UGC Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2018

Contents

Independent Auditor's Report

To the Shareholders and Board of Directors of Joint Stock Company "United grain company":

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Joint Stock Company "United grain company" and its subsidiaries (together – the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

AO PricewaterhouseCoopers Audit

8 April 2019

Moscow, Russian Federation

A. S. Zubenko, certified auditor (licence no. 01-000080), AO PricewaterhouseCoopers Audit

Audited entity:
Joint Stock Company "United grain company"

Record made in the Unified State Register of Legal Entities on 21 March 2007 under State Registration Number 5077746345540

Russian Federation, 107139, Moscow, Orlikov per., h. 3, building 1

Independent auditor:
AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

In thousands of Russian Roubles	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	9	12,408,457	9,513,017
Advances paid for property, plant and equipment	9	622,449	1,311,810
Intangible assets		243,529	277,899
Investments in associates	10	602,425	601,406
Deferred income tax assets	24	265,562	491,285
Other non-current assets		2,699	12,680
Total non-current assets		**14,145,121**	**12,208,097**
Current assets			
Inventories	11	2,968,705	1,974,912
Trade and other receivables	12	1,688,160	1,320,673
Prepayments	13	2,350,586	713,710
Current income tax prepayments		101,293	3,629
Short-term investments	14	100,027	2,007,149
Cash and cash equivalents	15	7,055,397	6,424,721
Other current assets		3,725	27,995
		14,267,893	**12,472,789**
Non-current assets held for sale (or disposal groups)	10	-	23,211
Total current assets		**14,267,893**	**12,496,000**
TOTAL ASSETS		**28,413,014**	**24,704,097**
EQUITY			
Share capital	16	7,029,879	7,029,879
Share premium	16	4,464,394	4,464,394
Accumulated profit		4,284,992	1,809,070
Equity attributable to the Company's owners		**15,779,265**	**13,303,343**
Non-controlling interest		**3,465,159**	**2,528,790**
TOTAL EQUITY		**19,244,424**	**15,832,133**
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	24	195,604	134,377
Long-term borrowings	17	3,228,126	3,345,455
Post-employment benefit obligations		51,810	76,613
Total non-current liabilities		**3,475,540**	**3,556,445**
Current liabilities			
Short-term borrowings	17	3,434,573	4,121,823
Trade and other payables	18	1,740,547	881,758
Current income tax payable		74,061	70,144
Other taxes payable	19	353,857	149,243
Provisions for liabilities and charges		90,012	92,551
Total current liabilities		**5,693,050**	**5,315,519**
TOTAL LIABILITIES		**9,168,590**	**8,871,964**
TOTAL LIABILITIES AND EQUITY		**28,413,014**	**24,704,097**

Approved for issue and signed on 8 April 2019.

Korolev S.V.
Acting General Director

Kafizov R.T.
Financial Director

In thousands of Russian Roubles	**Note**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Revenue	20	32,504,189	16,215,846
Cost of sales	21	(22,537,480)	(10,459,255)
Gross profit		**9,966,709**	**5,756,591**
Distribution costs	21	(2,800,842)	(1,081,526)
Administrative expenses	21	(1,635,736)	(1,323,490)
Other operating expenses	22	(283,643)	(469,568)
Other operating income	22	955,768	29,937
Operating profit		**6,202,256**	**2,911,944**
Finance income		388,577	261,972
Finance expenses	23	(376,656)	(423,358)
Share of result of associates	10	1,019	16,522
Profit before income tax		**6,215,196**	**2,767,080**
Income tax expense	24	(1,556,634)	(618,221)
Profit for the year		**4,658,562**	**2,148,859**
Other comprehensive income			
Items that will not be reclassified to profit or loss;			
Remeasurement of post-employment benefit obligations		3,825	1,397
Income tax on remeasurement of post-employment benefit obligations	24	(765)	(278)
Other comprehensive income for the year		**3,060**	**1,119**
Total comprehensive income for the year		**4,661,622**	**2,149,978**
Profit attributable to:			
- Owners of the Company	25	2,948,378	948,034
- Non-controlling interest	27	1,710,184	1,200,825
Profit for the year		**4,658,562**	**2,148,859**
Total comprehensive income attributable to:			
- Owners of the Company		2,949,939	948,605
- Non-controlling interest		1,711,683	1,201,373
Total comprehensive income for the year		**4,661,622**	**2,149,978**
Earnings per ordinary share for profit from operating activities attributable to the owners of the Company (in RR per share)	25	**0.42**	**0.13**

