

REGISTRAR OF COMPANIES

COMPANY NO. 5892328

LPO RUSSIA LIMITED
GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



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

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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LPQ RUSSIA LIMITED AND SUBSIDIARIES

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their strategic report of the company and the group for the year ended 31 December 2019.

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.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

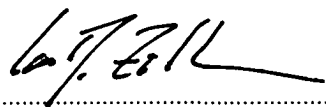
Key financial performance indicators include the monitoring and management of profitability and monetary working capital.

	2019	2018	Measure
Financial			
Current ratio	-0.40	-0.69	Current assets: current liabilities
Creditors days	78	57	Trade creditors/cost of sales x 365 (cost of sales excludes wages)
Sales per employee £000	29	25	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: 7/5/21

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2019.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 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:

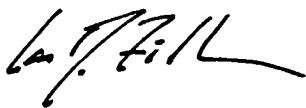
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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: 7/5/21

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

Qualified 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 2019 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, Company Statement of Cash Flows and Notes to the Statements 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).

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 2019, 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 have also not received all confirmation letters in respect of 3rd party loans to the Company included in Creditors on the balance sheet.

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 £12,782,272 as at 31 December 2019. 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, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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

Opinions 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 and loan confirmations 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.

Auditors' 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. This description forms part of our Report of the Auditors.

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

Use of our report

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.

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



Date: 7 / 5 / 21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

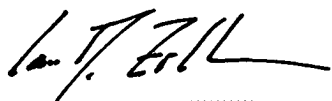
	Notes	2019 £	2018 £
REVENUE	5	24,474,028	23,601,191
Cost of sales		<u>20,257,365</u>	<u>20,183,314</u>
GROSS PROFIT		4,216,663	3,417,877
Distribution costs		23,074	18,684
Administrative expenses		<u>2,971,299</u>	<u>7,256,510</u>
		<u>2,994,373</u>	<u>7,275,194</u>
		1,222,290	(3,857,317)
Other operating income		<u>405,651</u>	<u>468,802</u>
OPERATING PROFIT/(LOSS)	7	1,627,941	(3,388,515)
Exceptional items	9	<u>39,009</u>	<u>7,182</u>
		1,588,932	(3,395,697)
Interest receivable and similar income		<u>45,832</u>	<u>52,330</u>
		1,634,764	(3,343,367)
Interest payable and similar expenses	10	<u>1,309,662</u>	<u>1,521,378</u>
PROFIT/(LOSS) BEFORE TAXATION		325,102	(4,864,745)
Tax on profit/(loss)	11	<u>3,216,891</u>	<u>(339,296)</u>
LOSS FOR THE FINANCIAL YEAR		(2,891,789)	(4,525,449)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Currency translation differences		(1,981,196)	2,933,129
Income tax relating to other comprehensive (loss)/income		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX		<u>(1,981,196)</u>	<u>2,933,129</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(4,872,985)</u>	<u>(1,592,320)</u>
Loss attributable to: Owners of the parent		<u>(2,891,789)</u>	<u>(4,525,449)</u>
Total comprehensive income attributable to: Owners of the parent		<u>(4,872,985)</u>	<u>(1,592,320)</u>

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019**

	Notes	2019	2018
		£	£
FIXED ASSETS			
Intangible assets	13	230,224	263,204
Property, plant and equipment	14	2,059,514	2,358,079
Investments	15		
Interest in associate		670	429
Other investments		<u>58,527</u>	<u>58,096</u>
		2,348,935	2,679,808
CURRENT ASSETS			
Inventories	16	1,047,088	973,118
Debtors	17	3,153,722	5,154,487
Cash at bank		<u>260,029</u>	<u>360,007</u>
		4,460,839	6,487,612
CREDITORS			
Amounts falling due within one year	18	<u>11,107,809</u>	<u>9,318,296</u>
NET CURRENT LIABILITIES		<u>(6,646,970)</u>	<u>(2,830,684)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,298,035)	(150,876)
CREDITORS			
Amounts falling due after more than one year	19	<u>8,484,237</u>	<u>8,580,101</u>
NET LIABILITIES		<u>(12,782,272)</u>	<u>(8,730,977)</u>
CAPITAL AND RESERVES			
Called up share capital	23	192,731	151,647
Share premium	24	34,480,366	33,699,760
Retained earnings	24	<u>(47,455,369)</u>	<u>(42,582,384)</u>
SHAREHOLDERS' FUNDS		<u>(12,782,272)</u>	<u>(8,730,977)</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 7/5/21 and were signed on its behalf by:

