

**REGISTRAR OF COMPANIES  
COMPANY NUMBER- 05892328**

**REPORTS &**

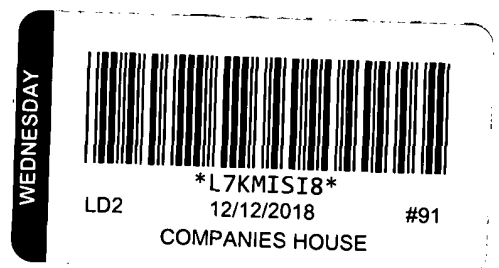
**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**FOR**

**LPQ RUSSIA LIMITED AND SUBSIDIARIES**

**GOLDWYNS  
CHARTERED ACCOUNTANTS  
STATUTORY AUDITORS  
109 BAKER STREET  
LONDON W1U 6RP**



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FOR THE YEAR ENDED 31 DECEMBER 2017**

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**LPQ RUSSIA LIMITED AND SUBSIDIARIES**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>DIRECTORS:</b>	MS G GRAGOSSIAN I ZILBERKWEIT D W REED I SAVELIEV R AGEE A NOVITSKY L Y L RECANATI T D MAHER
<b>SECRETARY:</b>	PREISKEL & CO LLP
<b>REGISTERED OFFICE:</b>	PREISKEL & CO LLP 4 KINGS BENCH WALK TEMPLE LONDON EC4Y 7DL
<b>REGISTERED NUMBER:</b>	05892328 (England and Wales)
<b>SENIOR STATUTORY AUDITOR:</b>	MARTIN MYERS FCA
<b>AUDITORS:</b>	GOLDWYNS CHARTERED ACCOUNTANTS STATUTORY AUDITORS 109 BAKER STREET LONDON W1U 6RP
<b>BANKERS:</b>	UNICREDIT BANK AG MOOR HOUSE 120 LONDON WALL EC2Y 5ET

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their strategic report of the company and the group for the year ended 31 December 2017.

The principal activities of the group in the year under review were those of provision of a group of retail stores, including catering services, restaurant and café service, bread, baked goods and confectionery retailing, alcohol and other drinks retailing and other retailing of foodstuffs in speciality stores.

**REVIEW OF BUSINESS**

The results for the year and the financial position of the group are as shown in the annexed financial statements. The Directors anticipate an improvement in the group's financial position in the coming year.

**RISKS AND UNCERTAINTIES**

The management team has identified the following factors as major potential risks to the successful performance of its business. Some, such as IT failures, are specific risks that require specific, identified actions to mitigate their effect. Others, such as the impact of competition, are areas addressed through strategic planning and operational management processes.

**Competition**

The Company and Group operates in highly competitive markets and its failure to compete effectively could have a material adverse effect on its results.

**Consumer preferences, perception and spending**

The industry the Company and Group operates in is subject to changes in consumer preferences, perceptions and spending habits. The Company's and Group's performance depends on factors which may affect the level and patterns of consumer spending in Russia and on its ability to anticipate and respond to changes in consumer preferences.

**Poor economic conditions**

The Company and Group derive a substantial proportion of their trading from Russia and are therefore sensitive to fluctuations in the economies of this country.

**Seasonal fluctuations in sales**

The Company's and Group's operations are characterised by seasonal fluctuations in sales requiring careful operational and stock management.

**Failure or interruption in product supply**

Any failure, interruption or unavailability of the group's operational infrastructure could lead to disruption to supply and increased costs.

**Raw material costs**

The price of the Company's and Group's products may be significantly affected by the cost of raw materials used to produce the product it sells, and by currency fluctuations.

**Failure or unavailability of operational infrastructure**

Any failure, interruption or unavailability of the Company's and Group's operational infrastructure could lead to increased costs or disruption to supply.

**Cost inflation and legislative change**

The Company's and Group's operational costs are affected by underlying cost inflation and legislative and fiscal policy changes in relation to, for example wages, rates and rent.

**Key areas of strategic development and performance**

Sales and marketing: new and repeat business is being secured, new markets have been developed in line with the Company's and Group's strategy, and key customer relationships are monitored on a regular basis.

Health and Safety: the Company and Group continue to seek ways of ensuring that a safe and healthy working environment is progressively improved.

Environment: new methods of achieving greater environmental effectiveness are continually being examined.

Key financial performance indicators include the monitoring and management of profitability and monetary working capital.

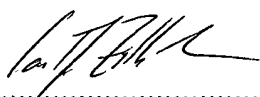
**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017	2016	Measure
<b>Financial</b>			
Current ratio	-0.80	-0.96	Current assets: current liabilities
Creditors days	57	67	Trade creditors/cost of sales x 365 (cost of sales excludes wages)
Sales per employee £000	40	22	Turnover/average number of employees

**EMPLOYEE INVOLVEMENT IN MATTERS OF CONCERN TO THEM**

The Directors face the constant challenge of maintaining the high standards of customer service and product quality which is key to the Group's success. In this respect, the Directors believe the motivation and commitment of all staff, in particular those that interface directly with our customers in-store, to be crucial and this is reflected in all human resource strategies. Extending meaningful share based payments to a progressively larger proportion of employees is a goal of our board. The Directors believe this is not only socially responsible but also in the best long-term interests of all the Group's stakeholders - customers, employees and shareholders.

