KASPERSKY lab

Registration number: 4249748

Kaspersky Labs Limited

Directors' Report
and
Consolidated Financial Statements
for the year ended 31 December 2018

Contents

Strategic Report

The Directors of Kaspersky Labs Limited present their strategic and directors' reports and the audited consolidated financial statements for the year ended 31 December 2018.

(a) Principal activities

Kaspersky Labs Limited (the "Company"), a private company limited by shares, and its subsidiaries (together referred to as the "Group" or "Kaspersky Lab") comprise of private limited companies in accordance with The Companies Act 2006 located in the UK, as well as companies located in Russia, United States of America (the "US"), China, Germany, France and other countries.

The Company's registered office is: New Bridge Street House, 30-34 New Bridge Street, London, EC4V 6BJ.

Kaspersky Lab is one the world's largest privately owned cybersecurity companies, with a holding registered in the United Kingdom.

The Group was founded in 1997 and today it is an international group operating in almost 200 countries and territories worldwide. It has 35 representative territory offices in more than 30 countries across 5 continents. Kaspersky Lab has a corporate client base of more than 270,000 companies located around the globe, ranging from small and medium-sized businesses to large governmental and commercial organizations. Over 400 million people worldwide are protected by Kaspersky Lab products and technologies. Kaspersky Lab currently employs more than 4,000 qualified specialists. Approximately, forty five percent of Kaspersky Lab's employees are R&D specialists.

The Group's portfolio encompasses solutions to suit a wide range of customers, protecting consumers, small companies, medium-sized businesses and enterprises from different types of threats and provide them with convenient tools to control and manage their security.

Kaspersky Lab empowers consumers with a range of products to protect all corners of their lives from cybercrime. It understands the needs of small businesses and has a unique multi-layered solution especially for them, which unites ease of management and effective protection. The Group covers all the needs of large enterprises with its full enterprise platform that helps to prevent all types of cyberthreats, detects even the most sophisticated attacks, responds to security incidents and predicts the evolution of the threat landscape. Kaspersky Lab offers a comprehensive portfolio of solutions and services that spans securing every node in the corporate network, including mobile and portable devices, to protecting data centers and industrial environments as a whole.

Endpoint security has always been the core of Kaspersky Lab business, especially in the small-to-medium-sized business segment. At the same time, over the next few years, the Group expects one of its main growth drivers to be in the enterprise market, particularly in the non-endpoint security area. Customers' needs change in line with the evolution of the threat landscape. Therefore, the Group is continuously expanding its enterprise portfolio with security solutions and services strengthened by its global cybersecurity intelligence.

The Group's most valuable asset is the wealth of expertise it has gained in its years of combating major IT threats. Kaspersky Lab's Global Research and Analysis Team (GReAT) is an elite group of more than forty leading security experts who operate all over the world and provide leading anti-threat intelligence and research. The team is well-known for the discovery and dissection of the world's most sophisticated threats, including cyber-espionage and cybersabotage threats such as Flame and miniFlame, Gauss, RedOctober, NetTraveler, Icefog, Careto/The Mask, Darkhotel, Regin, Cloud

Atlas, Epic Turla, Equation, Duqu 2.0, Metel, Adwind, ProjectSauron, Sofacy (Fancy Bear), CozyDuke (Cozy Bear), Black Energy (Sand Worm), Lazarus, ExPetr, ShadowPad, WhiteBear, Olympic Destroyer, ShadowHammer, TajMahal and more. To chronicle all of the ground-breaking malicious cybercampaigns that have been investigated by GReAT, Kaspersky Lab has launched its Targeted Cyberattack Logbook.

The Group's commitment to its customers as well as advanced technology ensure its competitiveness. The Group has been named a Leader in endpoint protection by analyst firm Forrester. Kaspersky Lab has been recognized for its customer satisfaction ratings, being named a Gartner Peer Insights Customers' Choice for Endpoint Protection Platforms in 2017 and 2018.

Management believes that a joint effort is the most effective way to fight cybercriminals. To this end, the Group shares its expertise, knowledge and technical findings with the world's security community. It takes part in joint cyberthreat investigations with such companies as Adobe, AlienVault Labs, Dell Secureworks, Crowdstrike and others. INTERPOL and Europol are, respectively, the Group's strategic and official partners. Kaspersky Lab supports INTERPOL's Digital Crime Center at the Global Complex for Innovation (IGCI) in Singapore with products and intelligence. The Center is responsible for carrying out the technical part of INTERPOL's investigations into cyber-incidents. Other partners in the field of law enforcement include, but are not limited to The City of London Police, The National High Tech Crime Unit (NHTCU) of the Netherlands' Police Agency, and the Microsoft Digital Crimes Unit and, as well as Computer Emergency Response Teams (CERTs) and many other police authorities worldwide.

By joining forces, the Group helped fighting cybercrime (such as the Carbanak case), disrupt criminal botnets (for example, Simda), and launch new initiatives (such as No More Ransom, with more than 100 supporting partners from the public and private sector). The Group takes part in joint cyberthreat investigations and conducts trainings for cybersecurity specialists. Collaboration between the Dutch police and Kaspersky Lab led to the arrest of suspects behind the CoinVault ransomware attacks.

Kaspersky Lab is involved in the discussion and development of cybersecurity initiatives and standards through its advisory group memberships (i.e. the Cyber Secure America Coalition). Aiming to solve the cyber security challenges faced by the modern world today, Kaspersky Lab is also a member of initiatives and organizations such as Securing Smart Cities and the Industrial Internet Consortium.

(b) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review and in the Principal Risks and Uncertainties on pages 7 to 11. In addition, note 23 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company and the Group has considerable financial resources together with long-standing relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

The directors remain confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Business review

The key market in which the Group operates is endpoint security. It encompasses products that are designed to protect endpoints from attack or to protect information residing on endpoints, both physical and virtual, regardless of operating system type — including Windows, Linux, Mac OS, iOS, and Android. Endpoint security products provide security using or leveraging an endpoint agent or client as a core or fundamental component. If a solution does not include a client or agent, the solution would be included within another functional market such as network or core. The endpoint security category covers both corporate and consumer products. Global corporate and consumer markets are growing approx. at 9% and 2% per year.

The key drivers of endpoint security market include the following:

- The continual growth of the sophistication of cyberattacks, the growth in the volume of cyberattacks, and the corresponding press associated with such attacks continue to fuel awareness in the minds of consumers. The Target, Home Depot, Equifax, and DNC hacks were headline news.
- Ransomware (type of malware that threatens to publish the victim's data or perpetually block access to it unless a ransom is paid). The disruptive nature of ransomware in bringing business operations to a grinding halt quickens the approval for additional security spending at the endpoint, including endpoint security solutions designed to specifically address ransomware infections. Since many small businesses buy security solutions in the consumer channel, the impact is positive on consumer solutions.
- Modern endpoint security adoption - technology is finding its way from corporate solutions to consumer solutions. Leveraging specialized threat analysis and protection intellectual property in consumer offerings allows vendors to further monetize their intellectual property investments.

Endpoint security market inhibitors include the following:

- Expenses of Organizations related to IT security continue increasing and become a serious financial burden.
- A decrease in the number of consumer PCs.
- Lack of metrics by which endpoint products can be differentiated, as it is difficult to quantify "safety". As a result, competitive differentiation may often relate more to channel advantages than the quality of the product.

The other key markets where Kaspersky Lab is present are:

- Web security – web security products are deployed on software, appliance, SaaS, and virtual platforms. The submarkets of the web security products include URL filtering, web antimalware, web application firewall, and web content filtering products. Selected data loss prevention technologies can be included in web security as well. Web security products protect against both inbound (malware) and outbound (data leakage) threats. This market grows at 10% per year.
- Messaging security – messaging security solutions are deployed on all security platforms. This market includes three submarkets: antispam, antimalware, and content filtering. Messaging security can also contain selected data loss prevention, alongside selected information protection and control, technologies. These products are designed to work with applications,

including email, instant messaging (IM), and other collaborative applications. This market grows at 5% per year.

The Group also extends its product portfolio in Security Services (Threat Intelligence and advanced technical support), Anti-DDoS, Online Fraud Prevention, Anti-Targeted Attacks, Industrial CyberSecurity and EDR (Endpoint Detection & Response).

The Group measures its progress against goals using the following key performance indicators ("KPIs"): billings, revenue, results from operating activity and net profit.

The main short-term KPI the Group uses to track the progress of the business within a year as well as year-on-year growth is billings. Billings represent the total monetary value of products and services sold and delivered to its customers during a reporting period measured by the monetary amounts of invoices issued to its partners and customers. Billings are the most accurate measure of the sales volumes and growth of business. International Financial Reporting Standards ("IFRS") and the Group's accounting policy require that some software licence revenue is recognised rateably over the licence term, which therefore has the effect of deferring a portion of billings to future periods. This ensures a future guaranteed revenue stream in the amount of the deferred revenue as at the end of a reporting period.

The Group's performance in 2018 was significantly influenced by the changes of the foreign currency exchange rates. USD strengthened during 2018 against the EUR and the RUB, the main currencies affecting the Group's operations, by 4% and 17%, respectively.

The Group's billings decreased in 2018 by 1% from USD 711 million in 2017 to USD 702 million. Billings expressed in local currencies of the countries, in which the sales are made, remained the same in 2018 compared to 2017. A decrease in billings in North America and Latin America due to geopolitics and overall state of economy was compensated by the growth in the other regions. In addition to its core business revenues, the Group earned USD 7 million of lease income from letting out office premises.

The Group's revenue increased by 1% from USD 708 million in 2017 to USD 712 million in the current reporting period Revenue in constant currency terms decreased in 2018 by 1% compared to 2017. Similar factors affect the dynamics of the Group's revenue and billings.

The Group's profit from operating activities increased by 3% from USD 65 million in 2017 to USD 67 million in 2018, the growth mainly being due to the increased revenue.

The Group's EBITDA[1] decreased from USD 129 million in 2017 to USD 118 million in 2018. Its dynamics differs from the change in operating profit, because of abnormal expenses, which reduced the operating profit in 2017, but did not affect EBITDA (impairment of software licenses held for resale and goodwill of USD 9,940 thousand and USD 3,000 thousand, respectively). There were no such abnormal items in 2018.

