

ORIGINAL

BPC BT HOLDING LTD

Consolidated financial statements
for the year ended 31 December 2017
and Independent Auditor's Report

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Board of Directors:	Evdokia Georgiou
Company Secretary:	Soloserve Ltd
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 261, 28th October Street (Seafront Road) View Point Tower Floors 6, 7 and 8 P. O. Box 51681 3507 Limassol, Cyprus
Registered office:	Georgiou Katsounotou 6 3036 Limassol Cyprus
Registration number:	HE298527

The Board of Directors presents its report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2017.

Principal activities and nature of operations of the Group

BPC Banking Technologies was founded in 1995 and is headquartered in Switzerland. The Company is a global leader in providing payments solutions software.

BPC Banking Technologies creates payments solutions that inspire change and progress for businesses and people everywhere. Our customers include huge tier 1 banks, and both midsize and smaller companies. We are well known for our long-term commitment to customers and their success and believe this is where we offer real difference compared to our competitors.

The Group is the architect and developer of the market-leading SmartVista platform, which handles all aspects of ATM management, billing, mobile and contactless payments, settlement, point of sale, card issuing and acquiring, microfinance and electronic payments processing.

Our over 200 clients include leading financial institutions in more than 73 countries, and several of the world's largest banks, national processors, retail chains, MNOs and etc. To provide long-term support and partnership for our customers, we have developed a global network of offices, all with local language support.

Review of current position, future developments and performance of the Group's business

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

Use of financial instruments by the Group

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The Group's risk management system focuses on unpredictability of financial markets and is aimed to minimize its potential negative impact on the Company's financial results.

Interest rate risk

The Group's exposure to interest rate risk is not significant considering the low level of loans and borrowing and fixed interest rate for that debt.

Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's overall strategy is to reduce the foreign exchange risk arising from currencies other than functional. Besides, the Company does not use forward currency contracts.

Financial assets and financial liabilities of the Group companies are denominated in US dollars, Euro, Russian rouble, Ukrainian hryvnia, Vietnamese Dong, Singapore dollars, but for the purpose of currency risk management monitors rate changes only to the Russian rouble, US Dollar and Euro.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial assets, on which the Company potentially assumes credit risk, are mainly represented by trade receivables, cash and cash equivalents and loans issued.

Credit risks relating to accounts receivable are regularly reviewed to establish whether creation of a bad debt allowance is necessary. Net receivables, less bad debt allowance, is the maximum amount exposed to credit risk. There were no receivables past due but not impaired.

Although collection of receivables is influenced by economic factors, management believes that a significant risk of loss to the Company beyond the allowance for impairment of receivables is minimal as goods are sold and services are provided to customers with appropriate credit history. The Company's management does not question the solvency of the majority of its customers.

The Company does not issue or hold financial instruments for hedging or trading purposes. The Company's receivables are not secured. The Company has no material concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset recognized in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Company will not be able in certain circumstances to settle all its liabilities when they fall due.

Prudent liquidity risk management includes maintaining sufficient cash and availability of funding from an adequate amount of committed credit resources. The Company maintains flexibility in funding by borrowing from related parties.

The Company uses cash flow budgeting and forecasting procedures to make sure that it has sufficient cash available to meet its obligations in due time.

Results

The Group's results for the year are set out on page 10.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The sole member of the Company's Board of Directors as at 31 December 2017 and at the date of this report is presented on page 3. The sole Director was a member of the Board of Directors throughout the year ended 31 December 2017.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.


Independent Auditors

The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Sole Director,

✓ 

Anatoly Loginov
General Director

✓ 

Andrey Bolyakin
CFO

Limassol, 5 June 2018

Independent Auditor's Report

To the Members of BPC BT Holding Ltd

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BPC BT Holding Ltd (the "Company") and its subsidiaries (together with the Company, the "Group"), which are presented in pages 10 to 45 which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report, but does not include the financial statements and our auditor's report 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.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report (continued)

To the Members of BPC BT Holding Ltd

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

Independent Auditor's Report (continued)

To the Members of BPC BT Holding Ltd

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and 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 management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Christos Andreou
Certified Public Accountant (CY) and Registered Auditor
for and on behalf of

BDO Ltd
Certified Public Accountants (CY) and Registered Auditors

Limassol, 5 June 2018

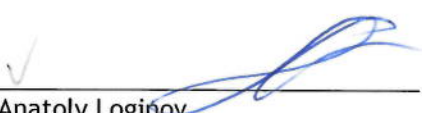
BPC BT HOLDING LTD


Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

(in thousands of USD unless otherwise stated)

	Note	For the year ended 31 December	
		2017	2016
Revenue	5	73 507	63 950
Cost of sales	6	(18 591)	(22 726)
Gross profit		54 916	41 224
Research expenses		(7 562)	(5 607)
Selling and marketing expenses	7	(16 926)	(12 960)
General and administrative expenses	8	(9 244)	(8 216)
Other operating expenses, net	9	(1 728)	(147)
Operating profit		19 456	14 294
Interest income		348	89
Interest expenses	10	(2 943)	(3 114)
Net foreign exchange gain		(785)	(9)
Gain / (losses) on disposal of subsidiaries, net	11	(167)	774
Profit before tax		15 909	12 034
Income tax expense	12	(1 920)	(1 768)
Profit for the year		13 989	10 266
Other comprehensive income/(expense)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		2 170	2 062
Total comprehensive income / (expense)		16 159	12 328
Net profit for the year attributable to controlling shareholders		13 318	10 264
Net profit for the year attributable to non-controlling interest		671	2
Comprehensive income for the year attributable to controlling shareholders		16 159	12 328
Comprehensive income for the year attributable to non-controlling interest		-	-

On 5 June 2018 the Sole Director of BPC BT Holding Ltd authorised these consolidated financial statements for issue.


Anatoly Loginov
General Director

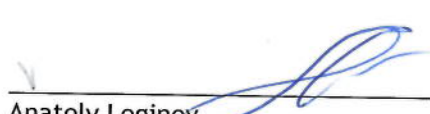

Andrey Bolyakin
CFO


BPC BT HOLDING LTD

Consolidated statement of financial position as at 31 December 2017
(in thousands of USD unless otherwise stated)

	Note	As at 31 December 2017	2016
ASSETS			
Non-current assets			
Intangible assets	14	59 550	43 440
Property, plant and equipment	15	716	752
Non-current investments		69	-
Long-term loans issued	16	251	186
Deferred tax assets	12	1 105	1 081
Total non-current asset		61 691	45 459
Current assets			
Inventories	17	299	540
Trade and other receivables	18	24 965	23 124
Advances given	18	1 151	935
Income tax prepayments		282	203
Short-term loans issued	16	4 814	2 965
Cash and cash equivalents	19	10 156	5 495
Total current assets		41 667	33 262
Total assets		103 358	78 721
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	1	1
Additional paid in capital	20	6 713	6 713
Other funds and reserves		(3 498)	(5 668)
Retained earnings		44 352	31 034
Total attributable to owners of the Group equity and reserves		47 568	32 080
Non-controlling interest		748	77
Total capital and reserves		48 316	32 157
Non-current liabilities			
Long-term trade payables	22	16 918	19 330
Deferred tax liability	12	7 604	5 751
Total non-current liabilities		24 522	25 081
Current liabilities			
Short-term loans and borrowings	21	772	2 032
Trade and other payables	22	20 882	16 001
Advances received	22	8 418	3 098
Income tax payable		448	232
Short-term finance lease payables	24	-	120
Total current liabilities		30 520	21 483
Total equity and liabilities		103 358	78 721

On 5 June 2018 the Sole Director of BPC BT Holding Ltd authorized these consolidated financial statements for issue.


