal of other non-current assets		(24)	28	(1)	-
Net loss/ gain on disposal of property, plant and equipment	25	528	(27)	8	-
Gain on Ford-SOLLERS JV acquisition	31	(2,200)	(8)	(34)	-
Gain on disposal of investment in Sollers Finance JV	25	(504)	-	(8)	-
Change in fair value of financial instrument		645	(1,759)	10	(28)
Share of profit of joint ventures and associates	10	(405)	(232)	(6)	(4)
Finance costs, net	26	1,554	711	24	11
Amortization of government grants		(147)	(62)	(2)	(1)
Development expenses write-off	8	-	7	-	-
Operating cash flows before working capital changes		**2,038**	**(147)**	**32**	**(2)**
Decrease in inventories		657	736	10	12
Decrease/ (increase) in trade and other receivables		4,900	(5,161)	75	(82)
Increase/(decrease) in trade accounts payable, advances received and other payables		(1,378)	9,003	(22)	143
Increase/(decrease) in taxes payable		(2,933)	2,466	(45)	39
Cash provided from operations		**3,284**	**6,897**	**50**	**110**
Income taxes		(860)	92	(13)	2
Interest paid		(1,447)	(746)	(22)	(12)
Net cash from operating activities		**977**	**6,243**	**15**	**100**
Cash flows from investing activities:					
Purchase of property, plant and equipment		(941)	(985)	(14)	(16)
Proceeds from the sale of property, plant and equipment and advances received		91	62	1	1
Development costs	8	(1,027)	(1,265)	(16)	(20)
Purchase of right-of-use assets and other non-current assets	6	(179)	(451)	(3)	(7)
Depositing of special funds on special accounts	14	(2,157)	(885)	(33)	(14)
Dividends received from participation in joint venture	10	250	100	4	2
Proceeds from government R&D subsidies	17	91	328	1	5
Proceeds from sale of financial instrument	10	8,733	-	135	-
Purchase of the subsidiaries net of cash	31	(1,943)	-	(30)	-
Proceeds from sale of the share in the JV	10	1,228	-	19	-
Investment in joint venture	10	(70)	(35)	(1)	(1)
Net cash from/(used in) investing activities		**4,076**	**(3,131)**	**63**	**(50)**
Cash flows from financing activities					
Investment in lease		(22)	-	-	-
Borrowings received		11,701	19,594	181	312
Repayment of borrowings		(10,261)	(24,732)	(159)	(394)
Change of non-controlling interest in subsidiaries	32	(8)	(54)	-	(1)
Net cash from/(used in) financing activities		**1,410**	**(5,192)**	**22**	**(83)**
Net increase/ (decrease) in cash and cash equivalents		**6,463**	**(2,080)**	**100**	**(33)**
Effect of exchange rate changes on cash and cash equivalents		**-**	**-**	**5**	**(4)**
Cash and cash equivalents at the beginning of the year		**226**	**2,306**	**3**	**40**
Cash and cash equivalents at the end of the year		**6,689**	**226**	**108**	**3**

The accompanying notes on pages 5 to 47 are an integral part of these consolidated financial statements.

(in millions of Russian Roubles)

	Note	Share capital	Share premium	Additional paid-in-capital	Retained earnings	Total attributable to the Company's owners	Non-controlling interest	Total equity
Balance at 1 January 2018		**530**	**4,538**	**1,438**	**12,007**	**18,513**	**464**	**18,977**
Profit for the year		-	-	-	32	**32**	14	**46**
Purchase of non-controlling interest in subsidiary		-	-	-	60	**60**	(114)	**(54)**
Total comprehensive income for 2018		**-**	**-**	**-**	**92**	**92**	**(100)**	**(8)**
Balance at 31 December 2018		**530**	**4,538**	**1,438**	**12,099**	**18,605**	**364**	**18,969**
Profit for the year		-	-	-	128	**128**	1 221	**1 349**
Purchase of share in the new subsidiary	31	-	-	-	-	**-**	6 658	**6 658**
Purchase of non-controlling interest in subsidiary	32	-	-	-	17	**17**	(17)	**-**
Total comprehensive income for 2019		**-**	**-**	**-**	**145**	**145**	**7,862**	**8,007**
Balance at 31 December 2019		**530**	**4,538**	**1,438**	**12,244**	**18,750**	**8,226**	**26,976**

The accompanying notes on pages 5 to 47 are an integral part of these consolidated financial statements.

1. The SOLLERS Group and its operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019 for SOLLERS PJSC, previously called OJSC “Severstal-auto”, (the “Company”) and its subsidiaries (the “Group”). The Group adopted its new name “SOLLERS” in 2008.

The Company was incorporated as an open joint stock company in the Russian Federation in March 2002 by PJSC “Severstal” (the predecessor) by contributing its controlling interests in PJSC “Ulyanovsky Avtomobilny Zavod” (previously PJSC “UAZ”) and PJSC “Zavolzhskiy Motorny Zavod” (PJSC “ZMZ”), which were acquired through purchases close to the end of 2000, in exchange for the Company’s share capital.

The immediate parent company is ERFIX LLC. As of 31 December 2019 and 31 December 2018 the ultimate controlling party of the Group is Vadim Shvetsov who is the principal shareholder of the Company.

The Company’s shares are listed on MICEX-RTS.

The registered office of the Company is Testovskaya street, 10, Moscow, Russian Federation.

The Company and the Group’s principal activity is the manufacture and sale of vehicles, including automotive components, assembly kits and engines. The Group’s manufacturing facilities are primarily based in Ulyanovsk and the Nizhniy Novgorod region, the Republic of Tatarstan in the Russian Federation.

In 2011, the Group established the joint venture with Ford Motor Company to manufacture Ford branded vehicles in Russia.

In March 2019 the Group and Ford Motor Company announced the plans for strategic restructuring of Ford-SOLLERS JV. On July 1, 2019 the Group obtained 51% of the shares of Ford-SOLLERS (Ford-SOLLERS JV), Ford Motor Company’s share is 49%. New joint venture is involved in the production and distribution of Ford Transit commercial vehicles, as well as the localization and further development of the line of the special vehicles.

New Ford-SOLLERS JV was set up on the basis of the existing Ford Sollers Elabuga plant, which is a resident of the ALABUGA Special Economic Zone. The new joint venture started its operations on July 1, 2019.

During the second half 2012 the Group finalized the foundation of the joint venture with Mazda Motor Corporation in Vladivostok for production of Mazda SUVs and passenger cars. Mazda-SOLLERS joint venture launched the production of Mazda SUVs in September 2012 and of passenger cars in April 2013. Since 2019 the joint venture exports locally produced engines for Mazda vehicles to Japan.

In the first half 2018 the Group established the joint venture with ISUZU Motors Limited. The new joint venture Isuzu-Sollers will develop the technological cooperation in Russia and design, produce and distribute medium-duty trucks.

These consolidated financial statements were approved for issue on behalf of the Board of Directors by the General Director and the Deputy General Director for Finance and Economics on 30 June 2020.

Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 30). During 2019 Russian economy was gradually recovering from the economic downturn of 2015 and 2016. But the economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

2. Basis of preparation and significant accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of available for sale securities. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 4). These financial statements are prepared on a going concern basis.

The Group companies maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Federal Law on Accounting of the Russian Federation. The consolidated financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

2.1 Presentation currency

All amounts in these consolidated financial statements are presented in millions of Russian Roubles, unless otherwise stated.

2.2 Supplementary information

The supplementary information presented in US Dollars in addition to Russian Roubles (the Group's presentation currency) is presented for three primary statements: Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows. US Dollar ("US$") amounts shown in the consolidated financial statements are translated from the Russian Rouble ("RR") amounts as a matter of arithmetic computation only. The Consolidated Statement of Financial Position have been translated at the official rate of the Central Bank of the Russian Federation at 31 December 2019 of RR 61.9057 = US$1 (31 December 2018 of RR 69.4706 = US$1). The Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows have been translated at the average exchange rates during the years ended 31 December 2019 of RR 64.7362 = US$1 (2018: RR 62.7078 = US$1). The US$ amounts are presented solely for the convenience of the reader, and should not be construed as a representation that RR amounts have been or could have been converted to the US$ at this rate, nor that the US$ amounts present fairly the financial position and results of operations and cash flows of the Group.

2.3 Consolidated financial statements

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2019. Subsidiaries are those enterprises and businesses controlled by the Group. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised gains and losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the consolidated financial statements have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Acquired subsidiaries are consolidated using the purchase method of accounting. This involves the revaluation at fair value of all identifiable assets and liabilities including contingent liabilities of the subsidiary as at the acquisition date regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition.

On initial recognition the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their revalued amounts which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. The cost of acquisition is measured at fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange including costs directly attributable to the acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired the difference is recognised directly in the consolidated statement of comprehensive income. While non-controlling interest acquired the difference between the purchase consideration and the carrying amount is recorded as a capital transaction directly in equity.

2. Basis of preparation of financial statements and significant accounting policies (continued)

2.3 Consolidated financial statements (continued)

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

2.4 Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

2.5 Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to retained earnings within equity.

2.6 Associates and joint ventures

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights.

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are those joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates or joint ventures reduce the carrying value of the investment in respective associates or joint ventures. Other post-acquisition changes in the Group's share of net assets of an associate or joint venture are recognised as follows: (i) the Group's share of profits or losses of associates and joint ventures is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates and joint ventures are recognised in profit or loss within the share of result of associates and joint ventures. The share of associates' or joint ventures' results is recognised in the consolidated financial statements from the date significant influence acquisition or the date that joint control commences until the date at which it ceases.