EBITDA (non-IFRS measure)	**Note**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Operating profit		6,202,256	2,911,944
Adjustments to operating profit:			
Depreciation and amortization	*7, 21*	*472,480*	*439,019*
Share of result of associates	*7, 10*	*1,019*	*16,522*
EBITDA		***6,675,755***	***3,367,485***

	Attributable to owners of the Company					
In thousands of Russian Roubles	**Share capital**	**Share premium**	**Accumulated profit/(deficit)**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2016	**7,029,879**	**4,464,394**	**1,654,189**	**13,148,462**	**1,894,882**	**15,043,344**
Profit for the year	-	-	948,034	**948,034**	1,200,825	**2,148,859**
Other comprehensive income for the year	-	-	571	**571**	548	**1,119**
Total comprehensive income for the year	-	-	948,605	**948,605**	1,201,373	**2,149,978**
Acquisition of non-controlling interest in subsidiaries	-	-	(17,750)	**(17,750)**	(15,989)	**(33,739)**
Dividends declared to non-controlling interest	-	-	-	**-**	(551,476)	**(551,476)**
Dividends declared to the owners of the Company	-	-	(775,974)	**(775,974)**	-	**(775,974)**
Balance at 31 December 2017	**7,029,879**	**4,464,394**	**1,809,070**	**13,303,343**	**2,528,790**	**15,832,133**
Profit for the year	-	-	2,948,378	**2,948,378**	1,710,184	**4,658,562**
Other comprehensive income for the year	-	-	1,561	**1,561**	1,499	**3,060**
Total comprehensive income for the year	-	-	2,949,939	**2,949,939**	1,711,683	**4,661,622**
Dividends declared to non-controlling interest	-	-	-	**-**	(775,314)	**(775,314)**
Dividends declared to the owners of the Company	-	-	(474,017)	**(474,017)**	-	**(474,017)**
Balance at 31 December 2018	**7,029,879**	**4,464,394**	**4,284,992**	**15,779,265**	**3,465,159**	**19,244,424**

In thousands of Russian Roubles	Note	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities			
Profit before income tax		6,215,196	2,767,080
Adjustments for:			
Depreciation of property, plant and equipment	9,21	438,111	405,217
Amortization of intangible assets	21	34,369	33,802
Share in loss of associates	10	48,907	57,438
Net impairment losses on financial and contract assets	21	25,273	3,099
Provision for prepayments	21	6,164	-
(Gain)/Loss on disposal of property, plant and equipment	22	(4,027)	12,006
Finance income		(388,577)	(261,972)
Finance expenses	23	376,656	423,358
Change in provision for net realizable value of inventory	21	9,428	-
Legal claims and similar items	22	-	1,920
Net (gain)/loss from exchange differences	22	(660,579)	256,783
Gain on sale of disposal group	22	26,789	-
Accrual of unused vacation provision	21	154,999	94,099
Share in profit of associates	10	(49,926)	(73,960)
Net gain from foreign currency purchases	22	(80,341)	(4,581)
Operating cash flows before working capital changes		**6,152,442**	**3,714,289**
Change in trade and other receivables		(1,903,219)	155,797
Change in inventories		(1,003,221)	(825,314)
Change in trade and other payables		359,630	444,191
Change in other current assets and liabilities		57,462	34,420
Cash generated from operating activities before income taxes		**3,663,094**	**3,523,383**
Income tax paid		(1,363,431)	(491,416)
Net cash from operating activities		**2,299,663**	**3,031,967**
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,116,505)	(3,745,049)
Proceeds from sales of property, plant and equipment		24,446	32,194
Purchases of intangible assets		-	(24,746)
Sale of disposal group	10	50,000	-
Purchase of shares of subsidiaries		-	(33,739)
Proceeds from cash withdrawals from deposits		2,300,128	1,752,199
Deposits placed with banks		(377,076)	(3,721,751)
Interest received		157,287	284,775
Net cash used in investing activities		**38,280**	**(5,456,117)**
Cash flows from financing activities			
Proceeds from borrowings	17	14,210,002	14,812,239
Repayment of borrowings	17	(14,919,575)	(13,413,911)
Interest paid	17	(644,774)	(672,253)
Dividends paid	16	(995,285)	(1,403,421)
Net cash used in financing activities		**(2,349,632)**	**(677,346)**
Net (decrease) in cash and cash equivalents		**(11,689)**	**(3,101,496)**
Effect of exchange rates changes on cash and cash		642,365	(247,501)
Cash and cash equivalents at the beginning of the period	15	**6,424,721**	**9,773,718**
Cash and cash equivalents at the end of the period	15	**7,055,397**	**6,424,721**