**ON BEHALF OF THE BOARD:**



.....  
I ZILBERKWEIT - Director

Date: 7.12.2018 .....

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2017.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2017.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

MS G GRAGOSSIAN  
I ZILBERKWEIT  
D W REED  
I SAVELIEV  
R AGEE  
A NOVITSKY  
L Y L RECANATI  
T D MAHER

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

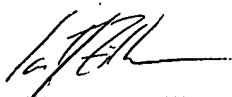
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**



.....  
I ZILBERKWEIT - Director

Date: 7.12.2018 .....

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LPQ RUSSIA LIMITED AND SUBSIDIARIES**

### **Opinion**

We have audited the financial statements of LPQ RUSSIA LIMITED AND SUBSIDIARIES (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of) the financial position of the Company and group as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for Qualified Opinion**

Our audit work did not extend to investments in companies incorporated in the British Virgin Islands having a carrying value of £58,096 on the balance sheet and with respect to these investments, we have not verified if any adjustments might have been required in the consolidated financial statements as the financial statements of these companies were not available. As at the year end, the information provided to us showed shareholding in the two companies was 2.9% of the allotted shares.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Material uncertainty relating to Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group has accumulated losses carried forward and had net liabilities of £7,138,657 as at 31 December 2017. The financial statements have been prepared on a going concern basis based on the availability of financial support from Directors, shareholders, banks, others, and recoverability of debts from subsidiary companies and from anticipated future profitable trading. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would arise from a withdrawal of financial support.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LPQ RUSSIA LIMITED AND SUBSIDIARIES**

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

In respect solely of the limitation on our work relating to investments described above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Our responsibilities for the audit of the financial statements**

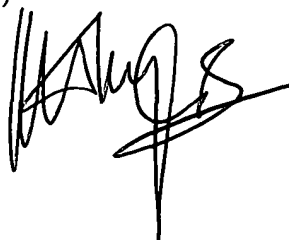
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
LPQ RUSSIA LIMITED AND SUBSIDIARIES**

MARTIN MYERS FCA (Senior Statutory Auditor)  
FOR AND ON BEHALF OF GOLDWYNS  
CHARTERED ACCOUNTANTS  
STATUTORY AUDITORS  
109 BAKER STREET  
LONDON  
W1U 6RP



Date: ..... 11/12/2018 .....

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017	2016
		£	£
<b>REVENUE</b>	4	24,200,737	16,850,654
Cost of sales		<u>21,156,091</u>	<u>14,608,790</u>
<b>GROSS PROFIT</b>		3,044,646	2,241,864
Distribution costs		20,798	72,883
Administrative expenses		<u>6,028,881</u>	<u>3,492,013</u>
		<u>6,049,679</u>	<u>3,564,896</u>
		(3,005,033)	(1,323,032)
Other operating income		<u>673,947</u>	<u>888,361</u>
<b>OPERATING LOSS</b>	6	(2,331,086)	(434,671)
Other unrealised gain	7	(85,452)	18,904
Exceptional items	7	(5,988)	7,425,488
Loss on sale of assets	7	<u>.585</u>	<u>(37,093)</u>
		(2,421,941)	6,972,628
Interest receivable and similar income		<u>39,213</u>	<u>9,610</u>
		(2,382,728)	6,982,238
Interest payable and similar expenses	8	<u>1,196,646</u>	<u>837,097</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(3,579,374)	6,145,141
Tax on (loss)/profit	9	<u>(116,470)</u>	<u>(2,421,079)</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(3,462,904)	8,566,220
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Currency translation differences		938,239	(7,890,636)
Income tax relating to other comprehensive income/(loss)		<u>-</u>	<u>-</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX</b>		<u>938,239</u>	<u>(7,890,636)</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<u>(2,524,665)</u>	<u>675,584</u>
(Loss)/profit attributable to:			
Owners of the parent		<u>(3,462,904)</u>	<u>8,566,220</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>(2,524,665)</u>	<u>675,584</u>

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	11	284,688	839,578
Property, plant and equipment	12	2,991,204	1,628,704
Investments	13		
Interest in associate		443	432
Other investments		<u>58,096</u>	<u>58,096</u>
		3,334,431	2,526,810
<b>CURRENT ASSETS</b>			
Inventories	14	939,827	1,044,199
Debtors	15	5,310,036	5,355,565
Cash at bank		<u>565,670</u>	<u>467,015</u>
		6,815,533	6,866,779
<b>CREDITORS</b>			
Amounts falling due within one year	16	<u>8,530,239</u>	<u>7,165,445</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,714,706)</u>	<u>(298,666)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,619,725	2,228,144
<b>CREDITORS</b>			
Amounts falling due after more than one year	17	<u>8,758,382</u>	<u>6,842,136</u>
<b>NET LIABILITIES</b>		<u>(7,138,657)</u>	<u>(4,613,992)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	151,647	151,647
Share premium	22	33,699,760	33,699,760
Retained earnings	22	<u>(40,990,064)</u>	<u>(38,465,399)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>(7,138,657)</u>	<u>(4,613,992)</u>