2. Basis of preparation of financial statements and significant accounting policies (continued)

2.6 Associates and joint ventures (continued)

However, when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables; the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. Unrealised gains on transactions between the Group, its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.7 Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.8 Financial instruments –measurement

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 (see current Note, Revenue Recognition).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2. Basis of preparation and significant accounting policies (continued)

2.8 Financial instruments –measurement (continued)

Subsequent measurement

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

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- financial assets at fair value through profit or loss.

Derecognition

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

- the rights to receive cash flows from the asset have expired;

or

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

2.9 Property, plant and equipment and right-of-use assets

Property, plant and equipment are stated at initial cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2003 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required. Initial cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing or renewing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At each reporting date, management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit and loss.

Assets in the form of a right of use are initially measured at historical cost and amortized to the earlier of the following dates: the expiration date of the useful life of the asset in the form of a right of use or the expiration date of the lease. The initial cost of an asset in the form of a right of use includes the amount of the initial measurement of the lease liability, lease payments made before or at the date the lease commenced, and initial direct costs. Once recognized, right-of-use assets are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Assets in the form of right of use are presented in the statement of financial position as a separate article.

The lease liability is initially measured at the present value, rental payments that have not yet been made at the start of the lease and are subsequently measured at amortized cost, with interest recognized in finance costs in the consolidated statement of profit or loss and other comprehensive income. Lease obligations are presented in the statement of financial position as part of the lease obligations (long-term and short-term).

2. Basis of preparation and significant accounting policies (continued)

2.10 Depreciation

Land and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	35 to 55
Plant and machinery	15 to 25
Equipment and motor vehicles	5 to 12

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.11 Finance lease receivables

Where the Group is a lessor in a lease, which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at the date from which the lessee is entitled to exercise its right to use the leased asset, using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the 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. Finance income from leases is recorded within other operating income in profit or loss for the year.

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

2.12 Share based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated profit or loss for the year, and with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. Basis of preparation of financial statements and significant accounting policies (continued)

2.13 Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

2.14 Other intangible assets

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, patents, trademarks, licences, commercials and franchise.

Acquired computer software licenses, patents and trademarks are capitalised based on the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Trademarks	3 to 10
Production licences	5 to 10
Franchise	10 to 15
Computer software licences	3 to 5

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Other intangible assets are stated at cost less accumulated depreciation and provision for impairment, where required.

2.15 Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Inventories at the reporting date include expected sales returns subsequent to the period end, where the related sales, profit margin and receivables balance are reversed. Inventories are initially recognised when the Group has control of the inventory, expects it to provide future economic benefits and the cost of the inventory can be measured reliably. For components imported from outside of the Russian Federation, this is typically at the point of delivery to the Group's warehouse and accepted by the Group's employees.

2. Basis of preparation of financial statements and significant accounting policies (continued)

2.16 Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or different periods, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains at their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The Group's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues.

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

2.17 Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method.

2. Basis of preparation of financial statements and significant accounting policies (continued)

2.18 Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment has incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit and loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in the profit or loss for the year.

2.19 Prepayments

Prepayments are carried at cost less provision for impairment. Prepayments are classified as long-term if the expected period of receipt of goods or services related to it exceeds one year, or if the prepayment relates to an asset which will be classified as non-current at initial recognition. The prepayment amount for the acquisition of an asset is included in its carrying amount when the Group obtains control over the asset and that it is probable that the future economic benefits associated with it will be received by the Group. Other prepayments are written off to profit and loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit and loss.

2. Basis of preparation of financial statements and significant accounting policies (continued)

2.20 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

2.22 Treasury shares

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's equity holders until the equity instruments are cancelled reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and are included in equity attributable to the Company's equity holders.

2.23 Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting date and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

2.24 Value added tax

Output value added tax related to sales 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. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.25 Borrowings

Borrowings are carried at amortised cost using the effective interest method. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

2.26 Government grants and subsidies

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment and research and development costs capitalised are included in non-current liabilities as deferred income and are credited to the consolidated profit or loss for the year on a straight-line basis over the expected lives of the related assets.

Government grants and subsidies relating to costs are deferred and recognised in the consolidated profit or loss over the period necessary to match them with the costs that they are intended to compensate.

In 2014 started the government programm of vehicle park renewal. Government subsidies partly compensate production costs, commercial and general expenses of the Group (Notes 22 and 24).

The Group is subject to number of subsidies, including vehicle park renewal and export sales support (Notes 13, 22 and 24).

2. Basis of preparation of financial statements and significant accounting policies (continued)

2.27 Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

2.28 Provisions for liabilities and charges

Provisions for liabilities and charges 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 will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The Group recognises the estimated liability to repair or replace products sold still under warranty at the end of each reporting period. This provision is calculated based on past history of the level of repairs and replacements and recognised in costs of sale.

2.29 Foreign currency translation

The functional currency of the Company and Group's consolidated entities is Russian Rouble – the currency of the primary economic environment in which the entity operates. The Group's presentation currency is the national currency of the Russian Federation, Russian Roubles.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit and loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2019, the principal rate of exchange used for translating foreign currency balances was US$ 1 = RR 61.9057, Euro 1 = RR 69.3406, Korean Won 1 000 = RR 53.5697, Chinese yuan 10 = RR 88.5937 (2018: US$ 1 = RR 69.4706, Euro 1 = RR 79.4605, Korean Won 1 000 = 62.1911, Chinese yuan 10 = RR 100.997). RR The principal average rate of exchange used for translating income and expenses was US$ 1 = RR 64.7362 RR (2018: US$ 1 = RR 62.7078).

2.30 Revenue recognition

IFRS 15 provides for a model to recognize revenue from contracts with customers, i.e. from sales of vehicles, engines, and automotive components, that includes five stages and requires that revenue should be recognized in an amount reflecting the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires that entities apply judgments and consider all relevant facts and circumstances while applying each stage of the model in respect of the contracts with customers. The standard also requires recognizing incremental costs of obtaining a contract and costs to fulfill a contract. Besides, the standard requires making more extensive disclosures.

The Group applied IFRS 15 retrospectively using the cumulative effect recognition method as at the date of initial recognition of January 1, 2018. The adoption of this standard had no material impact on the consolidated financial statements of the Group.

Sales of goods

According to the Group's analysis of contracts, the revenue from sales of goods should be recognised at a certain moment of time, when control over asset is transferred to the customer.

2. Basis of preparation of financial statements and significant accounting policies (continued)

2.30 Revenue recognition (continued)

Variable consideration

Some contracts with customers provide a right of return and trade discounts. Currently the Group recognizes revenue from sales of goods at fair value of received or receivable consideration excluding returns, rebates and discounts. If the revenue is not reliably measured, the Group defers its recognition until the uncertainty is resolved. Such contract provisions give rise to variable consideration under IFRS 15, and should be estimated at contact inception and subsequently updated.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group has assessed the contracts individually to estimate the variable consideration and constrains related. The adoption of these constrains had no material impact on the consolidated financial statements of the Group.

Comprehensive contracts for sales and maintenance of products

The Group may enter into comprehensive contracts to supply and maintain its products during their entire life cycle. According to IFRS 15, the Group determined that the comprehensive contracts include two performance obligations. In that case the transaction price is to be allocated to each performance obligation on a relative stand-alone selling price basis.

Significant financing component in the contract

According to some contracts the Group provides the manufacturing works such as research and development. The works are performed based on advances equaling transaction price paid by the customer at the contract inception. According to IFRS 15 the Group should determine whether the contracts contain a significant financing component.

The Group analyzed the corresponding contracts and found no evidence for a significant financing component at the date of adoption the new standard. The principle of significant financing component recognition will be applied when its impact on the financial statements becomes significant.

Warranty liabilities

The Group provides warranty for the vehicles sold under the contracts with the customers. The Group has identified that the warranty provided is the assurance-type warranty, which is accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* being the common practice to the Group.

Disclosure requirements

IFRS 15 containes more detailed requirements for information disclosure, rather than IAS had. The Group applies IFRS 15 using the cumulative effect recognition method. The adoption of IFRS 15 had no material impact on the consolidated financial statements of the Group.

2.31 Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, on average over 5 years.

2. Basis of preparation of financial statements and significant accounting policies (continued)

2.32 Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Labour expenses include state pension contributions of RR 1,829 for the year ended 31 December 2019 (2018: RR 1,835).

2.33 Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during period.

If applicable, diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares under the share based compensation programme. For the share options used in the share based compensation programme a calculation is done to determine the number of shares that would have been issued at the reporting date if this date was the vesting date.

2.34 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.35 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately where they do not have similar economic characteristics.

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expecta tions of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

3.1 Remaining useful life of property, plant and equipment

Management has assessed the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period when these assets will bring economic benefit to the Group. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

3. Critical accounting estimates and judgements in applying accounting policies (continued)

3.2 Impairment of assets (including goodwill)

Management has revised the goodwill allocation to Cash-generating unit ("CGU") due to business restructuring finalised in 2016. ZMZ CGU is not managed as separate CGU; mainly its products are manufactured for the Group's internal use. Applying these considerations management treats UAZ CGU and ZMZ CGU as single CGU. Accordingly, management made a decision to reallocate goodwill to a single UAZ CGU.

Management have used judgement when evaluating any indicators of potential impairment of the Group's non-current assets (including property, plant and equipment, intangibles and goodwill), or, when testing for impairment as at 31 December 2019 as required.

During the year 2019, the Russian automotive market declined by 2.3% year over year. The total market sales amounted to 1.75 mln. units.

The deacrease in automotive sales was caused by overall negative trend in the Russian economy. Despite real disposable income growing slowly in 2019, the customer sentiments remain at fairly low level.

In 2019 the retail sales of UAZ decreased by 5.7% mainly due to low market capacity and moderate increase in sales prices. The Group has a number of advantages in comparison with other brands because of the high level of production localization and a limited number of foreign suppliers. This fact protects the Group from the foreign exchange volatility. Besides, the Group's market share is planned to increase following the product development and improvement, enhancing the model range, increase of export sales and re-positioning of key players on the automarket.