1 UGC Group and its Operations

Description of the business. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2018 for Joint Stock Company United Grain Company (hereafter – the "Company") and its subsidiaries (hereafter- the "Group" or "UGC Group").

The Company was incorporated by the Federal Agency for Administration of State Property of the Russian Federation (Rosimushestvo) as an open joint stock company on 21 March 2007 under the name Agency for Regulation of Food Market. On 8 May 2009 the Company was renamed to OJSC United Grain Company in accordance with presidential decree no. 290 dated 20 March 2009. On 5 November 2015 the Company was renamed to Joint Stock Company "United grain company" (JSC "UGC") in accordance with decision of annual general shareholders meeting.

The Government of the Russian Federation through Rosimushestvo is the ultimate controlling party of the Group. As at 31 December 2018 and 31 December 2017 Rosimushestvo owns 50% plus 1 share of issued shares in the Company. Until February 2019 another 50% minus 1 share of the Company was owned by LLC Investor (related entity of Summa Group, ultimately controlled by Mr. Z. Magomedov) (Note 32).

Principal subsidiaries included into these consolidated financial statements are listed below:

		Group's share in the share capital %	
Entity	**Principal activity by segments**	**31 December 2018**	**31 December 2017**
PJSC NKHP	Port transhipment, trading, production and freight forwarding services	51%	51%
LLC DVZT	Port transhipment	100%	100%
LLC Torgovyi Dom UGC	Trading	100%	100%
LLC UGC Center	Trading	100%	100%
LLC UGC Sibir	Trading	100%	100%
LLC UGC South	Trading	100%	100%
GRAINEXPORT SA	Trading	100%	100%
OJSC Buturlinovskiy Melcombinat	Flour production	51%	51%
OJSC Ardatovskoe HPP	Grain storage	100%-1 share	100%-1 share
OJSC Atyashevskoe HPP	Grain storage	100%-1 share	100%-1 share
OJSC Elevatorspecmontaj	Grain storage	100%-1 share	100%-1 share
OJSC Obrochinskoe HPP	Grain storage	100%-1 share	100%-1 share
OJSC Reservhleb	Grain storage	100%-1 share	100%-1 share
OJSC Orskiy elevator	Grain storage	99.58%	99.58%
LLC Agrostandart	Agriculture	51%	51%
JSC Elevator	Grain storage	82.49%	82.49%
OJSC Grachevskiy elevator	Grain storage	51%	51%
OJSC Khakashleboprodukt	Grain storage	51%	51%
OJSC Pallasovskiy elevator	Grain storage	51%	51%
OJSC Portovyi elevator	Port transhipment	51%	51%
OJSC Surovikinsky elevator	Grain storage	51%	51%

In April 2018 courts issued the its' decisions with regards to preliminary investigation of criminal case against Mr. Z.G. Magomedov and Mr. M.G. Magomedov. In accordance with issued decisions the arrest was seized 100% shares of LLC DVZT and shares of the following Group's companies: OJSC Ardatovskoe HPP, OJSC Atyashevskoe HPP, OJSC Obrochinskoe HPP, OJSC Surovikinsky elevator, JSC Elevator, OJSC Pallasovskiy elevator, OJSC Khakashleboprodukt. The arrest was also seized shares of associated company OJSC Penzenskiy KHP.