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[1] EBITDA for twelve months ended 31 December 2018 includes IFRS operating profit of USD 67,290 thousand (2017: USD 65,365 thousand) plus depreciation and amortisation USD 50,882 thousand (2017: USD 50,582 thousand), (2017 EBITDA is also adjusted by abnormal items: impairment of software licenses held for resale of USD 9,940 thousand and goodwill of USD 3,000 thousand, no abnormal items in 2018).

The Group's net finance income of USD 23 million is primarily due to the approx. USD 24 million net foreign exchange gain as a result of the USD strengthening against the EUR and the RUB, the main currencies affecting the Group's operations, by 4% and 17%, respectively.

The Group's profit before income tax amounted to USD 90 million in 2018 compared to the loss of USD 10 million in 2018. The reason for the improved financial result is the significant foreign exchange losses on intercompany loans in 2017, which the Group avoided during 2018 due to favourable movements of the USD exchange rates against the EUR and the RUB.

The Group's effective tax rate decreased significantly from 256% to 34%, as in 2017 it was affected by the negative effect of changes of the reduction of tax rates in the US upon the deferred tax assets and tax losses on which no deferred tax asset was recognised and non-deductible goodwill impairment and other expenses. No such abnormal circumstances negatively affecting the effective tax rate existed in 2018.

As a result of factors described above, the Group's net profit for 2018 amounted to USD 59 million (2017: net loss of USD 16 million).

(d) Principal risks and uncertainties

Certain risks and uncertainties may have a material impact on the performance of the Group.

The Group conducts operations on different national markets and can be significantly affected by geopolitical situations in the world. As a result of the tensions the Group used to receive negative publicity in some countries. To cope with these geopolitical challenges the Group abides by the highest ethical business practices, and through its Global Transparency Initiative launched in 2017, it is exemplifying its ongoing commitment to assuring the integrity and trustworthiness of its products.

As part of the Global Transparency Initiative, the Group has already increased its bug bounty program and, in November, 2018, started processing malicious and suspicious files shared voluntarily by users of the its products across Europe in two data centers in Zurich, Switzerland. The move was accompanied by the opening of the first Transparency Center, also located in Zurich. Through the Transparency Center, the Group provides governments and partners with information on its products and their security, including essential and important technical documentation, for external evaluation in a secure environment. The Group is also opening a Transparency Center in Madrid and will welcome its first visitors in June 2019.

The Group operates in a market where technology plays a key role. Maintaining industry leadership positions is subject to a number of risks. Specifically, the Group may lack financial and other resources to maintain its positions. Products in the Group's target market are technologically complex and vulnerable to defects and error. Additionally, a possible infringement of the Group's intellectual property rights may negatively affect the Group's competitiveness in the market. The Group manages this risk by investing substantial resources in research and development activities, including those which are related to ensuring product quality, as well as in legal substantiation of its intellectual property rights.

Endpoint security has historically been the core of the Group's business; this security market is close to maturity and the growth is minimal. This may negatively affect the Group's financial performance and position in the future. To manage this risk we are constantly expanding our product portfolio with solutions in the non-endpoint security area, such as critical infrastructure IT protection, cybersecurity intelligence and Secure Web / E-Mail Gateway services.

Some of the third-party products in the endpoint security market (especially the consumer segment) are free. The trend of moving to free products is especially apparent in the Asian markets. In most cases, the free products are only providing basic antivirus protection but customers are looking for a complete suite of security capability. The Group believes that free endpoint security software is not a detriment to the market but recognises that it has to manage the risk of market share loss to free endpoint security solutions by ensuring the quality of its products and by introducing a freemium software model.

The Group's policy in working with customers is focused on market penetration. As such, extended credit terms are granted to some of the Groups' major distributors. In addition, the Group invests in resellers incentives offering them volume rebates and other similar discounts. This results in a credit risk which the Group incurs on its trade accounts receivable. The Group manages this risk by developing a network of long-term reliable distributors and by day-to-day monitoring of exposure to individual customers. Credit risk management activities are led by a Credit Committee including representatives of top management. Note 23(c)(iii) of the consolidated financial statements sets out a description of this risk.

The Group is exposed to foreign currency risk, because some entities of the Group need to carry out sales and purchases and make external borrowings in currencies different from the functional currencies of these entities. This risk is mitigated by the day-to-day monitoring of the Group's open foreign currency position and the currency structure of its financial resources. Note 23(f) of the consolidated financial statements sets out a description of this risk.

The Group's operating margins remain healthy (9% in 2018 and 9% in 2017) and its operating cash flow has been considerable in recent years (USD 75 million in 2018 and USD 105 million in 2017). The Group's net current monetary assets position remains stable. The Group's most significant liabilities as at the reporting date are non-monetary deferred income of USD 525 million (2017: USD 560 million) due to the Group's revenue recognition policy. The Group's monetary current assets[2] at 31 December 2018 are USD 383 million (2017: USD 380 million). These monetary current assets exceed the Group's monetary current liabilities[3] of USD 138 million (2017: USD 169 million).

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[2] Monetary current assets as at 31 December 2018 include cash and cash equivalents of USD 207 million (2017: USD 117 million), trade receivables of USD 188 million (2017: USD 186 million), less provision for bad and doubtful debts of USD 32 million (2017: USD 18 million), plus other receivables of USD 8 million (2017: USD 5 million), investments of USD 12 million (2017: USD 90 million).

[3] Monetary current liabilities as at 31 December 2018 include trade and other payables of USD 160 million (2017: USD 165 million), less advances received of USD 1 million (2017: USD 0.7 million), social and other taxes payable of USD 21 million (2017: USD 11 million). Monetary current liabilities as at 31 December 2017 also included the current portion of bank loans payable of USD 16 million (2018: nil).

On a regular basis the cash position of the Group is monitored to ensure sufficient cash resources are available to settle liabilities as they fall due – both in aggregate and in each individual currency. Management carries out a thorough analysis of the Group's cash position before making any significant investment or financing decisions.

On behalf of the board

Svetlana Ivanova
Director
Kaspersky Labs Limited
New Bridge Street House,
30-34 New Bridge Street,
London, EC4V 6BJ
United Kingdom

Directors' Report

The Directors of Kaspersky Labs Limited present their directors' report for the year ended 31 December 2018.

(a) Directors

The following directors held office during the year and subsequent to the year end:

E. Kaspersky	
A. De-Monderik	
A. Tikhonov	
D. Borschev	
A. Coster	Resigned 18 January 2018
S. Ivanova	Appointed 21 June 2019

(b) Distribution to shareholders

During the year ended 31 December 2018 dividends of USD 1,200 thousand were approved and paid (2017: USD 8,469 thousand).

(c) Redemption of the Company's own shares

During the year the Group acquired 189,839 of its own shares for an average cash consideration of USD 15 per share. All of the shares were cancelled immediately after re-purchase.

(d) Research and development

The Group undertakes research and development in connection with its principal activity. The Group's research and development expenses increased by 5% from USD 141,059 thousand in 2017 to USD 147,667 thousand in 2018. The increase was mostly due to an increase in payroll costs (due to headcount rise). The average number of employees involved in research and development increased from 1,725 to 1,867.

(e) Disabled employees

The Group hiring policies stipulate full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. We provide continuing employment to those employees who become disabled during their employment with the Group, and provide training, career development and promotion to disabled employees, where appropriate.

(f) Employee involvement

Employee involvement and commitment to the success of the business is an important element of the Group's culture. Management conducts regular communications and consultations with employees on key aspects of the Group's activities in the form of e-mail communications, annual meetings and informal events.

(g) Environment

The Group is conscious of its environmental responsibilities and aims at reducing any damage to the environment that might be caused by its activities, primarily by reducing energy consumption.

(h) Charitable and political donations

During 2018 the Group made charitable donations of USD 2,101 thousand (2017: USD 1,803 thousand) to orphanages, hospitals and schools. No donations were made to political parties.

(i) Disclosure of information to auditors

The Directors who hold the office at the date of this report confirm that, so far as they are each aware there is no relevant audit information of which the Group's auditor is unaware, and each Director has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

(j) Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the consolidated financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its consolidated financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

(k) Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

Svetlana Ivanova

Director

Kaspersky Labs Limited

New Bridge Street House,

30-34 New Bridge Street,

London, EC4V 6BJ

United Kingdom

19 July 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KASPERSKY LABS LIMITED

Opinion

We have audited the consolidated financial statements of Kaspersky Labs Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 30.

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 13 and 14, the directors are responsible for: the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company'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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

CH leStrange Meakin

25th July 2019.

Charles Le Strange Meakin (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Forest Gate

Brighton Road

Crawley

RH11 9PT

United Kingdom

'000 USD	**Note**	**2018**	**2017**
Revenue	2	**712,366**	**707,623**
Cost of sales	3	(48,453)	(54,706)
Gross profit		**663,913**	**652,917**
Research and development expenses	4	(147,667)	(141,059)
Distribution expenses	5	(308,163)	(310,898)
Administrative expenses	6	(113,727)	(107,254)
Impairment loss on trade receivables and contract assets	23(c)(iii)	(15,719)	(1,424)
Other expenses, net	7	(11,347)	(26,917)
Profit from operating activities		**67,290**	**65,365**
Finance income	10	27,291	6,082
Finance costs	10	(4,762)	(61,356)
Net finance income/(costs)		22,529	(55,274)
Profit before income tax		**89,819**	**10,091**
Income tax expense	11	(30,636)	(25,790)
Profit/(loss) for the year		**59,183**	**(15,699)**
Other comprehensive income			
Item that are or may be reclassified subsequently to profit and loss			
Foreign currency translation differences for foreign operations		(22,508)	30,477
Other comprehensive income for the year, net of income tax		(22,508)	30,477
Total comprehensive income for the year		**36,675**	**14,778**
Profit/(loss) attributable to:			
Owners of the Company		59,183	(15,698)
Non-controlling interests	28	-	(1)
Profit/(loss) for the year		**59,183**	**(15,699)**
Total comprehensive income attributable to:			
Owners of the Company		36,675	14,779
Non-controlling interests		-	(1)
Total comprehensive income for the year		**36,675**	**14,778**

These consolidated financial statements were approved by the Board of Directors on 19 July 2019 and were signed on its behalf by:

Svetlana Ivanova
Director

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 26 to 70.

