# ROS AGRO PLC
# Parent company financial statements and Independent Auditor’s Report

**31 December 2014**

# Contents



Notes to the financial statements

## Board of Directors and other officers

**Mr. Richard Smyth**
*Chairman of the Board of Directors*
*Non-executive Director*

**Mr. Anastassios Televantides**
*Chairman of the Audit Committee*
*Non-executive Director*

**Mrs. Natalia Bykovskaya**
*Member of the Audit Committee*
*Executive Director*
*Deputy CEO of LLC Group of Companies Rusagro*

**Mrs. Ganna Khomenko**
*Member of the Audit Committee*
*Non-executive Director*

**Mr. Maxim Basov**
*Executive Director*
*Chief Executive Officer of OJSC Rusagro Group and LLC Group of Companies Rusagro*

## Board support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures.

## Company Secretary

Fiduciana Secretaries Limited
8 Mykinon
CY-1065, Nicosia
Cyprus.

## Registered office

8 Mykinon
CY-1065, Nicosia
Cyprus.

1 The Board of Directors presents its report together with the audited parent company financial statements of ROS AGRO PLC (hereafter also referred as the "Company") for the year ended 31 December 2014. The parent company financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

### Principal activities

2 The Company's principal activity, which is unchanged from last year, is the holding of investments.

### Review of developments, position and performance of the Company's business

3 The profit of the Company for the year ended 31 December 2014 was RR 8,701,511 thousand (2013: RR 2,282,578 thousand), arising primarily from dividend income. On 31 December 2014 the total assets of the Company were RR 24,226,378 thousand (2013: RR 14,027,858 thousand) and the net assets were RR 19,288,244 thousand (2013: RR 13,576,372 thousand). The financial position, development and performance of the Company as presented in these parent company financial statements are considered satisfactory.

### Principal risks and uncertainties

4 The Company`s financial risks are disclosed in Note 3 to the parent company financial statements.

5 The Company`s contingencies are disclosed in Note 19 to the parent company financial statements.

### Future developments of the Company

6 The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

### Results

7 The Company's results for the year are set out on page 8.

### Dividends

8 Pursuant to its Articles of Association the Company may pay dividends out of its profits. In August 2013 the Board of Directors has approved a new dividend policy with payout ratio of at least 25% of the Group's profit for the year applicable starting from the year ended 31 December 2013. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement.

9 The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company`s subsidiaries is restricted to the total accumulated retained earnings of the relevant subsidiary, determined according to the Russian law.

10 In 2014 the Company declared and distributed RR 1,000,000 thousand of dividends for the year 2013 and RR 2,000,029 thousand of interim dividends for the first half of 2014. Given the Company owns 2,212,648 of its own GDRs (5 GDRs represent 1 share) which are excluded from dividend distribution the dividends for 2013 amounted to RR 42.45 per share and interim dividends for 2014 amounted to RR 84.90 per share.

There were no dividends announced and paid during the year ended 31 December 2013.

11 The Board of Directors recommends the payment of dividends for the year 2014 amounting to RR 5,063,256 thousand. Given the Company has already paid interim dividends for the first half of 2014, with a total pay-out RR 2,000,029 thousand, the distributed amount is RR 3,063,227 thousand. Given the Company owns 2,212,648 of its own GDRs, which will be excluded from dividend distribution, the dividend will be RR 130.03 per ordinary share (the equivalent USD 2.35 per ordinary share based on the CBRF rate 55.3328 as of 8 April 2015). The proposed dividend is subject to approval by the shareholders at the Annual General Meeting. These parent company financial statements do not reflect the dividends that have not been approved on the reporting date.

**Share capital**

12 All changes in the share capital of the Company are disclosed in the Note 15 to the parent company financial statements.

**The Role of the Board of Directors**

13 The Company is governed by its Board of Directors (hereafter also referred as “the Board”) which is collectively responsible to the shareholders for the successful performance of the Company.

14 The Board sets corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and reviewing management performance. The Board of Directors sets the Company’s values and standards and ensures all obligations to shareholders are understood and met. The Board believes it maintains a sound system of internal control to safeguard the Company’s assets and shareholders’ investments in the Company.

**Members of the Board of Directors**

15 The members of the Board of Directors at 31 December 2014 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year ended 31 December 2014.

16 In accordance with the Company’s Articles of Association, one third of the Directors shall retire by rotation and seek re-election at each Annual General Meeting.

**Directors’ Interests**

17 The Directors Mrs. Natalia Bykovskaya, Mr. Maxim Basov, Mr. Richard Smyth and Mr. Anastassios Televantides held interest in the Company as at 31 December 2014.

18 Mrs. Natalia Bykovskaya has no direct interest in the Company as at 31 December 2014 (31 December 2013: none). The number of shares held indirectly through her family relationship with Mr. Vadim Moshkovich as at 31 December 2014 is 17,999,996 (31 December 2013: 17,999,996).

19 The number of shares directly held by Mr. Maxim Basov as at 31 December 2014 is 1,459,904 (31 December 2013: none). As at 31 December 2014 there were no shares held by Mr. Maxim Basov indirectly. As at 31 December 2013 the number of shares held indirectly (through an entity controlled by Mr. Maxim Basov) amounted to 1,165,458.

20 The number of shares directly held by Mr. Richard Smyth as at 31 December 2014 is 6,000 (31 December 2013: 6,000).

21 The number of shares directly held by Mr. Anastassios Televantides as at 31 December 2014 is 2,000 (31 December 2013: 2,000).

**Audit Committee**

22 The Board of Directors has established an Audit Committee. The Audit Committee is primarily responsible for (i) ensuring the integrity of our financial statements, (ii) ensuring our compliance with legal and regulatory requirements, (iii) evaluating our internal control and risk management procedures, (iv) assuring the qualification and independence of our independent auditors and overseeing the audit process and (v) resolving matters arising during the course of audits and coordinating internal audit functions. The Audit Committee consists of three members appointed by the Board of Directors. The current members are Mr. Anastassios Televantides (Chairman), Mrs. Natalia Bykovskaya and Mrs. Ganna Khomenko.

**Corporate Governance**

23 Since 2011, the Company adopted the following codes: Code of Conduct on insider information and Code of Business Conduct and Ethics (the “Codes”). In addition, since May 2014 the Company together with its subsidiaries and affiliates adopted a new edition of the Codes for mandatory compliance by all employees.

**Events after the balance sheet date**

24 The material post balance sheet events are disclosed in Note 21 of the parent company financial statements.

**Branches**

25 The Company did not operate through any branches during the year ended 31 December 2014.

**Treasury shares**

26 On 25 August 2011 the Board unanimously resolved that it is in the best interest of the Company to buy back GDRs from the market for the total amount of up to US$10m increased to up to US$30m via subsequent Board's decision on 17 July 2012. During 2014, the Company acquired 0.20m GDRs from the market for a cost of RR 44,033 thousand representing 0.17% of its issued share capital. In 2013 the Company did not buy back its own GDRs from the market. As at 31 December 2014, the Company has totally acquired 2.21m GDRs (31 December 2013: 2.01m GDRs) from the market for a total cost of RR 505,880 thousand (31 December 2013: RR 461,847 thousand) representing 1.84% of its issued share capital (31 December 2013: 1.68%).

**Going Concern**

27 Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Company’s budget for 2014, including cash flows and borrowing facilities, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

**Independent Auditors**

28 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. The appointment of the Auditors will be approved at the Annual General Meeting.

**By Order of the Board**

**Richard Smyth**
**Chairman of the Board of Directors**

Nicosia
8 April 2015

1 The Company's Board of Directors is responsible for preparation and fair presentation of these parent company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

2 This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

3 Each of the Directors confirms to the best of his or her knowledge that these parent company financial statements (which are presented on pages 8 to 32) have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

**By Order of the Board**

**Richard Smyth**
**Chairman of the Board of Directors**

Nicosia
8 April 2015

# Independent Auditor's Report
## To the Members of ROS AGRO PLC

### Report on the financial statements

We have audited the accompanying financial statements of parent company ROS AGRO PLC (the "Company"), which comprise the balance sheet as at 31 December 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Board of Directors' responsibility for the financial statements*

The Board of Directors is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of parent company ROS AGRO PLC as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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*P O Box 53034, CY-3300 Limassol, Cyprus*
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## Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

## 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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The opinion in that report is not qualified.

Yiangos Kaponides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 8 April 2015

| | Notes | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|---|
| Interest income | 4 | 255,255 | - |
| Interest expense | 20 | (205,620) | - |
| **Net interest income** | | **49,635** | **-** |
| Losses less gains from bonds held for trading | 14 | (1,397,230) | - |
| Dividend income | 20 | 10,946,948 | 2,335,729 |
| Administrative expenses | 6 | (28,945) | (21,028) |
| Other operating losses – net | 5 | (658,347) | (269) |
| **Operating profit/loss** | | **8,912,061** | **2,314,432** |
| Finance costs-net | 7 | - | (31,854) |
| **Profit before tax** | | **8,912,061** | **2,282,578** |
| Income tax expense | 8 | (210,550) | - |
| **Profit for the year** | | **8,701,511** | **2,282,578** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **8,701,511** | **2,282,578** |

The notes on pages 12 to 32 are an integral part of these parent company financial statements.

| | Notes | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 13 | 11,746,407 | 11,691,984 |
| **Total non-current assets** | | **11,746,407** | **11,691,984** |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | 14 | 6,684,189 | - |
| Trade and other receivables | 11 | 441,782 | 2,335,736 |
| Cash and cash equivalents | 12 | 5,354,000 | 138 |
| **Total current assets** | | **12,479,971** | **2,335,874** |
| **Total assets** | | **24,226,378** | **14,027,858** |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | 15 | 9,734 | 9,734 |
| Share premium | 15 | 10,565,973 | 10,565,973 |
| Treasury shares | 15 | (505,880) | (461,847) |
| Other reserves | 16 | 1,274,926 | 1,220,503 |
| Retained earnings/(accumulated losses) | | 7,943,491 | 2,242,009 |
| **Total equity** | | **19,288,244** | **13,576,372** |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 8,761 | 8,370 |
| Borrowings | 17 | 4,929,373 | 443,116 |
| **Total current liabilities** | | **4,938,134** | **451,486** |
| **Total equity and liabilities** | | **24,226,378** | **14,027,858** |

On 8 April 2015, the Board of Directors of ROS AGRO PLC authorised these parent company financial statements for issue.

**Richard Smyth**
**Director**

**Maxim Basov**
**Director**

The notes on pages 12 to 32 are an integral part of these parent company financial statements.

| | Notes | Share capital | Share premium | Other reserves | Retained earnings/ (accumulated losses) (1) | Treasury shares | Total |
|---|---|---|---|---|---|---|---|
| **1 January 2013** | | **9,734** | **10,565,973** | **1,042,223** | **(40,569)** | **(461,847)** | **11,115,514** |
| **Comprehensive income** | | | | | | | |
| Profit for the year | | - | - | - | 2,282,578 | - | **2,282,578** |
| Total comprehensive income for the year 2013 | | - | - | - | 2,282,578 | - | **2,282,578** |
| **Transactions with owners** | | | | | | | |
| Share based remuneration for services provided to subsidiaries | 20 | - | - | 178,280 | - | - | **178,280** |
| Total transactions with owners | | - | - | 178,280 | - | - | **178,280** |
| **Balance at 31 December 2013/1 January 2014** | | **9,734** | **10,565,973** | **1,220,503** | **2,242,009** | **(461,847)** | **13,576,372** |
| **Comprehensive income** | | | | | | | |
| Profit for the year | | - | - | - | 8,701,511 | - | **8,701,511** |
| Total comprehensive income for the year 2014 | | - | - | - | 8,701,511 | - | **8,701,511** |
| **Transactions with owners** | | | | | | | |
| Purchases of treasury shares | 15 | **-** | **-** | **-** | **-** | (44,033) | **(44,033)** |
| Dividends (2) | | **-** | **-** | **-** | (3,000,029) | | **(3,000,029)** |
| Share based remuneration for services provided to subsidiaries | 20 | - | - | 54,423 | - | - | **54,423** |
| Total transactions with owners | | - | - | 54,423 | (3,000,029) | (44,033) | **(2,989,639)** |
| **Balance at 31 December 2014** | | **9,734** | **10,565,973** | **1,274,926** | **7,943,491** | **(505,880)** | **19,288,244** |

(1) The only reserve which is available for distribution in the form of dividends to the Company's shareholders is retained earnings.

(2) In 2014 the Company declared and distributed RR 1,000,000 thousand of dividends for the year 2013 and RR 2,000,029 thousand of interim dividends for the first half of 2014. Given the Company owns 2,212,648 of its own GDRs (5 GDRs represent 1 share) which are excluded from dividend distribution the dividends for 2013 amounted to RR 42.45 per share and interim dividends for 2014 amounted to RR 84.90 per share.

The notes on pages 12 to 32 are an integral part of these parent company financial statements.

| . | Notes | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 8,912,061 | 2,282,578 |
| Adjustments for: | | | |
| Dividend income not received in cash | | (6,946,960) | (2,335,729) |
| Net foreign exchange losses | | 658,347 | 31,500 |
| Interest expense not paid in cash | 20 | 205,620 | 354 |
| Interest income not received in cash | | (32,838) | - |
| Losses less gains from bonds held for trading | | 1,397,230 | - |
| | | **4,193,460** | **(21,297)** |
| Changes in working capital: | | | |
| Trade and other receivables | | 7 | - |
| Trade and other payables | | 390 | 239 |
| Bonds held for trading | | (5,109,234) | - |
| Loans payable | | 8,420,178 | 8,965 |
| **Cash used in operations** | | **7,504,801** | **(12,093)** |
| Tax paid | | - | - |
| **Net cash used in operating activities** | | **7,504,801** | **(12,093)** |
| **Cash flows from investing activities** | | | |
| Prepayments for acquisition of associate | 11 | (320,000) | - |
| **Net cash used in investing activities** | | **(320,000)** | **-** |
| **Cash flows from financing activities** | | | |
| Purchases of treasury shares | | (44,033) | - |
| Dividends paid | | (3,206,582) | - |
| **Net cash from financing activities** | | **(3,250,615)** | **-** |
| **Net effect of exchange rate changes on cash and cash equivalents** | | **1,419,676** | **-** |
| **Net increase/(decrease) in cash and cash equivalents** | | **5,353,862** | **(12,093)** |
| Cash and cash equivalents at the beginning of the year | | 138 | 12,231 |
| **Cash and cash equivalents at the end of the year** | 12 | **5,354,000** | **138** |

The notes on pages 12 to 32 are an integral part of these parent company financial statements.

## 1 General information

### Country of incorporation

ROS AGRO PLC (hereinafter the "Company") was incorporated in Cyprus on 1 December 2009 as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. Its registered office is at 8 Mykinon, CY-1065 Nicosia, Cyprus. It was converted into a public company in February 2011.

During the first half of 2011 the Company has successfully completed an initial public offering ("IPO") of its shares in the form of global depositary receipts ("GDRs"). The Company's GDRs (one ordinary share representing 5 GDRs) are listed on the Main Market of the London Stock Exchange under the symbol "AGRO". The IPO included an offering by the Company of 20,000,000 GDRs.

### Principal activities

The Company's principal activity is the holding of investments, including interest earning activities.

## 2 Summary of significant accounting policies

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

### Basis of preparation

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

The separate financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss.

The Company has prepared these separate financial statements of the parent company for compliance with the requirements of the Cyprus Income Tax Law and the Disclosure Rules and Transparency Rules as issued by the Financial Services Authority of United Kingdom.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2014 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. There were no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, except as follows:

## 2 Summary of significant accounting policies (continued)

### Basis of preparation (continued)

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. According to the estimations of management no significant differences are expected in relation to provisions for income tax that have been recognised.

### Consolidated financial statements

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU for the Company and its subsidiaries (collectively the "Group"). A copy of the consolidated financial statements is available to the members, at the Company's registered office and at the Company's website at www.rusagrogroup.ru.
Users of these separate financial statements of the parent company should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2014 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

### New Standards, interpretations and amendments adopted by the Company

During the current year the Company adopted all the new and revised International Financial Reporting Standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2014. This adoption did not have a material effect on the accounting policies of the Company relevant to its parent company financial statements.

### New Standards, interpretations and amendments, not yet adopted by the Company

At the date of approval of these financial statements, a number of new standards and amendments to standards and interpretations were issued by the International Accounting Standards Board but were not yet effective:

**i. Adopted by the European Union**

***New IFRIC***

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2015).

***Amendments***

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 January 2016)

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 January 2016).

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 January 2015).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the financial statements of the parent company.

## 2 Summary of significant accounting policies (continued)

**New Standards, interpretations and amendments, not yet adopted by the Company (continued)**

### ii. Not yet adopted by the European Union

***New standards***

IFRS 9 Financial Instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018)

IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017).

***Amendments***

Amendments to IFRS 11- Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016)

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016)

Amendments to IAS 16 and IAS 41 - Agriculture: Bearer plants (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016)

Amendments to IAS 27 - Equity Method in Separate Financial Statements (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016)

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 1 - Disclosure Initiative (issued in December 2014 and effective for annual periods on or after 1 January 2016)

Amendment to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception (issued in December 2014 and effective for annual periods on or after 1 January 2016).

The Group management assesses the impact of new standards and interpretations at the point when these are endorsed by the European Union. As a result the impact of the above new standards and interpretations that have not been endorsed by the European Union has not been assessed.

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the separate financial statements of the parent Company.

### Revenue recognition

Revenues earned by the Company are recognised on the following bases:

**(i) Interest income**

Interest income is recognised when it is probable that benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized on a time-proportion basis using the effective interest method.

## 2 Summary of significant accounting policies (continued)

### Revenue recognition (continued)

#### (ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

### Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Russian Rouble (RR) which is the Company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation

at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance (costs) / income - net". All other foreign exchange gains and losses are presented in profit or loss within "other losses – net".

### Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated in the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

## 2 Summary of significant accounting policies (continued)

### Financial assets

### (i) Classification

The Company classifies its financial assets in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- **Loans and receivables**

  Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non current assets. The Company's loans and receivables comprise “trade and other receivables” and “cash and cash equivalents” in the balance sheet.

- **Financial assets at fair value through profit or loss**

  This category has two sub categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

### (ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within 'losses less gain from corporate bonds' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the Company's right to receive payments is established.

### (iii) Impairment of financial assets

The Company assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

## 2 Summary of significant accounting policies (continued)

### Financial assets (continued)

#### (iii) Impairment of financial assets (continued)

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### Investment in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity whom the Company is exposed to or has the rights to variable returns through its power over the entity. In its parent company financial statements, the Company carries the investments in subsidiaries at cost less any impairment.

For subsidiaries which are acquired as a result of reorganisation of the group structure in a manner that satisfies the following criteria:

(a) the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent;

(b) the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation;

(c) the owners of the original parent before the reorganisation have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganisation,

## 2 Summary of significant accounting policies (continued)

### Investment in subsidiaries (continued)

(d) the Company measures cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganization. The difference between this investment cost and the legally issued share capital and share premium of the Company is recorded in other reserves.

The Company recognises income from investments in subsidiaries to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of investment.

### Share-based payment transactions in subsidiary undertakings

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

### Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

### Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## 2 Summary of significant accounting policies (continued)

### Share capital and share premium (continued)

Any excess of the fair value of consideration received over the par value of shares issued is recognized as share premium. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

### Treasury shares

Where the Company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. Where such equity instruments are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

### Transactions with equity holders

The Company enters into transactions with its shareholders. When consistent with the nature of the transaction (i.e. when these transactions are not at arm's length prices), the Company's accounting policy is to recognise any gains or losses with equity holders, directly through equity and consider these transactions as the receipt of additional capital contribution or the distribution of dividends. Similar transactions with non-equity holders, or parties which are not under the control of the parent company, are recognised through the income statement in accordance with IAS 39, Financial Instruments - Recognition and Measurement. The Company believes that this policy provides a fair representation of the Company's activities.

### Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved, appropriately authorised and are no longer at the discretion of the Company.

More specifically, interim dividends are recognised as liability in the period in which these are approved by the Board of Directors and in the case of final dividends, they are recognised in the period in which these are approved by the Company's shareholders.

### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extend there is no evidence that

## 2 Summary of significant accounting policies (continued)

### Borrowings (continued)

it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Cash and cash equivalents

In the cash flow statement, cash and cash equivalents include cash in bank and in hand and deposits held at call with banks with maturities of three months or less. Money market funds that are short – term, highly liquid and convertible to known amounts of cash and are subject to an insignificant risk of charges in value, are also classified as cash and cash equivalents.

## 3 Financial risk management

### (i) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk , cash flow and fair value interest rate risk, price risk), credit risk and liquidity risk.

The risk management policies employed by the Company to manage these risks are discussed below.

The Company attracts borrowings and receives services denominated in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar and Euro.

- **Market risk**

### Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

At 31 December 2014, if the Russian Rouble had weakened/strengthened by 30% (2013: 10%) against the US dollar with all other variables held constant, the Company’s profit before taxation would have been RR 2,167,662 (2013: 45,118) higher/ lower.

## 3 Financial risk management (continued)

### Foreign exchange risk (continued)

At 31 December 2014, if the Russian Rouble had weakened/strengthened by 30% (2012: 10%) against the Euro with all other variables held constant, the Company's profit before taxation would have been RR 794 (2013: 6) lower /higher.

At 31 December 2014, if the Russian Rouble had weakened/strengthened by 30% (2013: 10%) against the GBP with all other variables held constant, the Company's profit before taxation would have been RR 21 (2013: 0) lower /higher.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

### Price risk

Price risk is the possibility that the Company may suffer a loss resulting from the fluctuations in the values of, or income from, proprietary assets or liabilities. The Company is exposed to market price risk because of investments held by the Company and classified on the balance sheet as financial assets at fair value through profit or loss which are susceptible to market price risk arising from uncertainties about future prices of these investments.

At 31 December 2014, if the prices of securities held by the Company and classified as at fair value through profit or loss had increased/decreased by 20% with all other variables held constant, the Company's post-tax profit for the year would have been RR 1,361,194 higher/lower. At 31 December 2013, the Company did not held any securities.

The Company does not manage its price risk arising from investments in securities.

### Cash flow and fair value interest rate risk

The Company's interest rate risk arises from interest-bearing assets and long-term borrowings. Interest-bearing assets and borrowings at variable rates expose the Company to cash flow interest rate risk. Interest bearing assets and borrowings issued at fixed rates expose the Company to fair value interest rate risk.