According to courts' decisions owners and other participants are prohibited from:

- using and disposing of shares/stakes, including increasing or decreasing the amount of share capital, reorganizing, liquidating, changing participants or owners;

- sole executive body, members of the board of directors, general meeting of shareholders or other bodies permanently or temporary performing their functions to:

1 UGC Group and its Operations (continued)

- undertake, agree or in any other way approve the decisions or other actions to make transactions of disposal, transfer or any other disposition of companies' assets, including property-related obligations, irrespective of their physical control or location;
- issue the power of attorney or otherwise empower other persons to undertake, agree and approve decisions or actions to make transactions of disposal, transfer or any other disposition of companies' assets , irrespective of their physical control or location;
- distribute the assets and profit among owners of the company, to pay them dividends;
- exercise powers and pursue actions directly or indirectly resulting in deterioration of economic or financial position of the company, as well as aiming at misappropriation, alienation, concealment or transfer of their assets irrespective of physical control or location.

In February 2019, the period of preliminary investigation was prolonged until 5 May 2019 with retention of the same prohibitions and restrictions seized earlier by the court.

The carrying amount of the assets of the subsidiary companies in these consolidated financial statements, to which the above restrictions apply, as at 31 December 2018 is RR 1,081,482 thousand, the carrying amounts of liabilities as at 31 December 2018 is RR 148,824 thousand.

Management believes that as at 31 December 2018 UGC Group holds control over activity of the above subsidiaries.

Principal activity. Principal activities of the Group involve grain trading, port transhipment, freight forwarding services, flour production, grain storage and acting as an agent in state interventions in the grain market (Note 31). The Group's manufacturing and logistic facilities are based in Russia. In 2016 the Group acquired a grain trading company registered and carried out activity under the laws of Switzerland.

Registered address and place of business. The Company's registered address and place of business is Orlikov pereulok, 3 bld.1, Moscow, Russian Federation, 107139.

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles ("RR thousand"), unless otherwise stated.

2 Operating Environment of the Group

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 frequent changes and varying interpretations (Note 26). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses (hereinafter – «ECL») the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention as modified by initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 4. Changes in accounting policy resulting from the adoption of new standards did not have significant effect on financial indicators in these consolidated financial statements.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the 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 the 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 a 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 the majority of the 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 the 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. 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 that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation 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. Non-controlling interests that are not present ownership interests are measured at fair value.

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

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 the fair value of assets and liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt securities as part of the business combination are deducted from their carrying amount and all other transaction costs associated with the acquisition are expensed.

3 Summary of Significant Accounting Policies (Continued)

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. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity.

The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in 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 associates are recognised as follows: (i) the Group's share of profits and losses of associates is recorded in the consolidated profit or loss for the year as the share of financial 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 this associate.

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

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 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.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

3 Summary of Significant Accounting Policies (Continued)

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell of the asset and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. For impairment assessment assets are combined in the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows of other assets and groups of assets (cash-generating units).

Gain or loss on disposals of property, plant and equipment are determined by comparing the proceeds from sale with the carrying amount and are recognised in profit or loss for the year within other operating income or expenses.

Rolling stock repair and maintenance costs. The cost of each periodic capital and depot repair of rolling stock is recognised in the carrying amount of the relevant item of rolling stock repaired and depreciated over the expected period until the next periodic capital repair or until the end of the useful economic life of the item of rolling stock, if earlier. Simultaneously with the capitalisation of the new periodic major capital repair costs, the carrying amount of the repaired rolling stock that is attributable to the previous period capital repair is derecognized and included in cost of sales in the current period.

Other types of repairs of rolling stock, such as current repairs, continue to be accounted by the Group as current period expenses as and when incurred.