Anatoly Loginov
General Director


Andrey Bolyakin
CFO

The notes on pages 14-45 are an integral part of the consolidated financial statements

BPC BT HOLDING LTD


Consolidated statement of changes in equity for the year ended 31 December 2017
(in thousands of USD unless otherwise stated)

	Share capital	Additional paid in capital	Other funds and reserves	Retained earnings	Non-controlling interest	Total
Balance as at 01.01.2015	1	6 713	(7 730)	20 770	75	19 829
Net profit for the period	-	-	-	10 264	2	10 266
Exchange difference on translating foreign operations	-	-	2 062	-	-	2 062
Total comprehensive income/(expense) for 2016	-	-	2 062	10 264	2	12 328
Balance as at 31.12.2016	1	6 713	(5 668)	31 034	77	32 157
Net profit for the period	-	-	-	13 318	671	13 989
Exchange difference on translating foreign operations	-	-	2 170	-	-	2 170
Total comprehensive income/(expense) for 2017	-	-	2 170	13 318	671	16 159
Balance as at 31.12.2017	1	6 713	(3 498)	44 352	748	48 316

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

On 5 June 2018 the Sole Director of BPC BT Holding Ltd authorized these consolidated financial statements for issue.


Anatoly Loginov
General Director


Andrey Bolyakin
CFO


BPC BT HOLDING LTD


Consolidated statement of cash flows for the year ended 31 December 2017

(in thousands of USD unless otherwise stated)

	Note	For the year ended 31 December	
		2017	2016
Cash flows from operating activities			
Net profit before tax		15 909	12 034
Adjustments for:			
Depreciation and amortization	6,8	629	7 034
Net foreign exchange gain		785	9
Write-off of receivables or payables	9	218	146
Interest income		(348)	(89)
Interest expense	10	2 943	3 114
Disposal of subsidiary		167	(774)
Other non-cash transactions (incl. provisions)	18,23	531	3
Change in working capital			
Decrease in accounts receivable		15 179	7 890
Decrease in inventories		270	294
(Decrease) in accounts payable		(16 758)	(15 254)
Cash generated from operations		19 525	14 407
Income tax paid		66	686
Interest paid		(156)	(80)
Net cash generated by operating activities		19 435	15 013
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(336)	(459)
Payments for purchase of intangible assets		(14 895)	(14 331)
Loans issued		(2 923)	(2 442)
Repayment of loans issued		1 532	1 175
Interest received		114	17
Net cash used in investing activities		(16 508)	(16 040)
Cash flows from financing activities			
Proceeds from loans and borrowings		11 804	12 737
Repayment of loans and borrowings		(12 949)	(11 735)
Financial lease payments		-	(129)
Net cash generated by/(used in) financing activities		(1 145)	873
Exchange difference on translating foreign operations		2 879	1 189
Net increase in cash and cash equivalents		4 661	1 035
Cash and cash equivalents at the beginning of the year	19	5 495	4 460
Cash and cash equivalents at the end of the year	19	10 156	5 495

On 5 June 2018 the Sole Director of BPC BT Holding Ltd authorized these consolidated financial statements for issue.


 Anatoly Loginov
 General Director


 Andrey Bolyakin
 CFO

BPC BT HOLDING LTD

Notes to the consolidated financial statements for the year ended 31 December 2017
(in thousands of USD unless otherwise stated)

1. General information

These consolidated financial statements comprise financial statements of BPC BT HOLDING LTD and its subsidiaries (hereinafter the "Group") listed below in Note 1.1.

BPC BT HOLDING LTD (the "Company") was incorporated in Cyprus on 14 December 2011 as a private limited liability company under the provisions of the Cyprus Companies Law, CAP. 113. Its registered offices at Georgiou Katsounotou, 6, 3036, Limassol, Cyprus.

The 100% owner of BPC BT HOLDING LTD is BPC GROUP HOLDING LTD.

The ultimate beneficiary of the Group is: A.I. Loginov (100 %).

1.1. Group's Structure

Complete list of the Group companies is given below:

Group company	Location	Ownership ratio as at 31 December	
		2017	2016
BPC BT HOLDING LTD	Cyprus	N/A	N/A
Banking Production Center B.V.	The Netherlands	100%	100%
Banking Production Centre - Ukraine, LTD	Ukraine	100%	100%
BPC - USA, Inc.	USA	100%	100%
BPC Banking Technologies (ASIA PACIFIC) Pte LTD.	Singapore	100%	100%
BPC VIETNAM COMPANY LIMITED	Vietnam	100%	100%
EPSL Efficient Payment Services Ltd.	Cyprus	51%	100%
IPSL Innovative Payment Services Ltd.	Cyprus	51%	100%
BPC AG	Switzerland	100%	100%
SmartVista AG	Switzerland	100%	100%
BPC Banking Technologies, LLC	Russia	100%	100%
Payment express, LLC	Russia	N/A	100%
Runet Business Systems, LLC	Russia	51%	100%
BPC Development, LLC	Russia	100%	100%
BPC Software Labs B.V.	The Netherlands	100%	100%
BPC Philippines, Inc.	Philippines	60%	60%
BPC Africa (PTY) LTD	Republic of South Africa	100%	100%
BPC Processing, LLC	Russia	100%	100%
Service center BPC, LLC	Russia	N/A	100%
BPC Technologies India Private Limited	India	100%	100%
Smart Project (Private) Limited	Sri Lanka	100%	100%
Service center BPC, LLC	Russia	100%	100%
BPC SmartVista Free Zone LLC	UAE	100%	100%

BPC Development LLC is consolidated due to the legal control over which comprises of 47.52% of the issued shares and based on the corporate agreement conditions of which the Group has a prevailing right to receive variable income from the ownership in the company, as well as the prevailing ability to influence over income exercising its powers in respect of the company.

In 2017, the following companies were withdrew from Group:

- Service center BPC, LLC - the company was sold out;
- Payment express, LLC - the company was liquidated.

Following subsidiaries were established in 2016 to enhance the Group's activities:

- BPC Technologies India Private Limited;
- Smart Project (Private) Limited;
- Service center BPC, LLC.

In 2016, the following companies were withdrew from Group:

- BPC, LLC - the company was sold out;
- SmartTechnologies, LLC - the company was liquidated.

The Group's business spans the globe and it has operations in some 73 countries and 5 continents.

For the year ended 31 December 2017 and 2016 the Group employed approximately 696 and 625 people respectively.

1.2. Group's activity

BPC Banking Technologies was founded in 1995 and is headquartered in Switzerland. The Company is a global leader in providing payments solutions software.

BPC Banking Technologies creates payments solutions that inspire change and progress for businesses and people everywhere. Group's customers include huge tier 1 banks, and both midsize and smaller companies. The Group is well known for its long-term commitment to customers and their success and believe this is where the Group offers real difference compared to its competitors.