'000 USD	**Note**	**2018**	**2017**
Assets			
Property, plant and equipment	12	253,597	246,988
Investment property	13	27,820	56,717
Intangible assets	14	27,385	33,893
Deferred tax assets	15	50,158	46,808
Other receivables		527	465
Non-current assets		**359,487**	**384,871**
Inventories	16	767	1,288
Other investments	17	12,484	99,737
Trade and other receivables	18	177,770	182,294
Prepayments		20,420	23,472
Prepaid corporate profit tax		6,630	7,207
Cash and cash equivalents	19	207,233	116,692
Current assets		**425,304**	**430,690**
Total assets		**784,791**	**815,561**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 26 to 70.

'000 USD	Note	2018	2017
Equity	20		
Share capital		1	1
Additional paid-in capital		18,891	21,753
Translation reserve		(53,527)	(31,019)
Retained earnings		118,848	60,865
Equity attributable to owners of the Company		**84,213**	**51,600**
Non-controlling interests	28	(8)	(8)
Total equity		**84,205**	**51,592**
Liabilities			
Non-current deferred income		117,265	121,682
Deferred tax liabilities	15	6,314	6,087
Other payables		3,603	2,354
Bank loans	22	-	7,744
Non-current liabilities		**127,182**	**137,867**
Trade and other payables	21	160,211	164,770
Deferred income		407,434	438,318
Income tax payable		5,759	7,292
Bank loans	22	-	15,722
Current liabilities		**573,404**	**626,102**
Total liabilities		**700,586**	**763,969**
Total equity and liabilities		**784,791**	**815,561**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 26 to 70.

'000 USD	Attributable to equity holders of the Company						
	Share capital	**Additional paid-in capital**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests (note 28)**	**Total equity**
Balance at 1 January 2018	**1**	**21,753**	**(31,019)**	**60,865**	**51,600**	**(8)**	**51,592**
Total comprehensive income							
Profit for the year	-	-	-	59,183	59,183	-	59,183
Other comprehensive income							
Foreign currency translation differences	-	-	(22,508)	-	(22,508)	-	(22,508)
Total other comprehensive income	**-**	**-**	**(22,508)**	**-**	**(22,508)**	**-**	**(22,508)**
Total comprehensive income for the year	**-**	**-**	**(22,508)**	**59,183**	**36,675**	**-**	**36,675**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share redemption	-	(2,862)	-	-	(2,862)	-	(2,862)
Dividends	-	-	-	(1,200)	(1,200)	-	(1,200)
Total contributions by and distributions to owners	**-**	**(2,862)**	**-**	**(1,200)**	**(4,062)**	**-**	**(4,062)**
Total transactions with owners	**-**	**(2,862)**	**-**	**(1,200)**	**(4,062)**	**-**	**(4,062)**
Balance at 31 December 2018	**1**	**18,891**	**(53,527)**	**118,848**	**84,213**	**(8)**	**84,205**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 26 to 70.

'000 USD	Attributable to equity holders of the Company						
	Share capital	Additional paid-in capital	Translation reserve	Retained earnings	Total	Non-controlling interests (note 28)	Total equity
Balance at 1 January 2017	**1**	**21,753**	**(61,496)**	**85,032**	**45,290**	**(7)**	**45,283**
Total comprehensive income							
Loss for the year	-	-	-	(15,698)	(15,698)	(1)	(15,699)
Other comprehensive income							
Foreign currency translation differences	-	-	30,477	-	30,477	-	30,477
Total other comprehensive income	-	-	**30,477**	-	**30,477**	-	**30,477**
Total comprehensive income for the year	-	-	**30,477**	**(15,698)**	**14,779**	**(1)**	**14,778**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends	-	-	-	(8,469)	(8,469)	-	(8,469)
Total contributions by and distributions to owners	-	-	-	**(8,469)**	**(8,469)**	-	**(8,469)**
Total transactions with owners	-	-	-	**(8,469)**	**(8,469)**	-	**(8,469)**
Balance at 31 December 2017	**1**	**21,753**	**(31,019)**	**60,865**	**51,600**	**(8)**	**51,592**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 26 to 70.

'000 USD	Note	2018	2017
Cash flows from operating activities			
Profit/(loss) for the year		59,183	(15,699)
Adjustments for:			
Depreciation and amortisation	12, 13,14	50,882	50,582
Goodwill impairment	14	-	3,000
Loss on disposal of property, plant and equipment	12	275	1,018
Loss on disposal of intangible assets	14	186	81
Net finance (income)/costs	10	(22,529)	55,274
Income tax expense	11	30,636	25,790
Cash from operating activities before changes in working capital and provisions		**118,633**	**120,046**
Change in inventories		55	11,123
Change in trade and other receivables		(6,167)	(10,999)
Change in trade and other payables		3,142	25,597
Change in deferred income		(59)	1,722
Cash flows from operations before income taxes and interest paid		**115,604**	**147,489**
Income tax paid		(39,979)	(41,073)
Interest paid	22	(582)	(1,810)
Net cash from operating activities		**75,043**	**104,606**
Cash flows from investing activities			
Cash from withdrawing bank deposits and other investments		198,512	240,140
Interest received		3,130	4,691
Dividends received		491	399
Acquisition of property, plant and equipment	12	(17,203)	(21,189)
Acquisition of investment property	13	(7)	(89)
Acquisition of intangible assets	14	(14,004)	(12,818)
Acquisition of other investments	17	(114,935)	(280,419)
Net cash from/(used in) investing activities		**55,984**	**(69,285)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 26 to 70.

'000 USD	Note	2018	2017
Cash flows from financing activities			
Repayment of borrowings	22	(24,091)	(41,061)
Dividends paid	20	(2,662)	(7,007)
Own share redemption		(2,862)	-
Net cash used in financing activities		**(29,615)**	**(48,068)**
Net increase/(decrease) in cash and cash equivalents		**101,412**	**(12,747)**
Cash and cash equivalents at 1 January		116,692	120,031
Effect of exchange rate fluctuations on cash and cash equivalents		(10,871)	9,408
Cash and cash equivalents at 31 December	19	**207,233**	**116,692**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 26 to 70.

1. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The functional currencies of the Group's significant entities are presented below:

	Country of incorporation	Functional currency
Kaspersky Labs Limited	United Kingdom	United States Dollars
JSC Kaspersky Lab	Russia	Russian Ruble
JSC VSSI	Russia	United States Dollars
Kaspersky Lab UK Ltd.	United Kingdom	Euro
Kaspersky Lab Inc.	United States	United States Dollars
Kaspersky Labs GmbH	Germany	Euro
Kaspersky Lab France S.A.R.L.	France	Euro
Kaspersky Lab Asia Limited	Hong Kong	Hong Kong Dollars
Kaspersky Technology Development	China	Chinese Yuan
KL Anti-Virus Solutions (S de RL de CV)	Mexico	Mexican Peso

These consolidated financial statements are presented in USD, which Management believes is more convenient for users. All financial information presented in USD has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 13 – investment property;
- Note 30 (n)– revenue recognition policy;
- Note 25 – contingencies.

(e) Changes in significant accounting policies

(i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients). Transition to IFRS 15 had no impact on revenue recognition method of the Group as accounting policy was originally in line with the requirements of the standard. Thus no effect of adoption of IFRS 15 was recognised at the date of initial application and information presented for 2017 has not been restated.

(ii) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in distribution expenses. Consequently, the Group reclassified impairment losses amounting to RUB 1,242 thousand, recognised under IAS 39, from 'distribution expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit or loss and OCI for the year ended 31 December 2017. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

2. Revenue

Revenue earned by the Group consists of the following types:

	2018	**2017**
	'000 USD	**'000 USD**
Sales of licenses and cybersecurity related services	704,971	697,737
Rental income from leasing investment property	7,395	9,886
Total revenues	**712,366**	**707,623**

3. Cost of sales

	2018	2017
	'000 USD	'000 USD
Services	17,502	19,035
Wages, salaries and bonuses	14,076	13,718
Payroll taxes	1,596	1,601
Materials	6,070	9,016
Investment property costs	2,775	4,154
Investment property depreciation	2,499	3,388
Depreciation and amortisation	2,306	2,318
Rent	1,629	1,476
	48,453	**54,706**

4. Research and development expenses

	2018	2017
	'000 USD	'000 USD
Wages, salaries and bonuses	90,372	83,374
Payroll taxes	8,252	7,291
Depreciation and amortisation	25,528	24,582
Services	18,980	22,441
Rent	4,535	3,371
	147,667	**141,059**

5. Distribution expenses

	2018	2017
	'000 USD	'000 USD
Advertising and marketing expenses	116,206	115,849
Wages, salaries and bonuses	111,051	107,226
Payroll taxes	14,291	13,999
Services and commissions	50,935	57,887
Depreciation and amortisation	9,294	9,057
Rent	6,386	6,880
	308,163	**310,898**

6. Administrative expenses

	2018	2017
	'000 USD	'000 USD
Wages, salaries and bonuses	54,808	50,616
Payroll taxes	5,636	4,828
Services	33,936	30,331
Depreciation and amortisation	11,255	11,237
Company events	5,157	7,608
Rent	2,935	2,634
	113,727	**107,254**

7. Other income and expenses

	2018	2017
	'000 USD	'000 USD
Non-recoverable VAT	(11,536)	(13,335)
Provision for software licenses held for resale (refer to note 16)	-	(9,940)
Goodwill impairment (refer to note 14)	-	(3,000)
Other expenses	(1,668)	(1,377)
Other income	1,857	735
	(11,347)	**(26,917)**

8. Personnel costs

(a) Personnel remuneration

	2018	2017
	'000 USD	'000 USD
Wages, salaries and bonuses	270,307	254,934
Payroll taxes	29,358	27,359
Contributions to non-mandatory defined contribution pension plans	417	360
	300,082	**282,653**

The average number of employees (including directors) for the Group during the year analysed by function was as follows:

	2018	2017
Research and development	1,867	1,725
Sales and marketing	1,052	1,087
General and administrative	886	872
Customer support	277	292
	4,082	**3,976**

(b) **Directors' emoluments**

The average number of directors during 2018 was 4 (2017: 5). Salaries of the directors of USD 3,880 thousand (2017: USD 3,894 thousand) are included in the personnel costs.