Goodwill allocated to UAZ CGU have been tested by management for impairment using value-in-use calculations. The calculations use business plans and cash flows projections developed and approved by the management. The discounting rate used was estimated based on weighted average cost of capital, which is pre-tax and reflects specific risks related to the CGU and time value of money.

The cash flow projections cover an initial five-year period. Cash flows beyond five-year period are extrapolated using basic assumptions such as potential sales volumes, EBITDA margin level and discounting rate specific for the particular CGU. Management determined budgeted EBITDA margin on the basis of the past performance of the CGU and its expectations for the market development. These include continued stable demand for quality vehicles in the niche markets in which the unit operates, and the CGU's sales price advantage over its foreign competition in those markets.

Cash flows beyond the five-year period are extrapolated using estimated growth rate of 3% (31 December 2018: 3%); these growth rates do not exceed the forecasted inflation rates as well as account for specific Groups' opportunities in the current market environment described above. The discount rate used of 16.0% (31 December 2018: 16.7% for both CGUs) is pre-tax and reflect specific risks related to the CGU.

The inherence of no impairment is sensitive to the level of future revenues. With all other assumptions held constant, a reduction in revenues by 15% in each future period would result in a need to reduce the carrying value of goodwill by RR 1 060.

The inherence of no impairment is sensitive to the discount rate used in the model. With all other assumptions held constant, an increase of the discount rate by 3% would result in a need to reduce the carrying value of goodwill by RR 622.

3. Critical accounting estimates and judgements in applying accounting policies (continued)

3.3 Tax legislation and deferred income tax recognition

Russian tax, currency and customs legislation is subject to varying interpretations. Related accounting treatment requires the use of estimates and judgements as further detailed in Note 30.

Deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded on the balance sheet. Deferred income tax assets are recorded to the extent that realisation of the tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on taxable profits earned in the past three years; the possibility of challenges to the deductibility of expenses; the time period available in order to utilise the losses and expectations of future taxable income that are believed to be reasonable under the circumstances. The balance includes RR 1,944 (2018: RR 1,571). For details of the deferred tax assets recognised as at 31 December 2019, see Note 27. Management expects the losses to be utilised in the next few years based on current profit forecasts.

4. New standards, interpretations and amendments to the existing standards

During the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the annual consolidated financial statements for the year ended December 31, 2018, except for changes resulted from the adoption of new and amended IFRSs, which became effective on January 1, 2019. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

The Group applies, for the first time, IFRS 16 Leases, the nature and effect of these changes are disclosed below.

IFRS 16 supersedes existing lease accounting requirements. For the lessee, the new standard provided for significant changes in accounting compared to previous IFRS. In accordance with the new standard, the distinction between operating and financial leases is eliminated: an asset and a liability are recognized by the lessee for virtually all leases (with some exceptions). The Group applied this standard using a modified retrospective approach, which means that the cumulative effect of the initial application of the standard is recognized in retained earnings as at 1 January 2019, and comparative data are not adjusted.

Most of the contracts concluded as of January 1, 2019, provide for the rental of low-value assets (office equipment, personal computers) and short-term leases (i.e. leases with a term of not more than 12 months), which, within the framework of the standard, allow exemption from recognition for tenants. During 2019 the Group conducted new lease contracts and acquired new subsidiaries with current lease contrusts. Note 6 defines the impact of the first application of IFRS 16 on the consolidated financial statements of the Group is detailed.

The Group has applied the following practical simplifications required by IFRS 16 at the date of initial application:

- for a portfolio of leases with reasonably similar characteristics, a single discount rate was applied;
- an asset in the form of a right to use and a lease liability were not recognized in respect of lease agreements, the lease term of which expires within 12 months after 1 January 2019;
- the initial direct costs at the date of initial application were not included in the valuation of the asset in the form of a right of use.

The Group decided not to reassess whether the contract is a lease or whether the contract contains a lease at the date of initial application. For contracts concluded prior to the date of transition to the new standard, the Group relies on the assessment made in accordance with IAS 17 and the IFRIC 4 clarification “Determining Whether an Arrangement Contains a Lease”.

4. New standards, interpretations and amendments to the existing standards (continued)

For leases that were previously classified as finance leases. The Group recognized the carrying amount of the asset and lease liability determined immediately before the date of transition to the new standard as the carrying amount of the asset in the form of use and lease obligations at the date of initial application.

IFRS 9 — Financial Instruments (with amendments) - Early repayment terms with potential negative repayments

Under IFRS 9 a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amounts outstanding" (the "cash flow" criterion) and the instrument is held within the appropriate business model that allows such classification. The amendments to IFRS 9 clarify that a financial asset meets the "cash flow" criterion regardless of whether an event or circumstance leads to early termination of the contract, and irrespective of which party pays or receives reasonable compensation for early termination of the contract. These amendments did not have an impact on the Group's consolidated financial statements.

IAS 19 Employee Benefits (with amendments) – amendments to the program, reducing the programs or repayment of liabilities under the program

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments did not have an impact on the Group's consolidated financial statements as during the reporting period there were no plan amendment, curtailment or settlement.

Amendments to IAS 28 — Long-term interests in associates and joint ventures

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

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

These amendments did not have an impact on the Group's consolidated financial statements as the Group does not have such long-term interests in its associate and joint venture.

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

4. New standards, clarifications and amendments to existing standards (continued)

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments, and follows the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgements in identifying uncertainties over income tax treatments. As the Group operates in a complex international environment, it has reviewed whether the application of this interpretation has an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company’s and the subsidiaries’ tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

Annual improvements 2015-2017 cycle

IFRS 3 Business Combinations

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

These amendments did not have an impact on the Group's consolidated financial statements due to the absence of such transactions in the periods presented.

IFRS 11 Joint Arrangements

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

These amendments did not have an impact on the Group's consolidated financial statements due to the absence of transactions in which it obtains joint control.

IAS 12 Income Taxes

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

When these amendments are first applied, the entity must apply them to the tax consequences of dividends recognized on or after the start date of the earliest comparative period.

As the Group's current policies comply with the requirements of the amendments, their application did not have an impact on the Group's consolidated financial statements.

IAS 23 Borrowing Costs

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

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. Since the Group’s current policy is in line with these amendments, their application did not have an impact on the Group's consolidated financial statements.

4. New standards, clarifications and amendments to existing standards (continued)

New standards, amendments and clarifications that have been issued but are not yet effective

New standards, amendments and clarifications that have been issued but are not yet effective as of the date of issue of the Group's financial statements are listed below. The group intends to apply these standards, amendments and clarifications, if applicable, from the date they become effective.

Amendments to IFRS 3 Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, these amendments will not affect the Group on the date of transition.

Amendments to IAS 1 and IAS 8 Definition of Materiality

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material will not have a significant impact on the Group's consolidated financial statements.

(in millions of Russian Roubles – RR)

5. Balances and transactions with related parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group's immediate parent and ultimate controlling party are disclosed in Note 1.

5.1 Balances and transactions with related parties

Balances with related parties of the Group as at 31 December 2019 and 31 December 2018 consist of the following:

Balances

Nature of relationship	Board of directors	Parent company	Other related parties	Associates and joint ventures	Total
As at 31 December 2019					
Loans received	-	15	-	-	15
Accounts receivable	-	2	73	5	80
Trade and other accounts payable	-	-	484	9	493
As at 31 December 2018					
Accounts receivable	-	-	96	252	348
Trade and other accounts payable	-	-	473	4	477

Transactions with related parties of the Group for the years ended 31 December 2019 and 31 December 2018 consist of the following:

Transactions

Nature of relationship	Parent company	Other related parties	Associates and joint ventures	Total
Year ended 31 December 2019				
Loans received	15	-	-	15
Sales of vehicles and components, services	2	31	87	120
Purchases less discounts	1	4,543	34	4,578
Year ended 31 December 2018				
Sales of vehicles and components, services	-	92	266	358
Purchases less discounts	-	4,194	4	4,198

5.2 Key management compensation

The compensation paid to nine members of key management (year ended 31 December 2018: nine people) for their services in full or part time executive management positions is made up of a contractual salary and a performance bonus depending on operating results. Each director receives a fee for serving in that capacity and is reimbursed reasonable expenses in conjunction with their duties. No additional fees, compensation or allowances are paid.

Total key management compensation included in expenses in the consolidated statement of comprehensive income for the year ended 31 December 2019 comprises:

- short-term employee benefits amounting to RR 434 including payments to the State Pension Fund and other social taxes of RR 59 (2018: RR 296 including payments to the State Pension Fund and other social taxes of RR 40).

(in millions of Russian Roubles – RR)

6. Property, plant and equipment and right-of-use assets

Property, plant and equipment and related accumulated depreciation consist of the following:

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
Balance at 1 January 2018	6,998	10,065	4,226	974	22,263
Additions	-	-	-	1,182	1,182
Disposals	(22)	(144)	(49)	(97)	(312)
Transfers	123	1,033	520	(1,676)	-
Balance at 31 December 2018	**7,099**	**10,954**	**4,697**	**383**	**23,133**
Acquired with the subsidiary	919	11,673	545	353	13,490
Additions	-	-	-	1,028	1,028
Disposals	(17)	(107)	(76)	(356)	(556)
Transfers	193	370	461	(1,024)	-
Balance at 31 December 2019	**8,194**	**22,890**	**5,627**	**384**	**37,095**
Accumulated depreciation					
Balance at 1 January 2018	(2,525)	(5,972)	(2,585)	-	(11,082)
Depreciation expense for year	(137)	(584)	(494)	-	(1,215)
Disposals	9	80	45	-	134
Balance at 31 December 2018	**(2,653)**	**(6,476)**	**(3,034)**	**-**	**(12,163)**
Depreciation expense for year	(155)	(1,108)	(664)	-	(1,927)
Disposals	5	87	63	-	155
Balance at 31 December 2019	**(2,803)**	**(7,497)**	**(3,635)**	**-**	**(13,935)**
Net book value	**5,391**	**15,393**	**1,992**	**384**	**23,160**
Balance at 31 December 2018	**4,446**	**4,478**	**1,663**	**383**	**10,970**
Balance at 31 December 2019	**5,391**	**15,393**	**1,992**	**384**	**23,160**

As at 31 December 2019, bank borrowings are secured on land and buildings and plant and equipment. The book value of these items of property, plant and equipment included above is RR 319 (31 December 2018: RR 1,141). See Note 16.

