28 Income tax

Deferred tax assets and liabilities and the deferred tax charge in the consolidated statement of profit or loss were attributable to the following items for the year ended 31 December 2016:

	31 December 2015	Credited/ (debited) to profit and loss	Deferred tax on business combinations	31 December 2016
Tax effects of deductible temporary differences and tax loss carry forwards				
Tax losses available for carry forward	4,661	183	–	4,844
Property, plant and equipment and Investment property	637	(43)	28	622
Other intangible assets	18	(596)	599	21
Inventories	2,394	(790)	–	1,604
Accounts receivable	193	33	17	243
Accounts payable	5,145	(66)	27	5,106
Other	190	(17)	–	173
Gross deferred tax assets	**13,238**	**(1,296)**	**671**	**12,613**
Less offsetting with deferred tax liabilities	(7,821)	538	(24)	(7,307)
Recognised deferred tax assets	**5,417**	**(758)**	**647**	**5,306**
Tax effects of taxable temporary differences				
Property, plant and equipment and Investment property	(6,730)	(2,197)	(6)	(8,933)
Other Intangible assets	(2,178)	669	(12)	(1,521)
Accounts receivable	(3,629)	818	(100)	(2,911)
Accounts payable	(45)	43	–	(2)
Other	(200)	(245)	–	(445)
Gross deferred tax liabilities	**(12,782)**	**(912)**	**(118)**	**(13,812)**
Less offsetting with deferred tax assets	7,821	(538)	24	7,307
Recognised deferred tax liabilities	**(4,961)**	**(1,450)**	**(94)**	**(6,505)**

Unrecognised deferred tax liability on unremitted earnings of certain subsidiaries amounted to RUB 4,541 (2016: RUB 4,481) for which the deferred tax liability was not recognised as such amounts are being reinvested for the foreseeable future.

Management believes that the future taxable profits in tax jurisdictions that suffered a loss in the current or preceding years will be available to utilise the deferred tax asset of RUB 4,980 recognised at 31 December 2017 for the carry forward of unused tax losses (31 December 2016: RUB 4,844).

The Group estimated unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of RUB 3,316 (2016: RUB 2,759).

Unused tax losses in the amount of RUB 1,031 were available for carry forward for a period not less than four years, starting from 2017 unused tax losses in the amount of RUB 2,285 has no time restrictions for carry forward.

29 Financial risk management

Financial risk management is a part of integrated risk management and internal control framework described in "Corporate Governance" section of this Annual Report. The primary objectives of the financial risk management are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Financial risk management is carried out by Corporate Finance Department. Corporate Finance Department monitors and measures financial risks and undertakes steps to limit their influence on the Group's performance.

(a) Market risk

Currency risk

The Group is exposed to foreign exchange risk arising from foreign currency denominated assets and liabilities with respect to import purchases. As at 31 December 2017 the Group had trade accounts payable denominated in foreign currency in the amount of RUB 2,504 (31 December 2016: RUB 2,409). As at 31 December 2017 the Group did not have any other significant assets and liabilities denominated in foreign currency and the exposure for the Group was estimated as not significant.

Interest rates risk

As at 31 December 2017 the Group had no floating interest-bearing assets and liabilities, the Group's income, expenses and operating cash inflows and outflows were substantially independent of changes in market interest rates.

(b) Credit risk

Financial assets, which are potentially subject to credit risk, consisted principally of cash and cash equivalents held in banks, trade and other receivables (Note 9 and Note 16). Due to the nature of its main activities (retail sales to individual customers) the Group had no significant concentration of credit risk. Cash was placed in financial institutions which were considered at the time of deposit to have low risk of default (Note 9). The Group has policies in place to ensure that in case of credit sales of products and services to wholesale customers and reverse franchise schemes only those counteragents with an appropriate credit history are selected. Although collection of receivables could be influenced by economic factors, management believes that there was no significant risk of loss to the Group beyond the provision already recorded. In accordance with the Group treasury policies and exposure management practices, counterparty credit exposure limits were continually monitored and no individual exposure was considered significant.