The financial statements were approved by the Board of Directors on 7.12.2018 and were signed on its behalf by:

  
.....  
I ZILBERKWEIT - Director

COMPANY STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2017

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	11	280,375	312,608
Property, plant and equipment	12	-	-
Investments	13	<u>190,681</u>	<u>953,404</u>
		471,056	1,266,012
<b>CURRENT ASSETS</b>			
Debtors	15	22,895,311	23,642,978
Cash at bank		<u>93,238</u>	<u>63,467</u>
		22,988,549	23,706,445
<b>CREDITORS</b>			
Amounts falling due within one year	16	<u>726,542</u>	<u>1,516,652</u>
<b>NET CURRENT ASSETS</b>		<u>22,262,007</u>	<u>22,189,793</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		22,733,063	23,455,805
<b>CREDITORS</b>			
Amounts falling due after more than one year	17	<u>1,980,478</u>	<u>1,058,156</u>
<b>NET ASSETS</b>		<u>20,752,585</u>	<u>22,397,649</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	151,647	151,647
Share premium	22	33,699,760	33,699,760
Retained earnings	22	(13,098,822)	(11,453,758)
<b>SHAREHOLDERS' FUNDS</b>		<u>20,752,585</u>	<u>22,397,649</u>
Company's (loss)/profit for the financial year		<u>(1,645,064)</u>	<u>2,032,493</u>

The financial statements were approved by the Board of Directors on 7.12.2018 and were signed on its behalf by:

  
.....  
I ZILBERKWEIT - Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1 January 2016</b>	128,389	(39,140,983)	32,583,339	(6,429,255)
<b>Changes in equity</b>				
Issue of share capital	23,258	-	1,116,421	1,139,679
Total comprehensive income	-	675,584	-	675,584
<b>Balance at 31 December 2016</b>	<u>151,647</u>	<u>(38,465,399)</u>	<u>33,699,760</u>	<u>(4,613,992)</u>
<b>Changes in equity</b>				
Total comprehensive loss	-	(2,524,665)	-	(2,524,665)
<b>Balance at 31 December 2017</b>	<u>151,647</u>	<u>(40,990,064)</u>	<u>33,699,760</u>	<u>(7,138,657)</u>

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1 January 2016</b>	128,389	(13,486,251)	32,583,339	19,225,477
<b>Changes in equity</b>				
Issue of share capital	23,258	-	1,116,421	1,139,679
Total comprehensive income	<u>-</u>	<u>2,032,493</u>	<u>-</u>	<u>2,032,493</u>
<b>Balance at 31 December 2016</b>	<u>151,647</u>	<u>(11,453,758)</u>	<u>33,699,760</u>	<u>22,397,649</u>
<b>Changes in equity</b>				
Total comprehensive loss	<u>-</u>	<u>(1,645,064)</u>	<u>-</u>	<u>(1,645,064)</u>
<b>Balance at 31 December 2017</b>	<u>151,647</u>	<u>(13,098,822)</u>	<u>33,699,760</u>	<u>20,752,585</u>

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,204,368	(790,693)
Interest paid		(1,196,646)	(837,097)
Tax paid		<u>132,944</u>	<u>(628,414)</u>
Net cash from operating activities		<u>140,666</u>	<u>(2,256,204)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(5,189)	(1,411)
Purchase of tangible fixed assets		(2,406,531)	(586,541)
Purchase of fixed asset investments		(17)	(336)
Sale of tangible fixed assets		156,591	225,337
Interest received		<u>39,213</u>	<u>9,610</u>
Net cash from investing activities		<u>(2,215,933)</u>	<u>(353,341)</u>
<b>Cash flows from financing activities</b>			
New loans in year		-	1,407,993
Amount introduced by directors		247,085	440,167
Amount withdrawn by directors		(98,766)	(139,015)
Share issue		-	23,258
Share Premium		<u>-</u>	<u>1,116,421</u>
Net cash from financing activities		<u>148,319</u>	<u>2,848,824</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(1,926,948)</u>	<u>239,279</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>467,015</u>	<u>227,736</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>565,670</u></u>	<u><u>467,015</u></u>

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2017 £	2016 £
(Loss)/profit before taxation	(3,579,374)	6,145,141
Depreciation charges	1,262,073	612,129
Loss on disposal of fixed assets	71,946	77,245
Foreign exchange differences	-	(8,435,000)
Finance costs	1,196,646	837,097
Finance income	<u>(39,213)</u>	<u>(9,610)</u>
	(1,087,922)	(772,998)
Decrease/(increase) in inventories	104,372	(417,553)
Decrease/(increase) in trade and other debtors	29,055	(192,975)
Increase in trade and other creditors	<u>2,158,863</u>	<u>592,833</u>
<b>Cash generated from operations</b>	<u><u>1,204,368</u></u>	<u><u>(790,693)</u></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 December 2017**