At 31 December 2014, the Company's interest-bearing assets are approximately equal to its interest-bearing liabilities, hence any small fluctuation of interest rates would not have a material impact on the profit or loss for the year. The Company does not have any interest-bearing assets or liabilities as at 31 December 2013.

The Company's management closely monitors the interest rate fluctuations on a continuous basis, and frequently performs a detailed analysis of the Company's asset and liability structure.

- **Credit risk**

The credit risk represents the risk of losses for the Company owing to default of counterparties on obligations to transfer to the Company cash and cash equivalents and other financial assets.

For minimisation of credit risk related to cash and cash equivalents the Company places cash in financial institutions which at the moment of transaction have the minimum risk of a default.

## 3 Financial risk management (continued)

- **Credit risk (continued)**

The Company's maximum exposure to credit risk at the reporting date without taking account of any collateral held is as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Short-term financial assets** | | |
| Cash and cash equivalents (Note 12) | 5,354,000 | 138 |
| Dividend receivable from subsidiary (Note 20) | - | 2,335,729 |
| Financial assets within trade and other receivables (Note 11) | 320,001 | - |
| Financial assets at fair value through profit or loss (Note 14) | 6,684,189 | - |
| Interest receivable on bonds (Note 14) | 121,781 | - |
| **Total short-term financial assets** | **12,479,971** | **2,335,867** |

See note 10 for further disclosure in credit risk.

- **Liquidity risk**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year |
|---|---|
| **At 31 December 2014** | |
| Trade and other payables | 8,761 |
| Loans received from related parties | 4,929,373 |
| **Total** | **4,938,134** |

| | Less than 1 year |
|---|---|
| **At 31 December 2013** | |
| Trade and other payables | 8,370 |
| Loans received from related parties | 443,116 |
| **Total** | **451,486** |

### (ii) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company does not have a quantified target level of shareholders' return or capital ratios.

### (iii) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

## 3 Financial risk management (continued)

### (iii) Fair value estimation (continued)

The Company's financial assets that are measured at fair value at 31 December 2014 are the financial assets at fair value through profit and loss (Note 14) and are within level 1 of the fair value hierarchy. At 31 December 2014, the fair value of financial assets at fair value through profit and loss was RR 6, 684, 189. There were no financial assets and liabilities that are measured at fair value at 31 December 2013.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

## 4 Interest Income

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Interest receivable on bonds using coupon rate | 234,793 | - |
| Interest receivable on bonds (IAS 39) | 19,027 | - |
| Interest income on bank deposits | 1,435 | - |
| **Total interest income** | **255,255** | **-** |

## 5 Other operating losses - net

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Net foreign exchange losses | (658,347) | (269) |
| **Total other operating losses – net** | **(658,347)** | **(269)** |

## 6 Expenses by nature

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Key management personnel compensation (Note 20) | 9,788 | 10,344 |
| Auditor's remuneration – statutory auditor | 1,538 | 1,866 |
| Legal, consulting and other professional fees | 5,470 | 3,981 |
| Bank charges | 9,769 | 2,583 |
| Other expenses | 2,380 | 2,254 |
| **Total administrative expenses** | **28,945** | **21,028** |

In respect of the year ended 31 December 2014, included in "Legal, consulting and other professional fees" were fees of RR 421 (2013: RR 464) for other non-assurance services charged by the Company's statutory auditor.

## 7 Finance costs - net

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Net foreign exchange losses on financing activities | - | (31,500) |
| Interest expense on brokerage account | - | (354) |
| **Total** | **-** | **(31,854)** |

## 8 Income tax expense

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Current tax: | | |
| Withholding tax | 210,550 | - |
| Corporation tax | - | - |
| Total income tax | **210,550** | - |

The tax on Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Profit before tax | 8,912,061 | 2,282,578 |
| Tax calculated at the applicable corporation tax rate of 12.5% | 1,114,008 | 285,322 |
| Tax effect of expenses not deductible for tax purposes | 258,290 | 5,366 |
| Tax effect of allowances and income not subject to tax | (1,368,369) | (291,966) |
| Withholding tax | 210,550 | |
| Tax effect of tax losses for which no deferred tax asset was recognised | - | 1,278 |
| Tax effect of utilization of tax losses brought forward | (3,929) | - |
| | **210,550** | - |

The Company is subject to income tax on taxable profits at the rate of 12.5% as from 1 January 2013. As from tax year 2012 brought forward losses of only five years may be utilised.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to special defence contribution at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012; reduced to 17% as from 1 January 2014.

Gains on disposal of qualifying titles (including shares, bonds, debentures etc.) are exempt from Cyprus income tax.

## 9 Financial instruments by category

| 31 December 2014 | Financial assets at fair value through profit or loss | Loans and receivables | Total |
|---|---|---|---|
| **Assets as per balance sheet** | | | |
| Cash and cash equivalents | - | 5,354,000 | 5,354,000 |
| Financial assets at fair value through profit or loss (Note 14) | 6,684,189 | - | 6,684,189 |
| Interest receivable on bonds (Note 14) | - | 121,781 | 121,781 |
| **Total** | **6,684,189** | **5,475,781** | **12,159,970** |

| Liabilities as per balance sheet | Other financial liabilities | Total |
|---|---|---|
| Trade and other payables | 8,761 | 8,761 |
| Loans received from related parties (Note 20) | 4,929,373 | 4,929,373 |
| **Total** | **4,938,134** | **4,938,134** |

| 31 December 2013 | Loans and receivables | Total |
|---|---|---|
| **Assets as per balance sheet** | | |
| Cash and cash equivalents | 138 | 138 |
| Trade and other receivables (excluding prepayments) | 2,335,729 | 2,335,729 |
| **Total** | **2,335,867** | **2,335,867** |

| Liabilities as per balance sheet | Other financial liabilities | Total |
|---|---|---|
| Trade and other payables | 8,370 | 8,370 |
| Loans received from related parties (Note 20) | 443,116 | 443,116 |
| **Total** | **451,486** | **451,486** |

## 10 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| **Fully performing trade and other receivables**<br>Counterparties without external credit rating | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Group 1 | - | 2,335,729 |
| **Total** | **-** | **2,335,729** |

## 10 Credit quality of financial assets (continued)

| Bonds held for trading | | 31 December 2014 | | 31 December 2013 |
|---|---|---|---|---|
| | **Rating agency** | **Rating** | **Balance** | **Balance** |
| VIMPELCOM HOLDINGS B.V. | Moody's | Ba3 | 1,350,202 | - |
| ROSNEFT INTERNATIONAL FINANCE LIMITED | Standard & Poor's | BBB- | 1,292,416 | - |
| GPN CAPITAL S.A. | Standard & Poor's | BBB- | 1,040,274 | - |
| NOVATEK INTERNATIONAL FINANCE LIMITED | Moody's | Baa3 | 846,724 | - |
| Sberbank RF | Fitch Ratings | BBB | 858,576 | - |
| GAZ CAPITAL SA | Standard & Poor's | BBB- | 495,797 | - |
| RUSSIAN FEDERATION | Moody's | Baa3 | 474,345 | - |
| Alfa Bank | Standard & Poor's | BB+ | 447,636 | |
| **Total bonds held for trading (Note 14)** | | | **6,805,970** | - |

| **Cash at bank** | | **31 December 2014** | | **31 December 2013** | |
|---|---|---|---|---|---|
| **Banks** | **Rating Agency** | **Rating** | **Balance** | **Rating** | **Balance** |
| Credit Suisse AG | Moody's | A1 | 5,353,503 | A1 | 138 |
| Russian Commercial Bank (Cyprus) Limited | Moody's | Caa2 | 497 | - | - |
| **Total** | | | **5,354,000** | | **138** |

Group 1 – Dividends receivable from a subsidiary.

## 11 Trade and other receivables

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Dividends receivable from a subsidiary (Note 20) | - | 2,335,729 |
| Interest receivable on bonds (Note 14) | 121,781 | - |
| Prepayments | 320,001 | 7 |
| **Total trade and other receivables** | **441,782** | **2,335,736** |

The fair values of trade and other receivables approximate their carrying amounts.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

The carrying amounts of the Company's trade and other receivables are denominated in US dollars.

In the end of 2014 the Company entered into agreement for purchase of 29.00% of ordinary shares of OJSC Pugachevski elevator for cash consideration of RR 320,000 to be paid in advance. The consideration was transferred to the seller in the end of 2014. As at 31 December 2014 the shares were not yet transferred to the Group such as the cash consideration of RR 320,000 was included in prepayments.

## 12 Cash and cash equivalents

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Cash at bank | 131,921 | 138 |
| Money market funds | 5,222,079 | - |
| **Total cash and cash equivalents** | **5,354,000** | **138** |

Cash and cash equivalents are denominated in the following currencies:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| USD | 5,353,983 | 47 |
| Euro | - | 58 |
| Russian Rouble | 17 | 33 |
| **Total cash and cash equivalents** | **5,354,000** | **138** |

### Non-cash transactions

The principal non-cash transactions during the current year relate to the partial netting off of a loan received from a subsidiary against dividend income received from a subsidiary amounting to RR 9,071,677 (Notes 20).

## 13 Investments in subsidiaries

| | Limeniko Trade & Invest. Limited | OJSC Rusagro Group | Total |
|---|---|---|---|
| **At 31 December 2012 / 1 January 2013** | **8,070,827** | **3,442,877** | **11,513,704** |
| Share-Based Remuneration (Note 20) | - | 178,280 | **178,280** |
| **At 31 December 2013/1 January 2014** | **8,070,827** | **3,621,157** | **11,691,984** |
| Share-Based Remuneration (Note 20) | - | 54,423 | **54,423** |
| **At 31 December 2014** | **8,070,827** | **3,675,581** | **11,746,407** |

The Company's interests in subsidiaries, all of which are unlisted, were as follows:

| Name | Principal activity | Country of incorporation | 2014 % holding | 2013 % holding |
|---|---|---|---|---|
| OJSC Rusagro Group | Holding company | Russia | 100 | 100 |
| Limeniko Trade & Invest. Ltd | Financial derivatives trading and financing activities | British Virgin Islands | 100 | 100 |

## 14 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent bonds held for trading denominated in US dollars and mature in period from 2021 till 2043. Nominal interest rates on bonds vary between 4.20% and 7.75% with interest payable every six months. Bonds held for trading were acquired with the intention of generating a profit from short-term price fluctuations and for the purpose of these financial statements were classified as trading investments with measurement at fair value through profit and loss.

In 2014 the losses less gains from bonds held for trading revaluation amounted to RR 1,397,230 (2013: nil).

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Bonds held for trading | 6,684,189 | - |
| Interest receivable on bonds | 121,781 | - |
| **Total** | **6,805,970** | **-** |

## 15 Share capital and share premium

| | Number of issued shares | Share capital | Share premium | Total |
|---|---|---|---|---|
| At 1 January 2013 / 31 December 2013 / 31 December 2014 | 24,000,000 | 9,734 | 10,565,973 | **10,575,707** |

At 31 December 2014 and 2013, the authorised share capital consisted of 60,000,000 ordinary shares with par value of Euro 0.01 each.

### Treasury shares

In 2014, the Company acquired 200,040 of its own GDRs, that is equivalent to approximately 40,008 shares, through purchases on the Main Market of the London Stock Exchange (2013: no acquisitions of own GDRs). The total amount paid to acquire the GDRs was RR 44,033. The GDRs are held as 'treasury shares'.

At 31 December 2014 the Company held 2,212,648 of its own GDRs (31 December 2013: 2,012,608 own GDRs) that is equivalent of approximately 442,530 shares (31 December 2013: 402,522 shares).

## 16 Other reserves

| | Share based payment reserve | Other reserves | Total |
|---|---|---|---|
| **1 January 2013** | **1,058,495** | **(16,272)** | **1,042,223** |
| Share Based Remuneration for services provided to subsidiaries (Note 20) | 178,280 | - | 178,280 |
| **At 31 December 2013/1 January 2014** | **1,236,775** | **(16,272)** | **1,220,503** |
| Share Based Remuneration for services provided to subsidiaries (Note 20) | 54,423 | - | 54,423 |
| **At 31 December 2014** | **1,291,198** | **(16,272)** | **1,274,926** |

## 17 Borrowings

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Current:** | | |
| Borrowings from related parties (Note 20) | 4,929,373 | 443,116 |
| | **4,929,373** | **443,116** |

The carrying amount of short-term borrowings approximate their fair value, as the impact of discounting is not significant.

The above borrowings bear interest of 3.5%-7.05%, are unsecured and repayable on demand.

The carrying amounts of the Company's borrowings are denominated in USD.

## 18 Trade and other payables

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Other payables | 3,061 | 5,161 |
| Payables to Directors (Note 20) | 5,063 | 2,950 |
| Payables to related parties (Note 20) | 636 | 259 |
| Total | **8,761** | **8,370** |

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

## 19 Contingencies

### Operating environment

The Company's subsidiaries are mainly operate in the Russian Federation.The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations. During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

- the Central Bank of the Russian Federation ("CBRF") exchange rate fluctuated between 32.6587 Russian Roubles per USD and 56,2584 Russian Roubles per USD; between 45.0559 Russian Roubles per EUR and 68.3427 Russian Roubles per EUR;
- the CBRF key interest rate increased from 5.5% p.a. to 17.0% p.a. including an overnight increase from 10.5% p.a. to 17.0% p.a. on 17 December 2014;
- the Russian Trade System (hereinafter RTS stock exchange) index declined from 1 443 on 1 January 2014 to 791 on 31 December 2014;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- the CBRF exchange rate fluctuated between 55.3328 Russian Roubles per USD and 69.6640 Russian Roubles per USD; between 60.4124 Russian Roubles per EUR and 78.7900 Russian Roubles per EUR;

## 19 Contingencies (continued)

### Operating environment (continued)

- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+ and Moody's Investors Service decrease it to Ba1, putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the RTS stock exchange index ranged between 791 on 31 December 2014 to 966 on 7 April 2015;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates; and
- the CBRF key refinancing interest rate decreased from 17.0% p.a. on 17 December to 14 % p.a. on 16 March 2015.

These events may have a further significant impact on the Company's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Company's operations may differ from management's current expectations.

## 20 Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship attention is directed to the substance of the relationship not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

As at 31 December 2014 and 2013, the ultimate controlling party of the Company is Mr. Vadim Moshkovich (the "Owner"), who controls 75% of the total issued shares.

Related parties of the Company fall into the following categories:

1. Entities controlled by the Owner and subsidiaries;

2. Members of the Board of Directors and Key Management.

### 1. Entities controlled by the Owner and subsidiaries

| **Other payables - subsidiaries** | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Total at the year ended | 636 | 259 |

| **Loans received - subsidiaries** | **31 December 2014** | **31 December 2013** |
|---|---|---|
| **At 1 January** | 443,116 | 402,984 |
| Loans received during the year | 8,530,744 | 18,097 |
| Foreign exchange difference | 4,932,136 | 31,167 |
| Loans repaid | (110,566) | (9,132) |
| Dividends offset against loan | (9,071,677) | - |
| Interest expense | 205,620 | - |
| **At 31 December** | **4,929,373** | **443,116** |

## 20 Related party transactions (continued)

### 1. Entities controlled by the Owner and subsidiaries (continued)

Since 1 September 2011 a loan facility from Limeniko Trade and Invest. Limited in the amount of up to US Dollar 20,000,000 (RR 691,376) was granted. This loan bears interest of 3.5%-7.05%, is unsecured and repayable on demand.

| Dividend income | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Subsidiaries | 10,946,948 | 2,335,729 |

| Dividend receivable (Note 11) | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Subsidiaries | - | 2,335,729 |

### 2. Members of the Board of Directors and Key Management

*Share-Based Remuneration*

In March 2011 a company controlled by Mr. Maxim Basov, a Director of ROS AGRO PLC and the CEO of OJSC Rusagro Group, purchased 5% of shares of ROS AGRO PLC from a company controlled by the Owner through two separate agreements.

Under the first agreement, 3.5% of ordinary shares of ROS AGRO PLC were purchased for USD 3.5 for all shares. The terms of the agreement provide that the shares remain effectively under control of the seller and are actually transferred to the buyer gradually until July 2014 provided that Mr. Basov remains in the position of the CEO of OJSC Rusagro Group. For the purpose of these consolidated financial statements this transaction was treated as an equity-settled share-based payment transaction, under which Mr. Maxim Basov, as an employee, is granted shares of the Company as part of his compensation for the services rendered to the Group. The fair value of shares granted, determined at the grant date, less cash paid for them by the buyer, is capitalized in balance sheet in accordance with the graded vesting schedule with a corresponding increase in equity. Amounts recognised under this agreement for the year ended 31 December 2014 in the amount of RR 54,423 (2013: RR 178,280) are presented under the heading “Investments in subsidiaries” in the Balance Sheet with a corresponding increase in equity, since the services are considered rendered by Mr. Basov in his capacity as the CEO of OJSC Rusagro Group rather than in his capacity as Director of the Company.

Under the second agreement, 1.5% of ordinary shares of ROS AGRO PLC were purchased for USD 15,000,000. The shares were transferred to the buyer immediately. For the purpose of these financial statements this transaction was treated as an equity-settled share-based payment transaction that vested immediately. The difference between the fair value of shares granted and cash paid for them by the buyer in the amount of RR 85,895 was capitalised in 2011 and presented under the heading “Investments in subsidiaries” in the Balance Sheet with a corresponding increase in equity, since the services are considered rendered by Mr. Basov in his capacity as the CEO of OJSC Rusagro Group rather than in his capacity as Director of the Company. The fair value of shares granted was determined by using a discounted cash flow analysis. These calculations used cash flow projections based on financial budgets approved by the Group management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business sector of the economy in which the Group operates. The future cash flows were discounted using a discount rate of 12% and a long-term growth rate of 4%. The discount rate was derived from the Group’s post-tax weighted average cost of capital.

## 20 Related party transactions (continued)

### 2. Members of the Board of Directors and Key Management (continued)

*Share-Based Remuneration (continued)*

In 2014 the Group initiated new share option incentive scheme for its top-management. Under the scheme the employees will be granted a Company's GDR provided they remain in their position up to a specific date in the future. The amount of GDRs granted will be dependent on the average market prices of GDRs for the period preceding this date. Amounts recognised under this agreement for the year ended 31 December 2014 in the amount of RR 2,772 (2013: nil) are presented under the heading "Investments in subsidiaries" in the Balance Sheet with a corresponding increase in equity for services rendered by top-management of the Group to OJSC Rusagro Group.

As at 31 December 2014, the share-based payment reserve accumulated in equity as a result of the above share-based payment transactions amounted to RR 1,291,198 (31 December 2013: RR 1,236,775).

*Key management personnel compensation*

In respect of the year ended 31 December 2014, key management personnel compensation included in administrative expenses comprised of directors' compensation totaling RR 9,788 (2013: RR 10,344 including discretionary bonuses to key management personnel totaling RR 2,461)

*Payables to Directors*

As at 31 December 2014 the total payables to Directors were RR 5,063 (31 December 2013: RR 2,950). These are unsecured, bear no interest and are repayable on demand.

## 21 Events after the balance sheet date

The Board of Directors recommends the payment of dividends for the year 2014 amounting to RR 5,063,256 thousand. Given the Company has already paid interim dividends for the first half of 2014, with a total pay-out RR 2,000,029 thousand, the distributed amount is RR 3,063,227 thousand. Given the Company owns 2,212,648 of its own GDRs, which will be excluded from dividend distribution, the dividend will be RR 130.03 per ordinary share (the equivalent USD 2.35 per ordinary share based on the CBRF rate 55.3328 as of 8 April 2015). The proposed dividend is subject to approval by the shareholders at the Annual General Meeting. These parent company financial statements do not reflect the dividends that have not been approved on the reporting date.

There were no other material post balance sheet events occurring after the end of the reporting period requiring disclosure in these parent company financial statements.

Independent Auditor's Report on pages 6 to 7.

**ROS AGRO PLC**

**International Financial Reporting Standards**
**Consolidated Financial Statements**
**for the year ended 31 December 2014**
**and Independent Auditor's Report**

## Contents

### Board of Directors

Mr. Richard Smyth
*Chairman of the Board of Directors*
*Non-executive Director*

Mr. Anastassios Televantides
*Chairman of the Audit Committee*
*Non-executive Director*

Mrs. Natalia Bykovskaya
*Member of the Audit Committee*
*Executive Director*
*Deputy CEO of LLC Group of Companies Rusagro*

Mrs. Ganna Khomenko
*Member of the Audit Committee*
*Non-executive Director*

Mr. Maxim Basov
*Executive Director*
*Chief Executive Officer of OJSC Rusagro Group and LLC Group of Companies Rusagro*

### Board Support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures.

### Company Secretary

Fiduciana Secretaries Limited
8 Mykinon
CY-1065, Nicosia
Cyprus.

### Registered office

8 Mykinon
CY-1065, Nicosia
Cyprus.

The Board of Directors presents its report together with the audited consolidated financial statements of ROS AGRO PLC (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014. The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and the requirements of Cyprus Companies Law, Cap. 113.

**Principal activities**

The principal activities of the Group are the agricultural production (cultivation of sugar-beet, grain and other agricultural crops), cultivation of pigs, processing of raw sugar and production of sugar from sugar-beet, vegetable oil production and processing.

**Review of developments, position and performance of the Group’s business**

In 2014 revenue increased by RR 22,622,416 thousand or 62%. All segments demonstrated increase in revenue. The major contributor to the sales growth was the Meat segment where sales increased by RR 10,329,183 thousand or 139% comparing to the previous year. Growth in sales of the Meat segment resulted from a significant increase in sales volume with the first full year of operation of new pig-breeding facilities in Tambov region after their launch in 2013 and an increase in average sales prices. Sales growth in the Oil segment by RR 6,000,542 thousand or 67% was driven by an increase in sales volume and an increase in sales prices of consumer margarine, mayonnaise and sunflower meal that was partly offset by a decrease in sales prices of raw oil. Both volume and price factors positively contributed to an increase in sales of the Sugar segment where sales increased by RR 5,500,924 thousand or 32%. Higher sales volume of barley, pea and sunflower seeds and higher average sales prices of sugar beet, wheat, pea and sunflower seeds led to an increase in sales of the Other Agriculture segment that was partly offset by a decrease in sales prices of barley and in sales volume of sugar beet, wheat and soya bean. Overall sales in the Other Agriculture segment increased by RR 2,180,991 thousand or 26%.