The emoluments of the highest paid director were USD 1,589 thousand (2017: USD 1,506 thousand). Social taxes paid were USD 61 thousand (2017: USD 64 thousand).

9. Auditors' remuneration

	2018 '000 USD	2017 '000 USD
Audit of these consolidated financial statements	323	287
Audit of other subsidiaries	282	267
	605	**554**

10. Finance income and finance costs

	2018 '000 USD	2017 '000 USD
Finance income		
Net foreign exchange gain	24,382	-
Interest income on bank deposits	2,418	1,959
Dividend income	491	399
Investment gain	-	3,724
Finance income	27,291	6,082
Finance costs		
Interest expense	(1,210)	(2,159)
Investment loss	(2,799)	-
Bank commissions	(642)	(915)
Unwinding of discount	(111)	(293)
Net foreign exchange loss	-	(57,989)
Finance costs	(4,762)	(61,356)
Net finance income/(costs) recognised in profit or loss	**22,529**	**(55,274)**

11. Income tax expense

The Group's applicable tax rate is the income tax rate of 19% for United Kingdom companies.

	2018	2017
	'000 USD	'000 USD
Current tax expense		
Current period	40,437	28,485
(Over)/under provided in previous years	(1,351)	3,827
	39,086	**32,312**
Deferred tax expense		
Origination and reversal of temporary differences	(8,012)	(6,251)
Overprovided in previous years	(438)	(271)
	30,636	**25,790**

Reconciliation of effective tax rate:

	2018		2017	
	'000 USD	**%**	**'000 USD**	**%**
Profit/(loss) for the year	59,183	66	(15,699)	(156)
Income tax expense	30,636	34	25,790	256
Profit before income tax	89,819	100	10,091	100
Tax at the UK statutory blended rate of 19% (2017: 19,2%)	(17,066)	19	(1,937)	19
Effect of changes of the tax rates in foreign jurisdictions upon deferred tax balances	(6,912)	8	(2,395)	24
Foreign tax suffered	(6,872)	8	(3,977)	39
Non-deductible expenses/non-taxable income	(4,483)	5	(9,393)	93
Deferred tax recognised due to decrease in tax base of property, plant and equipment	(1,976)	2	618	(6)
Tax on transactions eliminated on consolidation	(215)	0	-	-
Current year losses for which no deferred tax assets were recognised	(53)	0	(783)	8
Effect of tax rates in foreign jurisdictions	4,153	(5)	(4,367)	43
Recognition of previously unrecognised tax losses	999	(1)	-	-
Over/(under) provided in prior years	1,789	(2)	(3,556)	35
	(30,636)	**34**	**(25,790)**	**255**

The Finance Act 2015 (No. 2) provides for the main rate of corporation tax to fall to 17% in 2020. This rate reduction has been reflected in the calculation of deferred tax at the reporting date.

12. Property, plant and equipment

'000 USD	Computer and other equipment	Fixtures and fittings	Construction in progress	Buildings	Total
Cost					
Balance at 1 January 2017	**129,709**	**14,338**	**374**	**244,287**	**388,708**
Additions	2,528	2,377	16,077	207	21,189
Transfers	12,911	1,574	(15,653)	1,168	-
Transfer to investment property	(22)	2	-	(113)	(133)
Disposals	(632)	(148)	(762)	(1)	(1,543)
Translation differences	5,420	939	16	1,169	7,544
Balance at 31 December 2017	**149,914**	**19,082**	**52**	**246,717**	**415,765**
Balance at 1 January 2018	**149,914**	**19,082**	**52**	**246,717**	**415,765**
Additions	4,411	672	12,120	-	17,203
Transfers	(4,464)	361	(12,168)	16,271	-
Transfer from investment property	3,508	102	-	32,202	35,812
Disposals	(483)	(286)	-	(2)	(771)
Translation differences	(16,547)	(1,447)	(4)	(4,131)	(22,129)
Balance at 31 December 2018	**136,339**	**18,484**	**-**	**291,057**	**445,880**
Depreciation					
Balance at 1 January 2017	**(76,876)**	**(8,051)**	-	**(41,657)**	**(126,584)**
Depreciation charge	(23,940)	(2,871)	-	(11,073)	(37,884)
Transfer to investment property	12	-	-	21	33
Disposals	515	9	-	1	525
Translation differences	(3,691)	(467)	-	(709)	(4,867)
Balance at 31 December 2017	**(103,980)**	**(11,380)**	-	**(53,417)**	**(168,777)**
Balance at 1 January 2018	**(103,980)**	**(11,380)**	-	**(53,417)**	**(168,777)**
Depreciation charge	(16,316)	(2,292)	-	(13,043)	(31,651)
Transfer from investment property	(2,951)	(101)	-	(6,357)	(9,409)
Disposals	329	167	-	-	496
Transfers	(859)	859	-	-	-
Translation differences	13,288	636	-	3,134	17,058
Balance at 31 December 2018	**(110,489)**	**(12,111)**	-	**(69,683)**	**(192,283)**

'000 USD	Computer and other equipment	Fixtures and fittings	Construction in progress	Buildings	Total
Net book value					
At 1 January 2017	**52,833**	**6,287**	**374**	**202,630**	**262,124**
At 31 December 2017	**45,934**	**7,702**	**52**	**193,300**	**246,988**
At 31 December 2018	**25,850**	**6,373**	**-**	**221,374**	**253,597**

Depreciation expense was charged as follows:

	2018 '000 USD	**2017 '000 USD**
Cost of goods sold	1,652	2,128
Research and development	16,215	18,712
Distribution expenses	6,511	7,686
Administrative expenses	7,273	9,358
Total depreciation	**31,651**	**37,884**

13. Investment property

'000 USD	Cost	Accumulated depreciation and impairment	Net book value
Balance at 1 January 2017	**81,963**	**(22,047)**	**59,916**
Additions to cost	89	-	89
Depreciation charge	-	(3,388)	(3,388)
Transfer from property, plant and equipment	133	(33)	100
Balance at 31 December 2017	**82,185**	**(25,468)**	**56,717**
Additions to cost	6	-	6
Depreciation charge	-	(2,499)	(2,499)
Transfer to property, plant and equipment	(35,812)	9,409	(26,403)
Balance at 31 December 2018	**46,379**	**(18,558)**	**27,820**

Investment property is represented by a single property object – an office building in Moscow. A part of the complex is leased out to third parties and considered to be investment property. Investment property is carried at cost less accumulated depreciation and impairment. Major leases contain an initial non-cancellable period of 5-10 years.

During the year the Group received rental income of USD 7,395 thousand (2017: USD 9,886 thousand). Direct operating costs attributable to the investment property and included in cost of sales amounted to USD 2,775 thousand (2017: USD 4,154 thousand).

Useful life of the building component of the investment property is 30 years and that of other equipment and subsystems 5 to 10 years.

The fair value of the investment property as at 31 December 2018 according to a professional valuers' report is USD 33,117 thousand. It is Level 3 fair value under IFRS 13 *Fair value measurement*. The valuation was done using the income approach by discounting the anticipated future income streams and an exit value to a present value. The use of market comparables in the valuation was limited because of the nature of the property and lack of comparable market data. The following key assumptions underlie the valuation:

- The forecast period used in valuation is 6 years. It is assumed that at the end of the 6 year the property is disposed of at the terminal value.
- The rental rates indexation for the property is derived from the existing lease agreements providing for an annual indexation of 2.2-5%. Upon expiry of lease agreements, a base market rent at the current level at the valuation date was applied, assuming further annual rental indexation of 3% p.a.
- The occupancy rate was also based on the existing rent agreements. Upon expiry of lease agreements, a stabilised occupancy rate of 97% was used.
- The terminal value was calculated assuming a yield of 8.75% for the sale of the Property when the stabilised income is achieved.
- In order to arrive at a present value of the anticipated future income streams and an exit value, a discount rate of 13.5% p.a. was applied.

14. Intangible assets

'000 USD	Software licenses and patents	Other intangible assets	Goodwill	Total
Cost				
Balance at 1 January 2017	**23,889**	**548**	**16,767**	**41,204**
Additions	12,797	21	-	12,818
Disposals	(8,609)	-	-	(8,609)
Translation differences	1,233	50	-	1,283
Balance at 31 December 2017	**29,310**	**619**	**16,767**	**46,696**
Balance at 1 January 2018	**29,310**	**619**	**16,767**	**46,696**
Additions	14,005	(1)	-	14,004
Disposals	(9,260)	-	-	(9,260)
Translation differences	(4,957)	(8)	-	(4,965)
Balance at 31 December 2018	**29,098**	**610**	**16,767**	**46,475**
Amortisation and impairment losses				
Balance at 1 January 2017	**(4,988)**	**(524)**	**(3,291)**	**(8,803)**
Amortisation charge	(9,269)	(41)	-	(9,310)
Impairment	-	-	(3,000)	(3,000)
Disposals	8,528	-	-	8,528
Translation differences	(168)	(50)	-	(218)
Balance at 31 December 2017	**(5,897)**	**(615)**	**(6,291)**	**(12,803)**

'000 USD	Software licenses and patents	Other intangible assets	Goodwill	Total
Balance at 1 January 2018	**(5,897)**	**(615)**	**(6,291)**	**(12,803)**
Amortisation charge	(16,731)	(1)	-	(16,732)
Disposals	9,074	-	-	9,074
Translation differences	1,362	9	-	1,371
Balance at 31 December 2018	**(12,192)**	**(607)**	**(6,291)**	**(19,090)**
Net book value				
At 1 January 2017	**18,901**	**24**	**13,476**	**32,401**
At 31 December 2017	**23,413**	**4**	**10,476**	**33,893**
At 31 December 2018	**16,906**	**3**	**10,476**	**27,385**

Goodwill balance of the Group was generated by acquisitions of two CGUs in America (acquired in 2011) and Asia Pacific (acquired in 2010). The Group bases recoverable amount of CGUs on value in use which is calculated as a net present value of CGU's 5-year net cash flows. At the year end the Group has performed impairment review of the individual CGUs. Discount factor for both CGUs was 18.73 per cent. Cash flow projections used for testing were based on most recent budgets using the following growth assumptions:

- Sales growth rate varying from 1 (in Asia Pacific) and 10 (in America) to 19 per cent per annum;
- Expenses growth rate varying from 2 to 19 per cent per annum.