The Group is the architect and developer of the market-leading SmartVista platform, which handles all aspects of ATM management, billing, mobile and contactless payments, settlement, point of sale, card issuing and acquiring, microfinance and electronic payments processing.

Over 200 clients of the Group include leading financial institutions in more than 73 countries, and several of the world's largest banks, national processors, retail chains, MNOs and etc. To provide long-term support and partnership for our customers, we have developed a global network of offices, all with local language support.

2. Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The consolidated financial statements were approved for issue on 5 June 2018.

2.2. Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments should the Group be unable to continue as a going concern. In arriving at the decision that the going concern assumption is appropriate, the management has taken into account the Group's access to financial resources.

2.3. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of consideration given in exchange for assets.

3. Significant accounting policies

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

3.1. Basis of consolidation

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company BPC BT Holding Ltd and the financial statements of its subsidiaries as at 31 December 2017 as per Note 1.1.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;

BPC BT HOLDING LTD

Notes to the consolidated financial statements for the year ended 31 December 2017
(in thousands of USD unless otherwise stated)

- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3.2. Functional and presentation currencies

The individual financial statements of each Group entity are presented in its functional currency.

Functional currencies of the Group's companies were determined based on primary economic environment in which companies operate. The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash.

Functional currencies of the Group's companies were determined as follows:

Group Company	Functional currency
BPC BT Holding Ltd , Banking Production Center B.V, EPSL Efficient Payment Services LTD, IPSL Innovative Payment Services Ltd., BPC Software Labs B.V.	Euro
Banking Production Centre - Ukraine LTD	Ukrainian Hryvnas
BPC - USA, Inc., BPC Banking Technologies (Asia Pacific) Pte Ltd, BPC AG, SmartVista AG, BPC Africa, BPC Smartvista Free Zone LLC	US Dollar
BPC VIETNAM COMPANY LIMITED	Vietnamese Dongs
BPC Philippines, Inc.	Philippine Peso
Banking Production Center, LLC, Payment express, LLC, BPC Development LLC, BPC Banking Technologies, LLC, Runet Business Systems, LLC, BPC Processing, LLC, Service center BPC, LLC,	Russian Rubles
Smart Project (Private) Limited	Sri Lankan Rupee
BPC Technologies India Private Limited	Indian Rupee

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements the assets and liabilities of the Group's foreign operations are translated into US Dollar using closing exchange rates. Income and expense items are translated at the average exchange rates for the period, equity items are translated at historical exchange rate. Exchange differences arising are recognized in other comprehensive income and accumulated in equity.

In consolidated financial statements of cash flows opening and closing cash balances for each presented period are recalculated at rates as at relevant dates. All cash flows are recalculated at average rates for presented periods. Resulting exchange differences are presented as effect of conversion to the presentation currency.

The following rates were used in conversion to the presentation currency:

	2017	2016
US Dollar/Euro		
31 December	0,8347	0,9506
Average year rate	0,8867	0,9037
US Dollar / Russian Ruble		
31 December	57,6002	60,6569
Average year rate	58,3529	66,6978

	2017	2016
US Dollar / Ukrainian Hryvna		
31 December	27,9969	27,1000
Average year rate	26,4104	25,5102
US Dollar / Vietnamese Dong		
31 December	22 674	22 771
Average year rate	22 457	22 369
US Dollar / Philippine Peso		
31 December	49,8993	49,5990
Average year rate	49,9632	47,4950

3.3. Intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated impairment losses. The SmartVista software is an intangible asset with an indefinite useful life and is represented by licenses and software. The Group tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount to its carrying amount at each balance sheet date. According to the test results, if the book value of the asset cannot be fully recovered through its continued use or through sale, it is recognized that the intangible asset is impaired and the impairment loss is recognized either in the statement of profit or loss and other comprehensive income or in the revaluation reserve in the statement of financial position. The useful life of an intangible asset that does not accrue depreciation is analyzed in each period to determine whether events and circumstances continue to confirm an estimate of the useful life of the asset as uncertain.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Estimated useful lives for intangible assets (except of SmartVista software):

Software	1-5 years
Licenses	1-3 years
Other	1-3 years

3.4. Property, plant and equipment

Property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses. Expenses directly related to acquisition of fixed assets are included in cost.

Income/loss from disposal of fixed assets is determined by comparison of income from disposal and carrying amount of fixed assets and is accounted for in a contracted form along with other income in income/loss.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Estimated terms of useful life for current and comparative periods are the following:

Machinery	1 - 5 years
Vehicles	3 - 7 years
Other PPE	1 - 5 years

3.5. Impairment of non-current non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.6. Leasing**Definition**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leasing***The Group as lessee***

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

3.7. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories include goods purchased and held for resale, and supply.

Cost of goods purchased and held for resale, and supply includes all costs of purchase, processing and other costs incurred to bring them to their current condition and current location and includes cost of basic materials, custom duties, transport charges, cost of handling operations, direct labor expenditures, and relevant part of indirect manufacturing overheads.

Costs of inventories are determined on weighted average cost basis.

3.8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3.8.1. Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only in-the-money derivatives (see "Financial liabilities" section for out-of-the-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognized in the consolidated statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, bank balances and cash, loans granted to related parties) are measured at amortized cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Trade receivables assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the

Difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

3.8.2. Financial liabilities

Financial liabilities are classified as either:

- financial liabilities at FVTPL or
- other financial liabilities.

Other financial liabilities

Other financial liabilities (including trade payables, loans and borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.8.3. Offsetting of financial instruments

Financial assets and financial liabilities are offset when and only when there is a legal right to offset amounts and when there is an intention to realize and to settle obligations simultaneously or to cross-cancel them.

3.9. Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible (up to 3 months) to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.10. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.11. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.12. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated and combined statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible in compliance with Russian Tax law. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Payment of dividends

Payment of dividends to owners is recognized as liability in the consolidated financial statements for the period in which dividends were declared and approved.

3.13. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods (sale of ATMs)

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Rendering of services (sale of license, implementation services, maintenance services)

Sale of software licenses

License fee revenues are recognized on practical acceptance of the software, when all obligations have been substantially completed. This is when:

- the customer has accepted the product,
- the risks and rewards of ownership have been transferred,
- it is probable that the economic benefits of the transaction will flow to the Group and,
- all costs and revenue in relation to the transaction can reliably be measured.

To the extent that payments have been received in advance for licenses, where practical acceptance has not yet been reached, these amounts are recognized as advances received. Where the practical acceptance has been reached, but the general agreement includes also implementation of licensed

software the revenue from sale of licenses is recognized in the amount of license price less any contractual penalties for non-compliance with other contract provisions (including implementation).

Software implementation services

The lack of a developed management information system, which would allow estimating the project completion costs, makes it impossible to use the revenue recognition based on the percentage of completion at the balance sheet date. Due to this fact revenue from implementation of the Group for projects in progress as at reporting date is recognized solely to the extent that the actual costs incurred on delivering the service (project costs) are recoverable. All profit from the transaction is solely recognized upon completion of each individual project, when all required criteria for revenue recognition are complied with.