Adjusted EBITDA increased by RR 11,285,462 thousand or 166%. All divisions demonstrated an increase in Adjusted EBITDA as a result of an increase in sales volume and sales prices as described above together with the continuous improvement in the efficiency of operations. In the Meat segment Adjusted EBITDA increased by RR 7,103,167 thousand or 412%, in the Sugar segment growth in Adjusted EBITDA amounted to RR 3,088,870 thousand or 180%. The Other Agriculture segment demonstrated RR 2,014,185 thousand or 85% of an increase in Adjusted EBITDA. Adjusted EBITDA in the Oil segment increased by RR 856,972 thousand or 84%.

In 2014 the Group investments in property, plant and equipment and inventories intended for construction amounted to RR 5,207,714 thousand on a cash basis. Investments of RR 1,324,218 thousand were made in the Meat segment mainly for construction of the slaughter house in Tambov region. The Other Agriculture segment invested RR 2,055,275 thousand in acquisition of new agricultural machinery and equipment. The Sugar segment invested RR 1,600,262 thousand in modernization of the sugar plants.

**Principal risks and uncertainties**

The Group’s critical estimates and judgments and financial risk management are disclosed in Notes 2 and 29 to the consolidated financial statements. The Group’s operating environment is disclosed in Note 1 to the consolidated financial statements.

The Group’s contingencies are disclosed in Note 30 to the consolidated financial statements.

**Future developments**

The Group adheres to its strategy the main purpose of which is to become the largest vertically integrated agricultural company in the Russian market. In 2015 and beyond, the Group plans to continue modernization and expansion of its production and storage facilities in all business segments. The Group considers its expansion in the Far Eastern region where it plans to develop agricultural and meat business.

**Results**

The Group’s results for the year are set out on page 2 of the consolidated financial statements.

**Dividends**

Pursuant to its Articles of Association the Company may pay dividends out of its profits. In August 2013 the Board of Directors has approved a new dividend policy with payout ratio of at least 25% of Group’s profit for the year applicable starting from the year ended 31 December 2013. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as

"GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement.The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company`s subsidiaries is restricted to the total accumulated retained earnings of the relevant subsidiary, determined according to the Russian law.

In 2014 the Company declared and distributed RR 1,000,000 thousand of dividends for the year 2013 and RR 2,000,029 thousand of interim dividends for the first half of 2014. Given the Company owns 2,212,648 of its own GDRs (5 GDRs represent 1 share) which are excluded from dividend distribution the dividends for 2013 amounted to RR 42.45 per share and interim dividends for 2014 amounted to RR 84.90 per share. There were no dividends announced and paid during the year ended 31 December 2013.

The Board of Directors recommends the payment of dividends for the year 2014 amounting to RR 5,063,256 thousand. Given the Company has already paid interim dividends for the first half of 2014, with a total pay-out RR 2,000,029 thousand, the distributed amount is RR 3,063,227 thousand. Given the Company owns 2,212,648 of its own GDRs, which will be excluded from dividend distribution, the dividend will be RR 130.03 per ordinary share (the equivalent USD 2.35 per ordinary share based on the CBRF rate 55.3328 as of 8 April 2015). The proposed dividend is subject to approval by the shareholders at the Annual General Meeting. These consolidated financial statements do not reflect the dividends that have not been approved on the reporting date.

**Share capital**

All changes in the share capital of the Company are disclosed in Note 13 to the consolidated financial statements.

**The role of the Board of Directors**

The Company is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the successful performance of the Group.

The Board sets corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Board of Directors sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board believes it maintains a sound system of internal control to safeguard the Group's assets and shareholders' investments in the Group.

**Members of the Board of Directors**

The members of the Board of Directors at 31 December 2014 and at the date of this report are shown in the beginning of these consolidated financial statements. All of them were members of the Board throughout the year ended 31 December 2014.

In accordance with the Company's Articles of Association, one third of the Directors shall retire by rotation and seek re-election at each Annual General Meeting.

**Directors' Interests**

The Directors Mrs. Natalia Bykovskaya, Mr. Maxim Basov, Mr. Richard Smyth and Mr. Anastassios Televantides held interest in the Company as at 31 December 2014.

Mrs. Natalia Bykovskaya has no direct interest in the Company as at 31 December 2014 (31 December 2013: none). The number of shares held indirectly through her family relationship with Mr. Vadim Moshkovich as at 31 December 2014 is 17,999,996 (31 December 2013: 17,999,996).

The number of shares directly held by Mr. Maxim Basov as at 31 December 2014 is 1,459,904 (31 December 2013: none). As at 31 December 2014 there were no shares held by Mr. Maxim Basov indirectly. As at 31 December 2013 the number of shares held indirectly (through an entity controlled by Mr. Maxim Basov) amounted to 1,165,458.

The number of shares directly held by Mr. Richard Smyth as at 31 December 2014 is 6,000 (31 December 2013: 6,000).

The number of shares directly held by Mr. Anastassios Televantides as at 31 December 2014 is 2,000 (31 December 2013: 2,000).

### Audit Committee

The Board of Directors has established an Audit Committee. The Audit Committee is primarily responsible for (i) ensuring the integrity of our financial statements, (ii) ensuring our compliance with legal and regulatory requirements, (iii) evaluating our internal control and risk management procedures, (iv) assuring the qualification and independence of our independent auditors and overseeing the audit process and (v) resolving matters arising during the course of audits and coordinating internal audit functions. The Audit Committee consists of three members appointed by the Board of Directors. The current members are Mr. Anastassios Televantides (Chairman), Mrs. Natalia Bykovskaya and Mrs. Ganna Khomenko.

### Corporate Governance

Since 2011, the Company adopted the following codes: Code of Conduct on insider information and Code of Business Conduct and Ethics (the “Codes”). In addition, since May 2014 the Company together with its subsidiaries and affiliates adopted a new edition of the Codes for mandatory compliance by all employees.

### Events after the balance sheet date

The material events after the consolidated balance sheet date are disclosed in Note 32 to the consolidated financial statements.

### Branches

The Company did not operate through any branches during the year.

### Treasury shares

On 25 August 2011 the Board unanimously resolved that it is in the best interest of the Company to buy back GDRs from the market for the total amount of up to US$10m increased to up to US$30m via subsequent Board's decision on 17 July 2012. During 2014, the Company acquired 0.20m GDRs from the market for a cost of RR 44,033 thousand representing 0.17% of its issued share capital. In 2013 the Company did not buy back its own GDRs from the market. As at 31 December 2014, the Company has totally acquired 2.21m GDRs (31 December 2013: 2.01m GDRs) from the market for a total cost of RR 505,880 thousand (31 December 2013: RR 461,847 thousand) representing 1.84% of its issued share capital (31 December 2013: 1.68%).

### Going Concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Group’s budget for 2015, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

### Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. The appointment of the auditors will be approved at the Annual General Meeting.

**By Order of the Board**

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**Richard Smyth**
**Chairman of the Board of Directors**

Nicosia
08 April 2015

The Company's Board of Directors is responsible for preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Each of the Directors confirms to the best of his or her knowledge that these consolidated financial statements (which are presented on pages 1 to 55) have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

**By Order of the Board**

**Richard Smyth**
**Chairman of the Board of Directors**

Nicosia
08 April 2015

# Independent Auditor's Report
To the Members of ROS AGRO PLC

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ROS AGRO PLC (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Board of Directors' responsibility 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.

*Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers Ltd, City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus*
*P O Box 53034, CY-3300 Limassol, Cyprus*
*T: +357 25 - 555 000, F:+357 - 25 555 001, www.pwc.com.cy*

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

**Report on other legal requirements**

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

**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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

Yiangos Kaponides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 08 April 2015

**ROS AGRO PLC**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**FOR THE YEAR ENDED 31 December 2014**
***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

| | Notes | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | 10,316,313 | 2,672,764 |
| Short-term investments | 4 | 8,863,789 | 15,266,561 |
| Trade and other receivables | 5 | 2,347,714 | 1,771,235 |
| Prepayments | 6 | 2,085,599 | 824,622 |
| Current income tax receivable | | 22,119 | 45,433 |
| Other taxes receivable | 7 | 1,310,407 | 1,487,408 |
| Inventories | 8 | 15,508,659 | 13,865,425 |
| Short-term biological assets | 10 | 3,454,937 | 2,212,805 |
| **Total current assets** | | **43,909,537** | **38,146,253** |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 29,519,968 | 28,365,116 |
| Inventories intended for construction | | 32,846 | 36,600 |
| Goodwill | 24 | 1,191,832 | 1,175,578 |
| Advances paid for property, plant and equipment | 6 | 2,669,373 | 2,334,610 |
| Advances paid for intangible assets | | - | 2,580 |
| Long-term biological assets | 10 | 1,793,059 | 1,553,595 |
| Long-term investments | 11 | 929,129 | 870,815 |
| Investments in associates | 12 | 87,407 | - |
| Deferred income tax assets | 25 | 1,016,544 | 353,674 |
| Other intangible assets | | 338,699 | 289,058 |
| Restricted cash | 3 | 17,373 | 2,404 |
| **Total non-current assets** | | **37,596,230** | **34,984,030** |
| **Total assets** | | **81,505,767** | **73,130,283** |
| | | | |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Short-term borrowings | 14 | 12,499,623 | 18,144,254 |
| Trade and other payables | 15 | 2,772,385 | 2,352,775 |
| Current income tax payable | | 475,850 | 346,980 |
| Other taxes payable | 16 | 1,706,091 | 1,327,263 |
| **Total current liabilities** | | **17,453,949** | **22,171,272** |
| | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | 14 | 9,806,306 | 14,368,799 |
| Government grants | 17 | 1,962,562 | 1,735,151 |
| Deferred income tax liability | 25 | 463,649 | 290,028 |
| **Total non-current liabilities** | | **12,232,517** | **16,393,978** |
| **Total liabilities** | | **29,686,466** | **38,565,250** |
| | | | |
| **Equity** | | | |
| Share capital | 13 | 9,734 | 9,734 |
| Treasury shares | 13 | (505,880) | (461,847) |
| Share premium | 13 | 10,557,573 | 10,557,573 |
| Share-based payment reserve | 26 | 1,291,198 | 1,236,775 |
| Retained earnings | | 40,159,833 | 23,214,348 |
| **Equity attributable to owners of ROS AGRO PLC** | | **51,512,458** | **34,556,583** |
| Non-controlling interest | | 306,843 | 8,450 |
| **Total equity** | | **51,819,301** | **34,565,033** |
| **Total liabilities and equity** | | **81,505,767** | **73,130,283** |

Approved for issue and signed on behalf of the Board of Directors on 8 April 2015

Basov M.D.
Director of ROS AGRO PLC

Richard Smyth
Director of ROS AGRO PLC



The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

| | Notes | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|---|
| Sales | 18 | 59,112,243 | 36,489,827 |
| Gain on revaluation of biological assets and agricultural produce | 10 | 12,243,734 | 3,489,463 |
| Cost of sales | 19 | (47,649,710) | (31,296,627) |
| Gains less losses from trading sugar derivatives | 29 | 375,305 | 175,407 |
| **Gross profit** | | **24,081,572** | **8,858,070** |
| | | | |
| Distribution and selling expenses | 20 | (4,472,174) | (2,992,953) |
| General and administrative expenses | 21 | (2,991,315) | (2,623,918) |
| Share-based remuneration | 26 | (54,423) | (178,280) |
| Other operating income/(expenses), net | 22 | 272,884 | (116,537) |
| **Operating profit** | | **16,836,544** | **2,946,382** |
| | | | |
| Interest expense | 23 | (154,478) | (1,380,376) |
| Interest income | | 1,010,951 | 2,022,986 |
| Losses less gains from bonds held for trading | | (1,397,230) | - |
| Other financial income/(expenses), net | 23 | 4,549,548 | (56,272) |
| Share of results of associates | 12 | 46,579 | - |
| **Profit before income tax** | | **20,891,914** | **3,532,720** |
| | | | |
| Income tax expense | 25 | (714,935) | (330,963) |
| **Profit for the year** | | **20,176,979** | **3,201,757** |
| **Total comprehensive income for the year** | | **20,176,979** | **3,201,757** |
| | | | |
| **Profit is attributable to:** | | | |
| Owners of ROS AGRO PLC | | 20,134,178 | 3,201,534 |
| Non-controlling interest | | 42,801 | 223 |
| **Profit for the year** | | **20,176,979** | **3,201,757** |
| | | | |
| **Total comprehensive income is attributable to:** | | | |
| Owners of ROS AGRO PLC | | 20,134,178 | 3,201,534 |
| Non-controlling interest | | 42,801 | 223 |
| **Total comprehensive income for the year** | | **20,176,979** | **3,201,757** |
| | | | |
| Earnings per ordinary share for profit attributable to the owners of ROS AGRO PLC, basic and diluted (in RR per share) | 27 | 854.59 | 135.67 |

**ROS AGRO PLC**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 December 2014**
***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

| | Notes | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | **20,891,914** | **3,532,720** |
| *Adjustments for:* | | | |
| Depreciation and amortization | 19,20,21 | 3,497,032 | 3,270,861 |
| Interest expense | 23 | 2,288,135 | 3,623,968 |
| Government grants | 17,22,23 | (2,821,533) | (2,918,386) |
| Interest income | | (1,010,951) | (2,022,986) |
| Loss/ (gain) on disposal of property, plant and equipment | 22 | (5,038) | 169,518 |
| Loss/ (gain) on initial recognition of agricultural produce, net | 10,19 | (786,007) | 237,660 |
| Change in provision for net realisable value of inventory | 19 | 485,767 | (30,090) |
| Share of results of associates | | (46,579) | - |
| Gain from buy-out of promissory notes issued | 22 | (41,094) | - |
| Revaluation of biological assets, net | 10,19 | (1,807,678) | (504,253) |
| Change in provision for impairment of receivables and prepayments | 20 | 46,120 | 126,144 |
| Foreign exchange gain, net | 22,23 | (4,694,826) | (37,534) |
| Share based remuneration | 26 | 54,423 | 178,280 |
| Write-off of work in progress | 22 | - | 55,229 |
| Lost harvest write-off | 22 | 5,530 | 31,071 |
| Losses less gains from bonds held for trading | | 1,397,230 | - |
| Change in provision for impairment of advances paid for property, plant and equipment | 22 | (454) | 18,714 |
| Loss on disposal of subsidiaries, net | 22 | 179,405 | - |
| Loss on other investments | 22 | 7,747 | 191,480 |
| Other non-cash and non-operating expenses, net | | (85,977) | 23,228 |
| **Operating cash flow before working capital changes** | | **17,553,166** | **5,945,624** |
| Change in trade and other receivables and prepayments | | (963,488) | (779,457) |
| Change in other taxes receivable | | 104,214 | 1,117,390 |
| Change in inventories | | (1,015,731) | (406,568) |
| Change in biological assets | | 268,410 | (605,257) |
| Change in trade and other payables | | 370,457 | (265,517) |
| Change in other taxes payable | | 413,331 | (102,899) |
| **Cash generated from operations** | | **16,730,359** | **4,903,316** |
| Income tax paid | | (1,053,641) | (123,602) |
| **Net cash from operating activities** | | **15,676,718** | **4,779,714** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (5,206,184) | (4,232,694) |
| Purchases of other intangible assets | | (151,993) | (96,904) |
| Proceeds from sales of property, plant and equipment | | 44,135 | 72,300 |
| Purchases of inventories intended for construction | | (1,530) | (16,335) |
| Proceeds from cash withdrawals from deposits | | 16,604,773 | 32,345,354 |
| Deposits placed with banks | | (4,141,047) | (18,346,112) |
| Purchases of associates | 6,12 | (377,493) | - |
| Investments in subsidiaries, net of cash acquired | 6,24 | (498,692) | - |
| Purchases of bonds | | (5,244,138) | - |
| Proceeds from sales of bonds | | 134,904 | - |
| Purchases of promissory notes | | (1,700,000) | (2,900,000) |
| Proceeds from sales of promissory notes | | 2,800,000 | 3,068,267 |
| Loans given | | (2,455,350) | (1,122,198) |
| Loans repaid | | 1,847,683 | 907,674 |
| Movement in restricted cash | | (14,970) | 88,708 |
| Interest received | | 1,239,633 | 2,152,715 |
| Dividends received | | 1,146 | 18 |
| Proceeds from sale of subsidiaries, net of cash disposed | 22 | (275) | - |
| Proceeds from sales of other investments | | - | 3,289 |
| **Net cash from investing activities** | | **2,880,602** | **11,924,082** |

**(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

| | Notes | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 15,875,925 | 16,157,846 |
| Repayment of borrowings | | (27,169,213) | (31,891,024) |
| Interest paid | | (2,295,898) | (4,127,094) |
| Sale of non-controlling interest | 13 | 6,758 | - |
| Purchases of non-controlling interest | 13 | (7,289) | (261,084) |
| Dividends paid | | (3,206,582) | (107) |
| Proceeds from government grants | | 3,048,946 | 4,049,217 |
| Purchases of treasury shares | 13 | (44,033) | - |
| **Net cash used in financing activities** | | **(13,791,386)** | **(16,072,246)** |
| Net effect of exchange rate changes on cash and cash equivalents | | 2,877,615 | 21,347 |
| **Net increase in cash and cash equivalents** | | **7,643,549** | **652,897** |
| Cash and cash equivalents at the beginning of the year | 3 | 2,672,764 | 2,019,867 |
| **Cash and cash equivalents at the end of the year** | **3** | **10,316,313** | **2,672,764** |

## ROS AGRO PLC
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 December 2014
***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

| | | Attributable to owners of ROS AGRO PLC | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Notes** | **Share capital** | **Treasury shares** | **Share premium** | **Share-based payment reserve** | **Retained earnings*** | **Total** | **Non-controlling interest** | **Total equity** |
| **Balance at 1 January 2013** | | **9,734** | **(461,847)** | **10,557,573** | **1,058,495** | **20,211,049** | **31,375,004** | **71,076** | **31,446,080** |
| Total comprehensive income for the year | | - | - | - | - | 3,201,534 | 3,201,534 | 223 | **3,201,757** |
| Share based remuneration | 26 | - | - | - | 178,280 | - | 178,280 | - | **178,280** |
| Acquisition of non-controlling interest | 13 | - | - | - | - | (198,235) | (198,235) | (62,849) | **(261,084)** |
| **Balance at 31 December 2013** | | **9,734** | **(461,847)** | **10,557,573** | **1,236,775** | **23,214,348** | **34,556,583** | **8,450** | **34,565,033** |
| | | | | | | | | | |
| **Balance at 1 January 2014** | | **9,734** | **(461,847)** | **10,557,573** | **1,236,775** | **23,214,348** | **34,556,583** | **8,450** | **34,565,033** |
| Total comprehensive income for the year | | - | - | - | - | 20,134,178 | 20,134,178 | 42,801 | **20,176,979** |
| Purchases of treasury shares | 13 | - | (44,033) | - | - | - | (44,033) | - | **(44,033)** |
| Share based remuneration | 26 | - | - | - | 54,423 | - | 54,423 | - | **54,423** |
| Dividends declared | | - | - | - | - | (3,000,029) | (3,000,029) | (788) | **(3,000,817)** |
| Recognition of non-controlling interests on acquisition of subsidiaries | 24 | - | - | - | - | - | - | 79 | **79** |
| Derecognition of non-controlling interests on disposal of subsidiaries | 22 | - | - | - | - | - | - | 27,098 | **27,098** |
| Acquisition of non-controlling interest | 13 | - | - | - | - | (3) | (3) | (528) | **(531)** |
| Disposal of ownership interests in subsidiaries without loss of control | 13 | - | - | - | - | (188,661) | (188,661) | 229,731 | **41,070** |
| **Balance at 31 December 2014** | | **9,734** | **(505,880)** | **10,557,573** | **1,291,198** | **40,159,833** | **51,512,458** | **306,843** | **51,819,301** |

* Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends.



The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 1. Background

### Description of the business

These consolidated financial statements were prepared for ROS AGRO PLC (hereinafter the "Company") and its subsidiaries (hereinafter collectively with the Company, the "Group"). The Group is ultimately controlled by Mr. Vadim Moshkovich (hereinafter the "Owner"), who controls 75.00% of issued shares in ROS AGRO PLC as at 31 December 2014 and 31 December 2013.

The principal activities of the Group are:

- agricultural production (cultivation of sugar-beet, grain and other agricultural crops);
- cultivation of pigs;
- processing of raw sugar and production of sugar from sugar-beet;
- vegetable oil extraction and processing.

The registered office of ROS AGRO PLC is at 8 Mykinon, CY-1065, Nicosia, Cyprus.

The Group operates in the Russian Federation except for financial derivatives trading activity (Note 29).