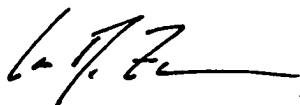


.....
I ZILBERKWEIT - Director

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	13	215,911	248,143
Property, plant and equipment	14	-	-
Investments	15	<u>935,604</u>	<u>190,681</u>
		1,151,515	438,824
CURRENT ASSETS			
Debtors	17	25,852,842	21,733,402
Cash at bank		<u>26,954</u>	<u>3,667</u>
		25,879,796	21,737,069
CREDITORS			
Amounts falling due within one year	18	<u>928,522</u>	<u>816,945</u>
NET CURRENT ASSETS		<u>24,951,274</u>	<u>20,920,124</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		26,102,789	21,358,948
CREDITORS			
Amounts falling due after more than one year	19	<u>3,569,018</u>	<u>2,529,496</u>
NET ASSETS		<u>22,533,771</u>	<u>18,829,452</u>
CAPITAL AND RESERVES			
Called up share capital	23	192,731	151,647
Share premium	24	34,480,366	33,699,760
Retained earnings	24	<u>(12,139,326)</u>	<u>(15,021,955)</u>
SHAREHOLDERS' FUNDS		<u>22,533,771</u>	<u>18,829,452</u>
Company's profit/(loss) for the financial year		<u>2,882,629</u>	<u>(1,923,133)</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 7.5.21 and were signed on its behalf by:



I ZILBERKWEIT - Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2018	151,647	(40,990,064)	33,699,760	(7,138,657)
Changes in equity				
Total comprehensive loss	-	(1,592,320)	-	(1,592,320)
Balance at 31 December 2018	<u>151,647</u>	<u>(42,582,384)</u>	<u>33,699,760</u>	<u>(8,730,977)</u>
Changes in equity				
Issue of share capital	41,084	-	780,606	821,690
Total comprehensive loss	-	(4,872,985)	-	(4,872,985)
Balance at 31 December 2019	<u>192,731</u>	<u>(47,455,369)</u>	<u>34,480,366</u>	<u>(12,782,272)</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2018	151,647	(13,098,822)	33,699,760	20,752,585
Changes in equity				
Total comprehensive loss	-	(1,923,133)	-	(1,923,133)
Balance at 31 December 2018	<u>151,647</u>	<u>(15,021,955)</u>	<u>33,699,760</u>	<u>18,829,452</u>
Changes in equity				
Issue of share capital	41,084	-	780,606	821,690
Total comprehensive income	-	<u>2,882,629</u>	-	<u>2,882,629</u>
Balance at 31 December 2019	<u>192,731</u>	<u>(12,139,326)</u>	<u>34,480,366</u>	<u>22,533,771</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	1,072,967	1,660,867
Interest paid		(1,309,662)	(1,521,378)
Tax paid		<u>(545,960)</u>	<u>405,825</u>
Net cash from operating activities		<u>(782,655)</u>	<u>545,314</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(5,340)	(25,101)
Purchase of tangible fixed assets		(418,523)	(575,248)
Purchase of fixed asset investments		(787)	(4)
Sale of tangible fixed assets		243,333	116,778
Interest received		<u>45,832</u>	<u>52,330</u>
Net cash from investing activities		<u>(135,485)</u>	<u>(431,245)</u>
Cash flows from financing activities			
Loan repayments in year		(95,864)	(178,281)
Amount introduced by directors		273,429	166,549
Amount withdrawn by directors		(181,093)	(308,000)
Share issue		41,084	-
Share Premium		<u>780,606</u>	<u>-</u>
Net cash from financing activities		<u>818,162</u>	<u>(319,732)</u>
Decrease in cash and cash equivalents		<u>(99,978)</u>	<u>(205,663)</u>
Cash and cash equivalents at beginning of year	2	<u>360,007</u>	<u>565,670</u>
Cash and cash equivalents at end of year	2	<u><u>260,029</u></u>	<u><u>360,007</u></u>