Both CGUs demonstrated no signs of impairment (recoverable amounts were higher than Goodwill).

15. Deferred tax assets and liabilities

(a) Unrecognised deferred tax liabilities

Deferred tax liabilities of USD 65,263 thousand (2017: USD 69,780 thousand), relating to investments in subsidiaries have not been recognised as the Group is able to control the timing of reversal of the relevant differences, and reversal is not expected in the foreseeable future.

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 USD	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Fixed assets and investment property	338	300	(6,970)	(6,849)	(6,632)	(6,549)
Intangible assets	30	-	-	(226)	30	(226)
Trade and other receivables	2,114	1,373	(7,493)	(505)	(5,379)	868
Deferred revenue	42,830	30,388	(44)	(357)	42,786	30,031
Trade and other payables	12,819	14,007	(833)	(209)	11,986	13,798
Tax loss carry-forwards	815	2,526	-	-	815	2,526
Other items	288	411	(50)	(138)	238	273
Tax assets/(liabilities)	59,234	49,005	(15,390)	(8,284)	43,844	40,721
Set off of tax	(9,076)	(2,197)	9,076	2,197	-	-
Net tax assets/(liabilities)	**50,158**	**46,808**	**(6,314)**	**(6,087)**	**43,844**	**40,721**

(c) Movement in temporary differences during the year

'000 USD	1 January 2018	Recognised in profit or loss	Translation difference	31 December 2018
Fixed assets and investment property	(6,549)	(667)	584	(6,632)
Intangible assets	(226)	241	15	30
Trade and other receivables	868	(6,261)	14	(5,379)
Deferred revenue	30,031	16,742	(3,987)	42,786
Trade and other payables	13,798	145	(1,957)	11,986
Tax loss carry-forwards	2,526	(1,703)	(8)	815
Other items	273	(47)	12	238
	40,721	**8,450**	**(5,327)**	**43,844**

'000 USD	1 January 2017	Recognised in profit or loss	Translation difference	31 December 2017
Fixed assets and investment property	(9,478)	3,199	(270)	(6,549)
Intangible assets	(324)	115	(17)	(226)
Trade and other receivables	2,015	(1,225)	78	868
Deferred revenue	29,108	(326)	1,249	30,031
Trade and other payables	10,268	3,067	463	13,798
Tax loss carry-forwards	554	1,933	39	2,526
Other items	522	(241)	(8)	273
	32,665	**6,522**	**1,534**	**40,721**

16. Inventories

	2018 '000 USD	2017 '000 USD
Software licenses held for resale	8,286	10,002
Product components and consumables	386	2,260
Finished goods and goods for resale	1,417	470
Provision for obsolescence	(9,322)	(11,444)
	767	**1,288**

Software licenses held for resale are fully provided for due to lack of evidence of their net realisable value.

17. Other investments

	2018	2017
Current	'000 USD	'000 USD
Financial assets measured at amortised cost:		
Loans	10,986	-
Financial assets designated at fair value through profit and loss:		
Corporate debt securities	1,145	71,015
Equity securities	353	9,666
Other investments	-	19,056
	1,498	99,737
	12,484	**99,737**

During 2018 the Group granted a Rouble-denominated loan of USD 10,795 thousand (carrying value as at 31 December 2018 of USD 10,986 thousand) convertible into shares in the borrower at any time at the lender's discretion. The original maturity of the loans is April 2019. Subsequent to the balance sheet date that maturity was rescheduled to July 2019. The annual interest rate is fixed at 12%.

Corporate debt securities classified fair value through profit and loss have stated interest rate of 2.88% and mature in 7 years.

Equity securities have been designated as at fair value through profit or loss because they are managed on a fair value basis and their performance is actively monitored.

The fair value of investments designated at fair value through profit and loss, including available-for-sale equity investments with a carrying amount of USD 1,498 thousand, was determined by reference to their quoted market prices; these investments are listed on the Moscow and major European stock exchanges (including London and Frankfurt stock exchanges). It is Level 1 fair value under IFRS 13 *Fair value measurement*. Accumulated interest on debt securities, included in the carrying amount as at the reporting date was USD 2 thousand (2017: USD 704 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 23.

18. Trade and other receivables

	2018 '000 USD	2017 '000 USD
Trade receivables from third parties	188,461	186,473
Prepaid taxes (other than corporate profit taxes)	9,507	4,604
Other receivables	7,550	4,703
Office lease deposits	2,079	2,340
Deferred expenses	2,641	2,232
Provision for bad and doubtful debts	(32,468)	(18,058)
	177,770	**182,294**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 23.

19. Cash and cash equivalents

	2018 '000 USD	2017 '000 USD
Petty cash	5	14
Bank balances	111,612	94,894
Call deposits	95,616	21,784
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flows	**207,233**	**116,692**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

20. Capital and reserves

(a) Share capital and share premium

Number of shares unless otherwise stated	**Ordinary shares** 2018	 2017
Authorised shares	110,000,000	110,000,000
Par value	GBP 0.00001	GBP 0.00001
Shares authorised, not issued at the beginning of the year	(44,852,911)	(44,852,911)
Share cancellation	(189,839)	-
On issue at 31 December, fully paid	64,957,250	65,147,089

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Acquisition of own shares

In 2018 the Group acquired 189,839 of its own shares (2017: nil) for the total cash consideration of USD 2,862 thousand. Shares were cancelled immediately after purchase.

(c) Dividends

On 3 December 2018 the Group declared dividends of USD 1,200 thousand (2017: USD 8,469 thousand), full amount of dividends was paid in December 2018.

21. Trade and other payables

	2018	2017
	'000 USD	'000 USD
Current:		
Accrued expenses	76,580	83,316
Payables to employees	33,392	34,333
Trade payables to third parties	19,937	25,035
Provision for sales returns	7,699	8,921
Social taxes payable	6,531	7,020
Other taxes payable	14,246	4,298
Trade advances received	1,073	720
Other payables	753	1,127
	160,211	**164,770**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

22. Bank loans

'000 USD	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Balance at 1 January 2018	USD		Apr 2019	**24,091**	**23,466**
Repaid					
Secured bank loan facility	USD	Libor+2.85	Apr 2019	(24,091)	(24,091)
Interest accrued					
Secured bank loan facility				-	354
Amortised borrowing costs				-	853
Interest paid					
Secured bank loan facility				-	(582)
Balance at 31 December 2018	USD	Libor+2.85	2019	-	-

On 22 May 2018 the Group fully paid off the entire balance of the loan and the accumulated interest ahead of the schedule.

23. Fair values and risk management

(a) Accounting classifications and fair values

The values of the Group's financial instruments as at 31 December 2018 approximate their fair values.

(b) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has the overall responsibility for establishing and overseeing the Group's risk management framework. Day-to-day risk management functions are carried out by the management of the Group.

The Group's risk management policies and procedures are established to identify and analyse the risks faced by the Group to set appropriate risk limits, and controls.

The Group's risk management policies are in the process of being formalised. The Group's Management carries out day-to-day monitoring of risks based on analysis of management reports regularly prepared by the financial department containing a wide range of data on various aspects of the Group's activities.

The Group, through its training and managerial standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, as well as the default risk of the industries and countries in which customers operate. There is no significant concentration of credit risk.

The Credit manager, together with the sales administration department and client service departments, monitors the balances due from individual customers. If there are significant past due amounts, transactions with the customer are suspended until the receivable has been reduced to a satisfactory level. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Investments

The Group limits its exposure to credit risk by only placing deposits with banks with good credit rating and by investing in securities with high credit ratings (from AA- to B+, with majority being higher BBB-). Given this, Management does not consider that the Group incurs significant credit risk in relation to investments.

(iii) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2018	2017
	'000 USD	'000 USD
Receivables and other investments	178,280	265,994
Cash and cash equivalents	207,233	116,692
	385,513	**382,686**

Included in the above maximum amounts of exposure to credit risk are cash and cash equivalents of USD 207,233 thousand (2017: USD 116,692 thousand). Most of the balance of the exposure of credit risk is made of trade accounts receivable, which are described below.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
'000 USD	**2018**	**2017**
	'000 USD	**'000 USD**
Europe	45,671	49,855
CIS and Baltic	44,048	41,138
North America	32,351	49,437
Middle East and Africa	18,454	11,621
Far East and Pacific	9,171	7,026
South America	6,298	9,338
	155,993	**168,415**

Impairment losses

	Gross	Impairment	Gross	Impairment
'000 USD	**2018**	**2018**	**2017**	**2017**
Debtor days are less or equal the standard payment terms	155,344	(881)	162,361	(834)
Debtor days exceed the standard payment terms by 0-60 days	9,479	(1,456)	3,537	(434)
Debtor days exceed by 61-120 days	3,578	(109)	3,293	(132)
Debtor days exceed by 121-365 days	1,665	(957)	1,834	(1,210)
Debtor days exceed by more than 365 days	18,395	(29,065)	15,448	(15,448)
	188,461	**(32,468)**	**186,473**	**(18,058)**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2018	2017
	'000 USD	**'000 USD**
Balance at beginning of the year	18,058	17,067
Bad debt expense	15,719	1,424
Write-off	(965)	(1,577)
Translation difference	(344)	1,144
Balance at the end of the year	**32,468**	**18,058**

The Group establishes an allowance for impairment losses that represents its estimate of lifetime expected losses in respect of trade receivables. The main component of this allowance is the specific loss component relating to individually significant exposures. Doubtful accounts receivable are analysed individually based on debtors days, and then on a case by case basis. Special attention is paid to receivables with balances past due by more than 60 days. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as a natural disaster.