Principal subsidiaries of the Group included into these consolidated financial statements are listed below. The Group's ownership share is the same as voting share.

| | | Group's share in the share capital, % | |
|---|---|---|---|
| **Entity** | **Principal activity** | **31 December 2014** | **31 December 2013** |
| OJSC Rusagro Group | Investment holding, financing | 100 | 100 |
| LLC Group of Companies Rusagro | Investment holding, financing | 100 | 100 |
| | **Sugar segment** | | |
| LLC Rusagro- Sakhar | Sugar division trading company, sales operations | 100 | 100 |
| OJSC Valuikisakhar | Beet and raw sugar processing | 99.9 | 99.9 |
| OJSC Sugar Plant Znamensky | Beet and raw sugar processing | 89.2 | 99.2 |
| Limeniko Trade and Invest Limited | Financial derivatives trading | 100 | 100 |
| | **Oil segment** | | |
| OJSC Fats and Oil Integrated Works | Oil processing | 100 | 100 |
| CJSC Samaraagroprompererabotka | Oil extraction | 100 | 100 |
| | **Meat segment** | | |
| LLC Belgorodsky Bacon (former OJSC Belgorodsky Bacon) | Cultivation of pigs | 100 | 100 |
| LLC Tambovsky Bacon | Cultivation of pigs | 100 | 100 |
| | **Other agriculture segment** | | |
| LLC Rusagro-Invest | Agriculture | 100 | 100 |
| LLC Agrotehnology (former OJSC Agrotehnology) | Agriculture | 100 | 100 |
| LLC Zherdevsky Elevator (former OJSC Zherdevsky Elevator) | Grain elevator | 100 | 99.4 |

## 1. Background (continued)

### Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 30). During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

- the Central Bank of the Russian Federation ("CBRF") exchange rate fluctuated between 32.6587 Russian Roubles per USD and 56,2584 Russian Roubles per USD; between 45.0559 Russian Roubles per EUR and 68.3427 Russian Roubles per EUR
- the CBRF key interest rate increased from 5.5% p.a. to 17.0% p.a. including an overnight increase from 10.5% p.a. to 17.0% p.a. on 17 December 2014;
- the Russian Trade System (hereinafter RTS stock exchange) index declined from 1 443 on 1 January 2014 to 791 on 31 December 2014;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- the CBRF exchange rate fluctuated between 55.3328 Russian Roubles per USD and 69.6640 Russian Roubles per USD; between 60.4124 Russian Roubles per EUR and 78.7900 Russian Roubles per EUR.
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+ and Moody's Investors Service decrease it to Ba1, putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible.
- the RTS stock exchange index ranged between 791 on 31 December 2014 to 966 on 7 April 2015;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates; and
- the CBRF key refinancing interest rate decreased from 17.0% p.a. on 17 December to 14 % p.a. on 16 March 2015.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, financial instruments categorized as at fair value through profit or loss, revaluation of available-for-sale financial assets, biological assets that are presented at fair value less point-of-sale costs and agricultural produce which is measured at fair value less point-of-sale costs at the point of harvest. The Group entities registered in Russia keep their accounting records in Russian Roubles in accordance with Russian accounting regulations (RAR). These consolidated financial statements significantly differ from the financial statements prepared for statutory purposes under RAR in that they reflect certain adjustments, which are necessary to present the Group's consolidated financial position, results of operations, and cash flows in accordance with IFRS as adopted by the EU.

As of the date of the authorisation of these consolidated financial statements all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and effective as at 1 January 2014 have been adopted by the EU through the endorsement procedure established by the European Commission.

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

**(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 2. Summary of significant accounting policies (continued)

### 2.2 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of the assets and liabilities within the next financial year. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements, and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next reporting period include:

***Useful lives of property, plant and equipment***

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions. Were the estimated useful lives to differ by 10% from management's estimates, the impact on the depreciation charge for the year would be to increase it by RR 387,279 (2013: RR 360,619) or decrease it by RR 336,658 (2013: RR 304,438) (Note 2.6).

***Fair value of livestock and agricultural produce***

Fair value less estimated point-of-sale costs of livestock at the end of each reporting period was determined using the physiological characteristics of the animals, management expectations concerning the potential productivity and market prices of animals with similar characteristics.

Fair value of the Group's bearer livestock is determined by using valuation techniques, as there were no observable market prices near the reporting date for pigs and cows of the same physical conditions, such as weight and age. The fair value of the bearer livestock was determined based on the expected quantity of remaining farrows and calves for pigs and cows, respectively, and the market prices of the young animals. The fair value of mature animals is determined based on the expected cash flow from the sale of the animals at the end of the production usage. The cash flow was calculated based on the actual prices of sales of culled animals from the Group's entities to independent processing enterprises taking place near the reporting date, and the expected weight of the animals. Future cash flows were discounted to the reporting date at a current market-determined pre-tax rate. In the fair value calculation of the immature animals of bearer livestock management considered the expected culling rate.

Key inputs used in the fair value measurement of bearer livestock of the Group were as follows:

| | **31 December 2014** | | **31 December 2013** | |
|---|---|---|---|---|
| | **Cows** | **Pigs (sows)** | **Cows** | **Pigs (sows)** |
| Length of production usage in calves / farrows | 5 | 5 | 5 | 5 |
| Market prices for comparable bearer livestock in the same region (in Russian Roubles/kg, excl. VAT) | 166 | 284 | 122 | 229 |

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 2. Summary of significant accounting policies (continued)

### 2.2 Critical accounting estimates and judgements in applying accounting policies (continued)

***Fair value of livestock and agricultural produce (continued)***

Should the key assumptions used in determination of fair value of bearer livestock have been 10% higher/lower with all other variables held constant, the fair value of the bearer livestock as at the reporting dates would be higher or lower by the following amounts:

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | **10% increase** | **10% decrease** | **10% increase** | **10% decrease** |
| **Cows** | | | | |
| Length of production usage in calves | 2,439 | (2,981) | 2,633 | (2,995) |
| Market prices for comparable bearer livestock in the same region | 11,190 | (11,190) | 14,934 | (14,934) |
| **Pigs** | | | | |
| Length of production usage in farrows | 38,114 | (19,368) | 25,185 | (13,192) |
| Market prices for comparable bearer livestock in the same region | 109,803 | (109,803) | 97,102 | (97,102) |

The fair value of consumable livestock (pigs) is determined based on the market prices multiplied by the livestock weight at the end of each reporting period, adjusted for the expected culling rates. The market price of consumable pigs being the key input used in the fair value measurement was 99 Russian Roubles per kilogram, excluding VAT, as at 31 December 2014 (31 December 2013: 62 Russian Roubles per kilogram, excluding VAT).

Should the market prices used in determination of fair value of consumable livestock have been 10% higher/lower with all other variables held constant, the fair value of the consumable livestock as at 31 December 2014 would be higher/lower by RR 296,596 (31 December 2013: RR 186,678).

The fair value less estimated point-of-sale costs for agricultural produce at the time of harvesting was calculated based on quantities of crops harvested and the prices on deals that took place in the region of location on or about the moment of harvesting and was adjusted for estimated point-of-sale costs at the time of harvesting. The average market prices (Russian Roubles/tonne, excluding VAT) used for fair value measurement of harvested crops were as follows:

| | **2014** | **2013** |
|---|---|---|
| Sugar beet | 2,034 | 1,421 |
| Winter wheat | 5,069 | 5,163 |
| Barley | 4,301 | 5,243 |
| Sunflower | 11,404 | 9,453 |
| Pea | 7,500 | 5,909 |
| Corn | 5,196 | 4,489 |
| Soya bean | 17,186 | 17,414 |

Should the market prices used in determination of fair value of harvested crops have been 10% higher/lower with all other variables held constant, the fair value of the crops harvested in 2014 would be higher/lower by RR 926,545 (2013: RR 851,390).

***Impairment test of property, plant and equipment***

Changes in the operating environment of the Group (Note1) were identified by management as impairment indicators, and so the Group estimated recoverable amounts of property, plant and equipment of each of its cash generating units (CGUs) as at 31 December 2014 based on value-in-use calculations (as of 31 December 2013 management determined that there were no indicators that would necessitate performing an impairment test of property, plant and equipment and intangible assets).

***Estimated impairment of goodwill***

The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 24. No Impairment was recognized during the year.

## 2. Summary of significant accounting policies (continued)

### 2.2 Critical accounting estimates and judgements in applying accounting policies (continued)

***Deferred income tax asset recognition***

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. The key assumptions in the business plan are EBITDA margin and pre-tax discount rate (Notes 24, 25).

***Tax legislation***

Russian tax, currency and customs legislation is subject to varying interpretations (Note 30).

### 2.3 Foreign currency and translation methodology

***Functional and presentation currency***

The functional currency of the Group’s consolidated entities is the Russian Rouble (RR), which is the currency of the primary economic environment in which the Group operates. The Russian Rouble has been chosen as the presentation currency for these consolidated financial statements.

***Translation of foreign currency items into functional currency***

Transactions in foreign currencies are translated to Russian Roubles at the official exchange rate of the Central Bank of the Russian Federation (CBRF) at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate ruling at that date.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognised in profit or loss.

### 2.4 Group accounting

***Consolidation***

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the fair value of net assets of the acquiree from the aggregate of the fair value of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill, bargain purchase”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

## 2. Summary of significant accounting policies (continued)

### 2.4 Group accounting (continued)

***Consolidation (continued)***

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

***Associates***

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of investee's profits and other equity movements. Any acquisition-related costs are treated as part of the investment in the associate.

***Purchases of non-controlling interests***

The Group applies economic entity model to account for transactions with owners of non-controlling interest. The difference, if any, between the carrying amount of a non-controlling interest acquired and the purchase consideration is recorded as capital transaction in the statement of changes in equity.

***Purchases of subsidiaries from parties under common control***

Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted for using the predecessor basis of accounting. Under this method the consolidated financial statements of the acquiree are included in the consolidated financial statements from the beginning of the earliest period presented or, if later, the date when common control was established. The assets and liabilities of the subsidiary transferred under common control are accounted for at the predecessor entity's IFRS carrying amounts using uniform accounting policies on the assumption that the Group was in existence from the date when common control was established. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to retained earnings within equity.

## 2. Summary of significant accounting policies (continued)

### 2.4 Group accounting (continued)

***Disposals of subsidiaries and associates***

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 2.5 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and provision for impairment, if any.

Assets under construction are accounted for at purchase cost less provision for impairment, if required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing a major part or component of property, plant and equipment items is capitalized and the replaced part is retired.

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the financial statements. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in operating profit or loss for the year within other operating income and expenses.

### 2.6 Depreciation

Depreciation on property, plant and equipment other than land and assets under construction is calculated using the straight-line method to allocate their cost to the residual values over their estimated useful lives:

| Asset category | Useful life, years |
|---|---:|
| Buildings | 15-50 |
| Constructions | 5-50 |
| Machinery, vehicles and equipment | 3-20 |
| Other | 4-6 |

Assets are depreciated on a straight-line basis from the month following the date they are ready for use.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

## 2. Summary of significant accounting policies (continued)

### 2.7 Biological assets and agricultural produce

Biological assets of the Group consist of unharvested crops (grain crops, sugar beets and other plant crops) and livestock (pigs and cows).

Livestock is measured at their fair value less estimated point-of-sale costs. Fair value at initial recognition is assumed to be approximated by the purchase price incurred. Point-of-sale costs include all costs that would be necessary to sell the assets. All the gross gains or loss arising from initial recognition of biological assets and from changes in fair-value-less-cost-to-sell of biological assets are included as a separate line "Gain/ (loss) on revaluation of biological assets and agricultural produce" above the gross profit line.

At the year-end unharvested crops are carried at the accumulated costs incurred, which approximate the fair value since little biological transformation has taken place since initial cost incurrence due to the seasonal nature of the crops. Unharvested crop-growing costs represent costs incurred to plant and maintain seed crops which will be harvested during the subsequent reporting period. Subsequent to the year-end unharvested crops are measured at fair value less estimated point-of-sale costs. A gain or loss from the changes in the fair value less estimated point-of-sale costs is included as a separate line "Gain/ (loss) on revaluation of biological assets and agricultural produce" above the gross profit line.

Upon harvest, grain crops, sugar beets and other plant crops are included into inventory for further processing or for sale and are initially measured at their fair value less estimated point-of-sale costs at the time of harvesting. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is recognised in profit or loss in the period in which it arises.

Bearer livestock is classified as non-current assets; consumable livestock and unharvested crops are classified as current assets in the consolidated statement of financial position.

### 2.8 Goodwill

Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash-generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

### 2.9 Intangible assets

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, patents, trademarks and licences. Acquired computer software licences, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets are amortised using the straight-line method over their useful lives:

| Asset category | Useful life, years |
|---|---|
| Trademarks | 5-12 |
| Software licences | 1-3 |
| Capitalised internal software development costs | 3-5 |
| Other licences | 1-3 |

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

## 2. Summary of significant accounting policies (continued)

### 2.10 Impairment of non-current assets

The Group's non-current assets except for deferred tax, biological assets and financial assets are tested for impairment in accordance with the provisions of IAS 36, Impairment of Assets. The Group makes an assessment whether there is any indication that an asset may be impaired at each reporting date, except for goodwill which is tested at least annually regardless of whether there are any indications of impairment. If any such indication exists, an estimate of the recoverable amount of the asset is made. IAS 36 requires an impairment loss to be recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its life.

### 2.11 Financial instruments

***Financial instruments – key measurement terms***

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

*Fair value* is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

*Amortised cost* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

## 2. Summary of significant accounting policies (continued)

### 2.11 Financial instruments (continued)

***Financial instruments – key measurement terms (continued)***

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

***Classification of financial instruments***

The Group classified its financial instruments into the following measurement categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

***Initial recognition and measurement of financial instruments***

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets and liabilities are initially recorded at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Subsequently to initial recognition financial instruments are measured as described below.

***Derecognition of financial instruments***

The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

*Trading investments* are securities or other financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are included in a portfolio in which a pattern of short-term trading exists. The Group classifies financial assets into trading investments if it has an intention to sell them within a short period after acquisition, i.e. within 1 to 3 months. Trading investments also include financial derivatives. Trading investments are not reclassified out of this category even when the Group's intentions subsequently change.

*Other financial assets at fair value through profit or l*oss are financial assets designated irrevocably, at initial recognition, into this category. Recognition and measurement of this category of financial assets is consistent with the above policy for trading investments. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel.

## 2. Summary of significant accounting policies (continued)

### 2.11 Financial instruments (continued)

***Loans and receivables***

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables comprise accounts receivable, cash and cash equivalents, restricted cash, bank deposits, unquoted promissory notes and loans issued. Loans and receivables are initially recognised at their fair value plus transaction costs and subsequently carried at amortised cost using effective interest method.

***Available-for-sale financial assets***

Available-for-sale investments are carried at fair value. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months of the reporting date.

***Financial liabilities***

All the Group's financial liabilities fall into the following measurement categories: (a) held for trading which are represented by financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year in the period in which they arise. Other financial liabilities are carried at amortised cost.

***Presentation of results from sugar trading derivatives***

The Group engages in raw sugar derivative trading transactions through an agent on ICE Futures US primarily in order to manage the raw sugar purchase price risk (Note 29). As such transactions are directly related to the core activity of the Group, and their results are presented above gross profit as 'Gains less losses from trading sugar derivatives' in the consolidated statement of profit or loss and other comprehensive income. Management believes that the presentation above gross profit line appropriately reflects the nature of derivative operations of the Group.

***Impairment of financial assets carried at amortised cost***

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

## 2. Summary of significant accounting policies (continued)

### 2.11 Financial instruments (continued)

***Impairment of financial assets carried at amortised cost (continued)***

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss for the year.

### 2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash held on demand with banks, bank deposits with original maturity of less than three months, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Bank deposits with original maturities at the reporting date of more than three months and less than twelve months are classified as short-term investments and are carried at amortised cost using the effective interest method. Bank deposits with original maturity at the reporting date of more than twelve months are classified as long-term and are carried at amortised cost.

### 2.13 Trade and other receivables

Trade receivables are carried at amortised cost using the effective interest method less provision made for impairment of these receivables.

### 2.14 Prepayments

Prepayments classified as current assets represent advance payments to suppliers for goods and services. Prepayments for construction or acquisition of property, plant and equipment and prepayments for intangible assets are classified as non-current assets. Prepayments are carried at cost less provisions for impairment, if any. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

### 2.15 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Raw materials intended for the operating activities of the Group, finished goods and work in progress are classified as current assets. Materials intended for construction are classified as non-current assets as "Inventories intended for construction".

### 2.16 Borrowings

Borrowings are recognised initially at their fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between the amount at initial recognition and the redemption amount is recognised as interest expense over the period of the borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

## 2. Summary of significant accounting policies (continued)

### 2.16 Borrowings (continued)

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

### 2.17 Trade and other payables

Trade and other payables are recognised when the counterparty has performed its obligations under the contract, and are carried at amortised cost using the effective interest method.

### 2.18 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to purchases where all the specified conditions for recovery have not been met yet is recognised in the statement of financial position and disclosed separately within other taxes receivable, while input VAT that has been claimed is netted off with the output VAT payable. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

### 2.19 Other taxes payable

Other taxes payable comprise liabilities for taxes other than on income outstanding at the reporting date, accrued in accordance with legislation enacted or substantively enacted by the end of the reporting period.

### 2.20 Income tax

Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge or credit comprises current tax and deferred tax and is recognised in profit or loss for the year.

***Current tax***

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

***Deferred tax***

Deferred income tax is provided in full, using the balance sheet liability method, on tax losses carry forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax balance is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

## 2. Summary of significant accounting policies (continued)

### 2.21 Employee benefits

***Payroll costs and related contributions***

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year, in which the associated services are rendered by the employees of the Group.

***Pension costs***

The Group contributes to the Russian Federation state pension fund on behalf of its employees and has no obligation beyond the payments made. The contribution was approximately 17.6% (2013: 18.7%) of the employees' gross pay and is expensed in the same period as the related salaries and wages.

The Group does not have any other legal or constructive obligation to make pension or other similar benefit payments to its employees.

***Share-based payment transactions***

The Group accounts for share-based compensation in accordance with IFRS 2, Share-based Payment. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted measured at the grant date. For share-based compensation made to employees by shareholders, an increase to share-based payment reserve in equity is recorded equal to the associated compensation expense each period.

### 2.22 Provisions for liabilities and charges

Provisions for liabilities and charges are recognised where the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### 2.23 Revenue recognition

Revenues and related cost of sales are recognised when goods are shipped and the title and significant risks and rewards of ownership pass to the customer in accordance with the contractual sales terms. Sales are measured at the fair value of consideration received or receivable for the goods sold and services rendered, net of discounts and value added taxes, and after eliminating sales between the Group companies.

The amount of revenue arising from exchanges of goods or services is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred. Non-cash transactions are excluded from the cash flow statement.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

### 2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

### 2.25 Government grants

Government grants comprise compensation of interest expense under bank loans and government grants relating to costs and property, plant and equipment.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Government grants relating to costs are deferred and recognised in profit or loss as other operating income over the period necessary to match them with the costs that they are intended to compensate.

## 2. Summary of significant accounting policies (continued)

### 2.25 Government grants (continued)

Compensation of interest expense under bank loans is credited to profit or loss over the periods of the related interest expense unless this interest was capitalised into the carrying value of assets in which case it is included in non-current liabilities as government grants and credited to profit or loss on a straight-line basis over the expected lives of the related assets.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognised and measured in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IAS 39 and the proceeds received.

Government grants are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants cash inflows are presented in financing activities section of the consolidated statement of cash flows.

### 2.26 Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved, appropriately authorised and are no longer at the discretion of the Group. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

### 2.27 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 2.28 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option (Note 31).

### 2.29 Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration receivable over the par value of shares issued is recorded as share premium in equity. Share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

### 2.30 Treasury shares

Where the Company or its subsidiaries purchase the Company’s equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company’s owners until the equity instruments are cancelled, reissued or disposed of. Where such equity instruments are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s owners.

### 2.31 Amendments of the consolidated financial statements after issue

Any changes to these consolidated financial statements after issue require approval of the Group’s management who authorised these consolidated financial statements for issue.

## 2. Summary of significant accounting policies (continued)

### 2.32 Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2014. This adoption did not have a material effect on the accounting policies of the Group with the exception of the following:

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

Amendments to IFRS 10, IFRS 12 and IAS 27 (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgments made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014).The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

## 2. Summary of significant accounting policies (continued)

### 2.32 Adoption of new or revised standards and interpretations (continued)

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

***Adopted by the European Union***

***New IFRIC***

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2015).

***Amendments***

Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 January 2016)

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 January 2016).

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 January 2015).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group’s financial statements.

***Not yet adopted and not yet endorsed by the European Union***

***New standards***

IFRS 9 Financial Instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018)

IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017).

***Amendments***

Amendments to IFRS 11- Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016)

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016)

Amendments to IAS 16 and IAS 41 - Agriculture: Bearer plants (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016)

Amendments to IAS 27 - Equity Method in Separate Financial Statements (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016)

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 1 - Disclosure Initiative (issued in December 2014 and effective for annual periods on or after 1 January 2016)

Amendment to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception (issued in December 2014 and effective for annual periods on or after 1 January 2016).

The Group management assesses the impact of new standards and interpretations at the point when these are endorsed by the European Union. As a result the impact of the above new standards and interpretations that have not been endorsed by the European Union has not been assessed.

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 3. Cash and cash equivalents

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Bank deposits with original maturity of less than three months | 9,668,025 | 1,670,000 |
| Bank balances receivable on demand | 634,623 | 844,891 |
| Brokerage accounts | 7,668 | 154,914 |
| Interest receivable on bank deposits within cash equivalents | 5,831 | 2,631 |
| Cash in hand | 166 | 328 |
| **Total** | **10,316,313** | **2,672,764** |

The Group had the following currency positions:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| US Dollars | 8,806,460 | 259,592 |
| Russian Roubles | 1,509,449 | 2,227,235 |
| Euro | 74 | 185,831 |
| Other | 330 | 106 |
| **Total** | **10,316,313** | **2,672,764** |

The weighted average interest rate on cash at bank balances presented within cash and cash equivalents was 2.49% at 31 December 2014 (31 December 2013: 5.36%).

As at 31 December 2014 the cash amounts of RR 17,373 (31 December 2013: RR 2,404) were restricted under irrevocable bills of credit issued for purchases of property, plant and equipment, which were included in “Restricted cash” line within non-current assets in the statement of financial position.

## 4. Short-term investments

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Bonds held for trading | 6,684,189 | - |
| Bank deposits with maturity over three months | 992,200 | 13,467,355 |
| Loans issued to third parties | 906,522 | 6,383 |
| Interest receivable on bonds held for trading | 121,781 | - |
| Financial derivatives | 95,627 | 8,298 |
| Interest receivable on bank deposits within short-term investments | 34,463 | 326,621 |
| Loans issued to related parties (Note 26) | 17,515 | 316,840 |
| Interest receivable on loans issued to third parties | 11,409 | 739 |
| Interest receivable on loans issued to related parties (Note 26) | 83 | 3,888 |
| Promissory notes | - | 1,100,000 |
| Interest receivable on promissory notes | - | 36,437 |
| **Total** | **8,863,789** | **15,266,561** |

Bonds held for trading are denominated in US dollars and mature in period from 2021 till 2043. Nominal interest rates on bonds vary between 4.20% and 7.75% with interest payable every six months. Bonds held for trading were acquired with the intention of generating a profit from short-term price fluctuations and for the purpose of these consolidated financial statements were classified as trading investments with measurement at fair value through profit and loss.

In 2014 the losses less gains from bonds held for trading revaluation amounted to RR 1,397,230 (2013: nil).

The bank deposits within short-term investments are denominated in Russian Roubles. As at 31 December 2014 bank deposits in the amount of RR 442,200 (31 December 2013: RR 12,350,375) were pledged as collateral for the Group’s borrowings (Note 14).