As at 31 December 2019, construction in progress consists mainly of equipment. Upon completion, assets are transferred to plant and equipment. During the year ended 31 December 2019, the Group capitalised borrowing costs of RR 37 (2018: RR 74) as part of the cost of the qualifying assets (see Note 2.14). The annual capitalisation rate was 11.2% (2018: 13.7%).

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are situated. At 31 December 2019, the book value of the land amounted to RR 600 (2018: RR 604).

As at 31 December 2019, the right-of-use assets included in the long-term assets totaled to RR 145, the corresponding long-term lease liabilities were RR 116, short-term lease liabilities were RR 27.

(in millions of Russian Roubles – RR)

6. Property, plant and equipment and right-of-use assets (continued)

The changes in right-of-use assets and lease liabilities were the following:

Right-of-use assets at 1 January 2019	**-**
Additions (initial measurement)	158
Depreciation charge	(13)
Disposal	-
Right-of-use assets at 31 December 2019	**145**
Lease liabilities at 1 January 2019	**-**
Additions (initial measurement)	147
Interest expense	5
Lease payments	(9)
Disposal	-
Lease liabilities at 31 December 2019	**143**

During 12 months period ended 31 December 2019 total cash outflow for leases, including advance payments equalled RR 22.

During 12 months period ended 31 December 2019 the Group recognized in the cost of sales and general and administrative expenses the costs relating to short-term leases and leases of low-value assets amounted to RR 198.

7. Goodwill

Goodwill arose first on the original purchase of the controlling stake in PJSC “UAZ” and PJSC “ZMZ” and then on the increase of the holding stake in PJSC “UAZ” in 2003 and PJSC “ZMZ” in 2004.

Management revised its approach to goodwill due to business restructuring in 2016. ZMZ is no longer considered as a separate generating unit; mainly its products are manufactured for the Group's internl use. Applying these considerations management treats UAZ CGU and ZMZ CGU as a single CGU. Accordingly, management made a decision to reallocate Goodwill to a single UAZ CGU.

	31 December 2019	**31 December 2018**
UAZ CGU	1,484	1,484
Total goodwill	**1,484**	**1,484**

Impairment tests for goodwill

Management conducted impairment test for goodwill at 31 December 2019. See details of impairment testing in Note 3.2.

As a result of the assessment performed by the management, no impairment loss was identified as at 31 December 2019 (31 December 2018: nil).

(in millions of Russian Roubles – RR)

8. Development costs

As a result of assessment of future economic benefits to the Group for each individual project, as at 31 December 2019 no development costs were written off (31 December 2018: RR 7).

	2019	2018
Cost		
Balance at the beginning of the year	5,106	3,848
Additions	1,058	1,265
Write-off	-	(7)
Balance at the end of the year	**6,164**	**5,106**
Accumulated amortisation		
Balance at the beginning of the year	(1,902)	(1,669)
Amortisation charge	(464)	(233)
Write-off	-	-
Balance at the end of the year	**(2,366)**	**(1,902)**
Balance at the end of the year	**3,798**	**3,204**

Breakdown of development costs

	31 December 2019	31 December 2018
Development of new off-road vehicle (UAZ Patriot)	888	860
Development of new light commercial vehicle (UAZ-2360)	79	138
Development of new light commercial vehicle (UAZ-Profi)	375	331
Development of new platform	2,209	1,621
Other	247	254
Total development costs	**3,798**	**3,204**

9. Other intangible assets

Other intangible assets mainly comprise exclusive licences, which were provided for a period from 4 to 10 years. The Group recognized the 10-year franchise contract that gives a non-exclusive right to produce Ford Transit vehicles through acquisition of controlling share in Ford-SOLLERS JV. The values of intangible assets were the following:

	2019	2018
Cost		
Balance at the beginning of the year	1,532	1,117
Recognised through the acquisition of the subsidiary (franchise)	2,050	-
Additions	180	451
Disposals	(192)	(36)
Balance at the end of the year	**3,570**	**1,532**
Accumulated amortisation		
Balance at the beginning of the year	(759)	(679)
Amortisation charge	(319)	(88)
Disposals	105	8
Balance at the end of the year	**(973)**	**(759)**
Balance at the end of the year	**2,597**	**773**

(in millions of Russian Roubles – RR)

10. Investments in associates and joint ventures

Investments in joint ventures and associates are presented by followings assets:

	31 December 2019	31 December 2018
Mazda-SOLLERS JV	1,636	1,460
SOLLERS-Bussan JV	254	312
SOLLERS-Finance JV	-	655
ISUZU-SOLLERS JV	59	11
Total	**1,949**	**2,438**

The table below summarises the movements in the carrying amount of the Group's investment in joint ventures and associates.

	2019	2018
Carrying amount at 1 January	**2,438**	**2,261**
Share in profit/loss of joint ventures	405	232
Unrealised profit from sales to joint venture	10	10
Investment in the joint venture	70	35
Dividends received from joint venture	(250)	(100)
Disposal of investment in the joint venture	(724)	-
Carrying amount at 31 December	**1,949**	**2,438**

SOLLERS-Finance JV

In November 2010, the Group established a 50% – 50% joint venture with a bank for the development of leasing services and contributed OOO SOLLERS-Finance, a previously wholly owned subsidiary, to the joint venture. During the year ended 31 December 2019, the dividends of RR 200 were received from the SOLLERS-Finance JV (2018: RR 100).

In December 2019, the Group sold 50% of SOLLERS-Finance JV shares to the JV partner for 1,228. The result from the sale of investment in SOLLERS-Finance JV was recognised in other operating income and expenses in the amount of RR 504.

Mazda-SOLLERS JV

In August 2012 the Group paid its contribution to share capital of joint venture with Mazda Motor Co in amount of RR 750 and finalized the foundation of 50% – 50% joint venture with Mazda Motor Corporation. The production of Mazda SUVs and passenger cars was launched in September 2012.

In September 2016, Mazda-SOLLERS JV signed a Special investment contract with the Ministry of Industry and Trade of the Russian Federation. Under the contract, Mazda SOLLERS JV commits to create a new engine production capacity in the Far East with investments of RR 2,000. In the year 2017, the contract was amended and the investment commitment was enhanced to RR 2,800. In 2019 no additional invesments were made.

In 2019 Mazda-SOLLERS JV started mass assembly and export shipment of Mazda SkyActiv-G engines.

SOLLERS-Bussan JV

By the end of 2011, the Group established 50% – 50% joint venture with Japanese Mitsui&Co., Ltd located in Vladivostok, where Toyota vehicles were produced. In June 2015, the project was completed according to its initial schedule. As of the date of approval of the financial statements, Group management is considering alternative ways of SOLLERS-Bussan assets utilisation.

The carrying value of SOLLERS-Bussan JV investment have been tested by management for impairment. As of 31 December 2019, no impairment was identified (31 December 2018: nil).

In 2019, the dividends of RR 50 were received from the SOLLERS-Bussan JV (2018: RR 0).

10. Investments in associates and joint ventures (continued)

Ford-SOLLERS JV

In May 2011, SOLLERS and Ford signed an Agreement to establish a joint venture for exclusive production and distribution of Ford vehicles in the Russian Federation.

On 1 October 2011 the Group completed formation of 50% – 50% Ford-SOLLERS JV and the commencement of the joint venture was announced. Ford-SOLLERS JV manufactured a range of Ford passenger cars and light commercial vehicles in the St. Petersburg region and in the Republic of Tatarstan. The project implied development of large-scale production facilities with a high level of localization as well as maintaining of R&D activities.

During the 6 month, ended 30 June 2015 management has revealed indicators of potential impairment of Group’s investments in Ford-SOLLERS JV such as negative tendencies in macroeconomic environment and the operating losses the JV incurred. Management tested the JV for impairment using value-in-use calculations. The calculations use business plan and cash flows projections developed and approved by the JV management. The discounting rate used amounted to 16,7% and was based on weighted average cost of capital, which is post-tax and reflects specific risks related to the JV and time value of money. At June 30, 2015, the carrying value of the investment in Ford-SOLLERS JV on the Group’s balance amounts to nil.

On 31 March 2015, the Group and Ford Motor Company agreed on certain changes to the joint venture structure and shareholders agreement to support the Ford SOLLERS business in the near term and provide a platform for future growth. Under these agreements, Ford Motor Company provides additional financial support to Ford-SOLLERS JV and obtains a controlling interest in the joint venture through the acquisition of preferred shares. Ford Motor Company and the Group retained 50 percent of the ordinary shares in the joint venture. In addition, the agreements provide for certain future rights for the partners to redeem SOLLERS 50% interest in the joint venture at a minimum amount valued at USD 135 mln. payable at the date of redemption. The share in Ford-SOLLERS JV hold by the Group declined from 50% at the beginning of the year 2015 to 49.9% at 31 December 2015. As of 31 December 2018 the ownership structure of Ford-SOLLERS JV did not change. In the first half of 2019 the Group has exercised the option to sale its share in the Ford-SOLLERS JV for USD 135 mln. payable on the commencement date.