The Group's financial liabilities consist of non-interest bearing trade and other payables most of which are due within six months of the reporting date.

The following are the contractual maturities of financial liabilities, including estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts:

31 December 2018

'000 USD	Carrying amount	Contract cash flows	< 1 year	1 - 2 years	2 -3 years	3 - 4 years	4 - 5 years	More than 5 years
Trade and other payables	141,964	142,194	139,421	2,164	-	609	-	-
	141,964	**142,194**	**139,421**	**2,164**	**-**	**609**	**-**	**-**

31 December 2017

'000 USD	Carrying amount	Contract cash flows	< 1 year	1 - 2 years	2 -3 years	3 - 4 years	4 - 5 years	More than 5 years
Secured bank loan	23,466	24,956	16,803	8,153	-	-	-	-
Trade and other payables	155,086	155,422	152,768	2,045	-	-	609	-
	178,552	**180,378**	**169,571**	**10,198**	**-**	**-**	**609**	**-**

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(f) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUB), U.S. Dollars (USD), EUR. The currencies in which these transactions are primarily denominated are Sterling (GBP), USD, EUR, RUB, Singapore Dollars (SGD) and Brazilian Reals (BRL).

The Group does not use foreign exchange hedges to manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. Foreign currency hedging is not used by the Group partially as the current structure of the Group's operations provides a natural cash flow hedge, in the sense that expected cash outflows in a currency do not exceed expected inflows in that currency.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

'000 USD	GBP-denominated 2018	USD-denominated 2018	EUR-denominated 2018	RUB-denominated 2018	SGD-denominated 2018	BRL-denominated 2018
Current assets						
Receivables	3,953	123,352	3,928	623	9,344	3,593
Cash and cash equivalents	2,450	22,471	118,551	8,897	-	-
Investments	-	462,337	-	-	-	-
Non-current assets						
Investments	-	-	1,147	-	-	-
Current liabilities						
Payables	(1,063)	(133,776)	(3,063)	(195)	-	-
Loans and borrowings	-	(34,518)	(36)	-	-	-
Non - current liabilities						
Loans and borrowings	-	-	(85,645)	-	-	-
	5,340	**439,866**	**34,882**	**9,325**	**9,344**	**3,593**

'000 USD	GBP-denominated 2017	USD-denominated 2017	EUR-denominated 2017	RUB-denominated 2017
Current assets				
Receivables	5,808	90,577	1,839	-
Cash and cash equivalents	7,235	23,528	12,603	3,904
Investments	-	494,162	-	-
Current liabilities				
Payables	(7,549)	(44,091)	(2,660)	(85)
	5,494	**564,176**	**11,782**	**3,819**

The following significant exchange rates applied during the year:

in USD	Average rate		Reporting date spot rate	
	2018	**2017**	**2018**	**2017**
RUB 1	0.0160	0.0172	0.0144	0.0174
EUR 1	1.1818	1.1288	1.1438	1.1956
GBP 1	1.3360	1.2879	1.2708	1.3485

Some of the Group's subsidiaries applied exchange rates different from those stated above in case if these rates did not reflect the rates of conversion prevailing on the local markets, at which the respective balances could have been settled.

Sensitivity analysis

A 20% strengthening of the USD against the following currencies at 31 December would have increased/(decreased) equity and profit/(loss) net of taxes expressed in the Group's presentational currency by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2017.

	Equity '000 USD	Profit or (loss) '000 USD
2018		
EUR	11,318	61,684
RUB	(54,294)	4,640

	Equity '000 USD	Profit or (loss) '000 USD
2017		
EUR	36,864	83,600
RUB	(46,593)	6,057

A 20% weakening of the USD against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(g) Interest rate risk

The Group's interest rate risk arises from call deposits and other investments. Deposits and investments mostly represent fixed rate financial assets, changes in interest rate impact primarily their fair values. Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of making an investment Management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

(i) Profile

At the reporting date the Group did not have any variable interest rate financial instruments.

(ii) Fair value sensitivity analysis for fixed rate instruments

The Group has classified some of the fixed rate financial assets as fair value through profit or loss. The fair value of these assets at reporting date was USD 12,131 thousand (2017: USD 90,071 thousand).

A change of 100 basis points in interest rates would not have a material impact on profit and equity (2017: USD 2,054 thousand net of tax effect).

(iii) Fair values versus carrying amounts

Management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

(h) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the Group's net debt to capital ratio and the level of distribution to shareholders of the Company.

The Group determines the appropriate capital structure based on the risk of investment in a product or market and reassesses its capital structure at the time of making a new investment decision, or when economic conditions or risk characteristics of an underlying product or market change. In order to maintain or adjust the capital structure, the Group may adjust the return capital to shareholders, issue new shares and adjust the working capital.

There were no changes in the Group's approach to capital management during the year.

24. Operating leases

Non-cancellable operating lease rentals are payable as follows:

'000 USD	2018	2017
Less than one year	10,879	10,569
Between one and five years	23,103	18,260
More than five years	-	4,830
	33,982	**33,659**

The Group leases a number of office facilities, IT equipment and cars under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

During the current year USD 15,485 thousand was recognised in the consolidated statement of profit or loss and other comprehensive income in respect of operating lease expenses (2017: USD 14,361 thousand).

Non-cancellable operating lease rentals are receivable as follows:

'000 USD	2018	2017
Less than one year	4,479	5,650
Between one and five years	13,186	16,827
More than five years	-	-
	17,665	**22,477**

During the current year USD 7,395 thousand was recognised in the consolidated statement of profit or loss and other comprehensive income in respect of operating lease income (2017: USD 9,886 thousand).

25. Contingencies

(a) Litigation

As at the reporting date the Group was not involved in any litigation, which would give rise to material contingent liabilities.

(b) Taxation contingencies

The past few years have seen a shift in the approach taken by tax authorities in numerous territories around the world, including the UK, Russia and the US. Governments have been increasing their investment in resource with a view to maximising domestic tax revenues. The Group always seeks to comply with relevant legislation and treaties but inevitably there can be differences in interpretation of grey areas and the chances of successful challenge have increased.

Against this background, the position is exacerbated in the Russian Federation where some of the Group's significant subsidiaries operate. The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation, focusing more on the economic substance and not only the legal form of business transactions.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

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

The transfer pricing rules apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code (no threshold is set for the purposes of prices control in such transactions). In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 1 billion, an equivalent of USD 17,361 thousand as at 31 December 2017).

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries.

The Group has a number of various transactions concluded between the companies of the Group, which are subject to the transfer pricing control in Russia. The Group notifies the Russian tax authorities about all these transactions as required in the Russian Tax Code.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing a different interpretation, could be significant. The Group does not exclude the possibility that the Russian tax authorities may take a different position from the Group. In this case, the Group is ready to justify its current methodology.

During 2013 the Group acquired an office building in Moscow. The carrying value of the building is included in the investment property and property plant and equipment line of the Group's consolidated statement of financial position as at 31 December 2018. Material risks, including tax risks, associated with this transaction, were indemnified by the seller of the property. Management consider that the likelihood of these risks resulting in a material loss for the Group is remote.

26. Related party transactions

(a) Control relationships

The party with ultimate control over the Company is Eugene Kaspersky.

(b) Transactions with management and close family members

Shareholders who hold in aggregate 100% of the Company's ordinary shares (2017: 93%) are part of the Group's key Management personnel.

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 8):

	2018 '000 USD	2017 '000 USD
Salaries and bonuses	9,802	8,852
Payroll taxes	394	657
	10,196	**9,509**

(c) Transactions with other related parties

The Group's did not conduct material transactions with related parties.

(d) Pricing policies

Related party transactions are based on the Group's estimates of market prices.

27. Subsidiaries

	Registered office address	2018 Ownership /voting	2017 Ownership /voting
JSC Kaspersky Lab	39A/3 Leningradskoe shosse, Moscow, 125212, Russia	100%	100%
JSC VSSI	39A/3 Leningradskoe shosse, Moscow, 125212, Russia	100%	100%
Kaspersky Lab UK Ltd.	2 Kingdom Street, Paddington, W2 6BD, United Kingdom	100%	100%
Kaspersky Lab Inc.	500 Unicorn Park Dr., Ste 300, Woburn MA 01801, USA	100%	100%
Kaspersky Labs GmbH	Despag-Straße 3, 85055 Ingolstadt, Germany	100%	100%
Kaspersky Lab France S.A.R.L.	2 rue Joseph Monier, Immeuble Européen - Bat C, 92500 Rueil Malmaison, France	100%	100%

	Registered office address	2018 Ownership/ voting	2017 Ownership/ voting
Kaspersky Technology Development	1# Qing Long Bystreet, Dongcheng District, Beijing 100007, China	100%	100%
Kaspersky Lab Asia Limited	Manhattan Place,23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong	100%	100%
KK Kaspersky Lab Japan	7F Sumitomo Fudousan Akihabara bldg., 3-12-8 Sotokanda, Chiyoda-ku, Japan	99.9%	99.9%
KL Anti-Virus Solutions	Mercaderes No. 20 Piso 5, Col. San José Insurgentes, C.P. 03900, Ciudad de México, Mexico	100%	100%
JSC Kaspersky Group	39A Blg.2, Leningradskoe Shosse, 125212, Moscow, Russia	100%	100%
Kaspersky Lab Trading Limited, dormant	New Bridge Street House, 30-34 New Bridge Street, London, England, EC4V 6BJ	100%	100%
Kaspersky Lab Middle East FZ-LLC	Premises 2201, 2203&2205, Floor 22 Arenco Tower, Dubai, United Arab Emirates	100%	100%
Kaspersky Info Systems S.R.L.	Bucharest, Iride Business Park, Building no. 24, first floor, 9-9A Dimitrie Pompei Blvd., sector 2, Romania	100%	100%
Kaspersky Lab Czech Republic S.R.O.	Nádražní 344/23, Smíchov, 150 00 Praha 5, Czech Republic	100%	100%
Kaspersky Lab South Africa (Pty) Limited	Republic of South Africa, KPMG Crescent, 85 Empire Road Parktown 2193, South Africa	100%	100%
Kaspersky Bilişim Hizmetleri San. Ve Tic. Ltd. Şti.	Ağaoğlu My Prestige Barbaros Mah. Sarkaç Sok. N:1 K:11 D:91-92, 34746 Ataşehir, Istanbul, Turkiye	100%	100%
TOO Kaspersky Lab KZ	Almaty, Kazylbek Bi 20A, office 309, Kazakhstan	100%	100%
Kaspersky Lab Ukraine, dormant	Office 312, 3 Sholudenko Street, Kiev, 04116, Ukraine	100%	100%
Kaspersky Lab Israel Ltd.	9 Hartum Street Har Hahotzvim 9777509 Jerusalem, Israel	100%	100%
Effusive Holding Limited, dormant	5 Themistocles Dervis Street, Elenion Building, 2nd floor 1066, Nicosia Cyprus	100%	100%
Flybase Investments Limited, dormant	5 Themistocles Dervis Street, Elenion Building, 2nd floor 1066, Nicosia Cyprus	100%	100%
Kaspersky Lab Denmark ApS	Sundkrogsgade 21, 2100 Copenhagen, Denmark	100%	100%