Loans issued to third parties are denominated in Russian Roubles with interest rate varying between 9.00% and 11.0% (31 December 2013: 8.0%). The weighted average interest rate on the loans issued to third parties equals 9.03% (31 December 2013: 8.0%).

Promissory notes are denominated in Russian Roubles and represented by promissory notes of Sberbank RF (Note 29). At 31 December 2013 promissory notes in the amount of RR 1,100,000 were pledged as collateral for the Group’s borrowings (Note 14).

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 5. Trade and other receivables

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade receivables | 2,033,757 | 1,600,014 |
| Receivables under cession of rights | 90,000 | - |
| Receivables for sale of ownership interests in subsidiaries | 41,086 | - |
| Other | 107,179 | 42,649 |
| Less: provision for impairment (Note 29) | (144,897) | (95,548) |
| **Total financial assets within trade and other receivables** | **2,127,125** | **1,547,115** |
| Deferred charges | 220,589 | 224,120 |
| **Total trade and other receivables** | **2,347,714** | **1,771,235** |

The above financial assets within trade and other receivables are denominated in the following currencies:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Russian Roubles | 1,001,360 | 1,335,996 |
| US dollars | 1,117,920 | 211,119 |
| Euro | 7,845 | - |
| **Total** | **2,127,125** | **1,547,115** |

Reconciliation of movements in the trade and other receivables impairment provision

| | Trade receivables | Other receivables |
|---|---|---|
| **As at 1 January 2013** | **24,444** | **14,484** |
| Accrued | 139,971 | 7,482 |
| Utilised | (87,069) | (3,764) |
| **As at 31 December 2013 (Note 29)** | **77,346** | **18,202** |
| Accrued | 17,717 | 36,098 |
| Utilised | (1,183) | (2,872) |
| Disposal of subsidiaries | (404) | (8) |
| **As at 31 December 2014 (Note 29)** | **93,476** | **51,421** |

## 6. Prepayments

Prepayments classified as current assets represent the following advance payments:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Prepayments under share purchase agreements | 773,713 | - |
| Prepayments to customs | 651,907 | 228,868 |
| Interest expenses prepaid | 186,473 | 149,677 |
| Prepayments for transportation services | 131,618 | 211,539 |
| Prepayments for advertising expenses | 74,125 | 16,574 |
| Prepayments for sunflower seeds | 43,842 | 51,284 |
| Prepayments for fuel and energy | 39,613 | 63,322 |
| Prepayments for fertilizers | - | 22,546 |
| Other prepayments | 247,412 | 151,893 |
| Less: provision for impairment | (63,104) | (71,081) |
| **Total** | **2,085,599** | **824,622** |

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 6. Prepayments (continued)

Prepayments under share purchase agreements include prepayments for the shares of following companies:

In the end of 2014 the Group entered into agreement for purchase of 29.00% of ordinary shares of OJSC Pugachevski elevator for cash consideration of RR 320,000 to be paid in advance. The consideration was transferred to the seller in the end of 2014. As at 31 December 2014 the shares were not yet transferred to the Group.

In the end of 2014 the Group won through the public auction a right to purchase 100.00% ownership interest of the share capital of OJSC "Experimental entity of Primorskaya State Agricultural Academy" (OJSC "Uchkhoz PGSKHA") for cash consideration in the amount of RR 131,471. The consideration was transferred to the seller in the end of 2014, but the shares were actually transferred to the Group in January 2015.

In the end of 2014 the Group entered into a preliminary share purchase agreement for acquisition of 100.00% ownership interest of LLC "Rusagro-Primorie" for cash consideration of RR 300,000 to be paid in advance in US dollar with exchange rate of 56.4940 Russian Roubles per US Dollar. The consideration in the amount of RR 322,242 was transferred to the seller in the end of 2014. The main agreement was signed in February 2015.

Reconciliation of movements in the prepayments impairment provision

| | 2014 | 2013 |
|---|---|---|
| As at 1 January | 71,081 | 94,069 |
| Reversed | (7,695) | (21,309) |
| Utilised | (282) | (1,679) |
| **As at 31 December** | **63,104** | **71,081** |

As at 31 December 2014 prepayments classified as non-current assets and included in "Advances paid for property, plant and equipment" line in the statement of financial position in the amount of RR 2,669,373 (31 December 2013: RR 2,334,610) represent advance payments for construction works and purchases of production equipment.

## 7. Other taxes receivable

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Value added tax receivable | 1,463,020 | 1,484,827 |
| Other taxes receivable | 2,065 | 2,581 |
| Less: provision for impairment | (154,678) | - |
| **Total** | **1,310,407** | **1,487,408** |

## 8. Inventories

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Raw materials | 6,906,165 | 6,033,844 |
| Finished goods | 7,164,295 | 6,481,945 |
| Work in progress | 1,916,237 | 1,354,577 |
| Less: provision for write-down to net realisable value | (478,038) | (4,941) |
| **Total** | **15,508,659** | **13,865,425** |

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 9. Property, plant and equipment

| | Land and buildings | Machinery, vehicles and equipment | Construc-tions | Assets under construction | Other | Total |
|---|---|---|---|---|---|---|
| **Cost (Note 2.5)** | | | | | | |
| As at 1 January 2013 | 13,696,611 | 17,433,983 | 1,844,827 | 5,546,887 | 185,260 | 38,707,568 |
| Additions | 71,130 | 787,122 | 1,225 | 3,816,409 | 547 | 4,676,433 |
| Transfers | 4,741,330 | 2,213,580 | 1,384,770 | (8,342,813) | 3,133 | - |
| Disposals | (311,461) | (329,552) | (12,338) | (1,374) | (6,335) | (661,060) |
| **As at 31 December 2013** | **18,197,610** | **20,105,133** | **3,218,484** | **1,019,109** | **182,605** | **42,722,941** |
| **Accumulated depreciation (Note 2.6)** | | | | | | |
| As at 1 January 2013 | (2,579,254) | (8,133,690) | (423,438) | - | (117,739) | (11,254,121) |
| Charge for the year | (787,101) | (2,509,709) | (195,076) | - | (18,956) | (3,510,842) |
| Disposals | 152,144 | 241,937 | 7,730 | - | 5,327 | 407,138 |
| **As at 31 December 2013** | **(3,214,211)** | **(10,401,462)** | **(610,784)** | **-** | **(131,368)** | **(14,357,825)** |
| **Net book value as at 31 December 2013** | **14,983,399** | **9,703,671** | **2,607,700** | **1,019,109** | **51,237** | **28,365,116** |
| **Cost (Note 2.5)** | | | | | | |
| As at 1 January 2014 | 18,197,610 | 20,105,133 | 3,218,484 | 1,019,109 | 182,605 | 42,722,941 |
| Additions | 196,679 | 1,634,462 | 3,257 | 3,150,028 | 2,897 | 4,987,323 |
| Acquisitions through business combinations | 38,831 | 10,860 | 680 | - | 83 | 50,454 |
| Transfers | 77,061 | 968,763 | 226,895 | (1,277,397) | 4,678 | - |
| Disposals | (14,301) | (244,189) | (1,041) | (18,693) | (2,160) | (280,384) |
| Disposal through disposal of subsidiaries | (96,840) | (33,151) | (5,206) | (855) | (441) | (136,493) |
| **As at 31 December 2014** | **18,399,040** | **22,441,878** | **3,443,069** | **2,872,192** | **187,662** | **47,343,841** |
| **Accumulated depreciation (Note 2.6)** | | | | | | |
| As at 1 January 2014 | (3,214,211) | (10,401,462) | (610,784) | - | (131,368) | (14,357,825) |
| Charge for the year | (909,174) | (2,622,256) | (214,537) | - | (15,775) | (3,761,742) |
| Disposals | 7,106 | 222,410 | 770 | - | 2,133 | 232,419 |
| Disposal through disposal of subsidiaries | 30,279 | 30,331 | 2,241 | - | 424 | 63,275 |
| **As at 31 December 2014** | **(4,086,000)** | **(12,770,977)** | **(822,310)** | **-** | **(144,586)** | **(17,823,873)** |
| **Net book value as at 31 December 2014** | **14,313,040** | **9,670,901** | **2,620,759** | **2,872,192** | **43,076** | **29,519,968** |

At 31 December 2014 property, plant and equipment with a net book value of RR 9,609,240 (31 December 2013: RR 8,905,057) were pledged as collateral for the Group's borrowings (Note 14).

As at 31 December 2014 the assets under construction relates mainly to the construction of slaughter house in Tambov region with due date in May 2015 and modernization programme on the Group's sugar plants with due date in August 2015

During the reporting period the Group capitalised within assets under construction interest expense of RR 674 (2013: RR 228,624). The average capitalisation rate was 9.65% (2013: 10.05%).

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 10. Biological assets

The fair value of biological assets belongs to level 3 measurements in the fair value hierarchy. Pricing model is used as a valuation technique for biological assets fair value measurement. There were no changes in valuation technique during the year ended 31 December 2014. The reconciliation of changes in biological assets between the beginning and the end of the year can be presented as follows:

### Short-term biological assets

| | Consumable livestock, pigs | Unharvested crops | Total |
|---|---|---|---|
| **As at 1 January 2013** | **748,657** | **495,472** | **1,244,129** |
| Increase due to purchases and gain arising from cost inputs | 6,931,985 | 5,692,430 | 12,624,415 |
| Gain on initial recognition of agricultural produce | - | 1,709,015 | 1,709,015 |
| Lost harvest write-off (Note 22) | - | (31,071) | (31,071) |
| Decrease due to harvest and sales of the assets | (7,635,349) | (7,527,862) | (15,163,211) |
| Gain arising from changes in fair value less estimated point-of-sale costs | 1,829,528 | - | 1,829,528 |
| **As at 31 December 2013** | **1,874,821** | **337,984** | **2,212,805** |
| Increase due to purchases and gain arising from cost inputs | 9,687,028 | 5,593,220 | 15,280,248 |
| Gain on initial recognition of agricultural produce | - | 2,870,540 | 2,870,540 |
| Lost harvest write-off (Note 22) | - | (5,530) | (5,530) |
| Decrease due to harvest and sales of the assets | (17,200,766) | (8,360,611) | (25,561,377) |
| Gain arising from changes in fair value less estimated point-of-sale costs | 8,658,251 | - | 8,658,251 |
| **As at 31 December 2014** | **3,019,334** | **435,603** | **3,454,937** |

### Long-term biological assets

| | Bearer livestock | | |
|---|---|---|---|
| | **Pigs** | **Cows** | **Total** |
| **As at 1 January 2013** | **1,169,064** | **182,995** | **1,352,059** |
| Increases due to purchases and breeding costs of growing livestock | 715,516 | 175,760 | 891,276 |
| Decreases due to sales | (508,399) | (132,261) | (640,660) |
| Loss arising from changes in fair value less estimated point-of-sale costs | (8,772) | (40,308) | (49,080) |
| **As at 31 December 2013** | **1,367,409** | **186,186** | **1,553,595** |
| Increases due to purchases and breeding costs of growing livestock | 654,646 | 79,131 | 733,777 |
| Decreases due to sales | (1,044,986) | (98,869) | (1,143,855) |
| Disposal through disposal of subsidiaries (Note 22) | - | (65,401) | (65,401) |
| Gain arising from changes in fair value less estimated point-of-sale costs | 688,015 | 26,928 | 714,943 |
| **As at 31 December 2014** | **1,665,084** | **127,975** | **1,793,059** |

In 2014 the aggregate gain on initial recognition of agricultural produce and from the change in fair value less estimated point-of-sale costs of biological assets amounted to RR 12,243,734 (2013: RR 3,489,463).

Livestock population were as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Cows (heads) | 2,802 | 5,543 |
| Pigs within bearer livestock (heads) | 81,251 | 79,121 |
| Pigs within consumable livestock (tonnes) | 32,127 | 30,977 |

Cows are cultivated for the purpose of production of milk. In 2014 the milk produced amounted to 9,357 tonnes (2013: 12,101 tonnes).

## 10. Biological assets (continued)

In 2014 agriculture land cultivated amounted to 388 thousand ha (2013: 375 thousand ha).

The main crops of the Group's agricultural production and output were as follows (in thousands of tonnes):

| | 2014 | 2013 |
|---|---|---|
| Sugar beet | 2,318 | 2,871 |
| Winter wheat | 379 | 416 |
| Barley | 291 | 173 |
| Sunflower | 70 | 71 |
| Pea | 27 | 25 |
| Corn | 49 | 53 |
| Soya bean | 18 | 30 |

Key inputs in the fair value measurement of the livestock and the agricultural crops harvested together with sensitivity to reasonably possible changes in those inputs are disclosed in Note 2.2.

Biological assets with a carrying value of RR 684,303 (31 December 2013: RR 520,049) were pledged as collateral for the Group's borrowings (Note 14).

The Group is exposed to financial risks arising from changes in milk, meat and crops prices. The Group does not anticipate that milk or crops prices will decline significantly in the foreseeable future except some seasonal fluctuations and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in respective prices. The Group reviews its outlook for milk, meat and crops prices regularly in considering the need for active financial risk management.

## 11. Long-term investments

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Bank deposits | 696,500 | 696,500 |
| Interest receivable on long-term bank deposits | 182,717 | 118,291 |
| Available-for-sale financial assets | 19,305 | 26,712 |
| Loans issued to third parties | 26,526 | 26,484 |
| Other long-term investments | 4,081 | 2,828 |
| **Total** | **929,129** | **870,815** |

The above long-term investments are denominated in Russian Roubles.

As at 31 December 2014 bank deposits placed in Alfa Bank in the amount of RR 696,500 (31 December 2013: RR 696,500) were pledged as collateral for the Group's obligations (Note 14).

## 12. Investments in associates

On 21 March 2014 the Group acquired 31.00% of the share capital of OJSC Tockiy elevator for RR 23,601. On 26 August 2014 the Group acquired further 68.87% of the share capital and obtained control of OJSC Tockiy elevator (see Note 24).

On 24 July 2014 the Group invested RR 25 in share capital of LLC Rusprotein and thereby acquired 25% of ownership interest in the investee.

On 26 September 2014 the Group acquired 10.50% of ownership interest in CJSC Status for RR 33,867. Together with previously held 14.50% the Group share in CJSC Status reached 25.00%.

Acquisition of LLC Rusprotein and CJSC Status was accounted using the provisional amounts of assets and liabilities of the investees as the Group had not finalized the fair value determination of these assets and liabilities at the moment of preparation of these consolidated financial statements. The fair values of identifiable assets and liabilities of OJSC Tockiy elevator were determined using discounted cash flow models. The valuation of property, plant and equipment was performed by an independent professional appraiser.

**(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 12. Investments in associates (continued)

The table below summaries the information on net assets or liabilities of the acquired associates at the date of acquisition, consideration transferred and other details of the above transactions.

| | LLC Rusprotein (consolidated) | CJSC Status | OJSC Tockiy elevator | Total |
|---|---|---|---|---|
| Share of ownership interest acquired | 25% | 25% | 31% | |
| Cash consideration transferred | 25 | 33,867 | 23,601 | 57,493 |
| Investment in the acquiree prior to the acquisition | - | 7,387 | - | 7,387 |
| **Total consideration** | **25** | **41,254** | **23,601** | **64,880** |
| Net assets/ (liabilities) of associates acquired | (10,085) | 348,661 | 59,859 | 398,435 |
| Non-controling interest in net assets/ (liabilities) | (4,538) | - | - | (4,538) |
| Group's share in the net assets/ (liabilities) of associates acquired net of non-controliing interest | (1,387) | 87,165 | 18,556 | 104,334 |
| Goodwill arising from the acquisition | 1,412 | - | 5,045 | 6,457 |
| Excess of the fair value of net assets acquired over the cost of the investment | - | 45,912 | - | 45,911 |

The Group's interests in its principal associates were as follows:

| | | **Group's share in the share capital** | |
|---|---|---|---|
| **Name of entity** | **Principal activity** | **31 December 2014** | **31 December 2013** |
| LLC Rusprotein | Holding company | 25.00% | - |
| CJSC Status | Registrar | 25.00% | - |

The country of incorporation of the Croup’s associates, as well as their principal place of business, is the Russian Federation. The associates incorporated as CJSC have share capital consisting solely of ordinary shares. Shares in CJSC Status and LLC Rusprotein are held directly by the Group.

LLC Rusprotein control 55% shares of CJSC Ussurisky maslozhirovoi combinat "Primorskaya soya" (hereinafter CJSC UMZHK "Primorskaya soya"). The Group has no direct holdings in CJSC UMZHK "Primorskaya soya".

All Group’s associates are private companies and there are no quoted market prices available for there shares.

The table below summarizes the movements in the carrying amount of the Group's investment in associates:

| | **2014** | **2013** |
|---|---|---|
| **Carrying amount at 1 January** | **-** | **-** |
| Fair value of share of net assets/ (liabilities) of associates acquired | 104,334 | - |
| Goodwill arising on acquisition | 6,457 | - |
| Share of profit/ (loss) of associates | 667 | - |
| De-recognition of investments in associates as result of business combination (Note 24) | (24,051) | - |
| **Carrying amount at 31 December** | **87,407** | **-** |

**(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 12. Investments in associates (continued)

Summarized financial information of each material associate is as follows at 31 December 2014:

| | LLC Rusprotein (consolidated)* | CJSC Status | Total |
|---|---|---|---|
| Current assets | 775,728 | 456,091 | 1,231,819 |
| Non-current assets | 468,408 | 41,983 | 510,391 |
| Current liabilities | (1,100,507) | (148,445) | (1,248,952) |
| Non-current liabilities | (159,432) | - | (159,432) |
| **Net assets/ (liabilities)** | **(15,803)** | **349,629** | **333,826** |
| Revenue | 480,476 | 159,039 | 650,169 |
| Profit or loss/ Total comprehensive income or loss | (5,652) | 968 | (3,231) |

* Financial information on LLC Rusprotein is provided on consolidated basis including financial information of all its subsidiaries.

There are no contingent liabilities relating to the Group's interest in the associates.

The carrying value of the Group's investment in LLC Rusprotein is nil. The unrecognised share of loss of this associate is RR 753 for 2014 (2013: nil). Cumulatively, the unrecognised share of losses of this associate as at 31December 2014 is RR 753 (31 December 2013: nil).

## 13. Share capital, share premium and transactions with non-controlling interests

### Share capital and share premium

At 31 December 2014 and 2013, issued and paid share capital consisted of 24,000,000 ordinary shares with par value of Euro 0.01 each.

At 31 December 2014 and 2013, the authorised share capital consisted of 60,000,000 ordinary shares with par value of Euro 0.01 each.

Share premium represents the excess of contributions received over the nominal value of shares issued.

### Treasury shares

In 2014, the Company acquired 200,040 of its own GDRs, that is equivalent to approximately 40,008 shares, through purchases on the Main Market of the London Stock Exchange (2013: no acquisitions of own GDRs). The total amount paid to acquire the GDRs was RR 44,033. The GDRs are held as 'treasury shares'.

At 31 December 2014 the Group held 2,212,648 of its own GDRs (31 December 2013: 2,012,608 own GDRs) that is equivalent of approximately 442,530 shares (31 December 2013: 402,522 shares).

### Purchases of non-controlling interests

In 2014 the Group increased its share in LLC Zherdevsky Elevator and OJSC Tockiy elevator (Note 24) up to 100%. The consideration paid was RR 531. The difference between the carrying amount of a non-controlling interest and the purchase consideration in the amount of RR 3 was recorded as a capital transaction in the statement of changes in equity.

In 2013 the Group increased its share in CJSC Samaraagroprompererabotka by 25.1%. The consideration paid was RR 251,000. The excess of consideration paid over the Group's share of identifiable net assets acquired amounted to RR 196,465.

In 2013 the Group bought out 100% of additional share issue of its subsidiary OJSC Zherdevsky Elevator. As a result of this transaction the amount of non-controlling interest in the subsidiary increased by RR 416 with a corresponding decrease in retained earnings.

In 2013 the Group acquired shares in several other subsidiaries from minority shareholders for a total consideration of RR 10,084. The excess of consideration paid over the Group's share of identifiable net assets acquired amounted to RR 1,354.

**(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 13. Share capital, share premium and transactions with non-controlling interests (continued)

### Disposal of interest in a subsidiary without loss of control

In 2014 the Group disposed 10% of ownership interests in OJSC Sugar Plant Znamensky for consideration in the amount of RR 41,070. The difference between the carrying amount of a non-controlling interest and the consideration received in the amount of RR 188,661 was recorded as a capital transaction in the statement of changes in equity.

## 14. Borrowings

### Short-term borrowings

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | **Interest rate** | **Carrying amount** | **Interest rate** | **Carrying amount** |
| Bank loans | 11.5-13.8% | 6,850,000 | 0.9-12.0% | 12,434,311 |
| Loans received from third parties | 6.0% | 821,109 | 2.0-5.0% | 1,145,771 |
| Loans received from related parties (Note 26) | 9.5% | 50,000 | | - |
| Interest accrued on borrowings from third parties | | 65,575 | | 29,330 |
| Interest accrued on borrowings from related parties (Note 26) | | 65 | | 26,682 |
| Current portion of long-term borrowings | | 4,712,874 | | 4,508,160 |
| **Total** | | **12,499,623** | | **18,144,254** |

All short-term borrowings are at fixed interest rate.

The above borrowings are denominated in the following currencies:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Russian Roubles | 11,648,901 | 15,930,470 |
| Euro | 850,722 | 1,127,475 |
| US Dollars | - | 1,086,309 |
| **Total** | **12,499,623** | **18,144,254** |

### Long-term borrowings

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | **Interest rate** | **Carrying amount** | **Interest rate** | **Carrying amount** |
| Bank loans | 9.5-13.0% | 14,291,423 | 9.5-13.0% | 18,388,106 |
| Government loans | ¼ of the CBRF rate* | 227,758 | ¼ of the CBRF rate* | 263,137 |
| Promissory notes issued and loans received from third parties | | - | 2.0% | 225,716 |
| Less current portion of long-term borrowings from: | | | | |
| Bank loans | 9.5-13.0% | (4,485,117) | 9.5-11.5% | (4,508,160) |
| Government loans | ¼ of the CBRF rate* | (227,758) | | - |
| **Total** | | **9,806,306** | | **14,368,799** |

*The above loans were provided at subsidised interest rates by the Government and were initially measured at an effective rate of 12%

The above borrowings are denominated in the following currencies:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Russian Roubles | 9,806,306 | 14,183,035 |
| US Dollars | - | 185,764 |
| **Total** | **9,806,306** | **14,368,799** |

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 14. Borrowings (continued)

***Maturity of long-term borrowings:***

| **Fixed interest rate borrowings:** | **31 December 2014** | **31 December 2013** |
|---|---|---|
| 2 years | 3,333,332 | 4,456,205 |
| 3-5 years | 6,440,774 | 9,004,833 |
| More than 5 years | 32,200 | 644,624 |
| **Total** | **9,806,306** | **14,105,662** |

| **Floating interest rate borrowings:** | **31 December 2014** | **31 December 2013** |
|---|---|---|
| 2 years | - | 263,137 |
| **Total** | - | **263,137** |

For details of property, plant and equipment and biological assets pledged as collateral for the above borrowings see Note 9 and Note 10 respectively. For details of promissory notes and bank deposits pledged as collateral for the above borrowings refer to Notes 4 and 11.