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	(2,798,558)	(2,073,300)
Interest paid		<u>(241,947)</u>	<u>(371,762)</u>
Net cash from operating activities		<u>(3,040,505)</u>	<u>(2,445,062)</u>
Cash flows from investing activities			
Purchase of fixed asset investments		(744,923)	-
Interest received		<u>1,942,380</u>	<u>1,801,350</u>
Net cash from investing activities		<u>1,197,457</u>	<u>1,801,350</u>
Cash flows from financing activities			
New loans in year		1,039,522	549,018
Amount introduced by directors		171,706	166,583
Amount withdrawn by directors		(166,583)	(161,460)
Share issue		41,084	-
Share Premium		<u>780,606</u>	<u>-</u>
Net cash from financing activities		<u>1,866,335</u>	<u>554,141</u>
Increase/(decrease) in cash and cash equivalents		<u>23,287</u>	<u>(89,571)</u>
Cash and cash equivalents at beginning of year	2	<u>3,667</u>	<u>93,238</u>
Cash and cash equivalents at end of year	2	<u><u>26,954</u></u>	<u><u>3,667</u></u>

NOTES TO THE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

Group

	2019	2018
	£	£
Profit/(loss) before taxation	325,102	(4,864,745)
Depreciation charges	703,959	760,267
Loss on disposal of fixed assets	5,457	33,024
Foreign exchange differences	(2,178,422)	3,278,036
Finance costs	1,309,662	1,521,378
Finance income	(45,832)	(52,330)
	<u>119,926</u>	<u>675,630</u>
Increase in inventories	(73,970)	(33,291)
(Increase)/decrease in trade and other debtors	(679,759)	98,613
Increase in trade and other creditors	<u>1,706,770</u>	<u>919,915</u>
Cash generated from operations	<u><u>1,072,967</u></u>	<u><u>1,660,867</u></u>

Company

	2019	2018
	£	£
Profit/(loss) before taxation	2,882,629	(1,923,133)
Depreciation charges	32,232	32,232
Finance costs	241,947	371,762
Finance income	(1,942,380)	(1,801,350)
	<u>1,214,428</u>	<u>(3,320,489)</u>
(Increase)/decrease in trade and other debtors	(4,119,440)	1,161,909
Increase in trade and other creditors	<u>106,454</u>	<u>85,280</u>
Cash generated from operations	<u><u>(2,798,558)</u></u>	<u><u>(2,073,300)</u></u>

2. CASH AND CASH EQUIVALENTS

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

	Group		Company	
Year ended 31 December 2019	31.12.19	1.1.19	31.12.19	1.1.19
	£	£	£	£
Cash and cash equivalents	<u>260,029</u>	<u>360,007</u>	<u>26,954</u>	<u>3,667</u>
Year ended 31 December 2018	31.12.18	1.1.18	31.12.18	1.1.18
	£	£	£	£
Cash and cash equivalents	<u>360,007</u>	<u>565,670</u>	<u>3,667</u>	<u>93,238</u>

NOTES TO THE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. ANALYSIS OF CHANGES IN NET DEBT

Group	At 1.1.19 £	Cash flow £	At 31.12.19 £
Net cash			
Cash at bank	<u>360,007</u>	<u>(99,978)</u>	<u>260,029</u>
	<u>360,007</u>	<u>(99,978)</u>	<u>260,029</u>
Debt			
Debts falling due after 1 year	<u>(8,580,101)</u>	<u>95,864</u>	<u>(8,484,237)</u>
	<u>(8,580,101)</u>	<u>95,864</u>	<u>(8,484,237)</u>
Total	<u>(8,220,094)</u>	<u>(4,114)</u>	<u>(8,224,208)</u>
Company			
	At 1.1.19 £	Cash flow £	At 31.12.19 £
Net cash			
Cash at bank	<u>3,667</u>	<u>23,287</u>	<u>26,954</u>
	<u>3,667</u>	<u>23,287</u>	<u>26,954</u>
Debt			
Debts falling due after 1 year	<u>(2,529,496)</u>	<u>(1,039,522)</u>	<u>(3,569,018)</u>
	<u>(2,529,496)</u>	<u>(1,039,522)</u>	<u>(3,569,018)</u>
Total	<u>(2,525,829)</u>	<u>(1,016,235)</u>	<u>(3,542,064)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. GOING CONCERN