	31.12.17 £	1.1.17 £
Cash and cash equivalents	<u><u>565,670</u></u>	<u><u>467,015</u></u>

**Year ended 31 December 2016**

	31.12.16 £	1.1.16 £
Cash and cash equivalents	<u><u>467,015</u></u>	<u><u>227,736</u></u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. GOING CONCERN**

The Group has accumulated losses carried forward and had net liabilities of £7,138,657 as at 31 December 2017. These are going concern problem indicators and the financial statements have been prepared on a going concern basis based on the availability of financial support from Directors, shareholders, banks and others and from anticipated future profitable trading. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Furthermore, the Directors continue to attract additional investments resulting in the opening of new stores since the balance sheet date. The financial statements do not include any adjustments that would arise from a withdrawal of financial support.

**2. STATUTORY INFORMATION**

LPQ Russia Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

**3. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the company.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

**Basis of consolidation**

The Group financial statements comprise the financial statements of LPQ Russia Limited and all its subsidiary undertakings (LLC LPK, LLC Cumergersky, LLC Tverskaya, LLC Gorkiy Park, LLC Nash Xleb-Filion, LLC Xleb Nasyshnii Novinskii, LLC Xleb Nasyshnii Pyatniskay, LLC Razvitie, LLC LPK Taganka, Yuvin Holdings Limited, LLC Vlasta, LLC Andreevskie Bulochnie, LLC Khleboteka, LLC Nash Xleb Severo-Zapad, LLC Solyanka, LLC Marlon, LLC Xleb Nasushniy Myasnitskaya, LLC Xleb Nasushniy Arbat 6, LLC Florent, LLC Xleb Nasushniy Shabolovka, LLC Vermont, LLC Xleb Nasushniy Taganka, LLC Xleb Nasushniy Arbat 32, LLC Xleb Nasushniy Michurinskiy and LLC Xleb Nasushniy B Sadovaya ) drawn up to 31 December of each year. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All inter-company balances and transactions are eliminated.

**Revenue**

Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

**Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business, is being amortised evenly over its remaining estimated useful life of eleven years, determined based on existing trading pattern of the business. Goodwill is considered for impairment annually.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**3. ACCOUNTING POLICIES - continued**

**Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of twelve years.

**Other intangible assets**

Initial franchise costs incurred are being amortised evenly over their estimated useful life of twelve years. The asset is reviewed for impairment annually.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold Improvements - 10 years straight line

Fixtures, fittings & equipment - Between 3 years and 5 years straight line

Motor Vehicles - 5 years straight line

Construction work in progress is transferred to other fixed asset categories on completion of work.

**Stocks**

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Taxation**

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

**Loans and borrowings**

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment.

Under FRS 102 a receivable (basic financial instrument) is measured at amortised cost using the effective interest method. A finance cost is recognised in the Profit & loss account as being the difference between the loan amounts at present value of the receivable. This has affected the treatment of intercompany loans bearing no or low interest rate. Under pre FRS 102, these loans were recorded at their par or original value. However under FRS 102 the amortised cost method must be applied. These loans have been restated and carried at amortised cost using the effective interest method and the difference between original values and discounted value recognised in the Profit & loss account as this is regarded as an appropriate treatment in accounting for the differences in recognition.

**Foreign currencies**

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**3. ACCOUNTING POLICIES - continued**

**Investments**

Investment in associates are accounted under the equity method.

**Debtors and creditors receivable**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

Debtors and creditors receivable or payable after more than one year are stated with relevant market rate of interest charged.

**Impairment**

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

**4. REVENUE**

Revenue, which is stated net of value added tax or local sales tax, represents amounts received from the sale of goods from the Group's principal activity, being the operation of high quality retail stores including catering services, restaurant and café services, bread, baked goods and confectionery retailing, alcohol and other drinks retailing and other retailing of foodstuffs in speciality stores. All of the revenue is generated in Russia.

**5. EMPLOYEES AND DIRECTORS**

	2017 £	2016 £
Wages and salaries	<u>7,900,165</u>	<u>5,670,337</u>

The average number of employees during the year was as follows:

	2017	2016
Operational employees	528	644
Administration	71	103
Executive officers	<u>10</u>	<u>12</u>
	<u>609</u>	<u>759</u>

The average number of employees by undertakings that were proportionately consolidated during the year was 609 (2016 - 759).