Shares of several companies of the Group are pledged as collateral for the bank borrowings, as follows:

| | **Pledged shares, %** | |
|---|---|---|
| | **31 December 2014** | **31 December 2013** |
| LLC Group of Companies Rusagro | - | 50.0 |
| LLC Tambovsky Bacon | 100.0 | 100.0 |
| LLC Belgorodsky Bacon (former OJSC Belgorodsky Bacon) | 100.0 | 100.0 |
| OJSC Valuikisakhar | 51.0 | 51.0 |
| OJSC Sugar Plant Znamensky | 51.0 | - |

### Compliance with covenants

Under long-term borrowings facility agreements, the Group is required to comply with certain financial and non-financial covenants.

The most significant and most important is to maintain net debt/Adjusted EBITDA ratio.

If any of covenants are breached, the repayment can be altered by the respective lender, up to immediate repayment. There were no breaches of covenants in 2014. In 2013 there was a breach of one covenant under a loan agreement with Sberbank which was made in 2011 and related to a pledge of property, plant and equipment which were sold. The Group has not received a waiver from the bank before 31 December 2013. In March 2014 the breach was remedied with an amendment to the pledge agreement signed with Sberbank. This loan amounted to RR 885,946 as at 31 December 2013 and taking into account the remedy obtained the Group presented this loan within long-term borrowings in these consolidated financial statements.

### Net Debt*

As part of liquidity risk management, the Group Treasury analyses its net debt position. The Group management determines the Net Debt of the Group as outstanding long-term borrowings and short-term borrowings less cash and cash equivalents, all bank deposits, bonds held for trading and banks' promissory notes. The Group management compares net debt figure with Adjusted EBITDA (Note 28) and considers the normal level of Net Debt/Adjusted EBITDA ratio to be not more than 3.

As at 31 December 2014 the net debt of the Group was as follows:

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Long-term borrowings | 9,806,306 | 14,368,799 |
| Short-term borrowings | 12,499,623 | 18,144,254 |
| Cash and cash equivalents | (10,316,313) | (2,672,764) |
| Banks' promissory notes (Note 4) | - | (1,100,000) |
| Bank deposits within short-term investments (Note 4) | (992,200) | (13,467,355) |
| Bank deposits within long-term investments (Note 11) | (696,500) | (696,500) |
| Bonds held for trading (Note 4) | (6,684,189) | - |
| **Net debt*** | **3,616,727** | **14,576,434** |
| including long-term Net debt | 9,109,806 | 13,672,299 |
| including short-term Net debt | (5,493,079) | 904,135 |
| **Adjusted EBITDA* (Note 28)** | **18,069,475** | **6,784,013** |
| **Net debt/ Adjusted EBITDA*** | **0.20** | **2.15** |

* not an IFRS measure.

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 14. Borrowings (continued)

### Net Debt (continued)

For the purpose of conformity with the methodology of the Group's Net Debt calculation, cash flows from investing and financing activities in the Group management accounts are presented as follows:

| | Year ended 31 December 2014 | | | Year ended 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | According to IFRS | Reclassifi-cations | Management accounts | According to IFRS | Reclassifi-cations | Manageme nt accounts |
| **Cash flow from investing activities** | | | | | | |
| Purchases of property, plant and equipment | (5,206,184) | - | (5,206,184) | (4,232,694) | - | (4,232,694) |
| Purchases of inventories intended for construction | (1,530) | - | (1,530) | (16,335) | - | (16,335) |
| Proceeds from cash withdrawals from deposits | 16,604,773 | (16,604,773) | - | 32,345,354 | (32,345,354) | - |
| Deposits placed with banks | (4,141,047) | 4,141,047 | - | (18,346,112) | 18,346,112 | - |
| Purchases of bonds | (5,244,138) | 5,244,138 | - | - | - | - |
| Proceeds from sales of bonds | 134,904 | (134,904) | - | - | - | - |
| Purchases of promissory notes | (1,700,000) | 1,700,000 | - | (2,900,000) | 2,900,000 | - |
| Proceeds from sales of promissory notes | 2,800,000 | (2,800,000) | - | 3,068,267 | (3,068,267) | - |
| Loans given | (2,455,350) | 2,455,350 | - | (1,122,198) | 1,122,198 | - |
| Loans repaid | 1,847,683 | (1,847,683) | - | 907,674 | (907,674) | - |
| Interest received | 1,239,633 | (1,239,633) | - | 2,152,715 | (2,152,715) | - |
| Other cash flows in investing activities* | (998,142) | - | (998,142) | 67,411 | - | 67,411 |
| **Net cash used in investing activities** | **2,880,602** | **(9,086,458)** | **(6,205,856)** | **11,924,083** | **(16,105,700)** | **(4,181,618)** |
| **Cash flow from financing activities** | | | | | | |
| Proceeds from borrowings | 15,875,925 | - | 15,875,925 | 16,157,846 | - | 16,157,846 |
| Repayment of borrowings | (27,169,213) | - | (27,169,213) | (31,891,024) | - | (31,891,024) |
| Proceeds from cash withdrawals from deposits | - | 16,604,773 | 16,604,773 | - | 32,345,354 | 32,345,354 |
| Deposits placed with banks | - | (4,141,047) | (4,141,047) | - | (18,346,112) | (18,346,112) |
| Purchases of bonds | - | (5,244,138) | (5,244,138) | - | - | - |
| Proceeds from sales of bonds | - | 134,904 | 134,904 | - | - | - |
| Purchases of promissory notes | - | (1,700,000) | (1,700,000) | - | (2,900,000) | (2,900,000) |
| Proceeds from sales of promissory notes | - | 2,800,000 | 2,800,000 | - | 3,068,267 | 3,068,267 |
| Loans given | - | (2,455,350) | (2,455,350) | - | (1,122,198) | (1,122,198) |
| Loans repaid | - | 1,847,683 | 1,847,683 | - | 907,674 | 907,674 |
| Interest paid | (2,295,898) | - | (2,295,898) | (4,127,094) | - | (4,127,094) |
| Interest received | - | 1,239,633 | 1,239,633 | - | 2,152,715 | 2,152,715 |
| Proceeds from government grants | 3,048,946 | - | 3,048,946 | 4,049,217 | - | 4,049,217 |
| Other cash flows in financing activities* | (3,251,146) | - | (3,251,146) | (261,191) | - | (261,191) |
| **Net cash from financing activities** | **(13,791,386)** | **9,086,458** | **(4,704,928)** | **(16,072,246)** | **16,105,700** | **33,454** |

*See details in the consolidated statement of cash flows.

Starting 1 January 2014 the management decided to present cash flows on loans given and loans repaid within cash flows from financing activities in the Group management accounts. The comparative figures for 2013 have been adjusted accordingly.

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 15. Trade and other payables

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade accounts payable | 1,335,137 | 1,038,789 |
| Payables for land rent | - | 4,385 |
| Other payables | 107,817 | 123,848 |
| **Total financial liabilities within trade and other payables** | **1,442,954** | **1,167,022** |
| Payables to employees | 703,211 | 804,335 |
| Advances received | 626,220 | 381,418 |
| **Total trade and other payables** | **2,772,385** | **2,352,775** |

Financial liabilities within trade and other payables of RR 28,124 (31 December 2013: RR 12,336) are denominated in US Dollar, financial liabilities within trade and other payables of RR 57,892 are denominated in Euro (31 December 2013: RR 24,991). All other financial liabilities within trade and other payables are denominated in Russian Roubles.

## 16. Other taxes payable

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Value added tax | 1,540,487 | 1,151,109 |
| Property tax | 62,545 | 67,378 |
| Unified social tax | 60,672 | 51,785 |
| Personal income tax | 17,258 | 25,469 |
| Transport tax | 2,987 | 2,995 |
| Other | 22,142 | 28,527 |
| **Total** | **1,706,091** | **1,327,263** |

## 17. Government grants

In 2005-2014 the Group received government grants from Tambov and Belgorod regional governments and the Federal government in partial compensation of the investments into acquisition of equipment for agricultural business and sugar processing and the investments into construction of the pig-breeding farms and the slaughter house. The receipts of these grants in 2014 amounted to RR 338,070 (2013: RR 697,936). These grants are deferred and amortised on a straight-line basis over the expected lives of the related assets.

Additionally, in 2007-2014 the Group obtained the government grants for reimbursement of interest expenses on bank loans received for construction of the pig-breeding farms in Belgorod and Tambov. The government grants related to interest expenses capitalised into the carrying value of assets, were similarly deferred and amortised on a straight-line basis over the expected lives of the related assets. There were no deferred government grants, related to capitalised interest expense in 2014 (2013: RR 322,265).

At the end of 2014 and 2013 the Group prepaid interest expenses on some of its bank loans for 2015 and 2014 respectively (Note 6) and obtained government grants in the amount of RR 127,657 (2013: 98,490) for partial reimbursement of these interest expenses. These grants are deferred as at the reporting date and included in the statement of comprehensive income in the following financial year together with the related interest expenses.

The movements in deferred government grants in the statement of financial position were as follows:

| | 2014 | 2013 |
|---|---|---|
| As at 1 January | 1,735,151 | 722,617 |
| Government grants received | 465,732 | 1,118,691 |
| Amortization of deferred income to match related interest expenses | (98,490) | - |
| Amortization of deferred income to match related depreciation (Note 22) | (139,831) | (106,157) |
| **As at 31 December** | **1,962,562** | **1,735,151** |

Other bank loan interests, which had been refunded by the state, were credited to the income statement and netted with the interest expense (Note 23).

Other government grants received are included in Note 22.

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 18. Sales

| | 2014 | 2013 |
|---|---|---|
| Sales of goods | 58,880,617 | 36,369,913 |
| Sales of services | 231,626 | 119,914 |
| **Total** | **59,112,243** | **36,489,827** |

Sales in 2014 include revenue arising from exchange of goods amounting to RR 193,744 (2013: RR 183,588) and exchange of services amounting to RR 152,711 (2013: RR 48,789).

## 19. Cost of sales

| | 2014 | 2013 |
|---|---|---|
| Raw materials and consumables used | 38,871,128 | 23,779,317 |
| Depreciation | 3,153,763 | 2,987,010 |
| Services | 2,341,741 | 2,311,022 |
| Payroll | 2,548,293 | 2,149,426 |
| Other | 249,018 | 99,942 |
| Provision/ (Reversal of provision) for net realisable value | 485,767 | (30,090) |
| **Total** | **47,649,710** | **31,296,627** |

Raw materials and consumables used include the gain recorded on initial recognition of agricultural produce attributable to the realised agricultural produce (both of current and previous year harvest) in the amount of RR 2,084,533 (2013: RR 1,946,675), and the result of revaluation of biological assets (cows and pigs) attributable to the realised biological assets, in the amount of RR 7,565,516 (2013: RR 1,276,194).

Payroll costs above include statutory pension contributions of RR 408,678 (2013: RR 354,893).

## 20. Distribution and selling expenses

| | 2014 | 2013 |
|---|---|---|
| Transportation and loading services | 2,206,486 | 1,498,138 |
| Payroll | 659,504 | 430,151 |
| Advertising | 656,830 | 393,080 |
| Depreciation and amortization | 248,679 | 195,725 |
| Materials | 157,119 | 119,613 |
| Fuel and energy | 62,176 | 46,903 |
| Provision for impairment of receivables (Notes 5, 6) | 46,120 | 126,144 |
| Other | 435,260 | 183,199 |
| **Total** | **4,472,174** | **2,992,953** |

Payroll costs above include statutory pension contributions of RR 94,199 (2013: RR 66,850).

## 21. General and administrative expenses

| | 2014 | 2013 |
|---|---|---|
| Payroll | 1,821,846 | 1,470,784 |
| Taxes, excluding income tax | 364,655 | 388,223 |
| Services of professional organisations | 136,985 | 115,026 |
| Depreciation | 94,590 | 88,126 |
| Rent | 85,254 | 67,721 |
| Security | 79,586 | 91,166 |
| Materials | 67,526 | 69,387 |
| Bank services | 63,168 | 49,689 |
| Repair and maintenance | 45,725 | 39,301 |
| Fuel and energy | 32,157 | 51,083 |
| Travelling expenses | 30,729 | 32,093 |
| Communication | 23,027 | 27,618 |
| Insurance | 16,310 | 16,703 |
| Statutory audit fees | 1,538 | 1,866 |
| Other | 128,219 | 115,132 |
| **Total** | **2,991,315** | **2,623,918** |

Payroll costs above include statutory pension contributions of RR 214,778 (2013: RR 184,748).

In respect of the year ended 31 December 2014, included in “Services of professional organisations” were fees of RR 421 (2013: RR 464) for other non-assurance services charged by the Company’s statutory auditor.

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 22. Other operating income/(expenses), net

| | 2014 | 2013 |
|---|---|---|
| Reimbursement of operating expenses (government grants) | 548,045 | 568,636 |
| Operating foreign exchange gains and losses, net | 143,181 | - |
| Amortization of deferred income to match related depreciation (Note 17) | 139,831 | 106,157 |
| Gain from buy-out of promissory notes issued | 41,094 | - |
| Rental income | 9,342 | 17,904 |
| Gain/ (loss) on disposal of property, plant and equipment | 5,038 | (169,518) |
| Provision for impairment of advances paid for property, plant and equipment | 454 | (18,714) |
| Settlement of accounts receivable previously written-off | - | 49,853 |
| VAT refunded under the court decision | - | 22,571 |
| Charitable donations and social costs | (509,819) | (400,590) |
| Loss on disposal of subsidiaries, net* | (179,405) | - |
| Loss on other investments | (7,747) | (191,480) |
| Lost harvest write-off (Note 10) | (5,530) | (31,071) |
| Write-off of work in progress | - | (55,229) |
| Other | 88,400 | (15,056) |
| **Total** | **272,884** | **(116,537)** |

*In the end of 2014 the Group disposed of one non-core subsidiary:

| | OJSC Oskolskie Prostori |
|---|---|
| Cash and cash equivalents | 274 |
| Trade and other receivables | 736 |
| Prepayments | 781 |
| Other taxes receivable | 262 |
| Inventories | 22,781 |
| Property, plant and equipment | 73,218 |
| Long-term biological assets | 65,401 |
| **Total assets** | **163,453** |
| | |
| Trade and other payables | (10,075) |
| Other taxes payable | (1,055) |
| Long-term borrowings | (443,850) |
| **Total liabilities** | **(454,980)** |
| | |
| Non-controlling interest | 27,098 |
| Writing-off of intercompany loans provided to the disposed subsidiary | (443,818) |
| Fair value of consideration received | 16 |
| **Loss on disposal of subsidiaries** | **(179,405)** |
| Cash inflow on disposal | - |
| **Cash outflow on disposal, net of cash disposed** | **(275)** |

## 23. Interest expense and other financial income/(expenses), net

Interest expense comprised of the following:

| | 2014 | 2013 |
|---|---|---|
| Interest expense | 2,288,135 | 3,623,968 |
| Reimbursement of interest expense (government grants) | (2,133,657) | (2,243,592) |
| **Interest expense, net** | **154,478** | **1,380,376** |

Other financial income/ (expenses), net comprised of the following items:

| | 2014 | 2013 |
|---|---|---|
| Financial foreign exchange differences gain, net | 4,551,644 | 37,534 |
| Other financial expenses, net | (2,096) | (93,806) |
| **Other financial income/ (expenses), net** | **4,549,548** | **(56,272)** |

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 24. Goodwill

| | 2014 | 2013 |
|---|---|---|
| Carrying amount at 1 January | 1,175,578 | 1,175,578 |
| Acquisitions of subsidiaries | 16,254 | - |
| **Carrying amount at 31 December** | **1,191,832** | **1,175,578** |

The carrying amount of goodwill is allocated to the following CGUs:

| | 2014 | 2013 |
|---|---|---|
| Oil Samara CGU | 667,329 | 651,075 |
| Other agriculture CGU | 178,133 | 178,133 |
| Sugar CGU | 346,370 | 346,370 |
| **Carrying amount at 31 December** | **1,191,832** | **1,175,578** |

On 21 March 2014 the Group acquired 31.00% of the share capital of OJSC Tockiy elevator for RR 23,601. On 26 August 2014 the Group acquired further 68.87% of the share capital and obtained control of OJSC Tockiy elevator, a grain elevator situated in Orenburg region within a zone of operations of the Group's oil extraction plant Samaraagroprompererabotka. The goodwill of RR 16,254 arising from the acquisition was allocated to Oil Samara CGU.

The following table summarises the consideration paid for OJSC "Tockiy elevator", the fair value of assets acquired, liabilities assumed and non-controlling interest at the acquisition date.

| | |
|---|---|
| Consideration transferred | 52,434 |
| Fair value of equity interest in Tockiy held before the business combination | 24,051 |
| **Total consideration** | **76,485** |
| | |
| **Recognized amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 7,455 |
| Trade and other receivables | 1,598 |
| Prepayments | 823 |
| Current income tax receivable | 550 |
| Other taxes receivable | 79 |
| Inventories | 3,421 |
| Property, plant and equipment | 50,453 |
| Deferred income tax assets | 6,953 |
| Trade and other payables | (1,011) |
| Other taxes payable | (867) |
| Deferred income tax liability | (9,145) |
| **Total identifiable net assets** | **60,309** |
| | |
| Non-controlling interest | (79) |
| **Goodwill arising from the acquisition** | **16,255** |
| | |
| Total purchase consideration and previously held interest in the acquiree | 76,485 |
| Less: Non-cash consideration | (24,051) |
| Less: Cash and cash equivalents of subsidiary acquired | (7,455) |
| **Outflow of cash and cash equivalents on acquisition** | **44,979** |

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***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 24. Goodwill (continued)

The carrying amount of goodwill as at 31 December 2014 and 2013 was tested for impairment. The recoverable amount of the Group's cash-generating units has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Group management covering a five-year period and the expected market prices for the Group's key products for the same period according to leading industry publications. Cash flows beyond the five-year period are projected with a long-term growth rate of 2.6% per annum (31 December 2013: 2.8% per annum). As a result of the testing, no impairment losses were recognised.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

| | **31 December 2014** | | | **31 December 2013** | | |
|---|---|---|---|---|---|---|
| | **Oil Samara CGU** | **Other agriculture CGU** | **Sugar CGU** | **Oil Samara CGU** | **Other agriculture CGU** | **Sugar CGU** |
| EBITDA margin* | 15.2-16.5% | 26.6-28.2% | 28.9% | 19.7-20.0% | 25.3-28.0% | 14.5-14.6% |
| Pre-tax discount rate | 24.2% | 19.2% | 23.7% | 18.5% | 15.1% | 18.3% |

* EBITDA margin is calculated as the sum of operating cash flows before income tax and changes in working capital divided by the amount of cash flow received from trade customers.

A reasonably possible shift in key assumptions underlying the value-in-use calculations would not lead to impairment of goodwill as of 31 December 2014 and as of 31 December 2013.

## 25. Income tax

| | **2014** | **2013** |
|---|---|---|
| Current income tax charge | 1,206,375 | 491,595 |
| Deferred tax (credit)/ charge | (491,440) | (160,632) |
| **Income tax expense** | **714,935** | **330,963** |

The Group companies domiciled in Russia were subject to an income tax rate of 20% (2013: 20%) of taxable profits, except for profit on sales of agricultural produce taxable at 0% (2013: 0%) and profit obtained from the Group's oil extraction activity in Samara region taxable at a reduced rate of 15.5% in 2012-2016 years.

In October 2012 an amendment to the Tax Code was enacted to set the income tax rate for agriculture producers at 0% in perpetuity. Before the amendment, agriculture entities would have been subject to a 0% income tax rate in 2012, 18% income tax rate during the period 2013 to 2015 and 20% subsequently.

Group entities operating in other tax jurisdictions were taxed at 0% and 12.5% (2013: 0% and 12.5%).