Software maintenance services

Maintenance income is recognized over the period to which it relates provided that the revenue can be measured reliably, it is probable that the economic benefits of the work performed will flow to the Group and the costs involved in fulfilling the maintenance can be measured and it is probable that the maintenance will be completed.

3.14. Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.15. Labor cost

Payroll, social security, payments to defined contributions state retirement benefit plans, annual vacation and sick leave payments, bonuses and non-cash benefits (such as health care) are accrued in the reporting period in which Company employees are provided the services determining the amounts of such remunerations.

3.16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.17. Adoption of new and revised IFRSs

a) New standards, interpretations and amendments effective from 1 January 2017

- Annual Improvements to IFRSs (2014 - 2016 Cycle): IFRS 12 Disclosure of interests in other entities
- IAS 12 Income Taxes (Amendment - Recognition of Deferred Tax Assets for Unrealized Losses)
- IAS 7 Statement of Cash Flows (Disclosure Initiative Amendments). The scope of IFRS 12 was clarified to make it clear that the disclosure requirements in this Standard, except for those in paragraphs B10 - B16, apply to interests irrespective of whether they are classified as held for sale, as held for distribution to owners or as discontinued operations in accordance with IFRS 5. The other disclosure requirements in IFRS 12 are not relevant to the consolidated entity classified as held-for-sale in the comparative period (see note 31) and therefore does not impact.

The amendment to IAS 12 *Income Taxes* clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but are not deemed to be impaired (for example, an investment in a fixed rate bond where the fair value has declined due to changes in interest rates, but the asset is not considered to have become impaired in value). Specifically it clarifies that deferred taxes should be recognised for deductible temporary differences arising from unrealised losses on debt instruments measured at fair value if all other recognition criteria for deferred taxes are met, regardless of whether it is planned to recover the instrument through sale or by holding it to maturity. This accounting was already applied by Group and therefore there is no impact in these illustrative financial statements arising from this amendment.

The amendment to IAS 7 aims to improve information about changes in liabilities arising from financing activities. One way to provide this disclosure would be to provide a reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities. The reconciliation would include:

- Changes from financing cash flows;
- Changes arising from obtaining or losing control of subsidiaries or other businesses;
- Other non-cash exchanges (e.g. changes in foreign exchange rates, new finance leases and changes in fair value).

The Group anticipates that application of the reconciliation will have no effect on Group's financial statements.

b) New standards, interpretations and amendments issued, but not yet effective

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Group has decided not to adopt early and anticipates that the changes in standards will be no impact in financial statements. The most significant of these are:

- IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 *Leases* (mandatorily effective for periods beginning on or after 1 January 2019).

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

- *IFRIC 22 Foreign Currency Translations and Advance Consideration (effective 1 January 2018)*
- *Amendments to IFRS 2 classification and Measurement of Share-based payment Transactions (effective 1 January 2018)*
- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)*
- *Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018)*
- *Annual Improvements to IFRS Standards 2014-2016 cycle dealing with matters in IFRS 1 First-time Adoption and IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2018)*
- *IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019)*
- *Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019)*

- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)*
- *IFRS 17 Insurance Contracts (effective 1 January 2021)*

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the consolidated financial statements of the Group.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in the Note 3, the directors are required to make judgments, 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. Revision of accounting estimates are recognized 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.

The following is the critical judgments, apart from those involving estimations, that the management have made in the process of applying the Group's accounting policies that has the most significant effect on the amounts recognized in the consolidated and combined financial statements.

Revenue recognition

Management uses critical judgment in applying accounting policies in respect of revenue recognition policy for sale of software licenses. Each contract for provision of services for software configuration and installation and sale of software license is a subject to management's review on the basis of technical feasibility as to whether the components are essential for the functionality of the project or whether they could technically be foregone.

To determine whether individual contractual elements are essential for the "technical feasibility" of the overall objective (irrespective of the number of contracts to which the service components relate), the contractual components of projects are reviewed by management as follows:

- Software licenses are a contractual component if the software is not able to be used sensibly by the customer without the contractually defined customization, although the duty to supply the software licenses is fulfilled upon insurance of the software to the customer.
- A service is a contractual component if the service directly connected with the implementation of the entire project (services directly linked to first-time software licensing such as installation, training for new licenses, consulting services in the software development phase and other).

If services/contractual elements are so closely interrelated that separate performance would not be operatively possible (technical realization) and thus separate accounting would not make economic sense, each relevant contract is reviewed with regard to potentially combining it with other contracts. In case if separate negotiations were held for each individual contractual service; both the customer and the contractor were able to separately accept and/or reject components of the contract relating to the individual contractual services and the costs and revenues of each asset/service can be identified, the contract is segmented and revenue is separately recognized for each service/asset.

Contracts concluded by the Group in CIS countries are subject to local legislation. According to local legislation of those countries, property rights for software license are transferred to the client together with all risks and rewards resulted from ownership at the moment, when the client approves acceptance report for license thereby confirming the fact that software was actually received by customer. This usually takes place at the beginning of contract realization before the commencement of implementation phase. From the legal point of view, even if the contract is terminated due to the supplier's failure to fulfill the contract's obligation after the software acceptance report was approved by both parties, customer has no legal right to request the license return, since the software

acceptance report is the irrefutable fact that supplier had discharged his obligation in respect of this part of the contract. Therefore revenue from the sale of license is recognized at the moment of client's approval of license acceptance report, as there is no risk of license withdrawal.

Contracts concluded by the Group in other countries are subject to legislation of respective countries. Generally the business practice is that customers do not sign the formal acceptance report for license.

Also acceptance usually takes place at the beginning of contract realization before the commencement of implementation phase and is followed by the invoice for payment of bulk of license price. The revenue in such cases is recognized as the total price of license as per contract less any contractual penalties, which might be paid by the Group under limited liability provisions in contracts (usually 15-20% of the license price), upon acceptance of invoice by the customer.

Depreciation

The Group charges depreciation based on the estimated useful life of its fixed assets. These estimates are based on management's knowledge of assets and the use to which they are put. Estimates of useful lives are reviewed on an annual basis.

Allowance for doubtful receivables

The Group makes allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful debts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated and combined financial statements.

Provision of warranty claims

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the probability that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. The Group recognizes the estimated liability to repair or replace products sold still under warranty at the reporting date. This provision is calculated based on past history of the level of repairs and replacements.