	2017 £	2016 £
Directors' remuneration	<u>298,659</u>	<u>177,360</u>

Information regarding the highest paid director for the year ended 31 December 2017 is as follows:

	2017 £
Emoluments etc	<u>202,774</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**6. OPERATING LOSS**

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation - owned assets	702,145	543,582
Loss on disposal of fixed assets	71,946	77,245
Goodwill amortisation	13,602	48,665
Patents and licences amortisation	20,388	19,882
Auditors' remuneration	<u>58,502</u>	<u>60,252</u>

**7. EXCEPTIONAL ITEMS**

	2017 £	2016 £
Payables written off	21,104	98,185
Other unrealised gain	(85,452)	18,904
Exceptional items	(5,988)	7,425,488
Loss on sale of assets	<u>585</u>	<u>(37,093)</u>
	<u>(69,751)</u>	<u>7,505,484</u>

The Company's trading activity is primarily in Russia and exceptional items consist of significant foreign exchange gains or losses for the year and also includes expenses relating to new shop opening costs and payroll costs in respect of employees participating in opening of new shops, payables written off and loss of sale of assets.

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017 £	2016 £
Bank interest	48,030	47,964
Commission and Penalties on loan restructuring	-	16,391
Loan interest	<u>1,148,616</u>	<u>772,742</u>
	<u>1,196,646</u>	<u>837,097</u>

**9. TAXATION**

**Analysis of the tax credit**

The tax credit on the loss for the year was as follows:

	2017 £	2016 £
Current tax:		
Foreign tax	(116,470)	-
Deferred tax	<u>-</u>	<u>(2,421,079)</u>
Tax on (loss)/profit	<u>(116,470)</u>	<u>(2,421,079)</u>

**Tax effects relating to effects of other comprehensive income**

	Gross £	2017 Tax £	Net £
Currency translation differences	<u>938,239</u>	<u>-</u>	<u>938,239</u>

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**9. TAXATION - continued**

	Gross £	2016 Tax £	Net £
Currency translation differences	<u>(7,890,636)</u>	<u>-</u>	<u>(7,890,636)</u>

The tax charge is attributable to the subsidiary companies, LLC LPK, LLC Vlasta, LLC Nash Xleb Severo-Zapad and Andreesvkie Bulochnie companies incorporated in Russia.

**10. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME**

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

**11. INTANGIBLE FIXED ASSETS**

**Group**

	Goodwill £	Patents and licences £	Totals £
<b>COST</b>			
At 1 January 2017	1,035,671	375,220	1,410,891
Additions	-	5,189	5,189
Disposals	-	(2,595)	(2,595)
Exchange differences	-	(188)	(188)
At 31 December 2017	<u>1,035,671</u>	<u>377,626</u>	<u>1,413,297</u>
<b>AMORTISATION</b>			
At 1 January 2017	375,664	195,649	571,313
Amortisation for year	13,602	20,388	33,990
Eliminated on disposal	-	(2,595)	(2,595)
Impairments	525,938	-	525,938
Exchange differences	-	(37)	(37)
At 31 December 2017	<u>915,204</u>	<u>213,405</u>	<u>1,128,609</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>120,467</u>	<u>164,221</u>	<u>284,688</u>
At 31 December 2016	<u>660,007</u>	<u>179,571</u>	<u>839,578</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017

11. INTANGIBLE FIXED ASSETS - continued

Company

	Goodwill £	Patents and licences £	Totals £
<b>COST</b>			
At 1 January 2017 and 31 December 2017	<u>272,039</u>	<u>372,605</u>	<u>644,644</u>
<b>AMORTISATION</b>			
At 1 January 2017	137,970	194,066	332,036
Amortisation for year	<u>13,602</u>	<u>18,631</u>	<u>32,233</u>
At 31 December 2017	<u>151,572</u>	<u>212,697</u>	<u>364,269</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>120,467</u>	<u>159,908</u>	<u>280,375</u>
At 31 December 2016	<u>134,069</u>	<u>178,539</u>	<u>312,608</u>

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>				
At 1 January 2017	683,184	2,250,765	161,463	3,095,412
Additions	718,565	1,701,352	(13,386)	2,406,531
Disposals	(115,033)	(702,918)	(18,802)	(836,753)
Exchange differences	<u>(46,838)</u>	<u>(122,528)</u>	<u>(5,373)</u>	<u>(174,739)</u>
At 31 December 2017	<u>1,239,878</u>	<u>3,126,671</u>	<u>123,902</u>	<u>4,490,451</u>
<b>DEPRECIATION</b>				
At 1 January 2017	308,674	1,108,053	49,981	1,466,708
Charge for year	120,289	551,119	30,737	702,145
Eliminated on disposal	(82,765)	(511,267)	(14,184)	(608,216)
Exchange differences	<u>(13,569)</u>	<u>(45,337)</u>	<u>(2,484)</u>	<u>(61,390)</u>
At 31 December 2017	<u>332,629</u>	<u>1,102,568</u>	<u>64,050</u>	<u>1,499,247</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>907,249</u>	<u>2,024,103</u>	<u>59,852</u>	<u>2,991,204</u>
At 31 December 2016	<u>374,510</u>	<u>1,142,712</u>	<u>111,482</u>	<u>1,628,704</u>