The Group has accumulated losses carried forward and had net liabilities of £12,782,272 as at 31 December 2019. 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 XN Bakery, LLC Nash Xleb-Filion, LLC Xleb Nasyshnii Novinskii, LLC Xleb Nasyshnii Pyatniskay, LLC Razvitie, LLC LPK Taganka, Yuvn 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, LLC Xleb Nasushniy B Sadovaya, LLC Royal Bakery and LLC United Group) 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 nine 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 2019

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 ten years.

Trademarks are being amortised evenly over their estimated useful life of four years.

Other intangible assets

Initial franchise costs incurred are being amortised evenly over their remaining estimated useful life of ten 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

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out formula. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES - continued

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.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value or equity method if material.

Debtors and creditors receivable/payable within one year

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.

Provisions

Provisions are recognised when the company has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

Leases

Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest method. The related obligations, net of future finance charges, are included in creditors.

Where goods are sold using finance leases, the entity recognises turnover from the sale of goods and the rights to receive future lease payments as a debtor. Minimum lease payments are apportioned between finance income and the reduction of the lease debtor with finance income allocated so as to produce a constant periodic rate of interest on the net investment in the finance lease.

Rentals payable and receivable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Share-based payment

The cost and corresponding increase in equity in respect of equity-settled share-based payment transactions with employees are measured by reference to the fair value of equity instruments issued at the date of grant. Amounts are expensed on a straight line basis over the vesting period based on the estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The cost and fair value of the liability incurred in respect of cash-settled transactions is measured using an appropriate option pricing model with changes in fair value recognised in profit or loss for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provision for doubtful debts

The Group makes an estimate of the recoverable value of trade receivables and other debtors. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of receivables and historical experience.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the year end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill and property, plant and equipment

Determining whether goodwill, property, plant and equipment is impaired requires an estimation of the value in use of the cash-generating units to which goodwill, property, plant and equipment has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5. **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.

6. **EMPLOYEES AND DIRECTORS**

	2019	2018
	£	£
Wages and salaries	<u>7,986,286</u>	<u>7,301,900</u>

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

	2019	2018
Operational employees	711	862
Administration	131	75
Executive officers	<u>11</u>	<u>19</u>
	<u>853</u>	<u>956</u>

The average number of employees by undertakings that were proportionately consolidated during the year was 853 (2018 - 956).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

6. EMPLOYEES AND DIRECTORS - continued

	2019	2018
	£	£
Directors' remuneration	<u>188,576</u>	<u>221,626</u>

7. OPERATING PROFIT/(LOSS)

The operating profit (2018 - operating loss) is stated after charging:

	2019	2018
	£	£
Depreciation - owned assets	665,639	713,985
Loss on disposal of fixed assets	5,457	33,024
Goodwill amortisation	13,602	13,602
Patents and licences amortisation	18,630	27,660
Trademarks amortisation	<u>6,088</u>	<u>5,020</u>

8. AUDITORS' REMUNERATION

	2019	2018
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	<u>55,975</u>	<u>51,800</u>

9. EXCEPTIONAL ITEMS

	2019	2018
	£	£
Exceptional items	<u>(39,009)</u>	<u>(7,182)</u>

The Company's trading activity is primarily in Russia and exceptional items consist of expenses relating to new shop opening costs and loss on sale of assets.