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, namely:

	Useful lives in years
Buildings, structures and utilities	6 to 68
Machinery, transport and equipment	2 to 29
Rolling stock *	8 to 32
Other	1 to 24

** 8 year deprecation period is attributed to depo and capital repairs of rolling stock, 32 year depreciation is attributed to rolling stock.*

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Government grants. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment reduce carrying amounts of property, plant and equipment and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Intangible assets other than goodwill. The Group's intangible assets have definite useful lives and primarily include leasehold rights of plots of land.

Leasehold rights are recognized on the basis of the costs incurred to acquire them. All other costs associated with leasehold rights, such as administrative costs, are expensed when incurred.

Leasehold rights are amortized using the straight-line basis over the term of the respective lease contracts ranging from 6 to 32 years.

3 Summary of Significant Accounting Policies (Continued)

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.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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 measure fair value of 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 ownership 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, minus or plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the 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 the related items in the consolidated statement of financial position.

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 gross 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. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

3 Summary of Significant Accounting Policies (Continued)

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for 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. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to buy or sell a financial asset. All other purchase operations are recognised when the entity becomes a party to the contractual provisions of this financial instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. All financial assets of the Group belong to group of assets measured at amortized cost.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

3 Summary of Significant Accounting Policies (Continued)

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a

Lifetime ECL. For financial assets that are purchased or originated credit-impaired, the ECL is always measured as a Lifetime ECL.

The Group uses simplified approach, provided by IFRS 9, to evaluation of expected credit losses. Under this approach credit losses are measured on a lifetime basis for all trade and other receivables.

For evaluation of expected credit losses trade and other receivables were grouped on the basis of general characteristics of credit risk and days overdue.

Level of expected credit losses are based on sales payment schedules for 36 months until 31 December 2018 or 1 January 2018, accordingly, or other analogous historical credit losses, incurred during the period. Level of losses for prior periods are corrected with account for current and forecasted macroeconomic factors affecting ability of buyers to settle accounts receivable. The Group determined GDP and unemployment levels in countries, in which the Group sells its goods and services, as the most relevant factors and adjusts prior period losses, accordingly, based on expected changes in these factors.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of such assets. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include debtors bankruptcy, unfavourable court decision and other events that lead to reasonable expectation that financial asset is not recoverable. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Group derecognises financial assets when (a) these assets are redeemed or the rights to cash flows from these assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of these assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining 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 – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3 Summary of Significant Accounting Policies (Continued)

Modification of financial liabilities. An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated 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. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Restricted cash balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances of cash restricted from being exchanged or used to settle a liabilities for at least twelve months after the reporting period are included in other non-current assets.

In consolidated statement of cash flows cash flows related to payments of interest capitalized in property plant and equipment are included in cash flows from financing activity as interest paid.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Contract liabilities represented by prepayments received from buyers for subsequent provision of services or supply of goods, are included in “trade and other payables” in the consolidated statement of financial position as “advances received” (Note 18).

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that are not accounted at amortised cost and necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those asset.

3 Summary of Significant Accounting Policies (Continued)

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

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

The Group capitalizes 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 on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. 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.

Non-current assets classified as held for sale (or disposal groups). Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the consolidated statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting date. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Disposal groups held for sale as a whole are measured at the lower of: the carrying amount or fair value less costs to sell. Held for sale property, plant and equipment, investment properties and intangible assets are not depreciated or amortised. Reclassified non-current financial instruments, deferred taxes and investment property at fair value are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

Income tax. Income tax have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/ (credit) comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different reporting period, in other comprehensive income or directly in equity.

3 Summary of Significant Accounting Policies (Continued)

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. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

Uncertain tax positions. 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 recognized based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

Adjustments related to uncertain tax position for income tax in respect of penalties and fines as well as for accrual of withholding income tax are recognised within other operating expenses, respectively.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of 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 sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, the impairment loss of financial assets is recorded for the gross amount of the debtor, including VAT.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Share capital. 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 received over the par value of shares issued is recorded as share premium in equity.