13. FIXED ASSET INVESTMENTS

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Shares in group undertakings	-	-	190,681	953,404
Other investments	58,096	58,096	-	-
Participating interests	<u>443</u>	<u>432</u>	<u>-</u>	<u>-</u>
	<u>58,539</u>	<u>58,528</u>	<u>190,681</u>	<u>953,404</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017

13. **FIXED ASSET INVESTMENTS - continued**

Additional information is as follows:

**Group**

	Interest in associate £
<b>COST</b>	
At 1 January 2017	432
Additions	17
Exchange differences	<u>(6)</u>
At 31 December 2017	<u>443</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>443</u>
At 31 December 2016	<u>432</u>

**Company**

	Share in group subsidiaries £
<b>COST</b>	
At 1 January 2017	953,404
Impairments	<u>(762,723)</u>
At 31 December 2017	<u>190,681</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>190,681</u>
At 31 December 2016	<u>953,404</u>

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

**Subsidiaries**

**LLC LPK**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary shares	100.00		
Aggregate capital and reserves		(14,494,525)	(19,788,500)
Profit for the year		<u>4,651,850</u>	<u>6,858,277</u>

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**13. FIXED ASSET INVESTMENTS - continued**

**LLC CUMERGERSKY**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary shares	100.00		
Aggregate capital and reserves		97,613	87,715
Profit/(loss) for the year		<u>13,864</u>	<u>(10,070)</u>

**LLC GORKIY PARK**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		61,308	14,176
Profit for the year		<u>49,300</u>	<u>8,558</u>

**LLC XLEB NASYSHNII NOVINSKII**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(1,309,166)	(1,373,092)
Profit/(loss) for the year		<u>9,169</u>	<u>(538,685)</u>

**LLC XLEB NASYSHNII PYATNISKAY**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		821,331	172,375
Profit for the year		<u>677,875</u>	<u>89,167</u>



**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**13. FIXED ASSET INVESTMENTS - continued**

**LLC RAZVITIE**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(1,780,402)	(359,258)
(Loss)/profit for the year		<u>(1,483,713)</u>	<u>72,928</u>

**LLC LPK TAGANKA**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		690,912	243,499
Profit for the year		<u>472,517</u>	<u>99,225</u>

**LLC LPK TVERSKAYA**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(839,266)	(491,258)
Loss for the year		<u>(380,041)</u>	<u>(127,312)</u>

**LLC NASH XLEB-FILION**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		466,233	105,502
Profit for the year		<u>377,209</u>	<u>55,741</u>

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**13. FIXED ASSET INVESTMENTS - continued**

**YUVIN HOLDINGS LIMITED**

Registered office: Sofouli, 2 Chanteclair Building, 3rd floor, Flat/Office 303, 1096, Nicosia, Cyprus  
Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(4,861,947)	(4,506,031)
Loss for the year		<u>(355,917)</u>	<u>(346,493)</u>

**LLC VLASTA**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia  
Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(7,563,717)	(170,709)
(Loss)/profit for the year		<u>(7,648,103)</u>	<u>907,093</u>

**LLC ANDREEVSKIE BULOCHNIE**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia  
Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		222,445	(50,454)
Profit/(loss) for the year		<u>279,961</u>	<u>(376,100)</u>

**LLC KHLEBOTEKA**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia  
Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(27,886)	(23,967)
(Loss)/profit for the year		<u>(5,043)</u>	<u>920</u>

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**13. FIXED ASSET INVESTMENTS - continued**

**LLC NASH XLEB NORD WEST**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor,  
140073 Moscow, Russia

Nature of business: Retail store and restaurant

	% holding	2017 £	2016 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(513,518)	(519,452)
Loss for the year		<u>(15,395)</u>	<u>(204,668)</u>

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**13. FIXED ASSET INVESTMENTS - continued**

**LLC LPK SOLYANKA**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	%		
Class of shares:	holding		
Ordinary	100.00		
		2017	2016
		£	£
Aggregate capital and reserves		284,317	75,044
Profit for the year		<u>219,408</u>	<u>75,874</u>

Details of other subsidiaries and associated companies as at 31 December 2017 are as follows:

