

15.1 Change in impairment losses on receivables

	2018	2017
At beginning of period	104.2	165.3
Recognised	13.6	7.5
Used	(4.4)	(64.7)
Reversed	(3.5)	(3.9)
At end of period	109.9	104.2

Recognition included PLN 11.7m in respect of the principal amount (2017: PLN 6.9m) and PLN 1.9m in respect of interest (2017: PLN 0.6m).

Reversal included PLN 1.9m in respect of the principal amount (2017: PLN 3.5m) and PLN 1.6m in respect of interest (2017: PLN 0.4m).

In 2018, the Group recognised and reversed impairment losses on the principal portion of receivables under other expenses, in the amount of PLN 6.4m, including: PLN 8.3m under recognised impairment losses and PLN 1.9m under reversed impairment losses (see Note 9.4).

In 2017, the Group recognised and reversed impairment losses on the principal portion of receivables under other expenses, in the amount of PLN 2.0m, including: PLN 5.5m under recognised impairment losses and PLN 3.5m under reversed impairment losses (see Note 9.4).

Ageing of unimpaired past due receivables:	December 31st 2018	December 31st 2017
Up to 1 month	45.0	34.1
From 1 to 3 months	4.1	1.9
From 3 to 6 months	10.9	0.7
From 6 months to 1 year	10.5	0.2
Over 1 year	2.6	2.8
Total	73.1	39.7

No impairment losses were recognised on past due receivables, because they are secured against credit risk with a mortgage, pledge, insurance policy, bank guarantee or surety.

As at December 31st 2018, the share of trade receivables from the Group's five largest customers as at the end of the reporting period was 19% (December 31st 2017: 48%) of total trade receivables (individually: 0%–7%). In the Group's opinion, with the exception of receivables from the above-mentioned customers, there is no material concentration of credit risk. The Group's maximum exposure to credit risk as at the end of the reporting period is best represented by the carrying amounts of those instruments.

15.2 Finance lease receivables

The Group has developed and operates the "LOTOS Family" Franchise Programme, which defines the procedures for managing service stations. The Group has entered into franchise agreements with entities operating service stations at their own risk and for their own account (Partners). Receivables under franchise agreements represent mainly expenditure on the design of DOFO service stations operated by dealers under agreements executed for periods from 5 to 10 years.

	Minimum lease payments		Present value of minimum lease payments	
	December 31st 2018	December 31st 2017	December 31st 2018	December 31st 2017
Up to 1 year	6.7	7.2	6.6	7.1
From 1 to 5 years	9.1	12.9	9.1	12.8
Total	15.8	20.1	15.7	19.9
Less unrealised finance income	(0.1)	(0.2)	-	-
Present value of minimum lease payments	15.7	19.9	15.7	19.9
including:				
non-current			9.1	12.8
current			6.6	7.1

16. Inventories

	December 31st 2018	December 31st 2017
Finished goods	1,382.4	903.3
Semi-finished products and work in progress	550.1	488.7
Merchandise	165.8	133.6
Materials	2,750.6	2,034.0
Total	4,848.9	3,559.6
including inventories measured at:		
cost	4,837.2	3,553.0
net realisable value	11.7	6.6

Inventories are measured at the lower of cost or cost less write-downs to net realisable value less cost to sell.

As at December 31st 2018, inventories securing liabilities under bank borrowings were valued at PLN 4,108.7m (December 31st 2017: PLN 3,165.9m).

16.1 Change in inventory write-downs

	2018	2017
At beginning of period	4.0	2.1
Recognised	8.0	11.4
Used	(0.2)	(0.1)
Reversed	(3.1)	(9.4)
At end of period	8.7	4.0

The effect of revaluation of inventories is taken to cost of sales.

17. Cash and cash equivalents

	Note	December 31st 2018	December 31st 2017
Cash and cash equivalents in the statement of financial position	26.1	1,941.3	1,920.7
Overdraft facilities		(3.0)	(0.1)
Total cash and cash equivalents in the statement of cash flows		1,938.3	1,920.6

Cash at banks bears interest at variable rates linked to short-term interest rates prevailing on the interbank market. Short-term deposits are placed for a range of maturities, from one day to one month, depending on the Group's current cash needs, and bear interest at interest rates set for them.

As at December 31st 2018, the amount of undrawn funds available to the Group under working capital facilities in respect of which all conditions precedent had been fulfilled was PLN 936.4m (December 31st 2017: PLN 891.3m).

In July 2018, the Group began using the VAT split payment mechanism. As at December 31st 2018, the cash balance in VAT accounts was PLN 83.3m.

As at December 31st 2018, cash in bank accounts serving as security for the Group's liabilities was PLN 412.2m (December 31st 2017: PLN 302.2m).

18. Share capital

	December 31st 2018	December 31st 2017
Series A shares	78.7	78.7
Series B shares	35.0	35.0
Series C shares	16.2	16.2
Series D shares	55.0	55.0
Total	184.9	184.9

As at December 31st 2018 and December 31st 2017, the share capital comprised 184,873,362 ordinary shares, fully paid-up, with a par value of PLN 1 per share. Each share confers the right to one vote at the General Meeting and carries the right to dividend.

19. Share premium

Share premium represents the excess of the issue price over the par value of Series B, C and D shares, net of costs directly attributable to the share issue.

	Series B	Series C	Series D	Total
Share premium	980.0	340.8	940.5	2,261.3
Costs directly attributable to the share issue	(9.0)	(0.4)	(23.6)	(33.0)
Total	971.0	340.4	916.9	2,228.3

20. Cash flow hedging reserve

Cash flow hedging reserve comprises changes in the valuation of foreign-currency bank borrowings used as cash flow hedges for USD-denominated sales, less the effect of deferred income tax.

Changes in the fair value of derivative financial instruments designated as cash flow hedges are charged to the cash flow hedging reserve to the extent they represent an effective hedge, while the ineffective portion is charged to finance income or costs in the reporting period.

	Note	2018	2017
At beginning of period		(225.2)	(812.8)
Valuation of cash flow hedging instruments	26.2	(77.8)	725.4
- effective portion		(78.7)	724.7
- ineffective portion		0.9	0.7
Income tax on valuation of cash flow hedging instruments	10.1	14.8	(137.8)
At end of period		(288.2)	(225.2)