3 Summary of Significant Accounting Policies (Continued)

Dividends. Dividends are recorded as a liabilities and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting date and before the consolidated financial statements are authorised for issue are disclosed in the events after the reporting date note. The Russian statutory accounting reports of the Group entities are the basis for profit distribution and other appropriations.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expenses.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and all of its subsidiaries, and the Group's presentation currency, is the national currency of the Russian Federation, Russian Rouble ("RR").

The consolidated financial statements are presented in Russian Roubles ("RR"), which is the Group's presentation currency.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions in foreign currency and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss as other operating income or expenses.

Foreign exchange gains and losses that relate to accounts receivable, cash and cash equivalents and deposits are presented in the consolidated statement of profit or loss and other comprehensive oncome within net other operating income and expenses. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

The principal rates of exchange used for translating foreign currency balances were:

	31 December 2018	31 December 2017
RR/USD	69.4706	57.6002
RR/EUR	79.4605	68.8668
RR/CHF	70.5787	58.9743

Foreign currency transactions were translated into the functional currency using the official exchange rates established by Central Bank of Russian Federation at the dates of the transactions.

Revenue recognition. Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes, export duties, excise tax, other similar mandatory payments.

3 Summary of Significant Accounting Policies (Continued)

Revenue of sales of goods (grain, flour, semolina and bran). Sales are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue from the sales is recognised based on the price specified in the contract.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the Group provides any additional services to the customer after control over goods has passed, revenue from such services is considered to be a separate performance obligation and is recognised over the time of the service rendering.

Revenue from sales of services (port transhipment, freight forwarding and storage). Revenue from port transhipment, freight forwarding and storage is recognized in accounting period when these services have been provided. For port transhipment contracts revenue is recognized based on volume of grain transferred as at the end of reporting period, in proportion to the total volume of transferred grain, as the buyer simultaneously receives and consumes benefits.

Revenue from freight forwarding represents registration of necessary documents on realized goods. These services take insignificant amount of time within a day; revenue from these services is recognized at a point in time.

The Company uses practical expedient, provided for by IFRS 15, according to which the Company does not have to disclose the price of transaction allocated to performance obligations, which are not completed (or partially completed) as at the end of reporting period, due to obligation not being a part of agreement, which original period is not more than one year.

If contracts include performance obligations, the amount of transaction is allocated to each separate performance obligation based of proportion of prices of their separate sale. If prices are not observable, they are calculated, based on expected expenses plus profit margin.

Financing components. It is considered that financing component is absent, as sales are made with deferral from 2 to 30 days, which is in accordance with market practice.

Commodity loans. The Group provides and obtains commodity loans from other grain traders at the point of transhipment by entering into sales and purchase agreements. Commodity loans are usually returned within several months by reverse transactions between the same parties on identical terms.

These transactions are in substance commodity loans, rather than sale and purchase transactions. Therefore, revenue and cost of sales attributable to these transactions are eliminated from the consolidated statement of profit or loss and other comprehensive income.

Interest income. Interest income and expenses are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income and expenses, all commissions and fees paid and received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest income is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

3 Summary of Significant Accounting Policies (Continued)

State grain intervention fund. The state agricultural policy of the Russian Federation includes as one of its instruments the state purchase and trade interventions on the market of agricultural produce. In accordance with government statement no. 580, dated 3 August 2001 and renewable contract with the Ministry of Agriculture of Russian Federation the Company is acting as an agent of the State for the state purchase and trade interventions of grain, storage of the grain intervention fund and organisation of its quantitative and qualitative characteristics.

State purchase interventions are purchases of agricultural products from Russian agricultural producers in order to form an intervention fund of agricultural products. State trade interventions are sales of these products from the intervention fund.

The Ministry of Agriculture of the Russian Federation organises and runs the State purchase and trade interventions. The Company purchases and sells the grain as an agent of the State. The timing and volume of such purchase and sales transactions are controlled by the Ministry of Agriculture of the Russian Federation.

All purchases are paid in cash from borrowings obtained from JSC Rosselhozbank (the state agriculture bank). All grain for the intervention fund is stored and insured by companies selected by the Ministry of Agriculture of the Russian Federation under direct agreements with the Company.