Deferred tax assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from that estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

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Notes to the consolidated financial statements for the year ended 31 December 2017
(in thousands of USD unless otherwise stated)

5. Revenue

	For the year ended 31 December	
	2017	2016
Software implementation	38 267	31 810
Revenue from license sales	26 661	22 434
Revenue from software and ATM maintenance	7 934	8 735
Revenue from ATM sales	4	24
Other revenue	641	947
Total revenue	73 507	63 950

6. Cost of sales

	For the year ended 31 December	
	2017	2016
Salary remuneration and social securities	(7 824)	(7 101)
Services, provided by subcontractors	(4 265)	(3 593)
Travel expenses	(2 425)	(2 366)
Rent	(1 818)	(1 229)
Accrued expenses for unused vacation	(860)	(610)
Material costs	(539)	(693)
License royalties and software implementation	(285)	(230)
Depreciation	(269)	(6 625)
Transport expenses	(22)	(23)
Other direct expenses	(284)	(256)
Total cost of sales	(18 591)	(22 726)

7. Selling and marketing expenses

	For the year ended 31 December	
	2017	2016
Salary remuneration and social securities	(9 002)	(6 603)
Travel expenses	(5 128)	(3 865)
Forums and conferences	(1 100)	(750)
Communication	(537)	(640)
Rent	(198)	(47)
Accrued expenses for unused vacation	(79)	(7)
Advertising	(22)	(220)
Transport expenses	(14)	(10)
Other selling and marketing expenses	(846)	(818)
Total selling and marketing expenses	(16 926)	(12 960)

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Notes to the consolidated financial statements for the year ended 31 December 2017
(in thousands of USD unless otherwise stated)

8. General and administrative expenses

	For the year ended 31 December	
	2017	2016
Management services	(3 405)	(2 605)
Salary remuneration and social securities	(1 147)	(803)
Communication	(808)	(564)
Law and audit services	(769)	(510)
Depreciation	(360)	(409)
Bank services	(342)	(272)
Other professional services	(330)	(277)
Material costs	(308)	(274)
Insurance	(236)	(236)
Travel expenses	(183)	(300)
Rent	(149)	(946)
Accrued expenses for unused vacation	(44)	(17)
Other general and administrative expenses	(1 163)	(1 003)
Total general and administrative expenses	(9 244)	(8 216)

9. Other operating income/(expenses), net

	For the year ended 31 December	
	2017	2016
Change in provision for doubtful debts	(531)	(25)
Gain / (losses) of previous years	(408)	396
Write-off of (receivables) / payables	(218)	(146)
Other taxes	(182)	(140)
Bank fee	-	1
Other income / (expenses), net	(389)	(232)
Total other operating expenses, net	(1 728)	(147)

10. Interest expenses

	For the year ended 31 December	
	2017	2016
Discounting of long-term payable	(2 756)	(3 005)
Loans and borrowings	(182)	(94)
Finance lease	(5)	(15)
Total interest expenses	(2 943)	(3 114)

11. Gain / (losses) on disposal of subsidiary

In 2017, the Group sold 100% of the issued share capital in subsidiary company Service center BPC, LLC to BPC Group Holding for a cash consideration of 0.17 thousand dollars. As a result of the sale of the subsidiary in the capital, the Group recognized a loss of 172 thousand dollars as part of the item "Gain / (losses) on disposal of subsidiaries, net" of the consolidated statement of profit or loss and other comprehensive income.

In 2017, the Group liquidated the subsidiary Payment express, LLC. As a result of the liquidation, the Group recognized a gain of 5 thousand dollars. As part of the item "Gain / (losses) on disposal of subsidiaries, net" of the consolidated statement of profit or loss and other comprehensive income.

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Notes to the consolidated financial statements for the year ended 31 December 2017

(in thousands of USD unless otherwise stated)

In 2016, the Group sold 100% of the issued share capital in subsidiary company BPC, LLC to Group Holding for a cash consideration of 245 thousand dollars. As a result of the sale of the subsidiary in the capital, the Group recognized a gain of 862 thousand dollars as part of the item "Gain / (losses) on disposal of subsidiaries, net" of the consolidated income statement.

In 2016, the Group liquidated the subsidiary SmartTechnologies, LLC. As a result of the liquidation, the Group recognized a loss of 88 thousand dollars. As part of the item "Gain / (losses) on disposal of subsidiaries, net" of the consolidated statement of profit or loss and other comprehensive income.

The calculation of loss on disposal of subsidiaries in 2017 is presented below:

	As of the date of disposal
Income from the sale of Service center BPC, LLC	-
The carrying value of the net assets of Service center BPC, LLC	(172)
The carrying value of the net assets of Payment express, LLC	5
Loss on disposal of subsidiaries, net	<u>(167)</u>

The calculation of profit on disposal of subsidiaries in 2016 is presented below:

	As of the date of disposal
Income from the sale of BPC, LLC	245
The carrying value of the net assets of BPC, LLC	617
The carrying value of the net assets of SmartTechnologies, LLC	(88)
Gain on disposal of subsidiaries, net	<u>774</u>

12. Income tax expense

	For the year ended 31 December	2016
	2017	
Current tax expense	(702)	(582)
Deferred tax expense	(1 218)	(1 186)
Total income tax expense	<u>(1 920)</u>	<u>(1 768)</u>

Reconciliation between theoretical and actual income tax

	For the year ended 31 December	2016
	2017	
Profit before income tax	15 909	12 034
Income tax, calculated at applicable tax rate in Netherlands and Russian Federation 20%	(3 182)	(2 407)
Effect of non-deductible expenses and non-taxable incomes	1 262	639
Total income tax expense	<u>(1 920)</u>	<u>(1 768)</u>

Current income tax rate in the Russian Federation and the Netherlands is 20% (Singapore - 17%, Ukraine - 18%, USA -15%, Switzerland -10%, Cyprus - 12.5%). Management of the Group considers the effect of different tax rates of subsidiaries operation in other jurisdictions to be insignificant in 2017.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

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Deferred tax assets and liabilities arose on the following items of the consolidated and combined statement of financial position:

	Balance at 31 December 2017	The amount of the deferred tax income or expense recognized in profit or loss	Translation difference	Balance at 31 December 2016	The amount of the deferred tax income or expense recognized in profit or loss	Translation difference	Balance at 31 December 2015
Intangible assets	(5 467)	(2 043)	782	(4 206)	(935)	(551)	(2 720)
Property, plant and equipment	-	12	(1)	(11)	10	(21)	-
Inventories	(2)	(1)	9	(10)	1	(2)	(9)
Trade and other receivables	(626)	651	(112)	(1 165)	(496)	7	(676)
Other current assets	(24)	(42)	10	8	4	4	-
Short-term loans issued	(928)	(285)	(643)	-	-	-	-
Trade and other payables	549	494	(657)	712	229	(23)	506
Provisions	2	(4)	4	2	1	1	-
Other	(3)	-	(3)	-	-	-	-
Total deferred tax assets/ (liabilities)	(6 499)	(1 218)	(611)	(4 670)	(1 186)	(585)	(2 899)

In current Group structure tax losses and current income tax assets of Group companies cannot be set off against current income tax liabilities and taxable profit of other Group companies. So the Group does not offset deferred income tax assets and deferred income tax liabilities of different Group companies.

13. Operating lease

The Group leases mostly office premises. The operating lease agreements have similar terms and renewal options and are concluded for the period less than 1 year. Upon expiry of the agreement, the lessor has the preferential right to conclude a lease agreement for a new term.