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Bank interest	-	29,145
Loan interest	1,132,525	1,212,231
Associate loan interest	<u>177,137</u>	<u>280,002</u>
	<u>1,309,662</u>	<u>1,521,378</u>

11. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:

	2019	2018
	£	£
Current tax:		
Foreign tax	<u>3,216,891</u>	<u>(339,296)</u>
Tax on profit/(loss)	<u>3,216,891</u>	<u>(339,296)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

11. TAXATION - continued

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit/(loss) before tax	<u>325,102</u>	<u>(4,864,745)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 0% (2018 - 0%)	-	-
Effects of: Foreign tax	<u>3,216,891</u>	<u>(339,296)</u>
Total tax charge/(credit)	<u>3,216,891</u>	<u>(339,296)</u>

Tax effects relating to effects of other comprehensive income

	Gross £	2019 Tax £	Net £
Currency translation differences	<u>(1,981,196)</u>	<u>-</u>	<u>(1,981,196)</u>

	Gross £	2018 Tax £	Net £
Currency translation differences	<u>2,933,129</u>	<u>-</u>	<u>2,933,129</u>

The Foreign tax charge is mainly attributable to Deferred tax in the subsidiary companies, LLC LPK, LLC Vlasta, LLC XN Bakery, LLC United Group and Andreesvkie Bulochnie companies incorporated in Russia.

12. **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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

13. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Patents and licences £	Trademarks £	Totals £
COST				
At 1 January 2019	1,035,671	372,605	25,101	1,433,377
Additions	-	-	5,340	5,340
At 31 December 2019	<u>1,035,671</u>	<u>372,605</u>	<u>30,441</u>	<u>1,438,717</u>
AMORTISATION				
At 1 January 2019	928,806	236,347	5,020	1,170,173
Amortisation for year	<u>13,602</u>	<u>18,630</u>	<u>6,088</u>	<u>38,320</u>
At 31 December 2019	<u>942,408</u>	<u>254,977</u>	<u>11,108</u>	<u>1,208,493</u>
NET BOOK VALUE				
At 31 December 2019	<u>93,263</u>	<u>117,628</u>	<u>19,333</u>	<u>230,224</u>
At 31 December 2018	<u>106,865</u>	<u>136,258</u>	<u>20,081</u>	<u>263,204</u>

Company

	Goodwill £	Patents and licences £	Totals £
COST			
At 1 January 2019 and 31 December 2019	<u>272,039</u>	<u>372,605</u>	<u>644,644</u>
AMORTISATION			
At 1 January 2019	165,174	231,327	396,501
Amortisation for year	<u>13,602</u>	<u>18,630</u>	<u>32,232</u>
At 31 December 2019	<u>178,776</u>	<u>249,957</u>	<u>428,733</u>
NET BOOK VALUE			
At 31 December 2019	<u>93,263</u>	<u>122,648</u>	<u>215,911</u>
At 31 December 2018	<u>106,865</u>	<u>141,278</u>	<u>248,143</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 January 2019	1,238,849	2,791,258	96,803	4,126,910
Additions	117,487	141,867	159,169	418,523
Disposals	(165,558)	(261,906)	(56,396)	(483,860)
Exchange differences	<u>107,753</u>	<u>241,838</u>	<u>10,292</u>	<u>359,883</u>
At 31 December 2019	<u>1,298,531</u>	<u>2,913,057</u>	<u>209,868</u>	<u>4,421,456</u>
DEPRECIATION				
At 1 January 2019	411,320	1,335,185	22,326	1,768,831
Charge for year	134,244	493,826	37,569	665,639
Eliminated on disposal	(28,216)	(180,247)	(26,607)	(235,070)
Exchange differences	<u>38,070</u>	<u>122,430</u>	<u>2,042</u>	<u>162,542</u>
At 31 December 2019	<u>555,418</u>	<u>1,771,194</u>	<u>35,330</u>	<u>2,361,942</u>
NET BOOK VALUE				
At 31 December 2019	<u>743,113</u>	<u>1,141,863</u>	<u>174,538</u>	<u>2,059,514</u>
At 31 December 2018	<u>827,529</u>	<u>1,456,073</u>	<u>74,477</u>	<u>2,358,079</u>