The current income tax charge represents a tax accrual based on statutory taxable profits. A reconciliation between the expected and the actual taxation charge is as follows:

| | **2014** | **2013** |
|---|---|---|
| Profit before tax: | 20,891,914 | 3,532,720 |
| - taxable at 0% | 22,466,117 | 2,395,657 |
| - taxable at 12.5% | (2,649,289) | 19,974 |
| - taxable at 15.5% | 1,110,058 | 367,455 |
| - taxable at 20% | (34,973) | 749,634 |
| Theoretical tax charge calculated at the applicable tax rate of 20%, 15.5% and 12.5% (2013: 20%, 15.5% and 12.5%) | (166,097) | 209,379 |
| Tax effect of items which are not deductible or assessable for taxation purposes: | | |
| - non-taxable income | (24,102) | (13,226) |
| - non-deductible expenses | 491,665 | 114,278 |
| - share of results of associates | (9,316) | - |
| - share based remuneration | 10,885 | 35,656 |
| Utilisation of previously unrecognised tax losses | (3,847) | - |
| Withholding income tax on dividends distributed | 210,550 | - |
| Accruals of deferred tax liability in respect of withholding income tax on dividends to be distributed | 184,211 | - |
| Adjustments of income tax in respect of prior years and tax penalties | 30,509 | (3,778) |
| Other | (9,523) | (11,346) |
| **Income tax expense** | **714,935** | **330,963** |

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 25. Income tax (continued)

Differences between IFRS as adopted by the EU and local statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred taxes are attributable to the following:

| | 1 January 2014 | Deferred tax assets acquisition | Deferred tax credited/ (charged) to profit or loss | 31 December 2014 |
|---|---|---|---|---|
| Tax effects of deductible/ (taxable) temporary differences: | | | | |
| Property, plant and equipment | (416,756) | (9,113) | 15,203 | (410,666) |
| Impairment of receivables | 65,238 | 6,081 | 77,053 | 148,372 |
| Payables | 75,131 | - | (53,889) | 21,242 |
| Financial assets | 38,400 | 835 | 5,328 | 44,563 |
| Inventory and biological assets | 232,074 | - | 306,013 | 538,087 |
| Loss carried forward | 32,006 | - | 332,972 | 364,978 |
| Withholding income tax on dividends to be distributed | - | - | (184,211) | (184,211) |
| Other | 37,553 | 5 | (7,028) | 30,530 |
| **Net deferred tax (liability) / asset** | **63,646** | **(2,192)** | **491,441** | **552,895** |
| | | | | |
| Recognised deferred tax asset | 353,674 | | | 1,016,544 |
| Recognised deferred tax liability | (290,028) | | | (463,649) |

| | 1 January 2013 | Deferred tax assets acquisition | Deferred tax credited/ (charged) to profit or loss | 31 December 2013 |
|---|---|---|---|---|
| Tax effects of deductible/ (taxable) temporary differences: | | | | |
| Property, plant and equipment | (447,224) | - | 30,468 | (416,756) |
| Impairment of receivables | 41,552 | - | 23,686 | 65,238 |
| Payables | 59,787 | - | 15,344 | 75,131 |
| Financial assets | 29,700 | 2,700 | 6,000 | 38,400 |
| Inventory and biological assets | 168,312 | - | 63,762 | 232,074 |
| Loss carried forward | 29,803 | - | 2,203 | 32,006 |
| Other | 18,384 | - | 19,169 | 37,553 |
| **Net deferred tax asset / (liability)** | **(99,686)** | **2,700** | **160,632** | **63,646** |
| | | | | |
| Recognised deferred tax asset | 237,838 | | | 353,674 |
| Recognised deferred tax liability | (337,524) | | | (290,028) |

In the context of the Group's current structure tax losses and current tax assets of different companies may not be set off against taxable profits and current tax liabilities of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Deferred tax assets:** | | |
| -Deferred tax asset to be recovered after more than 12 months | 492,729 | 61,576 |
| -Deferred tax asset to be recovered within 12 months | 523,815 | 292,098 |
| | **1,016,544** | **353,674** |
| **Deferred tax liabilities:** | | |
| -Deferred tax liability to be settled after more than 12 months | (269,442) | (274,575) |
| -Deferred tax liability to be settled within 12 months | (194,207) | (15,453) |
| | **(463,649)** | **(290,028)** |
| **Total net deferred tax asset / (liability)** | **552,895** | **63,646** |

The Group has not recognised a deferred tax liability of RR 1,435,486 (2013: RR 1,158,114 ) in respect of temporary differences associated with undistributed earnings of subsidiaries as the Group is able to control the timing of reversal of those temporary differences and it is probable that they will not reverse in the foreseeable future.

In August 2013 the Board of Directors has approved a new dividend policy with payout ratio of at least 25% of net income. As the dividends will be distributed from net income of reporting period they will be subject to current withholding income tax at the applicable rate.

Refer to Note 30 "Contingencies" for description of tax risks and uncertainties.

## 26. Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship attention is directed to the substance of the relationship not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All of the Group's related party transactions during the year ended 31 December 2014 and the year ended 31 December 2013 consist of transactions with members of the Board of Directors and other key management personnel, transactions with the entities controlled by the Owner and transactions with the entities controlled by the key management personnel.

### Key management personnel

*Share-purchase agreements*

In March 2011 a company controlled by Mr. Maxim Basov, a Director of ROS AGRO PLC and the CEO of OJSC Rusagro Group, purchased 5% of shares of ROS AGRO PLC from a company controlled by the Owner through two separate agreements.

Under the first agreement, 3.5% of ordinary shares of ROS AGRO PLC were purchased for USD 3.5 for all shares. The terms of the agreement provide that the shares remain effectively under control of the seller and are actually transferred to the buyer gradually until July 2014 provided that Mr. Basov remains in the position of the CEO of OJSC Rusagro Group. For the purpose of these consolidated financial statements this transaction was treated as an equity-settled share-based payment transaction, under which Mr. Maxim Basov, as an employee, is granted shares of the Company as part of his compensation for the services rendered to the Group. The fair value of shares granted, determined at the grant date, less cash paid for them by the buyer, is expensed in the statement of comprehensive income in accordance with the graded vesting schedule with a corresponding increase in equity. Expenses recognised under this agreement for the year ended 31 December 2014 in the amount of RR 51,651 (2013: RR 178,280) are presented under the heading "Share-based remuneration" in the consolidated statement of profit or loss and other comprehensive income. Under the second agreement, 1.5% of ordinary shares of ROS AGRO PLC were purchased for USD 15,000,000. The shares were transferred to the buyer immediately. For the purpose of these consolidated financial statements this transaction was treated as an equity-settled share-based payment transaction that vested immediately. The difference between the fair value of shares granted and cash paid for them by the buyer in the amount of RR 85,895 was expensed in 2011 with a corresponding increase in equity.

The fair value of shares granted was determined by using a discounted cash flow analysis. These calculations used cash flow projections based on financial budgets approved by the Group management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business sector of the economy in which the Group operates. The future cash flows were discounted using a discount rate of 12% and a long-term growth rate of 4%. The discount rate was derived from the Group's post-tax weighted average cost of capital.

In 2014 the Group initiated new share option incentive scheme for its top-management. Under the scheme the employees will be granted a Company's GDR provided the remain in their position up to a specific date in the future. The amount of GDRs granted will be dependent on the average market prices of GDRs for the period preceding this date. Expenses recognized under this agreement for the year ended 31 December 2014 in the amount of RR 2,772 (2013: nil) are included in "Share-based remuneration" line in the consolidated statement of profit or loss or other comprehensive income.

As at 31 December 2014, the share-based payment reserve accumulated in equity as a result of the above share-based payment transactions amounted to RR 1,291,198 (31 December 2013: RR 1,236,775).

*Other remuneration to key management personnel*

Remuneration to 13 (2013: 17) representatives of key management personnel, included in payroll costs, comprised short-term remuneration such as salaries, discretionary bonuses and other short-term benefits totaling RR 876,776 including RR 77,037 payable to the State Pension Fund (2013: RR 263,259 and RR 21,915 respectively).

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 26. Related party transactions (continued)

### Key management personnel (continued)

*The Company Directors' remuneration*

Included in the share-based compensation and other remuneration to key management personnel disclosed above, are the Company directors' fees, salaries and other short-term benefits totaling RR 779,015 in respect of the year ended 31 December 2014 (2013: RR 304,866).

*Loan agreements with the Key management personnel*

Balances and transactions under the loan agreements with the Key management personnel consist of the following:

| Transactions | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Loans issued | 17,515 | - |
| Interest accrued on loans issued | 83 | - |
| Loans repaid | - | 75,580 |
| Interest payable accrued | - | 2,236 |
| Interest paid | 26,682 | 11,431 |

| Balances | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Short-term loans issued (Note 4) | 17,515 | - |
| Interest receivable (Note 4) | 83 | - |
| Interest payable (Note 14) | - | 26,682 |

In 2014 loans issued to the Key management personnel are denominated in Russian Roubles with an interest rate of 8.25%.

### Entities controlled by the Owner

Balances and transactions with entities controlled by the Owner are presented in the table below:

| Transactions | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Sales of goods and services | 4,203 | 552 |
| Purchases of property, plant and equipment | 1,331,115 | 266,913 |
| Purchases of goods | 1,386 | - |
| Loans received | - | 1,000,000 |
| Loans repaid | - | 1,000,000 |
| Interest accrued on loans received | - | 2,270 |
| Interest paid | - | 2,270 |

| Balances | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Advances paid for property, plant and equipment | 1,935,302 | 2,246,229 |
| Trade and other receivables | 2,922 | 215 |
| Trade and other payables | (34,150) | (4,566) |

In 2013 loans received from the Entities controlled by the Owner are denominated in Russian Roubles with an interest rate of 8.4%. The loans were fully repaid in 2013.

### Entities controlled by the Key Management Personnel

Balances and transactions with entities controlled by the Key management personnel are presented in the table below:

| Transactions | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Sale of goods and services | 229,860 | 106,379 |
| Purchases of goods | 2,661,479 | 709,144 |
| Purchases of services | 41,408 | 42,351 |
| Provision for impairment of receivables | 24,162 | - |
| Foreign exchange differences gain, net | 9,317 | - |
| Purchases of property, plant and equipment | 8,227 | - |
| Loans issued | 860,105 | 1,076,721 |
| Loans repayments received | 1,176,945 | 759,981 |
| Interest accrued on loans issued | 45,485 | 14,098 |
| Interest received | 49,373 | 10,210 |
| Loans received | 50,000 | - |
| Interest accrued on loans received | 65 | - |

*(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 26. Related party transactions (continued)

### Entities controlled by the Key management personnel (continued)

| Balances | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade and other receivables, gross | 24,162 | 86,186 |
| Provision for impairment of trade and other receivables | (24,162) | - |
| Prepayments | - | 3,733 |
| Short-term loans issued (Note 4) | - | 316,840 |
| Interest receivable (Note 4) | - | 3,888 |
| Trade and other payables | (22,749) | (78,767) |
| Short-term loans received (Note 14) | (50,000) | - |
| Interest payable (Note 14) | (65) | - |

Loans issued to the entities controlled by the Key Management Personnel are denominated in Russian Roubles with an interest rate of 12% (31 December 2013: 12%). Loans are fully repaid in 2014.

Loan received from the entities controlled by the Key Management Personnel is denominated in Russian Roubles with an interest rate of 9.5% valid till 31 December 2014 and average monthly MosPrimeM1 rate minus 3% valid from 1 January 2015.

Trade and other receivables impaired as at 31 December 2014 were fully paid in the beginning of 2015.

As at 31 December 2014, the Group had outstanding contractual commitments in respect of purchases or construction of property, plant and equipment from the entities controlled by the Key Management Personnel in the amount of RR 147,558 (31 December 2013: RR 794,840).

### Associates

Balances and transactions with associates are presented in the table below:

| Transactions | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Purchases of goods | 9,322 | - |
| Purchases of services | 202 | - |

| Balances | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Trade and other payables | (2) | - |

## 27. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding the effect of GDRs purchased by the Company and held as treasury shares. The Company has no dilutive potential financial instruments; therefore, the diluted earnings per share equals the basic earnings per share.

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|
| Profit for the year attributable to the Company's equity holders | 20,134,178 | 3,201,534 |
| Weighted average number of ordinary shares in issue | 23,559,989 | 23,597,478 |
| **Basic and diluted earnings per share (RR per share)** | **854.59** | **135.67** |

## 28. Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is a person or a group of persons who allocates resources and assesses the performance of the Group. The functions of CODM are performed by the Board of Directors of ROS AGRO PLC.

***Description of products and services from which each reportable segment derives its revenue***

The Group is organised on the basis of four main business segments:

- Sugar – represents production and trading operation with white sugar;
- Meat – represents cultivation of pigs and selling of consumable livestock to third parties;
- Other agriculture – represents cultivation of plant crops (sugar beet, grain crops and other plant crops) and dairy cattle livestock;
- Oil – represents vegetable oil extraction, production and sales of mayonnaise, consumer margarine, and bottled vegetable oil.

Certain of the Group's businesses are not included within the reportable operating segments, as they are not included in the reports provided to the CODM. The results of these operations are included in "Other" caption. The Company, OJSC Rusagro Group and LLC Group of Companies Rusagro that represent the Group's head office and investment holding functions and earn revenue considered incidental to the Group's activities are included in "Other" caption.

***Factors that management used to identify the reportable segments***

The Group’s segments are strategic business units that focus on different customers. They are managed separately because of the differences in the production processes, the nature of products produced and required marketing strategies.

Segment financial information reviewed by the CODM includes:

- Quarterly reports containing information about income and expenses by business units (segments) based on IFRS numbers, that may be adjusted to present the segments results as if the segments operated as independent business units and not as the division within the Group;
- Quarterly reports with a breakdown of separate material lines of IFRS consolidated statement of financial positions and IFRS consolidated statement of cash flows by segment;
- In addition to the main financial indicators, operating data (such as yield, production volumes, cost per unit, staff costs) and revenue data (volumes per type of product, market share) are also reviewed by the CODM on a quarterly basis.

***Measurement of operating segment profit or loss, assets and liabilities***

Starting from 1 January 2012, the Group management switched from reviewing segment information prepared on the basis of RAR to reviewing segment information prepared in accordance with IFRS accounting principles. The CODM assesses the performance of the operating segments based on the Adjusted EBITDA figure for the period. Adjusted EBITDA figure is not an IFRS measure. Adjusted EBITDA is reconciled to IFRS operating profit in this Note.

Adjusted EBITDA is defined as operating profit before taking into account:

- depreciation;
- other operating income, net (other than reimbursement of operating costs (government grants));
- the difference between the gain on revaluation of biological assets and agriculture produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realised agricultural produce for the year and revaluation of biological assets attributable to realised biological assets and included in cost of sales;
- share-based remuneration.
- provision/(reversal of provision) for net realisable value of agricultural products in stocks.

Transactions between operating segments are accounted for based on financial information of individual segments that represent separate legal entities.

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 28. Segment information (continued)

### *Analysis of revenues by products and services*

Each business segment except for the "Other agriculture" segment is engaged in the production and sales of similar or related products (see above in this note). The "Other agriculture" segment in addition to its main activity of growing and harvesting agricultural crops, is engaged in the cultivation of dairy cattle livestock. Related revenue from sales of milk and other livestock products was RR 246,057 (2013: RR 257,574).

For the amount of revenue from services, which comprise mainly processing of sugar beet for third party agricultural enterprises, see Note 18.

### *Geographical areas of operations*

All the Group's assets are located in the Russian Federation. Distribution of the Group's sales between countries on the basis of the customers' country of domicile was as follows:

| | **Year ended 31 December 2014** | **Year ended 31 December 2013** |
|---|---|---|
| Russian Federation | 51,503,880 | 32,818,904 |
| Foreign countries | 7,608,363 | 3,670,923 |
| **Total** | **59,112,243** | **36,489,827** |

### *Major customers*

The Group has no customer or group of customers under common control who would account for more than 10% of the Group's consolidated revenue.

### *Information about reportable segment adjusted EBITDA, assets and liabilities*

The Group adopted IFRS 8 "Operating segments" according to which operating segments are reported in a manner consistent with the internal reporting provided to the Group's CODM.

Segment information for the reportable segments' assets and liabilities as at 31 December 2014 and 2013 is set out below:

| **2014** | **Sugar** | **Meat** | **Other agriculture** | **Oil** | **Other** | **Eliminations** | **Total** |
|---|---|---|---|---|---|---|---|
| Assets | 22,076,701 | 25,931,180 | 14,862,851 | 6,539,443 | 55,020,631 | (42,925,039) | 81,505,767 |
| Liabilities | 14,856,089 | 14,289,901 | 6,384,683 | 3,770,635 | 7,501,156 | (17,115,998) | 29,686,466 |
| Additions to non-current assets* | 1,664,321 | 1,951,650 | 2,224,998 | 312,453 | 98,415 | - | 6,251,837 |

| **2013** | **Sugar** | **Meat** | **Other agriculture** | **Oil** | **Other** | **Eliminations** | **Total** |
|---|---|---|---|---|---|---|---|
| Assets | 18,446,108 | 26,546,283 | 16,579,398 | 7,132,230 | 52,510,508 | (48,084,244) | 73,130,283 |
| Liabilities | 12,742,005 | 20,254,982 | 11,179,482 | 5,773,683 | 12,545,109 | (23,930,011) | 38,565,250 |
| Additions to non-current assets* | 833,725 | 3,676,927 | 894,057 | 210,675 | 24,965 | (1,356) | 5,638,993 |

*Additions to non-current assets exclude additions to financial instruments and deferred tax assets, goodwill and restricted cash.

Segment information for the reportable segments' adjusted EBITDA for the years ended 31 December 2014 and 2013 is set out below:

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 28. Segment information (continued)

| 2014 | Sugar | Meat | Other agriculture | Oil | Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Sales (Note 18) | 22,463,664 | 17,750,521 | 10,710,176 | 14,920,094 | 45,558 | (6,777,770) | 59,112,243 |
| Gain on revaluation of biological assets and agriculture produce (Note 10) | - | 9,346,266 | 2,897,468 | - | - | - | 12,243,734 |
| Cost of sales (Note 19) | (16,648,910) | (17,684,177) | (8,613,918) | (10,552,318) | - | 5,849,613 | (47,649,710) |
| *incl. Depreciation* | *(823,648)* | *(1,341,535)* | *(713,102)* | *(231,919)* | - | *(43,559)* | *(3,153,763)* |
| Gains less losses from trading sugar derivatives | 375,305 | - | - | - | - | - | 375,305 |
| **Gross profit** | **6,190,059** | **9,412,610** | **4,993,726** | **4,367,776** | **45,558** | **(928,157)** | **24,081,572** |
| Distribution and Selling, General and administrative expenses (Notes 20, 21) | (2,310,319) | (494,835) | (1,543,870) | (2,852,293) | (1,070,871) | 808,699 | (7,463,489) |
| *incl. Depreciation* | *(105,323)* | *(13,968)* | *(106,843)* | *(134,860)* | *(24,873)* | *42,598* | *(343,269)* |
| Share-based remuneration | - | - | - | - | (54,423) | - | (54,423) |
| Other operating income/(expenses), net (Note 22) | 82,069 | 376,370 | (150,321) | 85,900 | 7,236,857 | (7,357,991) | 272,884 |
| *incl. Reimbursement of operating costs (government grants)* | - | *331,844* | *216,201* | - | - | - | *548,045* |
| **Operating profit** | **3,961,809** | **9,294,145** | **3,299,535** | **1,601,383** | **6,157,121** | **(7,477,449)** | **16,836,544** |
| **Adjustments:** | | | | | | | |
| Depreciation included in Operating Profit | 928,971 | 1,355,503 | 819,945 | 366,779 | 24,872 | 961 | 3,497,031 |
| Other operating (income) /expenses, net | (82,069) | (376,370) | 150,321 | (85,900) | (7,236,856) | 7,357,991 | (272,883) |
| Share-based remuneration | - | - | - | - | 54,423 | - | 54,423 |
| Reimbursement of operating costs (government grants) | - | 331,844 | 216,201 | - | - | - | 548,045 |
| Gain on revaluation of biological assets and agriculture produce | - | (9,346,266) | (2,897,468) | - | - | - | (12,243,734) |
| Gain on initial recognition of agricultural produce attributable to realised agricultural produce | - | - | 2,791,408 | - | - | (706,875) | 2,084,533 |
| Revaluation of biological assets attributable to realised biological assets and included in cost of sales | - | 7,570,152 | (4,636) | - | - | - | 7,565,516 |
| **Adjusted EBITDA*** | **4,808,711** | **8,829,008** | **4,375,306** | **1,882,262** | **(1,000,440)** | **(825,372)** | **18,069,475** |

* Non-IFRS measure

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 28. Segment information (continued)

| **2013** | **Sugar** | **Meat** | **Other agriculture** | **Oil** | **Other** | **Eliminations** | **Total** |
|---|---|---|---|---|---|---|---|
| Sales (Note 18) | 16,962,740 | 7,421,338 | 8,529,185 | 8,919,552 | 117,486 | (5,460,474) | 36,489,827 |
| Gain on revaluation of biological assets and agriculture produce (Note 10) | - | 1,820,756 | 1,668,707 | - | - | - | 3,489,463 |
| Cost of sales (Note 19) | (14,087,051) | (8,074,897) | (7,163,924) | (6,567,290) | - | 4,596,535 | (31,296,627) |
| *incl. Depreciation* | *(799,937)* | *(1,214,092)* | *(680,016)* | *(220,076)* | - | *(72,889)* | *(2,987,010)* |
| Gains less losses from trading sugar derivatives | 175,407 | - | - | - | - | - | 175,407 |
| **Gross profit** | **3,051,096** | **1,167,197** | **3,033,968** | **2,352,262** | **117,486** | **(863,939)** | **8,858,070** |
| Distribution and Selling, General and administrative expenses (Notes 20, 21) | (2,208,689) | (389,437) | (1,852,068) | (1,641,364) | (532,865) | 1,007,552 | (5,616,871) |
| *incl. Depreciation* | *(107,587)* | *(13,165)* | *(91,572)* | *(94,316)* | *(17,788)* | *40,577* | *(283,851)* |
| Share-based remuneration | - | - | - | - | (178,280) | - | (178,280) |
| Other operating income/(expenses), net (Note 22) | (235,436) | 186,377 | 10,750 | (21,443) | 2,883,643 | (2,940,428) | (116,537) |
| *incl. Reimbursement of operating costs (government grants)* | - | *287,450* | *281,186* | - | - | - | *568,636* |
| **Operating profit** | **606,971** | **964,137** | **1,192,650** | **689,455** | **2,289,984** | **(2,796,815)** | **2,946,382** |
| **Adjustments:** | | | | | | | |
| Depreciation included in Operating Profit | 907,524 | 1,227,256 | 771,588 | 314,392 | 17,788 | 32,313 | 3,270,861 |
| Other operating (income) /expenses, net | 235,436 | (186,377) | (10,750) | 21,443 | (2,883,643) | 2,940,428 | 116,537 |
| Share-based remuneration | - | - | - | - | 178,280 | - | 178,280 |
| Reimbursement of operating costs (government grants) | - | 287,450 | 281,186 | - | - | - | 568,636 |
| Gain on revaluation of biological assets and agriculture produce | - | (1,820,756) | (1,668,707) | - | - | - | (3,489,463) |
| Gain on initial recognition of agricultural produce attributable to realised agricultural produce | - | - | 1,773,091 | - | - | 173,585 | 1,946,676 |
| Revaluation of biological assets attributable to realised biological assets and included in cost of sales | - | 1,254,131 | 22,063 | - | - | - | 1,276,194 |
| Reversal of provision  for net realisable value of agricultural products in stocks | (30,090) | - | - | - | - | - | (30,090) |
| **Adjusted EBITDA*** | **1,719,841** | **1,725,841** | **2,361,121** | **1,025,290** | **(397,591)** | **349,511** | **6,784,013** |

* Non-IFRS measure

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 29. Financial risk management

### *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risk, foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures except for raw sugar commodity price risk management as described below.