(c) Liquidity risk

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

The Group finances its operations by a combination of cash flows from operating activities and long and short-term debt. The objective is to ensure continuity of funding on the best available market terms. The policy is to keep the Group's credit portfolio diversified structure, continue to improve the debt maturity profile, to arrange funding ahead of requirements and to maintain sufficient undrawn available bank facilities, and a strong credit rating so that maturing debt may be refinanced as it falls due.

29 Financial risk management

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities as at the reporting date at spot foreign exchange rates:

Year ended 31 December 2017	During 1 year	In 1 to 3 years
Borrowings	74,928	146,331
Trade payables	130,766	–
Other financial liabilities	56,707	1,166
TOTAL	**262,401**	**147,497**

Year ended 31 December 2016	During 1 year	In 1 to 4 years
Borrowings	58,621	123,058
Trade payables	131,180	–
Other financial liabilities	39,744	1,472
TOTAL	**229,545**	**124,530**

At 31 December 2017 the Group had net current liabilities of RUB 104,902 (31 December 2016: RUB 97,294) including short-term borrowings of RUB 58,674 (31 December 2016: RUB 45,168). At 31 December 2017 the Group had available bank credit lines of RUB 314,838 (31 December 2016: RUB 280,808). At 31 December 2017 the Group had RUB bonds available for issue on MICEX of RUB 25,000 (31 December 2016: RUB 35,000).

Management regularly monitors the Group's operating cash flows and available credit lines to ensure that these are adequate to meet the Group's ongoing obligations and its expansion programmes. Part of the short term liquidity needs is seasonal, with the highest peak in 1st quarter and strong cash generation in 4th quarter, therefore the Group negotiates the maturity of credit lines for those quarters, when the future cash flow allows for the repayment of debts. Part of the existing lines in the local currency (RUB) are provided on rolling basis which is closely monitored by detailed cash flow forecasts and are managed by the Group Treasury.

The Group's capital expenditure programme is highly discretionary. The Group optimises its cash outflows by managing the speed of execution of current capex projects and by delaying future capital extensive programmes, if required.

The Group is carefully monitoring its liquidity profile by optimizing the cost of funding and the drawdown periods within revolving credit facilities as well as extending existing credit facilities or obtaining new credit lines. The Group manages liquidity requirements by the use of both short-term and long-term projections and maintaining the availability of funding. Based on the review of the current liquidity position of the Group management considers that the available credit lines and expected cash flows are more than sufficient to finance the Group's current operations.

30 Operating environment of the Group

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

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

31 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. The Group manages total equity attributable to equity holders recognised under IFRS requirements. The Group is in compliance with externally imposed capital requirements.

In accordance with loan facilities the Group maintains an optimal capital structure by tracking certain requirements: the maximum level of Net Debt/EBITDA (4.00/4.25 after acquisition). The Group's Eurobond documentation implies 3.75 leverage ratio threshold but with additional permitted indebtedness baskets and exclusions. Net debt is calculated as the sum of short-term and long-term borrowings less cash and cash equivalents. Reconciliation of EBITDA to operating profit is performed in Note 5. This ratio is included as covenants into some of Group's loan agreements (Note 19). At 31 December 2017 the Group complied with the requirements under the loan facilities.

32 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

The carrying amount of cash and cash equivalents and trade and other financial receivables approximates their fair value.

Liabilities carried at amortised cost

The fair value of bonds is based on quoted market prices. Fair values of other liabilities are determined using valuation techniques.

The fair value of bonds traded on the MICEX and the ISE is determined based on active market quotations and amounted to RUB 66,545 at 31 December 2017 (31 December 2016: RUB 35,331). The measurement is classified in level 1 of the fair value hierarchy. The carrying value of these bonds amounted to RUB 64,829 at 31 December 2017 (31 December 2016: RUB 34,969) (Note 19). The fair value of long-term borrowings amounted to RUB 76,571 at 31 December 2017 (31 December 2016: RUB 81,919). The measurement is classified in level 3 of the fair value hierarchy and is determined based on expected cash flows discounted using interest rate of similar instruments available on the market. The sensitivity analysis shows that the increase/decrease of the market interest rate by 10% leads to the decrease/increase of fair value of long-term borrowings by RUB 956 at 31 December 2017. The fair value of short-term borrowings was not materially different from their carrying amounts.