Payments recognized as an expense:

	For the year ended 31 December	
	2017	2016
Minimum lease payments	2 165	2 222
Total lease payments	2 165	2 222

14. Intangible assets

	Licenses	Software	Other	Total
Cost at 31 December 2015	47 986	19	5	48 010
Additions	14 284	46	1	14 331
Disposals	(133)	-	-	(133)
Translation difference	(52)	10	(4)	(46)
Cost at 31 December 2016	62 085	75	2	62 162
Additions	14 723	172	-	14 895
Disposals	(6)	-	-	(6)
Translation difference	1 892	(72)	(1)	1 819
Cost at 31 December 2017	78 694	175	1	78 870
Accumulated amortization at 31 December 2015	(11 286)	(18)	(2)	(11 306)
Additions	(6 765)	(27)	-	(6 792)
Disposals	29	-	-	29
Translation difference	(699)	45	1	(653)
Accumulated amortization at 31 December 2016	(18 721)	-	(1)	(18 722)
Additions	(194)	(25)	-	(219)
Disposals	1	-	-	1
Translation difference	(385)	4	1	(380)
Accumulated amortization at 31 December 2017	(19 299)	(21)	-	(19 320)
Carrying cost at 31 December 2015	36 700	1	3	36 704
Carrying cost at 31 December 2016	43 364	75	1	43 440
Carrying cost at 31 December 2017	59 395	154	1	59 550

As part of the category of licenses accounted for Software License «SmartVista», capitalized expenditure on wages of specialists involved in the development of new components and software blocks at its base, as well as other Group license.

SmartVista is a suite of software solutions designed to meet the end to end needs of companies operating in the payments market.

In December of 2012 the Group bought two cores of SmartVista software: SmartVista Front-end, SmartVista Back-office, - and SmartVista Processing Software from the parent company Intellectual Capital Private Foundation for USD 56 850 thousand payable evenly till 31 December 2023 with the first payment before 31 December 2013. Purchase price was determined based on the appraisal report, prepared by Swiss Appraisal Russia LLC. The initial value of the license is the present value of payments to Intellectual Capital Private Foundation discounted at the average rate for long-term unsecured borrowings - 11,5%.

SmartVista software includes costs of employee benefits arising from the generation of the intangible asset (new modules for SmartVista software). In 2017, capitalized expenses amounted to USD 14 508 thousand, in 2016 - USD 10 960 thousand.

The remaining amortization period of SmartVista software was 6 years as at December 31, 2016. The Group changed estimates of judgments in respect of SmartVista software and the useful life became uncertain beginning January 1, 2017.

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15. Property, plant and equipment

	Machinery and equipment	Vehicles	Office equipment	Other PPE	Total
Cost at 31 December 2015	453	154	684	407	1 698
Additions	50	-	395	13	458
Disposals	-	-	(17)	(219)	(236)
Translation difference	21	(1)	(106)	(179)	(265)
Cost at 31 December 2016	524	153	956	22	1 655
Additions	54	28	254	-	336
Disposals	-	(29)	(8)	(4)	(41)
Translation difference	42	-	63	1	106
Cost at 31 December 2017	620	152	1 265	19	2 056
Accumulated amortization at 1 January 2016	(293)	(132)	(424)	(35)	(884)
Amortization for the year	(49)	(22)	(158)	(13)	(242)
Disposals	-	-	-	-	-
Translation difference	(10)	5	195	33	224
Accumulated amortization at 31 December 2016	(352)	(149)	(387)	(15)	(903)
Amortization for the year	(128)	(9)	(270)	(3)	(410)
Disposals	-	30	18	2	50
Translation difference	(32)	(7)	(37)	(1)	(77)
Accumulated amortization at 31 December 2017	(512)	(135)	(676)	(17)	(1 340)
Carrying amount at 1 January 2015	160	23	259	372	814
Carrying amount 31 December 2016	172	4	569	7	752
Carrying amount 31 December 2017	108	17	589	2	716
Including net book value of PPE received under lease contracts					
1 January 2017	143	-	-	-	143
31 December 2017	36	-	-	-	36

Property, plant and equipment were not pledged as at 31 December 2017 and 2016.

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*(in thousands of USD unless otherwise stated)***16. Short - and long-term loans issued**

	As at 31 December	
	2017	2016
Loans issued to related parties	4 400	3 053
Loans issued to third parties	554	
Loans issued to management	78	98
Loans issued to employees	33	-
Total loans issued	5 065	3 151
Long-term loans issued	251	186
Short-term loans issued	4 814	2 965
Total loans issued	5 065	3 151

The fair values of these loans do not differ significantly from its carrying amounts.

17. Inventories

	As at 31 December	
	2017	2016
Work in process	228	115
ATMs and supplies	55	375
Other inventories	16	50
Total inventories	299	540
Impairment to net realizable value	-	-
Total inventories less impairment to net realizable value	299	540

18. Trade and other receivables and advances given

	As at 31 December	
	2017	2016
Trade receivables	23 809	20 982
Trade receivables from related parties	109	674
Other receivables from third parties	931	613
Tax receivables	714	633
Receivables from discontinued operations or disposal groups (IFRS 5)	-	245
Total trade and other receivables	25 563	23 147
Bad debt allowance	(598)	(23)
Total trade and other receivables net of bad debt allowance	24 965	23 124

Advances given

	As at 31 December	
	2017	2016
Advances given to third parties	1 956	1 520
Advances given related parties	36	219
Total advances given	1 992	1 739
Bad debt allowance	(841)	(804)
Total advances given net of bad debt allowance	1 151	935

The fair values of these receivables do not differ significantly from its carrying amounts.

Bad debt allowance

	As at 31 December	
	2017	2016
Opening balance	(827)	(946)
Increase in bad debt allowance	(534)	(42)
Translation differences	(78)	161
Closing balance	(1 439)	(827)

All receivables are to be settled within 12 months after reporting date.

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset any amounts owed by the Group to the counterparty with amounts owed to the Group.

The Group has recognized an allowance for doubtful debts of 100% against all receivables past due over 365 days because historical experience has been that receivables which are past due beyond 365 days are not recoverable.

19. Cash and cash equivalents

	As at 31 December	
	2017	2016
Current bank accounts (US Dollars)	3 982	1 771
Current bank accounts (Russian Rubles)	3 049	3 215
Current bank accounts (Euro)	2 437	23
Current bank accounts (Other currency)	269	13
Current bank accounts (Ukrainian Hryvnas)	253	234
Current bank accounts (Singaporean Dollars)	87	94
Other cash and cash equivalence	71	145
Current bank accounts (Vietnamese Dongs)	8	-
Total cash and cash equivalents	10 156	5 495

Cash and cash equivalents of the Group are mainly held in following banks:

	Moody's	Fitch rating
JSC Avangard	B2	-
Citibank	-	BBB-
Sberbank	Ba2	BBB-
ING Bank	Ba2	BBB-

20. Capital and reserves

Share capital of BPC BT HOLDING LTD comprises of 1 010 ordinary shares with par value EUR 1, which were paid by BPC GROUP HOLDING LTD.

In 2017 and 2016, there were no changes in the capital.

21. Short-term loans and borrowings

	As at 31 December	
	2017	2016
Borrowings from third parties	617	1 328
Loans received from related parties	155	704
Total short-term loans and borrowings	772	2 032

The fair values of loans and borrowings received do not differ significantly from its carrying amounts.