In March 2019 the Group and Ford Motor Company announced the plans for strategic restructuring of Ford-SOLLERS JV. On 1 July 2019 SOLLERS PJSC acquired the controlling share of 51% in Ford-SOLLERS JV, the share of Ford Motor Company is 49%. New joint venture is involved in the production and distribution of Ford Transit commercial vehicles, as well as the localization and further development of the special vehicles.

New Ford-SOLLERS JV was set on the basis of the existing Ford Sollers Elabuga, which is a resident of the ALABUGA Special Economic Zone. The Group consolidates Ford-SOLLERS JV starting from July 1, 2019, the date when the JV started its operations. The joint venture has undertaken the warranty service and spare parts supply for all Ford vehicles, previously sold in Russia.

ISUZU-SOLLERS JV

In the first half 2018 the Group established the joint venture with ISUZU Motors Limited. The new joint venture ISUZU-SOLLERS will develop the technological cooperation in Russia and design, produce and distribute medium-duty trucks.

At 31 December 2019, the Group held 50% interest in joint ventures Mazda SOLLERS, SOLLERS-Bussan and ISUZU-SOLLERS (at 31 December 2018, the Group held 50% interest in joint ventures Mazda SOLLERS, SOLLERS-Bussan, ISUZU-SOLLERS and SOLLERS-Finance; 49.9% in Ford-SOLLERS JV). The summarised financial information of the Joint ventures, including full amounts of total assets, liabilities, revenues, operating and net profit/(loss), is as follows:

(in millions of Russian Roubles – RR)

10. Investments in associates and joint ventures (continued)

	Total assets	Total liabilities	Revenue	Operating profit/(loss)	Profit/(loss)
Joint ventures:					
Total at 31 December 2019	**14,184**	**10,016**	**48,232**	**799**	**810**
Mazda-SOLLERS JV	13,500	9,959	46,818	216	330
SOLLERS-Bussan JV	513	6	-	(35)	(16)
SOLLERS-Finance JV	-	-	1,414	673	539
ISUZU-SOLLERS JV	171	51	-	(55)	(43)
Total at 31 December 2018	**19,049**	**13,968**	**41,566**	**383**	**465**
Mazda-SOLLERS JV	12,486	9,275	40,210	(133)	39
SOLLERS-Bussan JV	634	11	-	(53)	(29)
SOLLERS-Finance JV	5,893	4,668	1,356	629	502
ISUZU-SOLLERS JV	36	14	-	(60)	(47)

11. Other non-current assets

	31 December 2019	31 December 2018
Advances for construction in progress and equipment	42	17
Other non-current assets	37	52
Total other non-current assets	**79**	**69**

12. Inventories

	31 December 2019	31 December 2018
Raw materials	4,071	2,282
Less: provision	(311)	(30)
Total raw materials	**3,760**	**2,252**
Work in progress	1,256	1,106
Total work in progress	**1,256**	**1,106**
Finished products	2,703	1,767
Less: provision	(244)	(17)
Total finished products	**2,459**	**1,750**
Total	**7,475**	**5,108**

At 31 December 2019 and 31 December 2018, there were no pledged inventories.

(in millions of Russian Roubles – RR)

13. Trade and other receivables

	31 December 2019	31 December 2018
Trade receivables	4,513	5,060
Less: expected credit loss	(128)	(44)
Total trade receivables	**4,385**	**5,016**
Other receivables, including subsidies receivables	7,960	8,574
Less: expected credit loss	(37)	(42)
Total other receivables	**7,923**	**8,532**
Advances to suppliers, other than for equipment	371	232
Less: expected credit loss	(13)	(9)
Total advances to suppliers, other than for equipment	**358**	**223**
Taxes prepayments	134	30
VAT recoverable, net	138	390
Other prepayments	3	3
Total	**12,941**	**14,194**

Tax prepayments include profit tax prepayments in amount of RR 127 (31 December 2018: RR 6).

The Group receives government subsidies, which partially compensate production, administrative and finance cost. During 2019 the subsidies recognised in the Cost of sales amounted to RR 9,059 (2018: RR 9,712), the amounts recognised in the General and administrative expenses totalled RR 1,008 (2018: RR 671), in the Distribution costs – RR 259 (2018: RR 92).

Trade receivables are represented by currency as follows:

Currency	31 December 2019	31 December 2018
Russian Roubles	4,291	4,996
US Dollars	25	20
Euros	69	-
Total	**4,385**	**5,016**

The analysis by credit quality of trade receivables outstanding are as follows:

	31 December 2019	31 December 2018
Current and not impaired – exposure to		
- Group 1 – large corporate clients	2,004	2,750
- Group 2 – dealers	2,046	1,861
- Group 3 – other clients	151	354
Total current and not impaired	**4,201**	**4,965**
Past due but not impaired		
- less than 30 days overdue	103	22
- 30 to 90 days overdue	44	16
- 90 to 180 days overdue	25	4
- 180 to 360 days overdue	12	6
- over 360 days overdue	-	3
Total past due but not impaired	**184**	**51**
Individually determined to be impaired (gross)		
- over 360 days overdue	128	44
Total individually impaired	**128**	**44**
Less impairment provision	**(128)**	**(44)**
Total	**4,385**	**5,016**

(in millions of Russian Roubles – RR)

13. Trade and other receivables (continued)

The Group retains the PTS (vehicle registration certificate representing the certificate of title of a vehicle) as a pledge when other documents are transferred to the dealer in conjunction with a sale. Management considers that this serves as collateral in relation for the trade receivables in Group 2 and Group 3. The fair value of the collateral for the past due but not impaired receivables as at 31 December 2019 was RR 184 (31 December 2018: RR 51) and the fair value of the collateral for the individually determined to be impaired receivables was RR 51 as of 31 December 2018 (31 December 2018: RR 44).Movements in the expected credit loss for trade and other receivables are as follows:

	31 December 2019			31 December 2018		
	Trade receivables	**Other financial receivables**	**Advances to suppliers**	**Trade receivables**	**Other financial receivables**	**Advances to suppliers**
Expected credit loss at the start of the year	**44**	**42**	**9**	**50**	**28**	**3**
Amounts written off during the year as uncollectible	(8)	(17)	(1)	(11)	(5)	-
Provision for impairment during the year	92	12	5	5	19	6
Expected credit loss at the end of the year	**128**	**37**	**13**	**44**	**42**	**9**

14. Cash and cash equivalents

	31 December 2019	**31 December 2018**
Cash on hand and balances with banks	1,338	209
Cash deposits	5,351	17
Total	**6,689**	**226**

Cash and cash equivalents held by the Group earned the following interest rates per annum:

	0%-1%	**3-4%**	**5-6%**	**Non-interest bearing**	**Total**
As at 31 December 2019					
Cash on hand and balances with banks	1	59	-	1,278	**1,338**
Cash deposits	-	-	5,351	-	**5,351**
Total	**1**	**59**	**5,351**	**1,278**	**6,689**

	0%-1%	**3-4%**	**5-6%**	**Non-interest bearing**	**Total**
As at 31 December 2018					
Cash on hand and balances with banks	-	161	-	48	**209**
Cash deposits	-	-	17	-	**17**
Total	**-**	**161**	**17**	**48**	**226**

The following cash and cash equivalents held by the Group are denominated in foreign currencies:

Currency	**31 December 2019**	**31 December 2018**
US Dollars	20	9
Euros	2	-
Total	**22**	**9**

(in millions of Russian Roubles – RR)

14. Cash and cash equivalents (continued)

The carrying value of cash and cash equivalents as at 31 December 2019 and 31 December 2018 is approximately equal to their fair value. The Group holds 82% of its cash and cash equivalents in the top-2 Russian banks. Credit ratings of the banks where accounts were held as at the year-end date are set out in the analysis below:

	31 December 2019	31 December 2018
Rating by AKRA		
- AAA (ru)	1,460	181
Rating by Expert-RA		
- ruAAA	4,970	44
Other		
- Unrated	259	1
Total	**6,689**	**226**

At 31 December 2019, restricted cash consisted of RR 375, acquired under the contracts for special-purpose funding with state fund for industrial development (31 December 2018: RR 466) and RR 3,413 acquired under state defense order (31 December 2018: RR 1,295), RR 130 – other restricted cash (31 December 2018: RR 0).

15. Shareholders' equity

The value of share capital issued and fully paid up consists of the following amounts:

	Number of outstanding ordinary shares (thousands)	Share capital	Share premium	Additional paid-in capital
At 31 December 2019	34,270	530	4,538	1,438
At 31 December 2018	34,270	530	4,538	1,438

The total authorised number of ordinary shares is 82,074 thousand (31 December 2018: 82,074 thousand). The nominal value of all shares is 12.5 roubles per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

Share premium represents the excess of contributions received over the nominal value of shares issued.

In accordance with Russian legislation, the Group distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the accumulated profit. For the year ended 31 December 2019, the total comprehensive income for the Company reported in the published annual statutory reporting financial statements was RR 347 (2018: RR 99) and the closing balance of the accumulated profit including the current reporting period net statutory profit was RR 10,978 (31 December 2018: RR 10,631). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

By the date of approval of these consolidated financial statements, no dividends were proposed by the Board of Directors for the year ended 31 December 2019.

During year, 2019 no dividends were paid for the year ended 31 December 2018.

(in millions of Russian Roubles – RR)

16. Borrowings

The Group's long-term borrowings consisted of bank loans amounted to RR 121 (31 December 2018: RR 800) and funding from federal and regional funds for industrial development amounted to RR 465 (31 December 2018: RR 454).

The Group's long-term borrowings are denominated in Russian Roubles at 31 December 2019 and 31 December 2018. The carrying amounts of long-term borrowings approximates to their fair values at 31 December 2019 and at 31 December 2018.