33 Commitments and contingencies

Commitments under operating leases

At 31 December 2017, the Group operated 10,303 stores through rented premises (31 December 2016: 7,380 stores). There are two types of fees in respect of operating leases payable by the Group: fixed and variable (contingent rent). For each store fixed rent payments are defined in the lease contracts. The variable part of rent payments is predominantly denominated in RUB and normally calculated as a percentage of turnover. Fixed rent payments constitute the main part of operating lease expenses of the Group as compared to the variable rent payments.

The Group entered into a number of cancellable short-term and long-term lease agreements. The expected annual lease payments under these agreements amount to RUB 36,860 (net of VAT) (31 December 2016: RUB 28,904).

Capital expenditure commitments

At 31 December 2017 the Group contracted for capital expenditure for the acquisition of property, plant and equipment of RUB 9,830 (net of VAT) (31 December 2016: RUB 10,987).

Law regulating the trade of the food products

In 2016 there were amendments in the law regulating the trade of the food products in the Russian Federation ("trade law"). These amendments established certain strict limitations on volume of back margin received from suppliers. At the same time these amendments also established stricter limitations on payments terms to suppliers.

The amendments were effective starting 15 July 2016 for newly concluded contracts and starting 1 January 2017 for the existed contracts and became obligatory for all market participants. The Group may be charged with the fine of from RUB 1 to RUB 5 for each violation in case of failure or improper application of the provisions of this law. Currently the official position of government authorities is continually being reconsidered.

The Group has performed all required procedures in order to amend existing and new contracts in compliance with the new provisions of the law by 1 January 2017 as well as the Group periodically evaluates its obligations under these regulations. As obligations are determined to be probable, they are recognised immediately as liabilities. 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 enforcement climate under existing legislation, management believes that there are no significant probable liabilities related to compliance with the trade law.

Legal contingencies

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time. Management believes that there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued at 31 December 2017.

Taxation environment

Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of these legislative areas as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome. Should the Russian authorities decide to issue a claim and prove successful in court, they would be entitled to recover the tax amount claimed, together with fines amounting to 20% of such amount and late payment interest at the rate of 1/300 of the rate of the Central Bank of the Russian Federation (CBRF rate) for each day of the delay during the first 30 days, 1/150 of CBRF rate for each day of the delay if the latter is for more than 30 days to be calculated from the amount of underpaid tax. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russia has transfer pricing rules generally aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD). The transfer pricing 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. Given that the concept of the Russian transfer pricing rules is rather new and the practice is not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group. The level of impact is not expected to be significant since the prices of transactions between related parties which are the members of CGT (consolidated group of taxpayers) are not subject to transfer pricing control. Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with the transfer pricing legislation.

Starting 2015 the "de-offshorization law" came into force introducing the following rules and concepts which may have an impact on the Group's operations:

The concept of beneficial ownership

The possibility to apply the reduced tax rates to the income paid to foreign companies of the Group allowed under double tax treaties (DTTs) will depend on whether the company receiving such income is its beneficial owner. When determining the beneficial owner status of a foreign company the functions it performs and the risks it undertakes should be tested. It will be also considered whether such income was transferred (fully or in part) to another company. Given that there was negative court practice for a number of taxpayers, the impact of any challenge may be significant and have an effect on the financial conditions and/or the overall operations of the Group.

Management believes that the Group's foreign companies receiving income from Russia are beneficial owners of that income and the reduced tax rates are correctly applied in accordance with the relevant DTTs.

Additionally starting 2017 the Russian company should have a written confirmation that the foreign recipient of funds is the beneficial owner of income. This means that if a foreign company fails to provide that confirmation, the application of lower rates may be denied by the tax authorities. The Tax Code specifies that both the confirmation and the residence certificate must be presented to the tax agent (i.e. the company responsible for withholding tax at source) before the date on which income is paid.

According to such law changes management organised the receipt of mentioned written confirmation from foreign counteragents to the Russian companies paying passive income abroad.