	Registered office address	2018 Ownership/ voting	2017 Ownership/ voting
Kaspersky Lab S.L.U.	Paseo Club Deportivo, nº1, Edificio 11, Planta 1, Izquierda 1, Parque Empresarial La Finca, Somosaguas, Pozuelo de Alarcón, Madrid, 28223, Spain	100%	100%
Kaspersky Lab Italia S.r.l.	Francesco Benaglia 13, 00153 Rome, Italy	100%	100%
Kaspersky Lab B.V.	Papendorpseweg 77 79, 3528BJ Utrecht, Netherlands	100%	100%
Kaspersky Lab Unipessoal LDA.	Avenida dos Oceanos, nr. 142, 0° B, 1990-502 Parque das Nações, in the parish of Parque das Nações, Lisbon, Portugal	100%	100%
Kaspersky Labs GmbH	Allmendstrasse 1 CH-6312 Steinhausen /Zug Switzerland	100%	100%
Kaspersky Security Solutions Ireland Limited	1st Floor, 7 Lower Grand Canal Street,Grand Canal Dock, D2Dublin, D02 KW81. Ireland	100%	100%
Threatpost, Inc (in 2016 Kaspersky Government Security Solutions, Inc.)	500 Unicorn Park Drive, Woburn, MA, 01801, USA	100%	100%
Kaspersky Lab Soluções Seguras Brasil ltda.	City of São Paulo, State of São Paulo, at Avenida Queiroz Filho, 1700, tower A, rooms 801, 802, 803 and 804, Vila Hamburguesa, Zip Code 05319-000, Brazil	100%	100%
Kaspersky Lab Australia and New Zealand Pty Ltd	Level 2, 19 Shierlaw avenue, Canterbury Vic 3126, Australia	100%	100%
Kaspersky Lab India Private Limited	102, 1st Floor, Gala Impecca, A-2, Jitendra Estate, M.V.Road, Andheri (East) Mumbai Mumbai, City MH 400059, India	100%	100%
Kaspersky Lab SEA Sdn Bhd.	Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia	100%	100%
Kaspersky Lab Korea Ltd	Sun Tower Building 5F, 42, Seolleung-ro 90-gil, Gangnam-gu, Seoul, Korea	100%	100%
Kaspersky Lab Singapore PTE. Ltd	2 Shenton Way 18-01,SGX Center 1, Singapore, 068804	100%	100%
Kaspersky Lab Canada Limited	1750 – 1055 West Georgia Street Vancouver, BC V6E 3P3	100%	-

28. Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2018

'000 USD	**KK Kaspersky Lab Japan**	**Intra-group eliminations**	**Total**
NCI percentage	0.1%		
Non-current assets	4,127		
Current assets	8,166		
Non-current liabilities	(8,210)		
Current liabilities	(11,947)		
Net liabilities	(7,864)		
Carrying amount of NCI	(8)	-	(8)
Revenue	17,197		
Loss	(207)		
Other comprehensive income	(160)		
Total comprehensive income	(367)		
Loss allocated to NCI	-	-	-
Other comprehensive income allocated to NCI	-	-	-
Cash flows from operating activities	516		
Cash flows used in investing activities	(149)		
Net increase in cash and cash equivalents	367		

31 December 2017

'000 USD	KK Kaspersky Lab Japan	Intra-group eliminations	Total
NCI percentage	0.1%		
Non-current assets	3,781		
Current assets	7,117		
Non-current liabilities	(8,336)		
Current liabilities	(10,059)		
Net liabilities	(7,497)		
Carrying amount of NCI	(8)	-	(8)
Revenue	13,114		
Loss	(584)		
Other comprehensive income	(257)		
Total comprehensive income	(841)		
Loss allocated to NCI	(1)	-	(1)
Other comprehensive income allocated to NCI	-	-	-
Cash flows from operating activities	1,855		
Cash flows used in investing activities	(164)		
Net increase in cash and cash equivalents	1,691		

29. Events subsequent to the reporting date

In April 2019 the Group acquired 29.5% of shares in LLC New Cloud Technologies for a cash consideration of USD 8 thousand.

By 14 of June 2019 the Group increased the amount of loan granted by USD 27,683 thousand. The conditions of the loan remain unchanged (refer to note 17).

There were no other major events after reporting date.

30. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus

the recognised amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(ii) Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of all Group entities, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Any accumulated interest accrued at the reporting date is classified the same way as the original financial asset.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group does not have non-derivative financial assets other than financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss -category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category comprise the following classes of financial assets: trade and other receivables as presented in note 18 and cash and cash equivalents as presented in note 19.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- buildings and constructions — 30 years
- building Sub-systems and equipment — 10 - 15 years
- computer equipment — 3 - 5 years
- fixtures and fittings — 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 30 (a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Patents

Patents acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. This occurs when a product satisfies product trials in a live customer environment to establish technical and commercial feasibility. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Development expenditure incurred on minor or major upgrades and updates or other changes in software functionality does not meet the criteria for capitalisation, as the product is not substantially new in its design or functional characteristics. Such expenditure is, therefore, recognised as expense in profit or loss as incurred.

The Group has not capitalised any development costs as the qualifying amounts are not significant. On the basis that a development project meets the technical and commercial feasibility requirements at the end of its development, subsequent costs that qualify for capitalisation are not material to the consolidated financial statements.

(iv) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(vi) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- patents - 2 years
- other - 1 to 5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its cost less accumulated depreciation and impairment losses at the date of reclassification becomes its cost for subsequent accounting.

Investment property includes buildings, equipment installed and fittings such as elevators, air conditioning and other communications installed. The land on which the investment property is located is classified as a finance lease and is recognised as part of the fair value of the Company's investment property in the consolidated statement of financial position.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Subsequent expenditure includes further development of infrastructure and capital improvements. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

(h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Deferred income

Deferred income represents the monetary value of products and services sold and delivered to the customers, which was not recognized as revenues as at the reporting date because not all of the revenue recognition criteria are not yet met (refer to note 30 (n) for the Group's revenue recognition policy). Deferred income will be recognised as revenue in future periods, when all revenue recognition criteria are met. Deferred income as at a reporting date is calculated as the difference between the cumulative monetary amounts of invoices issued to the partners and customers and revenues recognised to date.

(k) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including state pension funds, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(n) Revenue

Revenue from the sale of licences and provision of services is recognised based on a five-step model which requires the transaction price for each identified contract to be apportioned to separate performance obligations arising under the contract and recognised either when the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer. Revenue is measured at fair value of the consideration received or receivable, net of returns, vendor and end-user discounts and taxes. The following specific criteria are also applied.

(i) Licence fees

Revenue from the sale of licences is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of licences can be estimated reliably, and there is no continuing Management involvement with the licences, and the amount of revenue can be measured reliably. Revenue is measured at fair value of the consideration received or receivable, net of returns, vendor and end-user discounts and taxes. The following specific criteria are also applied.

Licence agreements with end customers and resellers

Licence agreements with end-users and resellers involve the sale of a licence for multiple products and services: a software licence for a fixed period of time together with regular updates, upgrades of the software and other services under a fixed licence term. The portion of the revenue corresponding to each element of the arrangement cannot be identified and measured reliably, and the entire amount of revenue under a multiple element arrangement is recognised rateably over the duration of the licence, starting from the time of the delivery of the licence.

The Group offers the right of return of its products under various policies and programs with its distributors, resellers, and end-user customers. The Group estimates and recognizes provisions for estimated product returns as deduction from revenue.

Licence agreements with technology partners

Licence agreements with technology partners involve the sale of a licence for the use of the Group's software in a licensee's products together with regular updates, upgrades of the software and other services over a fixed term. Revenue is recognised rateably over the duration of the term specified in the licence agreement, upon sale of the technology partner's products as reported by the partner.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(o) Cost of sales

Cost of sales include expenses incurred in conducting the Group's main activities, including the cost of inventories sold, expenses related to geographical localisation of the Group's products, the cost of providing technical support and relevant overheads.

(p) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

(q) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, foreign currency gains, fair value gains on financial assets at fair value through profit or loss and gains on the remeasurement to fair value of any pre-existing interest in an acquiree. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial instruments at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

When the applicable tax law is not very clear, or in tax regimes where the amounts finally payable to the tax authorities are the outcome of lengthy negotiations involving a high degree of subjectivity and discretion, the Group's tax positions may be challenged by the tax authorities, which may result in additional taxes, penalties or late-payment interest, or in changes in the tax basis of assets or liabilities, or changes in the amount of available tax loss carry-forwards that would reduce a deferred tax asset or increase a deferred tax liability. If such tax positions are taken by the Group and Management believes that it is probable that an outflow of economic benefits will be required to settle an obligation due to the Group's specific tax positions, the Group recognises current/deferred tax liabilities in the Statement of financial position and income tax expense in profit and loss for the estimated amount of the additional tax, penalties and late-payment interest.

31. New standards and interpretations not yet adopted

Two new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

(a) IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 Operating Leases—Incentives and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

(i) Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of office spaces, cars and data centers. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognise as at 1 January 2019 the right of use assets of USD 31,549 thousand and the lease liabilities of the equal carrying value adjusted by the amount of any prepaid or accrued lease payments relating to the respective leases, with no effect on the equity.