Name of Subsidiary or Associate	Principal activity	Country of incorporation	Proportion of ownership
LLC MARLON	Retail store & restaurant	Moscow	100%
LLC XLEB NASUSHNIY - MYASNITSKAYA	Retail store & restaurant	Moscow	100%
LLC XLEB NASUSHNIY - ARBAT 6	Retail store & restaurant	Moscow	100%
LLC FORENT	Retail store & restaurant	Moscow	100%
LLC XLEB NASUSHNIY - SHABOLOVKA	Retail store & restaurant	Moscow	100%
LLC VERMONT	Retail store & restaurant	Moscow	100%
LLC XLEB NASUSHNIY - TAGANKA	Retail store & restaurant	Moscow	100%
LLC XLEB NASUSHNIY - ARBAT 32	Retail store & restaurant	Moscow	100%
LLC XLEB NASUSHNIY - MICHURINSKIY	Retail store & restaurant	Moscow	100%
LLC XLEB NASUSHNIY - B. SADOVAYA	Retail store & restaurant	Moscow	100%
LLC KARALIS	Retail store & restaurant	Moscow	24.99%
LLC GALAX	Retail store & restaurant	Moscow	24.99%
LLC ASTURIA	Retail store & restaurant	Moscow	24.99%
LLC CHANTAL	Retail store & restaurant	Moscow	24.99%
LLC NX 7/24 - LV PRIGOROD	Retail store & restaurant	Moscow	24.99%
LLC TESSALIA	Retail store & restaurant	Moscow	24.99%
LLC VALENCIA	Retail store & restaurant	Moscow	24.99%
LLC XN KUZNETSKIY MOST	Retail store & restaurant	Moscow	24.99%
LLC XN - LV CAFE	Retail store & restaurant	Moscow	24.99%
LLC NEVADA	Retail store & restaurant	Moscow	24.99%
LLC GENEVA	Retail store & restaurant	Moscow	24.99%
LLC VERBENA	Retail store & restaurant	Moscow	20.00%

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**13. FIXED ASSET INVESTMENTS - continued**

	Retail store & restaurant		
LLC KRIOLITA		Moscow	24.99%

**BALANCE INVESTING LIMITED**

Registered office:

Nature of business: Providing loan funding

	%
Class of shares:	holding
Ordinary	2.90

**GREENLAND PARTNERS LIMITED**

Registered office:

Nature of business: Property Investment

	%
Class of shares:	holding
Ordinary	2.90

**Associated companies**

**LLC NASH XLEB NASUCHNY AZS SERVIS**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	%
Class of shares:	holding
Ordinary	20.00

	2017	2016
	£	£
Aggregate capital and reserves	18,075	58,706
Profit for the year	<u>272,579</u>	<u>46,418</u>

**LLC NASH XLEB 7/24 SERVICE**

Registered office: Luberetsky District, Tomlino Village, Ptitsefabrica mkr K5 Building, 2nd floor, 140073 Moscow, Russia

Nature of business: Retail store and restaurant

	%
Class of shares:	holding
Ordinary	20.00

	2017	2016
	£	£
Aggregate capital and reserves	(78,763)	(164,901)
Loss for the year	<u>(63,057)</u>	<u>(140,945)</u>

**Group**

	Other investments
	£
At 1 January 2017	
and 31 December 2017	<u>58,096</u>

The share of losses of associates far exceeds the carrying amount, therefore no provision or loss recognition has been made in the accounts.

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**14. STOCKS**

	<b>Group</b>	
	2017 £	2016 £
Finished goods and small items held for use	939,827	1,044,199
	<u>939,827</u>	<u>1,044,199</u>

**15. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	2017 £	2016 £	2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	129,927	96,942	-	-
Other debtors	55,733	75,282	-	27,468
Deferred Tax asset	338,260	-	-	-
VAT	25,248	72,592	22,325	71,546
Prepayments and accrued income	984,236	1,098,785	12,533	-
	<u>1,533,404</u>	<u>1,343,601</u>	<u>34,858</u>	<u>99,014</u>
Amounts falling due after more than one year:				
Amount owed by subsidiary company	-	-	22,860,453	23,543,964
Amount owed to related parties	889,472	770,070	-	-
Deferred tax asset	2,887,160	3,241,894	-	-
	<u>3,776,632</u>	<u>4,011,964</u>	<u>22,860,453</u>	<u>23,543,964</u>
Aggregate amounts	<u>5,310,036</u>	<u>5,355,565</u>	<u>22,895,311</u>	<u>23,642,978</u>

Nature of evidence supporting recognition of deferred tax asset

Based on future profits of some Russian companies including LLC Andreevskie Bulochnie, LLC Vlasta and LLC LPK there is evidence to support that there will be future taxable profits from which to recover the deferred tax asset.

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2017 £	2016 £	2017 £	2016 £
Bank loans and overdrafts (see note 18)	-	88,520	-	-
Other loans (see note 18)	-	853,868	-	853,868
Trade creditors	2,175,313	1,762,048	400,972	415,444
Bank loans	1,544,586	-	-	-
Social security and other taxes	2,243,727	1,855,807	-	-
Other creditors	381,154	739,966	119,110	119,110
Other Loans	-	153,663	-	-
Directors' current accounts	833,422	685,103	161,460	100,039
Accrued expenses	1,352,037	1,026,470	45,000	28,191
	<u>8,530,239</u>	<u>7,165,445</u>	<u>726,542</u>	<u>1,516,652</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017

17. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	£	£	£	£
Bank loans (see note 18)	787,008	3,021,265	-	-
Other loans (see note 18)	<u>7,971,374</u>	<u>3,820,871</u>	<u>1,980,478</u>	<u>1,058,156</u>
	<u>8,758,382</u>	<u>6,842,136</u>	<u>1,980,478</u>	<u>1,058,156</u>

18. **LOANS**

An analysis of the maturity of loans is given below:

	<b>Group</b>		<b>Company</b>	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	-	88,520	-	-
Other loans	<u>-</u>	<u>853,868</u>	<u>-</u>	<u>853,868</u>
	<u>-</u>	<u>942,388</u>	<u>-</u>	<u>853,868</u>
Amounts falling due between two and five years:				
Bank loans - 2-5 years	787,008	3,021,265	-	-
Other loans - 2-5 years	6,048,554	3,461,667	1,967,860	1,058,156
Amount owed to parent company	-	-	12,618	-
Amount owed to related party	<u>1,922,820</u>	<u>359,204</u>	<u>-</u>	<u>-</u>
	<u>8,758,382</u>	<u>6,842,136</u>	<u>1,980,478</u>	<u>1,058,156</u>

Interest is charged at commercial rates on loans.

19. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

<b>Group</b>	<b>Non-cancellable operating leases</b>	
	2017	2016
	£	£
Within one year	6,299,583	5,532,714
Between one and five years	16,685,072	14,653,942
In more than five years	<u>6,594,950</u>	<u>5,792,125</u>
	<u>29,579,605</u>	<u>25,978,781</u>

**LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**20. SECURED DEBTS**

The following secured debts are included within creditors:

	<b>Group</b>	
	2017	2016
	£	£
Bank loans	<u>787,008</u>	<u>3,109,785</u>

Bank loans are secured over assets of the Group.

**21. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2017	2016
			£	£
15,103,178	Ordinary shares	£0.01	<u>151,031</u>	<u>151,031</u>
Allotted and issued:				
Number:	Class:	Nominal value:	2017	2016
			£	£
61,600	Preference shares	£0.01	<u>616</u>	<u>616</u>

The total number of shares in issue at 31 December 2017 was 15,164,778 ordinary and preference shares. These shares have been issued at prices ranging from 0.01 pence to 437 pence per share and have been issued for both cash and consideration in exchange for services provided to the company.

Shares issued at a premium resulted in a share premium account of £33,699,760 including £6,159,878 preference share premium.

The company was incorporated with an Authorised Capital of 1,000 shares of £1 each. On 1 November 2006 the company passed an ordinary resolution where the nominal value of the Ordinary shares was reduced from £1 to £0.01 each. The Authorised share capital of the company was also increased from £1,000 to £10,000,000 by the creation of 399,900,000 Ordinary shares of £0.01 each, 400,000,000 B Preference shares of £0.01 each and 2,000,000 A Preference shares of £1 each.

**22. RESERVES**

<b>Group</b>			
	Retained earnings	Share premium	Totals
	£	£	£
At 1 January 2017	(38,465,399)	33,699,760	(4,765,639)
Deficit for the year	(3,462,904)		(3,462,904)
Translation reserve	<u>938,239</u>	-	<u>938,239</u>
At 31 December 2017	<u>(40,990,064)</u>	<u>33,699,760</u>	<u>(7,290,304)</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**22. RESERVES - continued**

**Company**

	Retained earnings £	Share premium £	Totals £
At 1 January 2017	(11,453,758)	33,699,760	22,246,002
Deficit for the year	<u>(1,645,064)</u>		<u>(1,645,064)</u>
At 31 December 2017	<u>(13,098,822)</u>	<u>33,699,760</u>	<u>20,600,938</u>

**23. RELATED PARTY DISCLOSURES**

The main shareholders in the Company are as follows, who in total control over 51% of the issued and allotted shares.

Name of Shareholder	Shares Allotted	%age of shares allotted
Essedel Russian Opportunity Fund KY	2,238,573	14.84%
Denton Holdings Limited	3,797,919	25.17%
Sullam Holdings L R Ltd	735,807	4.87%
Shohet & CIE SA	630,366	4.18%
Gandyr Nadlan Limited	790,409	5.24%

During the year there were loans granted to associated companies, the amount outstanding at 31 December 2017 was £889,472.

During the year there were loans received from associated companies, the amount outstanding at 31 December 2017 was £2,307,080.

The amounts owed to Directors as at 31 December 2017 which mainly arose from unpaid expenses incurred on behalf of the Group are as follows:

I Zilberkweit	£134,850	(2016 : £588,172)
G Gragossian	£698,572	(2016 : £125,029)

**24. DEFERRED COMPENSATION SCHEME**

During the year the Group awarded cash settled deferred compensation to certain employees of group subsidiaries in Moscow in the form of consulting payments. The payments were processed through LPQ Russia Limited, the parent company.

These deferred compensation packages consist of annual bonuses whose value is adjusted proportionally to the development of the share price of the Company. The aim of these payments is retention and motivation of employees who have worked within the group for over 12 months.

The total effect of share price linked payment on the Group's Profit & Loss amounted to £Nil and the total accrued deferred compensation as at 31 December 2016 and 2015 was £119,111 (included in other creditors) though this sum is unlikely to be paid out in full because people who leave employment of the group voluntarily forfeit the deferred compensation.

In the absence of market prices, fair value was estimated using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable and willing parties as evidenced by actual new share capital raised by the Company in the period in question.