15. FIXED ASSET INVESTMENTS

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Shares in group undertakings	431	-	935,604	190,681
Other investments	58,096	58,096	-	-
Participating interests	<u>670</u>	<u>429</u>	<u>-</u>	<u>-</u>
	<u>59,197</u>	<u>58,525</u>	<u>935,604</u>	<u>190,681</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

15. **FIXED ASSET INVESTMENTS - continued**

Additional information is as follows:

Group

	Share in group subsidiaries £	Interest in associate £	Totals £
COST			
At 1 January 2019	-	429	429
Additions	431	356	787
Exchange differences	-	(115)	(115)
At 31 December 2019	<u>431</u>	<u>670</u>	<u>1,101</u>
NET BOOK VALUE			
At 31 December 2019	<u>431</u>	<u>670</u>	<u>1,101</u>
At 31 December 2018	<u>-</u>	<u>429</u>	<u>429</u>

Company

	Share in group subsidiaries £
COST	
At 1 January 2019	190,681
Additions	<u>744,923</u>
At 31 December 2019	<u>935,604</u>
NET BOOK VALUE	
At 31 December 2019	<u>935,604</u>
At 31 December 2018	<u>190,681</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	2019 £	2018 £
Class of shares:	100.00		
Ordinary shares			
Aggregate capital and reserves		(21,797,674)	(14,669,556)
Loss for the year		<u>(5,731,768)</u>	<u>(2,025,565)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. 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

	%		
Class of shares:	holding		
Ordinary shares	100.00		
		2019	2018
		£	£
Aggregate capital and reserves		126,907	102,396
Profit for the year		<u>15,221</u>	<u>17,451</u>

LLC XN BAKERY

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		
		2019	2018
		£	£
Aggregate capital and reserves		68,321	35,182
Profit for the year		<u>29,499</u>	<u>37,056</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

	%		
Class of shares:	holding		
Ordinary	100.00		
		2019	2018
		£	£
Aggregate capital and reserves		(839,918)	(789,436)
Profit for the year		<u>18,610</u>	<u>382,948</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

	%		
Class of shares:	holding		
Ordinary	100.00		
		2019	2018
		£	£
Aggregate capital and reserves		995,415	811,094
Profit for the year		<u>110,930</u>	<u>93,483</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

15. 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	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(3,803,182)	(2,147,861)
Loss for the year		<u>(1,439,760)</u>	<u>(614,375)</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	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		833,484	672,395
Profit for the year		<u>100,101</u>	<u>68,166</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	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(436,571)	(606,674)
Profit for the year		<u>219,400</u>	<u>139,204</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	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		607,772	494,092
Profit for the year		<u>68,943</u>	<u>88,644</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

15. 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	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(4,218,109)	(5,112,892)
Profit/(loss) for the year		<u>149,704</u>	<u>(250,945)</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	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(9,123,839)	(7,572,983)
Loss for the year		<u>(868,700)</u>	<u>(970,293)</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	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(326,991)	62,823
Loss for the year		<u>(388,155)</u>	<u>(140,428)</u>

LLC XLEB NASUSHNIY - ARBAT 6

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

Nature of business: Retail store and restaurant

	% holding	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		297,661	84,037
Profit for the year		<u>72,876</u>	<u>50,188</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

15. 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	2019 £	2018 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(519,742)	(463,882)
Loss for the year		<u>(14,785)</u>	<u>(12,760)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. 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		
		2019	2018
		£	£
Aggregate capital and reserves		575,160	357,384
Profit for the year		<u>182,957</u>	<u>113,312</u>

Details of other subsidiaries and associated companies as at 31 December 2019 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 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%
LLC GERMES	Retail store & restaurant	Moscow	20.00%
LLC ROYAL BAKERY	Retail store & restaurant	Moscow	100%
LLC UNITED GROUP	Retail store & restaurant	Moscow	100%

BALANCE INVESTING LIMITED

Registered office:

Nature of business: Providing loan funding

	%
Class of shares:	holding
Ordinary	2.90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

15. FIXED ASSET INVESTMENTS - continued

GREENLAND PARTNERS LIMITED

Registered office:

Nature of business: Property Investment

Class of shares:	%
Ordinary	holding 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:	%
Ordinary	holding 20.00