Operating risk management is carried out on the level of the finance function of the Group's business segments with overall monitoring and control by management of the Group. The management is implementing principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of non-derivative financial instruments, and investing excess liquidity.

### *Credit risk*

The credit risk represents the risk of losses for the Group owing to default of counterparties on obligations to transfer to the Group cash and cash equivalents and other financial assets.

Activities of the Group that give rise to credit risk include granting loans, making sales to customers on credit terms, placing deposits with banks and performing other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk at the reporting date without taking account of any collateral held is as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Long-term financial assets** | | |
| Bank deposits (Note 11) | 696,500 | 696,500 |
| Interest receivable (Note 11) | 182,717 | 118,291 |
| Loans issued (Note 11) | 26,526 | 26,484 |
| Available-for-sale investments (Note 11) | 19,305 | 26,712 |
| Restricted cash | 17,373 | 2,404 |
| Other long-term investments (Note 11) | 4,081 | 2,828 |
| **Total long-term financial assets** | **946,502** | **873,219** |
| | | |
| **Short-term financial assets** | | |
| Cash and cash equivalents (Note 3) | 10,316,313 | 2,672,764 |
| Bonds held for trading (Note 4) | 6,684,189 | - |
| Financial assets within trade and other receivables (Note 5) | 2,127,125 | 1,547,115 |
| Bank deposits (Note 4) | 992,200 | 13,467,355 |
| Loans issued (Note 4) | 924,037 | 323,223 |
| Interest receivable (Note 4) | 167,736 | 367,685 |
| Financial derivatives (Note 4) | 95,627 | 8,298 |
| Promissory notes (Note 4) | - | 1,100,000 |
| **Total short-term financial assets** | **21,307,227** | **19,486,440** |
| **Total** | **22,253,729** | **20,359,659** |

As at 31 December 2014 the Group has collateral against RR 212,130 of its trade receivables (2013: RR 163,734). The Group has geographical concentration of credit risk in the Russian market since the majority of the Group's customers conduct their business in Russian Federation.

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 29. Financial risk management (continued)

### *Credit risk (continued)*

For minimisation of credit risk related to cash in bank, bank deposits and restricted cash the Group places cash in financial institutions which at the moment of transaction have the minimum risk of a default. Starting 2010 the Group's Treasury as additional measure of minimising credit risk places cash in the same banks from which the Group obtains loans thus substantially reducing the risk of loss due to bank failure. The table below shows the rating and balances with major banks at the reporting dates:

| | | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|---|
| | **Rating agency** | **Rating** | **Balance** | **Rating** | **Balance** |
| Credit Suisse | Fitch Ratings | A | 8,606,390 | A | 288,547 |
| Sberbank RF | Fitch Ratings | BBB | 1,595,394 | BBB | 530,763 |
| Alfa Bank | Standard & Poor's | BB+ | 1,002,390 | BB+ | 11,518,566 |
| VTB Bank | Moody's | Ba1 | 570,596 | - | - |
| Locko Bank | Fitch Ratings | B+ | 456,102 | B+ | 924,322 |
| Renaissance Capital | Moody's | B3 | 522 | - | - |
| Rosselkhozbank | Fitch Ratings | BBB- | 24 | BBB- | 380,501 |
| Bank Saint Petersburg | Fitch Ratings | BB- | - | BB- | 2,064,437 |
| Credit bank of Moscow | Fitch Ratings | BB | - | BB | 1,370,856 |
| Garanti Bank Moscow | Fitch Ratings | - | - | BBB | 50,380 |
| UniCredit Bank | Fitch Ratings | BBB | - | BBB- | 42 |
| Other | - | | 314 | - | 279 |
| **Total cash at bank, bank deposits and restricted cash (Note 3, 4, 11)** | | | **12,231,732** | | **17,128,693** |

The table below shows the rating and balances of promissory notes with banks and other counterparties at the reporting dates:

| | | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|---|
| | **Rating agency** | **Rating** | **Balance** | **Rating** | **Balance** |
| Sberbank RF | Fitch Ratings | BBB | - | BBB | 1,100,000 |
| **Total promissory notes (Note 4)** | | | **-** | | **1,100,000** |

The table below shows the rating and balances of bonds held for trading at the reporting dates:

| | | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|---|
| | **Rating agency** | **Rating** | **Balance** | **Rating** | **Balance** |
| VIMPELCOM HOLDINGS B.V. | Moody's | Ba3 | 1,350,202 | - | - |
| ROSNEFT International Finance Limited | Standard & Poor's | BBB- | 1,292,416 | - | - |
| GPN CAPITAL S.A. | Standard & Poor's | BBB- | 1,040,274 | - | - |
| NOVATEK International Finance Limited | Moody's | Baa3 | 846,724 | - | - |
| Sberbank RF | Fitch Ratings | BBB | 858,576 | - | - |
| GAZ CAPITAL SA | Standard & Poor's | BBB- | 495,797 | - | - |
| RUSSIAN FEDERATION | Moody's | Baa3 | 474,345 | - | - |
| Alfa Bank | Standard & Poor's | BB+ | 447,636 | - | - |
| **Total bonds held for trading (Note 4)** | | | **6,805,970** | | **-** |

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 29. Financial risk management (continued)

***Financial assets that are neither past due nor impaired and not renegotiated as at the reporting date***

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Long-term financial assets** | | |
| Bank deposits (Note 11) | 696,500 | 696,500 |
| Interest receivable (Note 11) | 182,717 | 118,291 |
| Loans issued (Note 11) | 26,526 | 26,484 |
| Available-for-sale investments (Note 11) | 19,305 | 26,712 |
| Restricted cash | 17,373 | 2,404 |
| Other long-term investments (Note 11) | 4,081 | 2,828 |
| **Total long-term financial assets** | **946,502** | **873,219** |
| | | |
| **Short-term financial assets** | | |
| Cash and cash equivalents (Note 3) | 10,316,313 | 2,672,764 |
| Bonds held for trading (Note 4) | 6,684,189 | - |
| Trade receivables | 1,940,281 | 1,517,320 |
| Bank deposits (Note 4) | 992,200 | 13,467,355 |
| Loans issued (Note 4) | 924,037 | 323,223 |
| Other short-term receivables | 185,221 | 23,864 |
| Interest receivable (Note 4) | 167,736 | 367,685 |
| Financial derivatives (Note 4) | 95,627 | 8,298 |
| Promissory notes (Note 4) | - | 1,100,000 |
| **Total short-term financial assets** | **21,305,604** | **19,480,509** |
| **Total** | **22,252,106** | **20,353,728** |

Neither past due nor impaired trade receivables relate to the customers who have a long-standing relationship with the Group and a sound trading history. Concentrations of trade receivables by type of customer are as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Distribution and retail outlets | 1,245,066 | 923,723 |
| Manufacturers (candy, juice and other) | 675,570 | 532,624 |
| Other not categorised | 19,922 | 60,973 |
| **Total trade receivables** | **1,940,558** | **1,517,320** |

The majority of the customers do not have independent ratings. To minimize the risk of default on payment of amounts due by counterparties for supplied goods or rendered services the Group regularly revises the maximum amount of credit and grace periods for each significant customer.

***Financial assets that are past due but not impaired as at the reporting date***

The Group has no past due but not impaired financial assets at 31 December 2014 and 2013.

***Financial assets that are impaired as at the reporting date***

The table below shows the analysis of impaired financial assets:

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Nominal value | Impairment | Nominal value | Impairment |
| Impaired receivables (Note 5): | | | | |
| - trade receivables | 93,476 | (93,476) | 82,694 | (77,346) |
| - other receivables | 53,043 | (51,421) | 18,785 | (18,202) |
| **Total** | **146,519** | **(144,897)** | **101,479** | **(95,548)** |

Financial assets are impaired when there is evidence that the Group will not receive the full amount due or receive the full amount later than contracted. Factors to consider include whether the receivable is past due, the age of the receivable and past experience with the counterparty.

***Financial assets that would otherwise be impaired whose terms have been renegotiated***

The Group has no financial assets at 31 December 2014 and 2013 that would otherwise be impaired whose terms have been renegotiated.

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 29. Financial risk management (continued)

### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Group Treasury analyses the net debt position as disclosed in Note 14.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date:

| | Carrying | Contractual undiscounted cash flows | | | | |
|---|---|---|---|---|---|---|
| **At 31 December 2014** | **value** | **Total** | **2015** | **2016** | **2017-2019** | **After 2019** |
| Borrowings and loans (Note 14) | | | | | | |
| - principal amount | 22,240,290 | 22,241,066 | 12,434,760 | 3,333,332 | 6,440,774 | 32,200 |
| - interest | 65,639 | 3,305,439 | 1,758,362 | 814,336 | 727,428 | 5,313 |
| Financial liabilities within trade and other payables (Note 15) | 1,442,954 | 1,442,954 | 1,442,954 | - | - | - |
| **Total** | **23,748,882** | **26,989,459** | **15,636,076** | **4,147,668** | **7,168,202** | **37,513** |
| **At 31 December 2013** | | **Total** | **2014** | **2015** | **2016-2018** | **After 2018** |
| Borrowings and loans (Note 14) | | | | | | |
| - principal amount | 32,457,041 | 32,518,073 | 18,088,242 | 4,745,705 | 9,004,833 | 679,293 |
| - interest | 56,012 | 4,979,043 | 2,311,294 | 1,186,137 | 1,444,768 | 36,844 |
| Financial liabilities within trade and other payables (Note 15) | 1,167,022 | 1,167,022 | 1,167,022 | - | - | - |
| **Total** | **33,680,075** | **38,664,138** | **21,566,558** | **5,931,842** | **10,449,601** | **716,137** |

The rate of CBRF used for calculating interest payments for government loans (Note 14) is 17.00% (2013: 8.25%).

The exchange rates used for calculating payments for bank borrowings denominated in currencies other than Russian Roubles:

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| US Dollar | 56.2584 | 32.7292 |
| Euro | 68.3427 | 44.9699 |

### *Market risk*

Market risk, associated with financial instruments, is the risk of change of fair value of financial instruments or the future cash flows expected on a financial instrument, owing to change in interest rates, exchange rates, prices for the commodities or other market indicators. From the risks listed above the Group is essentially exposed to the risks associated with changes in interest rates, exchange rates and commodity prices.

*Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are exposed to changes in market interest rates. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain most of its borrowings in fixed rate instruments. The Group does not have formal policies and procedures in place for management of fair value interest rate risk.

Interest rates under most of the Group's borrowings are fixed. However, the terms of the contracts stipulate the right of the creditor for a unilateral change of the interest rate (both increase and decrease), which can be based, among other triggers, on a decision of the CBRF to change the refinancing rate. Additionally, under government budget loans (Note 14) the Group pays interest at ¼ of the current refinancing rate of the CBRF.

Bank deposits and loans issued bear fixed interest rate and therefore are not exposed to cash flow interest rate risk.

## 29. Financial risk management (continued)

### *Market risk (continued)*

*Cash flow and fair value interest rate risk (continued)*

The Group analyses its interest rate exposure on a continuous basis. Various scenarios are considered taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each scenario, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

During the year ended 31 December 2014, had interest rate for borrowings with other than fixed rate been increased/decreased by 600 basis points the profit before taxation would have been RR 1,224,699 (2013: RR 226,394) lower/higher.

*Foreign exchange risk*

As at 31 December 2014 and 2013, foreign exchange risk arises on cash in banks, short-term investments, long-term investments, trade and other receivables, borrowings and trade and other payables denominated in foreign currency (Notes 3, 4, 5, 13 and 14).

At 31 December 2014, if the Russian Rouble had weakened/strengthened by 30% (31 December 2013: 10%) against the US dollar with all other variables held constant, the Group's profit before taxation would have been RR -4,974,049 lower/higher (2013: RR 81,370 higher/lower).

At 31 December 2014 if the Russian Rouble had weakened/strengthened by 30% (31 December 2013: 10%) against the Euro with all other variables held constant, the Group's profit before taxation would have been RR 269,005 (2013: RR 96,423) lower/higher.

*Purchase price risk*

The Group purchases raw sugar and manages its exposure to this commodity price risk through financial derivatives. In 2014, the Group's total purchases of raw sugar were RR 3,490,541 (2013: RR 1,641,337). The Group trades raw sugar derivatives on ICE Futures US through an agent. Through derivatives, management aims to offset its long position in sugar inventory in order to minimise effects of price fluctuations on the results of the Group. The gains less losses on trading sugar derivatives of RR 375,305 (2013: gains less losses on trading sugar derivatives of RR 175,407) are presented as a separate line within Statement of Comprehensive Income for the year.

The Group is exposed to equity securities price risk arising on investments held by the Group and classified in the consolidated statement of financial position either as available for sale or at fair value through profit or loss (Note 11). The Group does not manage its price risk arising from investments in equity securities.

*Sales price risk*

Changes in white sugar prices from January until August are closely related to changes in world raw sugar prices that is implicitly managed through the raw sugar derivatives (see above). The storage facilities of own sugar plants permit to build up stocks of white sugar to defer sales to more favourable price periods.

The Group is exposed to financial risks arising from changes in milk, meat and crops prices (Note 10).

### *Fair value estimation*

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 29. Financial risk management (continued)

### *Financial assets carried at amortised cost*

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. They are within level 3 of fair value hierarchy.

### *Liabilities carried at amortised cost*

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. They are within level 3 of fair value hierarchy.

### Financial instruments by measurement categories and fair values as at 31 December 2014

| | Loans and receivables | Other at amortised cost | Available for sale | At fair value through profit or loss | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 10,316,313 | - | - | - | 10,316,313 | 10,316,313 |
| Bonds held for trading (Note 4) | - | - | - | 6,684,189 | 6,684,189 | 6,684,189 |
| Loans issued (Note 4) | 924,037 | - | - | - | 924,037 | 924,037 |
| Bank deposits (Note 4) | 992,200 | - | - | - | 992,200 | 992,200 |
| Interest receivable (Note 4) | 167,736 | - | - | - | 167,736 | 167,736 |
| Financial derivatives (Note 4) | - | - | - | 95,627 | 95,627 | 95,627 |
| Financial assets within trade and other receivables (Note 5) | 2,127,125 | - | - | - | 2,127,125 | 2,127,125 |
| **Total short-term financial assets** | **14,527,411** | **-** | **-** | **6,779,816** | **21,307,227** | **21,307,227** |
| Restricted cash | 17,373 | - | - | - | 17,373 | 17,373 |
| Loans issued (Note 11) | 26,526 | - | - | - | 26,526 | 16,379 |
| Bank deposits (Note 11) | 696,500 | - | - | - | 696,500 | 533,609 |
| Interest receivable (Note 11) | 182,717 | - | - | - | 182,717 | 102,208 |
| Available-for-sale investments (Note 11) | - | - | 19,305 | - | 19,305 | 19,305 |
| Other long-term investments (Note 11) | - | - | 4,081 | - | 4,081 | 861 |
| **Total long-term financial assets** | **923,116** | **-** | **23,386** | **-** | **946,502** | **689,735** |
| **Total financial assets** | **15,450,527** | **-** | **23,386** | **6,779,816** | **22,253,729** | **21,996,962** |
| **Financial liabilities** | | | | | | |
| Short-term borrowings | - | 12,499,623 | - | - | 12,499,623 | 12,499,623 |
| Financial liabilities within trade and other payables (Note 15) | - | 1,442,954 | - | - | 1,442,954 | 1,442,954 |
| **Total short-term financial liabilities** | **-** | **13,942,577** | **-** | **-** | **13,942,577** | **13,942,577** |
| Long-term borrowings | - | 9,806,306 | - | - | 9,806,306 | 8,740,650 |
| **Total long-term financial liabilities** | **-** | **9,806,306** | **-** | **-** | **9,806,306** | **8,740,650** |
| **Total financial liabilities** | **-** | **23,748,883** | **-** | **-** | **23,748,883** | **22,683,227** |

***(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)***

## 29. Financial risk management (continued)

### Financial instruments by measurement categories and fair values as at 31 December 2013

| | Loans and receivables | Other at amortised cost | Available for sale | At fair value through profit or loss | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 2,672,764 | - | - | - | 2,672,764 | 2,672,764 |
| Loans issued (Note 4) | 323,223 | - | - | - | 323,223 | 323,223 |
| Promissory notes (Note 4) | 1,100,000 | - | - | - | 1,100,000 | 1,100,000 |
| Bank deposits (Note 4) | 13,467,355 | - | - | - | 13,467,355 | 13,467,355 |
| Interest receivable (Note 4) | 367,685 | - | - | - | 367,685 | 367,685 |
| Financial derivatives (Note 4) | - | - | - | 8,298 | 8,298 | 8,298 |
| Financial assets within trade and other receivables (Note 5) | 1,547,115 | - | - | - | 1,547,115 | 1,547,115 |
| **Total short-term financial assets** | **19,478,142** | **-** | **-** | **8,298** | **19,486,440** | **19,486,440** |
| Restricted cash | 2,404 | - | - | - | 2,404 | 2,404 |
| Loans issued (Note 11) | 26,484 | - | - | - | 26,484 | 26,484 |
| Bank deposits (Note 11) | 696,500 | - | - | - | 696,500 | 696,500 |
| Interest receivable (Note 11) | 118,291 | - | - | - | 118,291 | 118,291 |
| Available-for-sale investments (Note 11) | - | - | 26,712 | - | 26,712 | 26,712 |
| Other long-term investments (Note 11) | - | - | 2,828 | - | 2,828 | 2,828 |
| **Total long-term financial assets** | **843,679** | **-** | **29,540** | **-** | **873,219** | **873,219** |
| **Total financial assets** | **20,321,821** | **-** | **29,540** | **8,298** | **20,359,659** | **20,359,659** |
| **Financial liabilities** | | | | | | |
| Short-term borrowings | - | 18,144,254 | - | - | 18,144,254 | 18,144,254 |
| Financial liabilities within trade and other payables (Note 15) | - | 1,167,022 | - | - | 1,167,022 | 1,167,022 |
| **Total short-term financial liabilities** | **-** | **19,311,276** | **-** | **-** | **19,311,276** | **19,311,276** |
| Long-term borrowings | - | 14,368,799 | - | - | 14,368,799 | 14,368,799 |
| **Total long-term financial liabilities** | **-** | **14,368,799** | **-** | **-** | **14,368,799** | **14,368,799** |
| **Total financial liabilities** | **-** | **33,680,075** | **-** | **-** | **33,680,075** | **33,680,075** |

The Group management uses discounted cash flow valuation technique in the financial instruments fair value measurement for level 3 measurements. The fair value is based on discounting of cash flows using 13.31-18.31% (2013: 11%) discount rate.

Fair value of bonds held-for trading is derived from open active markets and is within level 1 of the fair value hierarchy.

Sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2014 (2013: none).

### *Capital management*

The primary objective of the Group's capital management is to maximize participants' return while sustaining a reasonable level of financial risks. The Group does not have a quantified target level of participants' return or capital ratios. To fulfill capital management objectives while providing for external financing of regular business operations and investment projects, the Group management compares expected return of these operations and projects with the costs of debt and maintains prudent financial risk management as described above.

The Group companies complied with all externally imposed capital requirements throughout 2014 and 2013.

## 30. Contingencies

### *Tax legislation*

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation was introduced from 1999 and was amended with effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy used in 2014 and preceding years is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given the specifics of transfer pricing rules, the impact of any challenge of the Group’s transfer prices cannot be reliably estimated, however, it may be significant to the financial conditions and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

In addition to the above matters, at 31 December 2013 management estimated that the Group has other possible obligations from exposure to other than remote tax risks of RR 81,716. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. As at 31 December 2014 management determined that there were no such obligations. Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

### *Social obligations*

Some production companies of the Group have collective agreements signed with the employees. Based on these contracts the companies make social payments to the employees. The amounts payable are determined in each case separately and depend primarily on performance of the company. These payments do not satisfy the liability recognition criteria listed in IAS 19, “Employee Benefits”. Therefore, no liability for social obligations was recognised in these consolidated financial statements.

### *Legal proceedings*

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims.

There are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.

### *Operating environment of the Group*

The uncertainties related to the operating environment of the Group are described in Note 1.

(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

## 31. Commitments

### *Contractual capital expenditure commitments*

As at 31 December 2014 the Group had outstanding contractual commitments in respect of purchases or construction of property, plant and equipment in the amount of RR 1,759,762 (31 December 2013: RR 1,326,523).

As at 31 December 2014 the Group had outstanding contractual commitments in respect of purchases of biological assets in the amount of RR 615 (31 December 2013: RR 3,132).

### *Operating lease commitments*

As at 31 December 2014, the Group had 678 land lease agreements (31 December 2013: 433), of these 416 land lease agreements (31 December 2013: 170) fixed rent payments are defined and denominated in Russian Roubles. For these land lease agreements the future minimum lease payments under non-cancellable operating leases are as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Not later than 1 year | 101,580 | 80,062 |
| Later than 1 year and not later than 5 years | 307,200 | 188,323 |
| Later than 5 years | 1,163,795 | 767,276 |
| **Total** | **1,572,575** | **1,035,661** |

In addition, in 262 land lease agreements (31 December 2013: 263) the rent is established as a non-monetary measure based on a certain share of agricultural produce harvested or a fixed volume of harvested crops. For 2014 related rent expenses were RR 217,752 (2013: RR 205,675).

### *Sales commitments*

As at 31 December 2014 the Group had outstanding sales commitments in respect of sales of sunflower oil to Federal State Reserve Agency in 2015 in the amount of RR 344,250.

As at 31 December 2013 the Group had outstanding sales commitments in respect of sales of sunflower oil to Federal State Reserve Agency in 2014 in the amount of RR 270,981 and in 2015 in the amount of RR 343,481.

## 32. Subsequent events

The Board of Directors recommends the payment of dividends for the year 2014 amounting to RR 5,063,256 thousand. Given the Company has already paid interim dividends for the first half of 2014, with a total pay-out RR 2,000,029 thousand, the distributed amount is RR 3,063,227 thousand. Given the Company owns 2,212,648 of its own GDRs, which will be excluded from dividend distribution, the dividend will be RR 130.03 per ordinary share (the equivalent USD 2.35 per ordinary share based on the CBRF rate 55.3328 as of 8 April 2015). The proposed dividend is subject to approval by the shareholders at the Annual General Meeting. These consolidated financial statements do not reflect the dividends that have not been approved on the reporting date.

There were no other material post balance sheet events occurring after the end of the reporting period requiring disclosure in these consolidated financial statements.