Broader rules for determining the tax residency of legal entities

Starting 2015, more specific and detailed rules were put in place establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency means that such legal entities' worldwide income will be taxed in Russia. The Group comprises companies incorporated outside of Russia. The tax liabilities of the Group were determined on the assumption that these companies were not subject to Russian profits tax, because they did not have a permanent establishment in Russia and were not Russian tax residents by way of application of the new tax residency rules. This interpretation of relevant legislation in regard to the Group companies incorporated outside of Russia may be challenged. Given that the concept of the Russian broader rules for determining the tax residency of legal entities is rather new and the practice is not yet developed, the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Tax contingencies, commitments and risks

Russian tax legislation does not provide definitive guidance in many areas. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in past may be challenged as not having been in compliance with Russian tax laws applicable at the relevant time. In particular, the Supreme Court issued guidance to lower courts on reviewing tax cases providing a systematic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny. As a result, significant additional taxes, penalties and interest may be assessed.

33 Commitments and contingencies

From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and operations of the entity.

Management regularly reviews the Group's taxation compliance with applicable legislation, laws and decrees and current interpretations published by the authorities in the jurisdictions in which the Group has operations. Furthermore, management regularly assesses the potential financial exposure relating to tax contingencies for which the three years tax inspection right has expired but which, under certain circumstances, may be challenged by the regulatory bodies. From time to time potential exposures and contingencies are identified and at any point in time a number of open matters may exist.

Management estimates that possible exposure in relation to the aforementioned risks, as well as other profits tax and non-profits tax risks (e.g. imposition of additional VAT liabilities), that are more than remote, but for which no liability is required to be recognised under IFRS, could be several times more than accrued liabilities and provisions reflected on the statement of financial position at that date. This estimation is provided for the IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Group's future tax liability.

In 2017 the Group made net accrual of provisions and liabilities for tax uncertainties attributable to income tax and non-income tax risks in amount of RUB 542 including net accrual of non-income tax provision of RUB 231, income tax provision of RUB 387 with simultaneous release of respective indemnification asset of RUB 76.

In 2016 the Group made net release of provisions and liabilities for tax uncertainties attributable to income tax and non-income tax risks in amount of RUB 3,242 including net release of non-income tax provision of RUB 1,732, income tax provision of RUB 522 with simultaneous release of respective indemnification asset of RUB 988. In 2016 indemnification asset of RUB 91 was impaired.

At the same time management has recorded liabilities for income taxes in the amount of RUB 389 (31 December 2016: RUB 399) and provisions for taxes other than income taxes in the amount of RUB 494 at 31 December 2017 (31 December 2016: RUB 499) in these consolidated financial statements as their best estimate of the Group's liability related to tax uncertainties as follows:

Balance at 31 December 2015	**3,740**
Release of provision	(3,772)
Accrual of provision	530
Offset of provision	400
Balance at 31 December 2016	**898**
Release of provision	(604)
Accrual of provision	1,146
Offset of provision	(557)
Balance at 31 December 2017	**883**

34 Subsequent events for the Group

In March 2018 the Group issued RUB 10 bln exchange corporate bonds series 001P-03 with 6.95% coupon rate and 2-years oferta (put-option).

X5 Retail Group N.V.

Company Financial Statements

31 December 2017

X5 RETAIL GROUP N.V.

Company Statement of Financial Position

at 31 December 2017 before appropriation of profit

(expressed in millions of Russian Roubles, unless otherwise stated)

	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Financial fixed assets	36	178,614	145,462
		178,614	**145,462**
Current assets			
Financial assets	36	19	1
Amounts due from subsidiaries		7,128	6,047
Prepaid expenses		1	2
VAT receivable		10	–
Other receivables		81	75
		7,239	**6,125**
TOTAL ASSETS		**185,853**	**151,587**
EQUITY AND LIABILITIES			
Paid up and called up share capital	37	4,675	4,332
Share premium account	37	46,212	46,251
Share-based payment reserve	39	117	70
Other reserves		76,044	54,096
Result for the year		31,394	22,291
Total equity		**158,442**	**127,040**
Provisions			
Deferred tax liabilities	41	1,158	–
		1,158	–
Non-current liabilities			
Loan from group company	38	17,175	17,036
		17,175	**17,036**
Current liabilities			
Amounts due to group companies		9,021	7,451
Accrued expenses and other liabilities		37	43
VAT and other taxes payable		20	17
		9,078	**7,511**
		27,411	**24,547**
TOTAL EQUITY AND LIABILITIES		**185,853**	**151,587**

The accompanying notes are the integral part of these Company financial statements.