	2019	2018
	£	£
Aggregate capital and reserves	31,807	610
Profit for the year	<u>274,320</u>	<u>257,270</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:	%
Ordinary	holding 20.00

	2019	2018
	£	£
Aggregate capital and reserves	138,172	19,267
Profit for the year	<u>115,078</u>	<u>93,587</u>

Group

	Other investments £
At 1 January 2019 and 31 December 2019	<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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

16. STOCKS

	Group	
	2019 £	2018 £
Finished goods and small items held for use	1,047,088	973,118
	<u>1,047,088</u>	<u>973,118</u>

17. DEBTORS

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	383,963	129,390	-	-
Other debtors	157,498	68,950	53,046	17,581
Directors' current accounts	-	9,593	-	-
Deferred Tax asset	487,960	302,832	-	-
VAT	132,150	35,477	27,536	31,908
Prepayments and accrued income	<u>1,086,191</u>	<u>856,187</u>	<u>-</u>	<u>-</u>
	<u>2,247,762</u>	<u>1,402,429</u>	<u>80,582</u>	<u>49,489</u>
Amounts falling due after more than one year:				
Amount owed by subsidiary company	-	-	25,772,260	21,683,913
Amount owed by related parties	905,960	895,999	-	-
Deferred tax asset	<u>-</u>	<u>2,856,059</u>	<u>-</u>	<u>-</u>
	<u>905,960</u>	<u>3,752,058</u>	<u>25,772,260</u>	<u>21,683,913</u>
Aggregate amounts	<u>3,153,722</u>	<u>5,154,487</u>	<u>25,852,842</u>	<u>21,733,402</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade creditors	3,017,404	2,120,414	591,957	486,252
Bank loans	1,450,053	1,332,756	-	-
Social security and other taxes	2,508,394	2,512,028	-	-
Other creditors	1,065,515	827,883	119,860	119,110
Directors' current accounts	784,307	701,564	171,706	166,583
Accrued expenses	2,282,136	1,823,651	44,999	45,000
	<u>11,107,809</u>	<u>9,318,296</u>	<u>928,522</u>	<u>816,945</u>

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Other loans (see note 20)	<u>8,484,237</u>	<u>8,580,101</u>	<u>3,569,018</u>	<u>2,529,496</u>

20. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due between two and five years:				
Other loans - 2-5 years	7,358,178	7,331,902	2,641,469	2,518,394
Amount owed to parent company	-	-	927,549	11,102
Amount owed to related party	<u>1,126,059</u>	<u>1,248,199</u>	-	-
	<u>8,484,237</u>	<u>8,580,101</u>	<u>3,569,018</u>	<u>2,529,496</u>

Interest is charged at commercial rates on loans.

21. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	5,930,394	6,370,060
Between one and five years	9,611,474	14,712,253
In more than five years	<u>2,037,676</u>	<u>6,598,942</u>
	<u>17,579,544</u>	<u>27,681,255</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

22. SECURED DEBTS

Bank loans are secured over assets of the Group.

23. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
19,211,562 (2018 - 15,103,178)	Ordinary	£0.01	192,115	151,031

Allotted and issued:

Number:	Class:	Nominal value:	2019 £	2018 £
61,600	Preference shares	£0.01	616	616

The following shares were issued during the year:

4,108,384 Ordinary shares of £0.01 for cash of £821677

The total number of shares in issue at 31 December 2019 was 19,273,162 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 £34,480,366 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.

24. RESERVES

Group

	Retained earnings £	Share premium £	Totals £
At 1 January 2019	(42,582,384)	33,699,760	(8,882,624)
Deficit for the year	(2,891,789)		(2,891,789)
Cash share issue	-	780,606	780,606
Translation reserve	(1,981,196)	-	(1,981,196)
At 31 December 2019	(47,455,369)	34,480,366	(12,975,003)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

24. RESERVES - continued

Company

	Retained earnings £	Share premium £	Totals £
At 1 January 2019	(15,021,955)	33,699,760	18,677,805
Profit for the year	2,882,629		2,882,629
Cash share issue	-	780,606	780,606
	<u>-</u>	<u>780,606</u>	<u>780,606</u>
At 31 December 2019	<u>(12,139,326)</u>	<u>34,480,366</u>	<u>22,341,040</u>

25. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to a director subsisted during the years ended 31 December 2019 and 31 December 2018:

	2019 £	2018 £
MS G GRAGOSSIAN		
Balance outstanding at start of year	9,593	-
Amounts advanced	-	9,593
Amounts repaid	(9,593)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>-</u>	<u>9,593</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

26. 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	11.65%
Denton Holdings Limited	5,177,139	26.95%
Sullam Holdings L R Ltd	735,807	3.83%
Cube Production Limited	1,850,044	9.63%
Gandyr Nadlan Limited	1,000,969	5.21%

During the year there were loans granted to associated companies, the amount outstanding at 31 December 2019 was £905,960.

During the year there were loans received from associated companies, the amount outstanding at 31 December 2019 was £1,126,059.

The amounts owed to Directors as at 31 December 2019 which mainly arose from unpaid expenses incurred on behalf of the Company are as follows:

G Gragossian	£164,419	(2018: £159,760)
I Zilberkweit	£7,287	(2018: £6,823)

Amounts owed to Directors included under other loans as at 31 December 2019 were as follows:

R Agee	£265,548
D W Reed	£102,239
T D Maher	£190,725
I Saveliev	£107,475

27. 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 2019, 2018, 2017, 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.

**CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019		2018	
	£	£	£	£
Sales		24,474,028		23,601,191
Cost of sales				
Wages	6,605,754		6,580,493	
Other direct costs	777,166		746,435	
Food & Packaging costs	7,345,599		7,375,665	
Rent	5,528,846		5,480,721	
		<u>20,257,365</u>		<u>20,183,314</u>
GROSS PROFIT		4,216,663		3,417,877
Other income				
Sundry receipts	96,641		52,794	
Payables written off	13,951		13,071	
Sublet & other service revenue	295,059		402,937	
Other interest	653		19,665	
Associate interest	45,179		32,665	
		<u>451,483</u>		<u>521,132</u>
		4,668,146		3,939,009
Expenditure				
Transportation costs	23,074		18,684	
Rent	82,483		94,677	
Insurance	49,122		30,768	
Directors' salaries	188,576		221,626	
Wages	1,191,956		499,781	
Telephone	602		413	
Advertising	20,294		-	
Travelling	-		30,570	
Information service	312,036		309,936	
Material cost	364,886		384,924	
Repairs and renewals	3,969		9,755	
Sundry expenses	352,225		295,993	
Accountancy and Administration				
Fees	21,309		24,000	
Legal fees	154,392		111,698	
Professional fees	823,664		203,467	
Consultancy fees	61,336		61,529	
Exchange differences	(2,273,859)		3,210,836	
Other taxes	283,843		330,164	
Other adjustments	-		(37,005)	
Auditors' remuneration	55,975		51,800	
Advertising	214,271		191,534	
Bad debts	77,292		160,510	
Loss on sale of tangible fixed assets	5,457		33,024	
		<u>2,012,903</u>		<u>6,238,684</u>
Carried forward		2,655,243		(2,299,675)

**CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	£	£
Brought forward	2,655,243	(2,299,675)
Finance costs		
Bank charges	277,511	276,243
Bank interest	-	29,145
Loan interest	1,132,525	1,212,231
Associate loan interest	<u>177,137</u>	<u>280,002</u>
	<u>1,587,173</u>	<u>1,797,621</u>
	1,068,070	(4,097,296)
Depreciation		
Goodwill	13,602	13,602
Patents and licences	18,630	27,660
Development costs	6,088	5,020
Leasehold improvements	134,244	130,790
Fixtures and fittings	493,826	511,630
Motor vehicles	<u>37,569</u>	<u>71,565</u>
	<u>703,959</u>	<u>760,267</u>
	364,111	(4,857,563)
Exceptional items		
Exceptional items	<u>39,009</u>	<u>7,182</u>
NET PROFIT/(LOSS)	<u><u>325,102</u></u>	<u><u>(4,864,745)</u></u>