The Group's short-term borrowings consisted of the following:

	31 December 2019	31 December 2018
Bank loans	6,505	4,377
Borrowings from federal and regional funds	21	10
Interest payable	48	49
Total short-term borrowings	**6,574**	**4,436**

The Group's short-term borrowings are denominated in Russian Roubles at 31 December 2019 and 31 December 2018. The carrying amounts of short-term borrowings approximates to their fair values at 31 December 2019 and at 31 December 2018.

Certain of the Group's borrowings are subject to covenant requirements that the Group is required to comply with, or otherwise could result in an acceleration of the repayment period.

Property, plant and equipment of RR 319 (31 December 2018: RR 1,141) are pledged as collateral for long-term and short-term borrowings. See Note 6.

17. Deferred income

In 2019, the Group received a government subsidy to compensate Group's development costs on the new vehicle in the amount of RR 91 (2018: RR 328).

The Group has capitalised related development costs. Accordingly, the government subsidy was recognised as a deferred income on the Group's balance sheet. The deferred income will be recognised as revenue to match the amortisation of the capitalised development costs. Amortisation of the deferred income recognised will commence when the Group meets all conditions attached to the subsidy.

In 2017, the Group received loans from federal and regional funds for industrial development under the interest rate below the market. The difference between the fair value of loans and the amount of cash received was recognized as a deferred income amounted to RR 45 (2018: RR 77). Deferred income movement contained the following:

Balance at 1 January 2018	**120**
Deferred income recognised in the year	-
Written-off against interest payable	(43)
Total at 31 December 2018	**77**
Deferred income recognised in the year	-
Written-off against interest payable	(32)
Total at 31 December 2019	**45**

(in millions of Russian Roubles – RR)

18. Trade accounts payable and advances received and other payables

At 31 December 2019 trade accounts payable amounts to RR 20,440 (31 December 2018: RR 15,817). The amount includes trade payables with the reverse factoring settlement in the amount of RR 6,499 (31 December 2018: RR 5,376).

	31 December 2019	31 December 2018
Accrued liabilities and other creditors	121	147
Liabilities for purchased property, plant and equipment	116	54
Total financial liabilities within other payables	**237**	**201**
Bonus accrual	238	117
Advances received	1,108	1,015
Accrued employee benefit costs	254	300
Vacation accrual	245	201
Total advances received and other payables	**2,082**	**1,834**

There were no overdue payables as at 31 December 2019, including in respect of trade payables (31 December 2018: nil).

19. Taxes payable

	31 December 2019	31 December 2018
Value-added tax	923	688
Payments to the State Pension Fund and other social taxes	151	179
Income tax	7	7
Property tax	20	33
Personal income tax	20	60
Excise tax	22	17
Utilisation tax	3,178	3,892
Other taxes	47	14
Total	**4,368**	**4,890**

The Group had no tax liabilities past due at 31 December 2019 (31 December 2018: nil).

20. Warranty and other provisions

During the year ended 31 December 2019 and 31 December 2018, the following movements in warranty and other provisions were recorded:

	Warranty	Tax and other claims	Total
Balance at 1 January 2018	**586**	**230**	**816**
Additional provision	370	107	477
Recovered provision	-	(17)	(17)
Utilised in the year	(480)	(38)	(518)
Balance at 31 December 2018	**476**	**282**	**758**
Additional provision as a result of Ford-SOLLERS JV acquisition	2,223	71	2,294
Additional provision	1,004	120	1,124
Recovered provision	(960)	(67)	(1,027)
Utilised in the year	(904)	(209)	(1,113)
Balance at 31 December 2019	**1,839**	**197**	**2,036**

The Group provides a two-year or three-year warranty on most UAZ vehicles, except for a four-year warranty on the “UAZ Profi”; the “UAZ Hunter” with a one-year warranty and warranty on ZMZ engines, which covers the period of warranty on the particular vehicle. The Group provides a two-year warranty with no mileage limit, 8-year rust-through corrosion warranty on Ford Transit vehicles, purchased from Ford official dealers. The Group is commited to repair or replace items that fail to perform properly.

A provision has also been recognised for SsangYong vehicles based on expected costs to be incurred that are not covered by warranties provided by the supplier.

All of the above provisions have been classified as current liabilities as the Group does not have an unconditional right to defer settlement beyond one year.

(in millions of Russian Roubles – RR)

21. Sales

	Year ended 31 December 2019	Year ended 31 December 2018
Vehicles	45,886	29,943
Automotive components	8,844	6,866
Engines	1,436	1,269
Services	1,151	720
Other sales	522	681
Total	**57,839**	**39,479**

22. Cost of sales

	Year ended 31 December 2019	Year ended 31 December 2018
Materials and components	37,171	24,897
Government subsidies	*(5,964)*	*(5,894)*
Labour costs	5,755	5,530
Government subsidies	*(2,867)*	*(1,822)*
Other production costs	14,361	12,412
Government subsidies	*(228)*	*(1,996)*
Depreciation and amortisation	2,208	1,279
Change in finished goods and work in progress	(859)	(318)
Total	**49,577**	**34,088**

The utilisation tax of RR 9,809 is recognised in other production costs in 2019 (2018: RR 9,399).

23. Distribution costs

	Year ended 31 December 2019	Year ended 31 December 2018
Transportation	2,923	2,205
Advertising	660	514
Labour costs	376	419
Materials	204	218
Check and inspection performed by dealers	39	24
Other	337	158
Total	**4,539**	**3,538**

24. General and administrative expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Labour costs	2,222	2,024
Government subsidies	*(1,008)*	*(671)*
Services provided by third parties	651	456
Depreciation and amortisation	343	163
Rent	198	96
Taxes other than income	211	225
Business travel	190	292
Fire brigade and security costs	199	182
Repairs and maintenance	82	38
Transportation	88	70
Materials	25	18
Insurance	24	14
Training costs	15	17
Movement in the provision for impairment of receivables	109	30
Other	228	(87)
Total	**3,577**	**2,867**

(in millions of Russian Roubles – RR)

25. Other operating (income)/ expenses – net

	Year ended 31 December 2019	Year ended 31 December 2018
Net loss/(income) on disposals of property, plant, equipment and investments	528	(35)
Gain on bargain purchase (Note 31)	(2,200)	-
Gain on sale and revaluation of investments	(511)	(8)
Accounts payable written-off	(29)	(12)
Charitable donations	21	46
Social expenses	23	24
Profit on disposal of materials	(71)	(60)
Research and development expenses	-	7
Other provisions accrual	(1)	(10)
Other	46	57
Total	**(2,194)**	**9**

26. Finance costs, net

	Year ended 31 December 2019	Year ended 31 December 2018
Interest expense, net	1,504	772
Foreign exchange (gains)/losses	(151)	296
Discounting	81	13
Total finance costs, net	**1,434**	**1,081**
Less capitalised finance costs	(37)	(74)
Total finance costs, net	**1,397**	**1,007**

The Group's capitalised borrowing costs of RR 37 mainly arising on financing attributable to the construction of property, plant and equipment (2018: RR 74).

27. Income tax (benefit) / expense

The income tax expense recorded in the consolidated statement of comprehensive income for the year comprises the following:

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax expense	292	38
Deferred tax benefit	(938)	(123)
Income tax benefit	**(646)**	**(85)**

In 2019, the income tax rate applicable to the Group's income was 20% and 7% (2018: 20%). A reconciliation between the expected and the actual taxation charge is provided below:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit/(loss) before income tax	**703**	**(39)**
Theoretical tax charge at statutory rate (2019: 20%; 2018: 20%)	5	(8)
Theoretical tax charge at statutory rate (2019: 7%; 2018: n/a)	48	-
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-assessable gains at 20%	(713)	(77)
- Non-assessable losses at 7%	14	-
Income tax (benefit) / expense	**(646)**	**(85)**

(in millions of Russian Roubles – RR)

27. Income tax (benefit)/ expense (continued)

Differences between IFRS and statutory taxation regulations in Russia 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% and 7% (31 December 2018: 20%).

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management's expectations that are believed to be reasonable under the circumstances.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Deferred tax assets may be realised in different periods than the deferred tax liabilities may be settled. Management believes that there will be sufficient taxable profits available at the time the temporary differences reverse to utilise the deferred tax assets. See Note 3.3.

Since 1 January 2017 carryover of the tax losses that existed at 31 December 2016 and that will arise going forward are not limited in time.The accumulated tax losses should not reduce the tax base of the period by more than 50%.

The Group has not recorded a deferred tax liability in respect of temporary differences associated with investments in associates and joint ventures as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

	1 January 2018	**Movement in the year ended 31 December 2018**	**31 December 2018**	**Acquisition of the subsidiary in the year ended 31 December 2019**	**Movement in the year ended 31 December 2019**	**31 December 2019**
Tax effects of deductible temporary differences:						
Losses carried forward	867	704	1,571	341	32	1,944
Equity investments	(31)	31	-	-	(12)	(12)
Accounts payable and provisions	245	73	318	50	580	948
Inventories	37	23	60	(6)	(2)	52
Other current assets	24	(5)	19	-	(2)	17
Other long-term liabilities	131	53	184	-	4	188
Total	**1,273**	**879**	**2,152**	**385**	**600**	**3,137**
Tax effects of taxable temporary differences:						
Property, plant and equipment	(852)	253	(599)	(546)	(268)	(1,413)
Accounts receivable	(994)	(687)	(1,681)	(129)	478	(1,332)
Equity investments and other non-current assets	(96)	(322)	(418)	(143)	129	(432)
Total	**(1,942)**	**(756)**	**(2,698)**	**(818)**	**339**	**(3,177)**
Recognised deferred tax asset, net	**690**	271	**961**	433	(741)	**653**
Recognised deferred tax liability, net	**(1,359)**	(148)	**(1,507)**	(866)	1,678	**(695)**
Total net deferred tax liability	**(669)**	**123**	**(546)**	**(433)**	**937**	**(42)**

28. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group, which are regularly reviewed by the 'chief operating decision maker' in order to allocate resources to segments and to assess their performance. The Group's operating segments are reported based on the financial information provided to the Group's Chief Executive Officer and that are used to make strategic decisions.