X5 RETAIL GROUP N.V.

Company Statement of Profit or Loss

for the year ended 31 December 2017

(expressed in millions of Russian Roubles, unless otherwise stated)

	Note	2017	2016
General and administrative expenses	40	(268)	(298)
Other income / (expenses)		97	(254)
Operating loss		**(171)**	**(552)**
Finance costs		(1,709)	(1,705)
Finance income		852	1,517
Net foreign exchange gain/(loss)		54	234
Loss before tax		**(974)**	**(506)**
Income tax expense	41	(1,158)	–
Income on participating interest after tax		33,526	22,797
Profit for the period		**31,394**	**22,291**

The accompanying notes are the integral part of these Company financial statements.

X5 RETAIL GROUP N.V.
Notes to the Company Financial Statements
for the year ended 31 December 2017
(expressed in millions of Russian Roubles, unless otherwise stated)

35 Accounting principles

General

The Company was incorporated as a limited liability Company under the laws of The Netherlands on 13 August 1975 and has its statutory seat in Amsterdam. The Company is publicly owned. The principal activity of the Company is to act as the listed holding company for retail chains operating mainly in Russia. The number at Chamber of Commerce is 33143036.

Basis of presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands, in accordance with Part 9 of Book 2 of the Dutch Civil Code (art 362.8).

Accounting principles

Unless stated otherwise below, the accounting principles applied for the Company accounts are similar to those used in the IFRS *Consolidated Financial Statements* (refer to Note 2.1 to the *Consolidated Financial Statements*). The consolidated accounts of companies publicly listed in the European Union must be prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and adopted by the European Commission.

As the Company mainly exploits Russian grocery stores in four formats (proximity stores, supermarket, hypermarket and convenience stores), the functional currency of the Company is the Russian Rouble as this is the currency of its primarily business environment and reflects the economic reality. Unless stated otherwise all amounts are in millions of Russian Rouble ("RUB").

Investments in group companies

Investments in group companies are entities (including intermediate subsidiaries and special purpose entities) over which the Company has control, because the Company (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. Group companies are recognised from the date on which control is transferred to the Company or its intermediate holding entities. They are derecognised from the date that control ceases.

The Company applies the acquisition method to account for acquiring group companies, consistent with the approach identified in the consolidated financial statements. Investments in group companies are presented in accordance with the net asset value method. When an acquisition of an investment in a group company is achieved in stages, any previously held equity interest is remeasured to fair value on the date of acquisition. The measurement against the book value is accounted for in the statement of profit and loss.

When the Company ceases to have control over a group company, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the statement of profit or loss. When parts of investments in group companies are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognised in equity.

When the Company's share of losses in an investment in a group company equals or exceeds its interest in the investment (including separately presented goodwill or any other unsecured non-current receivables being part of the net investment), the Company does not recognise any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment. In such case the Company will recognise a provision.

Amounts due from group companies

Amounts due from group companies are stated initially at fair value and subsequently at amortised cost. Amortised cost is determined using the effective interest rate.

Shareholders' Equity

Issued and paid up share capital, which is denominated in Euro, is restated into Russian Rouble ("RUB") at the official exchange rate of the Central Bank of the Russian Federation as at reporting date in accordance with section 373 sub 5 of book 2 of the Dutch Civil Code. The difference is settled in the other reserves.

36 Financial fixed assets

	31 December 2017	31 December 2016
a. Movements in the interests in group companies have been as follows		
Opening balance	138,150	111,227
Acquisitions/capital contribution	9,228	4,126
Divestment of group companies/ capital repayments	(9,592)	–
Profit from group companies for the year	33,526	22,797
Closing balance	**171,312**	**138,150**

A complete list of group companies has been disclosed in the consolidated financial statements (refer to Note 6 of the consolidated financial statements).