22. Trade and other payables, advances received**Trade and other payables**

	As at 31 December	
	2017	2016
Trade payables to related parties	28 480	30 588
Payables to employees	6 050	2 568
Trade payables to third parties	1 756	1 231
Tax payables	950	798
Other accounts payable	564	146
Total trade and other payables	37 800	35 331
Long-term trade and other payables	16 918	19 330
Short-term trade and other payables	20 882	16 001
Total trade and other payables	37 800	35 331

Trade payables to related parties include short-term and long-term liabilities for purchase of the SmartVista software in amount of USD 11 262 and USD 16 918 as at 31 December 2017 and USD 10 911 and USD 19 330 as at 31 December 2016.

The fair values of these payables do not differ significantly from its carrying amounts.

Advances received

	As at 31 December	
	2017	2016
Advances received from third parties	8 418	3 098
Total advances received	8 418	3 098

23. Provisions**Provisions for warranty service**

	2017	2016
Opening balance	-	20
Charged to profit or loss	-	(22)
Translation differences	-	2
Closing balance	-	-

24. Finance lease payables

2017	Minimum lease payments	Interest expenses	Present value of minimum lease payments
Less than 1 year	-	-	-
	-	-	-
2016	Minimum lease payments	Interest expenses	Present value of minimum lease payments
Less than 1 year	125	5	120
	125	5	120

The Group did not conclude sublease agreements in the reporting and prior periods.

Under finance leases, the Group acquired program hardware system and cars. The term of the lease agreements did not exceed 3 years.

25. Financial instruments

Categories of financial instruments

	As at 31 December	
	2017	2016
Financial assets - loans and receivables		
Loans issued	5 065	3 151
Trade and other receivables less tax receivables	24 251	22 491
Financial assets - cash and cash equivalents		
Cash and cash equivalents	10 156	5 495
Total financial assets	39 472	31 137
Financial liabilities - carried at amortized cost		
Short-term loans and borrowings	772	2 032
Finance lease payables	-	120
Trade and other payables less tax payables	36 850	34 533
Total financial liabilities	37 622	36 685

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt (borrowings and financial lease payable as detailed in Notes 21 and 24 offset by cash and bank balances disclosed in Note 19) and equity (comprising issued capital, translation reserve and retained earnings). The Group finances its business by equity and at all reporting dates the Group's cash exceeded its debt.

The Group is not subject to any externally imposed capital requirements. Management reviews the capital structure of the Group on annual basis.

BPC BT HOLDING LTD**Notes to the consolidated financial statements for the year ended 31 December 2017***(in thousands of USD unless otherwise stated)*

The ratio of net debt to equity of the Group on reporting dates was as follows:

	As at 31 December	
	2017	2016
Short-term loans and borrowings	772	2 032
Finance lease payables	-	120
Cash and cash equivalents	(10 156)	(5 495)
Net debt	<u>(9 384)</u>	<u>(3 343)</u>
Capital and reserve	47 568	32 080
Total capital involved	<u>47 568</u>	<u>32 080</u>
The ratio of net debt to capital involved, %	n/a	n/a

Financial risk management

The Company's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. On the whole, the Company's risk management system focuses on unpredictability of financial markets and is aimed to minimize its potential negative impact on the Company's financial results.

Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's overall strategy is to reduce the foreign exchange risk arising from currencies other than functional. Besides, the Company does not use forward currency contracts.

Financial assets and financial liabilities of the Group companies are denominated in US dollars, Euro, Russian ruble, Ukrainian hryvna, Vietnamese Dong, Singapore dollars, but for the purpose of currency risk management monitors rate changes only to the Russian Ruble, US Dollar and Euro.

Below are the financial assets and liabilities are denominated in Russian rubles, US dollars and Euro, as well as the effect of increasing and decreasing the data exchange rates of 20% on the total income of the Group.

	RUR	USD	EURO
Total financial assets at 31.12.2017	16 266	21 059	3 387
Long-term loans issued	33	-	218
Short-term loans issued	4 438	-	376
Trade and other receivables	7 774	16 190	760
Advances given	465	491	183
Cash and cash equivalents	3 556	4 378	1 850
Total financial liabilities at 31.12.2017	(8 432)	(37 456)	(757)
Long-term trade and other payables	-	(16 918)	-
Short-term loans and borrowings	(472)	-	(300)
Trade and other payables	(6 319)	(14 246)	(100)
Advances received	(1 641)	(6 292)	(357)
Net financial assets (liabilities) on 31.12.2017	<u>7 834</u>	<u>(16 397)</u>	<u>2 630</u>
Effect of exchange rate on income: increasing the rate at 20 %	1 253	(2 624)	421
Effect of exchange rate on income: decrease the rate at 20 %	<u>(1 253)</u>	<u>2 624</u>	<u>(421)</u>

Interest rate risk

The Group's exposure to interest rate risk is not significant considering the low level of loans and borrowing and fixed interest rate for that debt.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial assets, on which the Company potentially assumes credit risk, are mainly represented by trade receivables, cash and cash equivalents and loans issued.

	As at 31 December	
	2017	2016
Cash and cash equivalents	10 156	5 495
Trade and other receivables less tax receivables	24 251	22 491
Loans issued	5 065	3 151
Total financial assets exposed to credit risk	39 472	31 137

Credit risks relating to accounts receivable are regularly reviewed to establish whether creation of a bad debt allowance is necessary. Net receivables, less bad debt allowance, is the maximum amount exposed to credit risk. There were no receivables past due but not impaired.

Although collection of receivables is influenced by economic factors, management believes that a significant risk of loss to the Company beyond the allowance for impairment of receivables is minimal as goods are sold and services are provided to customers with appropriate credit history. The Company's management does not question the solvency of the majority of its customers.

The Company does not issue or hold financial instruments for hedging or trading purposes. The Company's receivables are not secured. The Company has no material concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset recognized in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Company will not be able in certain circumstances to settle all its liabilities when they fall due.

Prudent liquidity risk management includes maintaining sufficient cash and availability of funding from an adequate amount of committed credit resources. The Company maintains flexibility in funding by borrowing from related parties.

The Company uses cash flow budgeting and forecasting procedures to make sure that it has sufficient cash available to meet its obligations in due time.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Period to maturity analysis

	Carrying amount	Nominal value	Less than 6 months	6 months to year	1-5 years	5+ years
31 December 2017						
Non interest bearing						
Trade and other payables less tax payables	36 850	39 129	2 952	10 336	20 673	5 168
Interest bearing						
Loans and borrowings received	772	772	772	-	-	-
Total financial liabilities	37 622	39 901	3 724	10 336	20 673	5 168
31 December 2016						

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	Carrying amount	Nominal value	Less than 6 months	6 months to year	1-5 years	5+ years
Non interest bearing						
Trade and other payables						
less tax payables	34 533	43 313	1 968	10 336	20 673	10 336
Interest bearing						
Finance lease	120	125	62	63	-	-
Loans and borrowings received	2 032	2 032	2 032	-	-	-
Total financial liabilities	36 685	45 470	4 062	10 399	20 673	10 336

26. Geographical information

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of the Group performance focuses on geographical areas of operations. The Group's reportable geographical areas are as follows:

- Europe - The Netherlands, Switzerland, Cyprus,
- CIS - Russia, Ukraine,
- Asia - Vietnam, Philippines, India, Sri Lanka, Singapore and UAE,
- USA,
- Africa - Republic of South Africa.