Since 2011, the Group restructured its automotive, engine and autocomponents segments after PJSC UAZ has become the major customer of PJSC ZMZ. Since the acquisition of Ford-SOLLERS JV, whose main activity is the production and sale of commercial vehicles, it was fully integrated into the Group structure, and as the other Group's segments subordinates to the Group's General Director. As at 31 December 2019 the Group activities are considered as one reporting segment: vehicles production.

The Group's production facilities are wholly located within the Russian Federation, and almost all sales are domestic.

The Chief Executive Officer reviews financial information prepared on the basis of Russian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards, including in relation to inventory provisions; receivables provisions and other adjustments.

Performance is evaluated on the basis of operating profit or loss. Accordingly, foreign currency gains/ losses, interest income/ expenses and income tax charges are excluded. No balance sheet information is regularly reviewed and accordingly no information on assets or liabilities is included as part of the segment information presented.

Revenues from external customers are presented in Note 21. Management considers that across the range of vehicles and models produced, these are considered as similar products.

29. Financial risk management

29.1 Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (market, currency, price, interest rate, credit and liquidity), operational risks and legal risks. 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.

(a) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements. Management 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 losses outside of these limits in the event of more significant market movements.

(i) Currency risk

The Group is exposed to currency risk from changes in the exchange rate of following currencies: Euro, US Dollars, Korean Won and Chinese yuan. The risks arise on purchase agreements for delivery of major production components denominated in foreign currencies. Management believes that the nature of its business enables the Group to offset currency risk by changing related Rouble denominated retail prices.

(in millions of Russian Roubles – RR)

29. Financial risk management (continued)

29.1 Financial risk factors (continued)

The positions are monitored monthly. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2019:

	Monetary financial assets		Monetary financial liabilities		Net balance sheet position
	Cash and cash equivalents	Accounts receivable	Accounts payable	Borrowings	
US Dollars	20	25	(1,258)	-	**(1,213)**
Euros	2	69	(1,222)	-	**(1,151)**
Chinese yuan	-	-	(3)	-	**(3)**
Pound sterling	-	-	(12)	-	**(12)**
Total foreign currencies	**22**	**94**	**(2,495)**	**-**	**(2,379)**
Russian Roubles	6,667	4,402	(18,182)	(7,160)	**(14,273)**
Total	**6,689**	**4,496**	**(20,677)**	**(7,160)**	**(16,652)**

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2018:

	Monetary financial assets			Monetary financial liabilities		
	Cash and cash equivalents	Financial instruments	Accounts receivable	Accounts payable	Borrowings	Net balance sheet position
US Dollars	9	9,379	20	(585)	-	**8,823**
Euros	-	-	-	(582)	-	**(582)**
Korean won	-	-	-	(88)	-	**(88)**
Chinese yuan	-	-	-	(713)	-	**(713)**
Swiss franc	-	-	-	(1)	-	**(1)**
Total foreign currencies	**9**	**9,379**	**20**	**(1,969)**	**-**	**7,439**
Russian Roubles	217	-	5,095	(14,049)	(5,690)	**(14,427)**
Total	**226**	**9,379**	**5,115**	**(16,018)**	**(5,690)**	**(6,988)**

The above analysis includes only monetary assets and liabilities and financial instrument. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

Management monitors exchange rates and market forecasts on foreign exchange rates regularly as well as prepares budgets for long-term, medium-term and short-term periods.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the reporting date relative to the Group's functional currency, with all other variables held constant:

	2019	2018
Impact on profit and loss and on equity of:		
US Dollar strengthening by 10% (10% for 2018)	(121)	882
US Dollar weakening by 10% (10% for 2018)	121	(882)
Euro strengthening by 10% (10% for 2018)	(115)	(58)
Euro weakening by 10% (10% for 2018)	115	58
Korean won strengthening by (10% for 2018)	-	(9)
Korean won weakening by (10% for 2018)	-	9
Chinese yuan strengthening by (10% for 2018)	-	(71)
Chinese yuan weakening by (10% for 2018)	-	71
Pound sterling strengthening by (10% for 2018)	(1)	-
Pound sterling weakening by (10% for 2018)	1	-

The exposure was calculated only for monetary assets and liabilities denominated in currencies other than the functional currency of the respective entity of the Group.

(in millions of Russian Roubles – RR)

29. Financial risk management (continued)

29.1 Financial risk factors (continued)

(ii) Price risk

The Group is not exposed to equity securities price risk because it does not hold a material portfolio of equity securities.

(iii) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Group's exposure to interest rate risks. The table below presents the Group's financial liabilities at their carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

	On demand and less than 3 month	**From 3 to 12 months**	**More than 1 year**	**Total**
31 December 2019				
Fixed interest rates	205	4,121	631	**4,957**
Interest rates based on key rate	-	2,200	-	**2,200**
Total	**205**	**6,321**	**631**	**7,157**

	On demand and less than 3 month	**From 3 to 12 months**	**More than 1 year**	**Total**
31 December 2018				
Fixed interest rates	721	2,566	1,331	**4,618**
Interest rates based on key rate	300	800	-	**1,100**
Total	**1,021**	**3,366**	**1,331**	**5,718**

At 31 December 2019, if interest rates at that date had been 200 basis points lower (31 December 2018: 200 basis points lower) with all other variables held constant, the interest expense for the year would have been RR 128 lower (2018: RR 164 lower). If interest rates at that date had been 100 basis points higher (31 December 2018: 100 basis points higher) with all over variables held constant, the interest expense for the year would have been RR 64 higher (31 December 2018: RR 82 higher).

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

In % p.a.	**2019**	**2018**
Assets		
Cash and cash equivalents	0%-6%	0%-5.5%
Liabilities		
Borrowings	1%-9.35%	1%-11.6%

(b) Credit risk

The Group takes on exposure 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 sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

(in millions of Russian Roubles – RR)

29. Financial risk management (continued)

29.1 Financial risk factors (continued)

The Group's maximum exposure to credit risk by class of assets is as follows:

	31 December 2019	31 December 2018
Cash and cash equivalents	6,689	226
Restricred cash	3,918	1,761
Accounts receivable, including long-term accounts receivable	4,422	5,068
Financial instruments (derivative)	-	9,379
Other accounts receivable and financial assets	74	47
Total on-balance sheet exposure	**15,103**	**16,481**
Financial guarantees, Note 30	18	34
Total maximum exposure to credit risk	**15,121**	**16,515**

The process of management of credit risk includes assessment of credit reliability of the counterparties and reviewing payments received. All the receivables from the Group's dealers are secured through the Group retaining the PTS of vehicles dispatched until payment has been made.

Management reviews the ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 13.

The credit quality of each new customer is analysed before the Group enters into contractual agreements. The credit quality of customers is assessed taking into account their financial position and past experience.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

The Group's cash and cash equivalents are held in 9 banks (31 December 2018: 8 banks), 82% of cash and cash equivalents are held in 2 leading Russian banks. Management monitor AKRA and Expert-RA ratings of the banks used to manage the level of credit risk that the Group is exposed to. Management considers that the credit risk associated with these banks is negligible.

Credit risks concentration

Except for the state and corporate contracts, no single debtor of the Group accounts for more than 4.9% (31 December 2018: 14.3%) of the trade accounts receivable of the Group. However, the majority of the Group's trade receivables represent dealers who sell the Group's vehicles to consumers, and therefore are exposed in similar ways to reductions in the demand from consumers for new vehicle sales, and their ability to obtain access to credit in the financial markets in order to finance their businesses. As the Group maintains the PTS registration certificates to each vehicle and has insurance arrangements in place, covering the vehicles held by the dealers, this mitigates the potential exposure of the Group in the event that a number of dealers are impacted in similar ways and are not able to repay amounts owed.

Management does not consider any requirement to enter into hedging arrangements in relation to the credit risks to which the Group is exposed.

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

(in millions of Russian Roubles – RR)

29. Financial risk management (continued)

29.1 Financial risk factors (continued)

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times for all cash flow obligations as they become due by preparing long-term, medium-term and short-term budgets, continuously monitoring forecast and actual cash flows.

The Group monitors the range of financial ratios (net debt/EBITDA, EBIT/Interest expense) in order to ensure that the Group maintains sufficient liquidity in order to meet its obligations as they fall due. Management review the targeted ratios in order to ensure that targets are in line with the market and take actions to ensure that the Group is able to maintain sufficient liquid resources to ensure that the Group continues to meet its liabilities as they fall due.

Management monitors compliance with covenant requirements on a monthly basis, or more frequently as appropriate. A schedule of covenant requirements that the Group is subject to is maintained by the Head of Treasury, and management are proactive to obtain revised agreements or waivers to the extent that requirements would otherwise not be achieved.

Management considers the targeted ratios sustainable for the foreseeable future. Management believes that the Group has access to additional credit facilities if required.

The analysis below represents management expectations of repayment schedule of monetary assets and liabilities of the Group as of 31 December 2019 and 31 December 2018. The table below is based on the earliest possible repayment dates and on nominal cash flows including future interest payments. Foreign currency cash flows are translated using spot exchange rates as of 31 December 2019 and 31 December 2018.