(ii) ***Leases in which the Group is a lessor***

No changes will be made in the accounting for leases where the Group is a lessor with the adoption of IFRS 16 Leases.

(iii) ***Transition***

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting IFRS 16 opening balance of retained earnings at 1 January 2019 will be nil, no restatement of comparative information will be made.

The Group plans to apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(b) **Other amendments**

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

32. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) **Property, plant and equipment and investment property**

The fair value of property, plant and equipment and investment property acquired recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on market approach and cost approaches using quoted market prices for similar items when available.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(b) Intangible assets

The fair value of distribution agreements and customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

(e) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(f) Contingent consideration

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term nature, it is discounted to present value.

	Notes	2018 '000 USD	2017 '000 USD
ASSETS			
Non-current assets			
Investments in subsidiaries	C1	634,859	631,947
Long-term loans to subsidiaries	C7	1,147	1,906
Deferred tax assets		35	2,350
Total non-current assets		**636,041**	**636,203**
Current assets			
Short-term loans to subsidiaries	C7	1,977	1,841
Trade and other receivables	C2	5,702	1,352
Cash and cash equivalents		727	4,694
Total current assets		**8,406**	**7,887**
Total assets		**644,447**	**644,090**

The Company statement of financial position is to be read in conjunction with the notes to, and forming part of, the company financial statements set out on pages 76 to 80.

	Notes	2018 '000 USD	2017 '000 USD
EQUITY AND LIABILITIES			
Equity	C3		
Share capital		1	1
Additional paid-in capital		17,221	20,083
Retained earnings		168,503	181,849
Total equity		**185,725**	**201,933**
Non-current liabilities			
Loans and borrowings	C5	454,816	423,458
Total non-current liabilities		**454,816**	**423,458**
Current liabilities			
Trade and other payables	C4	3,906	2,982
Loans and borrowings	C5	-	15,717
Total current liabilities		**3,906**	**18,699**
Total liabilities		**458,722**	**442,157**
Total equity and liabilities		**644,447**	**644,090**

These Company financial statements were approved by the Board of Directors on 19 July 2019 and were signed on its behalf by:

Svetlana Ivanova

Director

The Company statement of financial position is to be read in conjunction with the notes to, and forming part of, the company financial statements set out on pages 76 to 80.

	2018 '000 USD	2017 '000 USD
Cash flows from operating activities		
Profit (loss) for the year	(12,146)	5,011
Adjustments for:		
Net finance expense/(income)	20,839	(3,336)
Income tax expense/(benefit)	2,315	(2,350)
Operating loss before changes in working capital and provisions	**11,008**	**(675)**
Change in trade and other payables	1,424	20,273
Change in trade and other receivables	(6,078)	1,209
Cash flows from operations before interest	**6,354**	**20,807**
Interest paid	(582)	(4,017)
Cash flows from operating activities	**5,772**	**16,790**
INVESTING ACTIVITIES		
Acquisition of interest in a subsidiary	(1,950)	(307)
Loan provided to a subsidiary	(1,144)	24,749
Dividends received	1,728	1,780
Cash flows from investing activities	**(1,366)**	**26,529**
FINANCING ACTIVITIES		
Repayments of a bank loan	(24,091)	(67,521)
Loan from a subsidiary obtained	21,242	28,267
Share redemption	(2,862)	-
Dividends paid	(2,662)	(7,007)
Cash flows used in financing activities	**(8,373)**	**(46,568)**
Net decrease in cash and cash equivalents	**(3,967)**	**(3,249)**
Cash and cash equivalents at beginning of year	4,694	7,943
Effect of exchange rate fluctuations on cash and cash equivalents	-	-
Cash and cash equivalents at end of year	**727**	**4,694**

The Company statement of cash flows is to be read in conjunction with the notes to, and forming part of, the company financial statements set out on pages 76 to 80.

'000 USD	Ordinary shares	Additional paid-in capital	Retained earnings	Total equity
Balance at 1 January 2017	**1**	**20,083**	**185,307**	**205,391**
Loss for the year	-	-	5,011	5,011
Total comprehensive income for the year				**5,011**
Dividends declared	-	-	(8,469)	(8,469)
Balance at 31 December 2017	**1**	**20,083**	**181,849**	**201,933**
Balance at 1 January 2018	**1**	**20,083**	**181,849**	**201,933**
Profit for the year	-	-	(12,146)	(12,146)
Total comprehensive income for the year				**(12,146)**
Share redemption	-	(2,862)		(2,862)
Dividends declared	-	-	(1,200)	(1,200)
Balance at 31 December 2018	**1**	**17,221**	**168,503**	**185,725**

The Company statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the company financial statements set out on pages 76 to 80.

1 Basis of preparation

(a) Statement of compliance

These Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

(b) Basis of measurement

The Company financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

The functional and presentation currency of the Company is the United States Dollar ("USD"). All financial information presented in USD has been rounded to the nearest thousand.

Balances and transactions were translated into USD using the principles set in note 30 (b)(i) to the Group's consolidated financial statements.

(d) Use of judgments, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2 Significant accounting policies

The significant accounting policies applied in the preparation of the Company's financial statements are consistent with the accounting policies used in preparation of the Group's consolidated financial statements, which are described in note 30 (a) to 30 (r) to the consolidated financial settlements. These accounting policies have been consistently applied.

C1 Investments in subsidiaries

	31 December 2018 Cost of investment '000 USD	31 December 2017 Cost of investment '000 USD	31 December 2018 Ownership/ voting	31 December 2017 Ownership/ voting
Kaspersky Lab (UK) Limited	449,133	449,133	100%	100%
OOO Kaspersky Group	174,204	174,204	100%	100%
Kaspersky Lab Asia Ltd.	3,557	3,557	100%	100%
Kaspersky Lab France S.A.R.L.	2,259	2,259	100%	100%
Kaspersky Lab Switzerland GmbH	1,138	-	100%	-
Kaspersky Labs GmbH	847	847	100%	100%
Kaspersky Lab Inc.	494	494	100%	100%
Kaspersky Lab Italy	2,281	331	100%	100%
Kaspersky Lab Romania	262	262	100%	100%
Kaspersky Lab Spain	193	193	100%	100%
Kaspersky Lab Turkey	125	125	100%	100%
KK Kaspersky Lab Japan	119	119	99.9%	99.9%
Other minor subsidiaries	247	423	100%	100%
	634,859	**631,947**		

C2 Trade and other receivables

	2018 '000 USD	2017 '000 USD
Receivables from subsidiaries (refer to note C7(i))	3,504	581
Other current receivables	2,198	771
	5,702	**1,352**

C3 Equity

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	Shares 2018	Shares 2017
Authorised shares at beginning of year	110,000,000	110,000,000
Authorised shares at end of year	110,000,000	110,000,000
Shares authorised, not issued at beginning of year	(44,852,911)	(44,852,911)
Share cancellation	(189,839)	-
Shares authorised, not issued at end of year	(45,042,750)	(44,852,911)
On issue at end of period, fully paid	64,957,250	65,147,089
Par value at beginning of year	USD 0.0000148 (equivalent of 0.00001 GBP)	USD 0.0000148 (equivalent of 0.00001 GBP)
Par value at end of year	USD 0.0000123 (equivalent of 0.00001 GBP)	USD 0.0000123 (equivalent of 0.00001 GBP)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Dividends

In accordance with UK legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with the UK accounting principles. During the year ended 31 December 2018 USD 1,200 thousand of dividends were declared and paid (2017: USD 8,469 thousand).

C4 Trade and other payables

	2018 '000 USD	2017 '000 USD
Current:		
Other payables and accrued expenses	490	638
Other payables to a subsidiary	3,416	2,344
	3,906	**2,982**

C5 Loans and borrowings

	2018 '000 USD	2017 '000 USD
Non-current:		
Long-term secured bank loan	-	7,744
Loans from subsidiaries (USD nominated)	454,816	415,714
	454,816	**423,458**
Current:		
Current portion of secured bank loan	-	15,717
	-	**15,717**

Loans and borrowings as at 31 December 2018 are represented by loans from subsidiary (with the interest rates of 4.5% p.a.) repayable on 31 December 2020, see note C7(iii).

C6 Staff numbers and costs

During the period of the Company did not have employees other than directors and did not incur any personnel expenses. Information on the number and remuneration of directors is disclosed in note 8(b) of the consolidated financial statements.

C7 Related party transactions

The company related party transactions are disclosed below.

(i) Revenue

'000 USD	Transaction value 2018	Transaction value 2017	Outstanding balance 2018	Outstanding balance 2017
Dividend income from:				
- Subsidiaries	11,725	23,166	-	-
Other revenue from:				
- Subsidiaries	92	846	3,504	581
	11,817	**24,012**	**3,504**	**581**

(ii) Expenses

'000 USD	Transaction value 2018	Transaction value 2017	Outstanding balance 2018	Outstanding balance 2017
- Services from subsidiaries	-	-	(3,416)	(2,344)
- Interest expense to subsidiaries	19,711	18,718	-	-
- Purchase of own shares from a director/shareholder	-	-	-	-
	19,711	**18,718**	**(3,416)**	**(2,344)**

All outstanding balances with related parties are to be settled in cash within six to nine months of the reporting date. None of the balances are secured.

(iii) Loans

'000 USD	Amount loaned 2018	Amount loaned 2017	Outstanding balance 2018	Outstanding balance 2017
Loans/financing received from:				
Subsidiaries	(19,391)	(28,267)	(454,816)	(415,714)
Loans/prepayment granted to:				
Subsidiaries	(707)	(24,749)	3,124	3,747
	(20,098)	**(53,016)**	**(451,692)**	**(411,967)**

The loans granted to related parties are denominated in EUR and USD. The EUR-denominated loans carry interest at 0.35% p.a. and are repayable on 31 December 2020. The USD-denominated loans are at 4% p.a. and are repayable on 31 December 2019.

The loan from a related party carrying interest at 4.5% p.a. is repayable on 31 December 2020.