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Comparative information for the year ended 31 December 2017:

	Europe	CIS	Asia	USA	Africa	Intersegment	Total
Revenue	39 870	64 737	24 565	269	1 048	(56 982)	73 507
Cost of sales	(20 972)	(40 587)	(13 466)	(2)	(546)	56 982	(18 591)
Gross profit margin	18 898	24 150	11 099	267	502	-	54 916
Research and development	(1 154)	(5 592)	(756)	-	(60)	-	(7 562)
Selling and marketing expenses	(6 845)	(2 153)	(7 331)	(363)	(246)	-	(16 938)
General and administrative expenses	(1 677)	(6 205)	(1 282)	(54)	(14)	-	(9 232)
Other operating income/(expenses)	(327)	(1 410)	25	-	(16)	-	(1 728)
Operating profit	8 895	8 790	1 755	(150)	166	-	19 456
Net foreign exchange gain/(loss)	196	(964)	(22)	-	5	-	(785)

Comparative information for the year ended 31 December 2016:

	Europe	CIS	Asia	USA	Africa	Intersegment	Total
Revenue	37 252	51 747	20 010	383	371	(45 813)	63 950
Cost of sales	(25 644)	(32 346)	(10 295)	(49)	(205)	45 813	(22 726)
Gross profit margin	11 608	19 401	9 715	334	166	-	41 224
Research and development	(610)	(4 543)	(411)	(11)	(32)	-	(5 607)
Selling and marketing expenses	(4 664)	(1 608)	(6 469)	(196)	(23)	-	(12 960)
General and administrative expenses	(1 313)	(5 817)	(953)	(54)	(78)	-	(8 215)
Other operating income/(expenses)	89	(373)	88	48	-	-	(148)
Operating profit	5 110	7 060	1 970	121	33	-	14 294
Net foreign exchange gain/(loss)	(277)	317	(54)	-	5	-	(9)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Note 3. Operating profit for each segment is the measure reported to chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

27. Related party transactions

Balances and transactions between the entities, the consolidated and combined financial statements of which are consolidated and combined and which are related individually have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

Sale of goods and rendering of services

Related parties	Nature of related parties relationship	For the year ended 31 December	
		2017	2016
BPC Engineering, LLC	Under common control	-	173
BPC, LLC managing company	Under common control	-	227
BPC Chemical Technologies, LLC	Under common control	-	7
Chemical Technologies, LLC	Under common control	-	5
Total sales to related parties		-	412

Purchases

Related parties	Nature of related parties relationship	For the year ended 31 December	
		2017	2016
BPC, LLC managing company	Under common control	3 321	2 542
BPC Engineering, LLC	Under common control	18	-
Total purchases from related parties		3 339	2 542

Other transactions

Transaction	For the year ended 31 December	
	2017	2016
Finance expenses	(36)	(18)
Finance income	337	85
Total other transactions, net	301	67

Balances with related parties

Account	For the year ended 31 December	
	2017	2016
Trade and other payables (Note 22)	(28 480)	(30 588)
Trade and other receivables (Note 18)	109	674
Loans issued to related parties (Note 16)	4 400	3 053
Loans issued to management (Note 16)	78	98
Loans received from related parties (Note 21)	(155)	(704)
Advances given (Note 18)	36	219
Total balances with related parties	(24 012)	(27 248)

Remuneration of key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	For the year ended 31 December	
	2017	2016
Payroll and social taxes	3 950	3 030

28. Contingent liabilities**Business conditions and operating environment**

The Group, headquartered in Switzerland, has established a growing network of R&D and sales offices in countries all over the world: namely, Netherlands, Philippines, Republic of South Africa, Russia, Singapore, Switzerland, UAE, Ukraine, United States of America, Vietnam and other countries.

The continued world economic crisis results in instability of prices on energy supplies, capital markets, marked decline in liquidity in banking sector and less flexible lending conditions in CIS countries. Despite the fact that CIS countries proposed a wide range of stabilizing measures, which are aimed to maintain the liquidity and support the debt refinancing of CIS countries banks and companies, there remains an uncertainty in respect of access to capital and cost of capital for the Group and its counterparties that can affect the Group's financial position, its operations and business prospects.

Part of the Group's activities is held in Russian Federation, economy of which has faced some problems. Namely, starting from March 2014 the US and EU imposed a set of sanctions against some Russian officials, businessmen and companies. In return Russian Federation imposed a set of countersanctions against US and EU.

Management is unable to reliably determine the effects of any further deterioration in the Group's operating environment on the Group's future financial position and operating activities as a result of this situation. However, management of the Group believes that considering network of the Group's companies and international character of its activities this situation might have no significant influence on the Group's further financial performance and the sustainability and growth of the Group's business in the circumstances.

Lawsuits

As at 31 December 2017 and the date of the consolidated financial statements, the Group is not involved in lawsuits which could have any material impact on its consolidated financial statements.

Insurance

In the ordinary course of business the Group does not have any insurance covering its risks which could have an impact on the business of the Group and its financial position.

Tax legislation

Switzerland's tax system operates mostly on the cantonal level. The top effective federal income tax rate is 11.5 percent, and the combined rate can be over 40 percent. The federal corporate tax rate is 8.5 percent, but the combined rate can reach 24 percent. The tax burden is equal to 28.2 percent of the economy, and public expenditures are equivalent to 34.1 percent of domestic production.

The Netherlands' top individual income tax rate is 52 percent, and its top corporate tax rate is 25 percent. Other taxes include a value-added tax, environmental taxes, and inheritance taxes. Overall tax revenue equals 38.6 percent of domestic income, and government expenditures equal 50.4 percent of domestic output.

The Singapore's top individual income tax rate is 20 percent, and the top corporate tax rate is 17 percent. Other taxes include a value-added tax and a tax on property. The overall tax burden equals 14 percent of domestic production. Government expenditures are equivalent to 14.4 percent of the domestic economy.

The tax system of Russia is developing at the moment. Tax legislation changes often, official statements of legislative authorities may contain vague and contradictory points and may be interpreted differently by tax authorities. Calculation of taxes can be audited by tax authorities who, in accordance with legislation, are able to impose penalties on taxpayers. Tax authorities may audit calculation of taxes for the period of three years preceding current year, although in some cases this period can be increased.

Recent events indicate that tax authorities have begun to take more strict position toward compliance of tax payers with tax legislation. Due to all this facts tax risks in Russia may be much higher than in other countries.

Cyprus tax legislation is subject to varying interpretations. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the income tax authorities and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open for review by the taxation authorities in respect of taxes for the six calendar years preceding the year of review. Under certain periods reviews may cover longer periods.

In accordance with their interpretation of tax legislation, official statements of authorities and court decisions management of a company might presume that all tax liabilities are calculated and accrued correctly. At the same time tax authorities may have another interpretation of tax legislation, official statements of authorities and court decisions and in case they are able to insist on using of their interpretation it may significantly influence consolidated statement of financial position and consolidated statement of comprehensive income in accordance with IFRS.

29. Commitments for expenditures

There were no significant commitments for acquisition of property, plant and equipment as at 31 December 2017.

30. Events after reporting period

There were no significant events after the balance sheet date and before the date of approval of these consolidated financial statements was not.

Independent auditor's report on pages 7 and 9