	31 December 2017	31 December 2016
b. Movements in the loans to group companies have been as follows		
Opening balance	7,313	11,194
Settlement/repayment	–	(8,638)
Additions	14	4,761
Foreign exchange differences	(6)	(4)
Closing balance	**7,321**	**7,313**
Non-current financial assets	178,614	145,462
Current financial assets	19	1
TOTAL FINANCIAL FIXED ASSETS	**178,633**	**145,463**

31 December 2017				
Borrowing group company	**Loan currency**	**Carrying value**	**Interest rate, % p.a.**	**Maturity date**
GSWL Finance Ltd	RUB	4,598	11%	December 2022
GSWL Finance Ltd.	RUB	2,570	Mosprime1m + 3.6%	December 2021
Perekrestok Holdings Ltd.	USD	133	11%	December 2022
X5 Capital S.A.R.L	EUR	19	4.5%	December 2022
X5 Capital S.A.R.L	EUR	1	4%	December 2018
TOTAL LOANS TO GROUP COMPANIES		**7,321**		

36 Financial fixed assets

31 December 2016				
Borrowing group company	Loan currency	Carrying value	Interest rate, % p.a.	Maturity date
GSWL Finance Ltd	RUB	4,598	Mosprime1m + 3.6%	December 2021
GSWL Finance Ltd.	RUB	2,569	11%	December 2022
Perekrestok Holdings Ltd.	USD	140	11%	December 2022
X5 Capital S.A.R.L	EUR	5	4.5%	December 2018
X5 Capital S.A.R.L	EUR	1	4%	December 2017
TOTAL LOANS TO GROUP COMPANIES		**7,313**		

The total amount of the loans provided to group companies was RUB 7,321 (2016: RUB 7,313) and it approximated the fair value. The loans have not been secured.

37 Shareholders' equity

	Share capital[1]	Share premium	Other reserves	Profit/ (loss)	Share-based payment (equity)	Total
Balance as at 1 January 2016	**5,410**	**46,253**	**38,844**	**14,174**	**37**	**104,718**
Share-based payment compensation (Note 27)	–	–	–	–	31	31
Transfer	–	–	14,174	(14,174)	–	–
Currency translation	(1,078)	–	1,078	–	–	–
Transfer of vested equity rights	–	(2)	–	–	2	–
Result for the period	–	–	–	22,291	–	22,291
Balance as at 1 January 2017	**4,332**	**46,251**	**54,096**	**22,291**	**70**	**127,040**
Share-based payment compensation (Note 27)	–	–	–	–	71	71
Transfer	–	–	22,291	(22,291)	–	–
Currency translation	343	–	(343)	–	–	–
Transfer of vested equity rights	–	(39)		–	(24)	(63)
Result for the period	–	–	–	31,394	–	31,394
Balance as at 31 December 2017	**4,675**	**46,212**	**76,044**	**31,394**	**117**	**158,442**

[1] Share capital translated at the year end exchange rate EUR/RUB of 68.8668 (2016: 63.8111).

Share capital issued

As at 31 December 2017 the Group had 190,000,000 authorised ordinary shares (31 December 2016: 190,000,000) of which 67,886,748 ordinary shares were outstanding (31 December 2016: 67,884,340) and 6,470 ordinary shares held as treasury stock (31 December 2016: 8,878). The nominal par value of each ordinary share is EUR 1.

The acquisition price of the shares purchased was charged against other reserves. Other reserves as at 31 December 2017 included translation reserve of RUB 2,217 (2016: RUB 1,874) and legal reserves of RUB 517 (2016: RUB 276).

Statutory profit appropriation

The Supervisory Board proposed to the General Meeting to distribute in 2018 current year profit in the amount of RUB 21,590 (318.03 RUB per ordinary share) to shareholders.

38 Loan from group company

	Loan currency	31 December 2017	Interest rate, % p.a.	Final maturity date
JSC Trade House Perekriostok	RUB	15,628	10%	December 2020
JSC Trade House Perekriostok	USD	1,235	10%	December 2020
JSC Trade House Perekriostok	EUR	312	10%	December 2020
TOTAL		**17,175**		

	Loan currency	31 December 2016	Interest rate, % p.a.	Final maturity date
JSC Trade House Perekriostok	RUB	15,629	10%	December 2020
JSC Trade House Perekriostok	USD	1,300	10%	December 2020
JSC Trade House Perekriostok	EUR	107	10%	December 2020
TOTAL		**17,036**		

The loan payable to JSC Trade House Perekriostok denominated in RUB/USD/EUR. RUB facility amounted to 15,628 (2016: RUB 15,629), USD 21.4 million (2016: USD 21.4 million) and EUR 4,5 million (2016: EUR 1.7 million).