	On demand and less than 3 months	From 3 to 12 months	More than 1 year	More than 5 years	Total
31 December 2019					
Total monetary financial assets	**15,038**	**55**	**10**	**-**	**15,103**
Cash and cash equivalents	6,689	-	-	-	**6,689**
Restricted cash	3,882	36	-	-	**3,918**
Trade receivables	4,393	19	10	-	**4,422**
Other receivables	74	-	-	-	**74**
Total monetary financial liabilities	**(20,941)**	**(6,337)**	**(702)**	**-**	**(27,980)**
Borrowings	(253)	(6,321)	(586)	-	**(7,160)**
Trade payables	(20,440)	-	-	-	**(20,440)**
Long-term lease	-	-	(116)	-	**(116)**
Other payables and short-term lease	(248)	(16)	-	-	**(264)**
Future interest payments	**(148)**	**(268)**	**(22)**	**-**	**(438)**
Net monetary financial liabilities at 31 December 2019	**(6,051)**	**(6,550)**	**(714)**	**-**	**(13,315)**
31 December 2018					
Total monetary financial assets	**7,102**	**9,379**	**-**	**-**	**16,481**
Cash and cash equivalents	226	-	-	-	**226**
Restricted cash	1,761	-	-	-	**1,761**
Trade receivables	5,068	-	-	-	**5,068**
Financial instruments	-	9,379	-	-	**9,379**
Other receivables	47	-	-	-	**47**
Total monetary financial liabilities	**(17,088)**	**(3,366)**	**(1,331)**	**-**	**(21,785)**
Borrowings	(1,070)	(3,366)	(1,331)	-	**(5,767)**
Trade payables	(15,817)	-	-	-	**(15,817)**
Other payables	(201)	-	-	-	**(201)**
Future interest payments	**(125)**	**(188)**	**(92)**	**-**	**(405)**
Net monetary financial liabilities at 31 December 2018	**(10,111)**	**5,825**	**(1,423)**	**-**	**(5,709)**

Financial guarantees issued by the Group are disclosed in Note 30.

(in millions of Russian Roubles – RR)

29. Financial risk management (continued)

29.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by a sum of total equity and net debt. The Group's total equity at 31 December 2019 was RR 26,976 (31 December 2018: RR 18,969).

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019	**31 December 2018**
Long-term borrowings	586	1,254
Short-term borrowings	6,574	4,436
Less: cash and cash equivalents and restricted cash	(10,607)	(1,987)
(Net cash and cash equivalents)/ Net debt	**(3,447)**	**3,703**
Equity	26,976	18,969
Total net debt and equity	n/a	22,672
Gearing ratio	**n/a**	**16%**

Management constantly monitor profitability ratios, market share price and debt/capitalisation ratio. The level of dividends is also monitored by the Board of Directors of the Group.

Fair value of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The fair value of long-term and short-term borrowings is disclosed in Note 16. The carrying value of other financial instruments approximates to their fair value. Level three measurements were applied.

30. Contingencies, commitments and operating risks

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis both of its own estimates and external and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims.

Tax legislation. Russian tax and customs legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances, reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm’s length. Tax liabilities arising from transactions between companies within the Group are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. Russian transfer pricing legislation is also applicable to all the Joint ventures in which the Group participates.

Management of respective companies has also implemented internal control procedures to identify controlled transactions and test prices / profit margins in controlled transactions, and ensure compliance with the TP legislation. Management takes all necessary steps to maintain this internal control system.

At the moment management believes that the Group’s interpretation of tax legislation could be proved, nevertheless, there is a risk that the Group will be subject to additional tax expenses, if management understanding is successfully challenged by tax authorities.

The impact of any such exposures cannot be reliably estimated but may have a material effect on the Group’s financial results.

Capital commitments. Company’s commitments totalled RR 326 at 31 December 2018 (31 December 2018: RR 776). The commitments include contractual obligations to purchase, construct or develop property, plant and equipment.

Guarantees. Guarantees are irrevocable assurance that the Group will make payments in the event that another party cannot meet its obligations. As of 31 December 2019, In addition the Group has issued financial guarantees for other related parties for RR 18 (31 December 2018: RR 34).

Covenants. For certain borrowing agreements, the Group is subject to covenant requirements. Breaches of these requirements could give a lender the right to accelerate the repayment period of the borrowings and demand immediate repayment.

Management have validated that the Group was in full compliance with all covenants attached to contracts entered into, including borrowing agreements with lenders, as at 31 December 2019 (31 December 2018: no exceptions).

As at the date of approval of these consolidated financial statements, management considers that the Group is in full compliance with all covenant requirements.

Environmental matters. Environmental regulation in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

(in millions of Russian Roubles – RR)

31. Ford-SOLLERS JV acquisition

On July 1, 2019 PJSC SOLLERS acquired a controlling interest of 51% in the authorized capital of Ford-SOLLERS JV, whose principal activities are production and distribution of Ford Transit vehicles. The Group paid RUB 4,730 as a consideration.

The acquisition was recorded under the acquisition method. The fair value of the JV's net assets comprised RUB 13,588. The excess of the fair value of identifiable net assets over acquisition cost of 51% share in Ford-SOLLERS JV amounted to RUB 2,200, was recorded as a gain on bargain purchase.

The following table summarizes the result of Ford-SOLLERS JV acquisition and the gain on bargain purchase:

	Ford-SOLLERS JV
Consideration	4,730
Fair value of net assets	13,588
Fair value of net assets acquired (51%)	6,930
Gain on bargain purchase	**2,200**

The results of operations of Ford-SOLLERS JV were included in the accompanying consolidated statement of income from the date of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	1 July 2019
Assets	**25 620**
Property, plant and equipment, right-of-use assets	13,667
Franchise and other intangibles	2,050
Inventory	3,520
Accounts receiveable and other current assets	3,596
Cash and cash equivalents	2,787
Liabilities	**12,032**
Net deferred tax liabilities	434
Trade accounts payable and other payables	8,761
Other liabilities	2,837
Fair value of net assets	**13,588**
Non-controlling interest (49%)	6,658
Fair value of net assets acquired (51%)	6,930

32. Principal subsidiaries

The principal subsidiaries consolidated within the Group and the degree of control exercised by the Group are as follows:

		31 December 2019	**31 December 2018**
Entity	**Activity**	**% of effective interest (total share capital)**	**% of effective interest (total share capital)**
Ford Sollers Netherlands B.V. (Ford-SOLLERS JV)	Manufacture and sale of light commercial vehicles, minibuses, engines and parts	51.00	49.9
PJSC “Zavolzhskiy Motorny Zavod” (further “ZMZ”)	Manufacture and sale of engines for passenger automobiles, trucks and buses	96.37	96.19
LLC “RosALit”	Manufacture and sale of metal products	96.37	96.19
LLC “Ulyanovsky Avtomobilny Zavod” (before PJSC “Ulyanovsky Avtomobilny Zavod”)	Manufacture and sale of passenger automobiles, light trucks and minibuses, engines and parts	100.00	100.00

(in millions of Russian Roubles – RR)

32. Principal subsidiaries (continued)

The table presents the Group's effective interest in total share capital comprising of ordinary shares and preference shares or stockholders' stakes.

During the year ended 31 December 2019, as a result of a minority stake acquisition, the Group's effective interest in ZMZ increased. During 2019 the Group bought-out from third parties shares of ZMZ for RR 8. The Group's gain of RR 17 was recognised in equity.

During the year ended 31 December 2018, as a result of a minority stake acquisition, the Group's effective interest in ZMZ increased. During 2018 the Group bought-out from third parties shares of ZMZ for RR 54. The Group's gain of RR 60 was recognised in equity.

At 31 December 2019, the Group had two subsidiaries with non-controlling interests that is material (at 31 December 2018, the Group had one subsidiary with non-controlling interests that are material):

	31 December 2019		**31 December 2018**	
	Carrying amount	**The non-controlling interest's share**	**Carrying amount**	**The non-controlling interest's share**
Ford-SOLLERS JV	7,889	49.00%	-	-
ZMZ	337	3.63%	364	3.81%
Total	**8,226**	**-**	**364**	**-**

The table below summarises the movements in the carrying amount of the non-controlling interest in the Group's subsidiaries, including total assets, liabilities, revenue and profit:

	ZMZ	**Ford-SOLLERS JV**
Carrying amount at 1 January 2018	**464**	**-**
Non-controlling interest in current year result	14	-
Change of non-controlling in the subsidiary	(114)	-
Carrying amount at 31 December 2018	**364**	**-**
Non-controlling interest in current year result	(10)	1,231
Change of non-controlling in the subsidiary	(17)	-
Acquisition of the subsidiary	-	6,658
Carrying amount at 31 December 2019	**337**	**7,899**

The summarised financial information of the Group's subsidiaries with significant non-controlling interest, including full amounts of total assets, liabilities, revenues and profit, is as follows:

	Total assets	**Total liabilities**	**Revenue**	**Profit**	**Net cash flows**
Total at 31 December 2019					
ZMZ	10,025	(749)	2,374	(270)	(15)
Ford-SOLLERS JV	22,892	(6,791)	17,155	2,513	767
Total at 31 December 2018					
ZMZ	10,972	(1,426)	2,586	370	(191)

33. Post balance sheet date events

Due to the recent rapid spread of coronavirus COVID-19 pandemic, the Russian Federation introduced quarantine measures that significantly affected the level and scope of business activity of market participants. It is expected that both the pandemic and the response measures may negatively affect the majority of entities. The Company regards the pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be reliably measured at the moment.

The leading industry analysts anticipate a considerable downturn of the demand on automotive market, the consensus forecast is -20% year-on-year. Probably, the increase in USD foreign exchange rate can cause negative tension in real disposable income.

During the period from January 2020 to the date of signing the financial statements for 2019, the Group signed new loan agreements for the credit lines with the limit available of RR 3,000. The credit lines are provided under the state programme for working capital support, that was approved by the Russian Government Decree #582 on April 24, 2020. The bank loans are due within one year with the interest rate not exceeding 5%. State support is carried out as part of the program of measures to combat coronavirus and is aimed at supporting backbone enterprises, which include SOLLERS Group.

The management assumes that the impact of the quarantine measures and economic downturn can result the revenue decrease. The management is developing measures to diminish the consequences of the situation, including preparation of anti-crisis business plan.

There were no other significant events after the balance sheet date requiring disclosures.