39 Share-based payments

X5 Retail Group N.V. operates equity settled share based compensation plan in the form of its Restricted Stock Unit Plan.

The Restricted Stock Unit Plan consists of performance based awards and awards subject to the employment condition only. For employees of the Company an expense is recorded in the profit and loss account.

The receivable or expense is accounted for at the fair value determined in accordance with the policy on share-based payments as included in the consolidated financial statements, including the related liability for cash settled plans or as equity increase for equity settled plans (Note 27).

39 Share-based payments

The following is included in the entity's accounts for the Restricted Stock Unit Plan:

	2017	2016
Equity share-based payment reserve as at 31 December	117	70
Expenses for the year ended 31 December	71	48

40 General and administrative expenses

	2017	2016
Other expenses	194	248
Audit expenses	12	12
RSU + LTI programme	62	38
TOTAL	**268**	**298**

In accordance with the Dutch legislation article 2:382a the total audit fees related to the accounting organisation Ernst & Young Accountants LLP amounted to RUB 12 (2016: RUB 12).

41 Income tax expense

	2017	2016
Current income tax charge	–	–
Deferred income tax charge	1,158	–
Income tax charge for the year	**1,158**	–

The theoretical and effective tax rates are reconciled as follows:

	2017	2016
Loss before taxation	(974)	(506)
Theoretical tax at the effective statutory rate[1]	**(244)**	**(127)**
Tax effect of items which are not deductible or assessable for taxation purposes		
Unrecognised tax loss carry forwards for the year	119	110
Change in deferred tax liability associated with investments in subsidiaries	1,158	–
Other non-deductible expense	125	17
INCOME TAX CHARGE FOR THE YEAR	**1,158**	**–**

No deferred tax asset has been recognised due to uncertainty of future taxable income to offset the current tax losses.

[1] Profit before taxation on operations in Netherlands is assessed based on the statutory rate of 25%.

Deferred income tax

Deferred tax liabilities and the deferred tax charge in the company statement of profit or loss were attributable to the following items for the year ended 31 December 2017:

	31 December 2016	Credited/ (debited) to profit and loss	31 December 2017
Tax effects of taxable temporary differences			
Investments into subsidiary	–	(1,158)	(1,158)
Gross deferred tax liabilities	–	(1,158)	(1,158)
Recognised deferred tax liabilities	**–**	**(1,158)**	**(1,158)**

In September 2017 the Group approved dividend policy and proposed to the General Meeting to distribute dividends to its shareholders in 2018 based on the results of 2017. As a result the Group estimates that part of temporary difference related to investments in subsidiaries will be reversed in the foreseeable future and therefore accrued related deferred tax liability.

There were no deferred tax liabilities and the deferred tax charge in the company statement of profit or loss for the year ended 31 December 2016.

The Company estimated unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of RUB 794 (2016: RUB 675). Unused tax losses are available for carry forward for a period not less than five years (for 2016 – six years).

42 Staff numbers and employee expenses

The number of persons having a contract with the Company is four: one of them has a services contract, and three of them have a contract of employment. One of them was posted outside of the Netherlands. For the remuneration of past and present members of the Management Board, please refer to note 26 Staff Cost in the consolidated financial statements, which is deemed incorporated and repeated herein by reference. Incurred wages, salaries and related social security charges in relation to the other two employees comprise RUB 9 (2016: RUB 10).

43 Contingent rights and liabilities

Reference is made to the commitments and contingencies as disclosed in Note 33 in the consolidated financial statements. Guarantees are irrevocable assurances that the Company will make payments in the event that another party cannot meet its obligations.

The Company had the following guarantees issued under obligations of its group companies:

	31 December 2017	31 December 2016
Irrevocable offer to holders of X5 Finance LLC bonds	45,000	35,000
Irrevocable offer to holders of X5 Finance B.V. eurobonds	20,000	–
Suretyship for JSC Trade House Perekriostok	62,400	23,500