The beneficiary of the insurance agreements is JSC Rosselhozbank. In accordance with these agreements, the grain for the state intervention fund is pledged to JSC Rosselhozbank.

All grain is traded on the commodity exchange under the control of the Ministry of Agriculture of the Russian Federation. Sales transactions are made with the direction of the Ministry of Agriculture of the Russian Federation. Cash receipts from trade interventions less loan and interest repayments, other directly attributable expenses and tax payments are transferred to the Ministry of Agriculture of the Russian Federation. Any losses resulting from trade interventions are reimbursed by the State. The Company earns a commission fee for undertaking these transactions.

Balances and transactions of the Company related to the state grain intervention fund except for the commission fee are offset and presented net in the consolidated statement of financial position and consolidated statement of profit or loss and comprehensive income due to the existing legally enforceable right for set off and intention of the Company to settle on a net basis. The results of operations with the State grain intervention fund are summarised in Note 31.

Commission fees are included in revenue as revenue from sales of services in the consolidated statement of profit or loss and other comprehensive income.

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

Pension liabilities. The Group also makes one-time payments in cases of employees' death, at their retirement and also provides material assistance to former employees after their retirement. Such programs are considered as defined benefit plans. No pension funds were engaged for realization of such plans.

Amount of such payments generally depends on one or more factors such as employment period and wage rate.

The liability recognized in the consolidated statement of financial position in respect of defined benefit plans operated by the Group is the present value of the defined benefit obligation at the reporting date. All defined benefit plans are considered to be fully unfunded.

The defined benefit obligations are calculated using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits associated with the operations of the plan will be paid, and that have terms to maturity approximating the terms of the related post-employment benefits.

3 Summary of Significant Accounting Policies (Continued)

Remeasurement of the net defined benefit liability comprise actuarial gain and losses arising from experience adjustments and changes in actuarial assumptions. Remeasurements are recognised immediately in other comprehensive income.

A past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment. Past service cost is recognised immediately in the profit or loss as soon as the pension plan conditions are changed.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

***Segment reporting*.** Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, profit or assets are ten percent or more of all the segments are reported separately.

4 Accounting policies before 1 January 2018

Revenue recognition IAS 18. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Revenue from sales of goods (grain, flour, semolina and bran). Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenue from sales of services (port transhipment, storage and transportation). Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Classification of financial assets according to IAS 39. Financial assets have the following categories: (a) loans and receivables; (b) financial assets at fair value through profit or loss; (c) available-for-sale financial assets; and (d) financial assets held to maturity.

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

Financial assets of the Group are represented by 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. The Group's loans and receivables comprise of 'trade and other receivables', bank deposits with maturities over three months which are included in 'short-term investments' and 'cash and cash equivalents' in the consolidated statement of financial position.

Classification of financial liabilities according to IAS 39. Financial liabilities have the following measurement categories: (a) held for trading which also includes 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 (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost. The Group's other financial liabilities comprise of "trade and other payables" and "long-term and short-term borrowings" in the consolidated statement of financial position.

4 Accounting policies before 1 January 2018 (Continued)

Impairment of financial assets carried at amortised cost according to IAS 39. 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 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:

- the counterparty experiences a significant financial difficulties as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

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.

The renegotiated financial asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

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.

If, in a subsequent period, the amount of the impairment loss decreases and this 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 impairment loss account within the profit or loss for the year.

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's past 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 amount of assets and liabilities within the next financial year include:

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. (Note 26).

5 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Deferred income tax asset recognition. The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits. Deferred income tax asset is recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the 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.

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment 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 of property, plant and equipment in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn economic 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.

Where the estimated useful lives to differ by 10% from Group’s management’s estimates, the impact on depreciation for the year ended 31 December 2018 would be to increase it by RR 29,892 thousand or decrease by RR 34,484 thousand (2017: increase by RR 29,180 thousand or decrease by RR 32,238 thousand).

6 New Accounting Pronouncements

From 1 January 2018, the Group has adopted new International IFRS standards: IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”, which led to changes in accounting policy:

IFRS 9 “Financial Instruments”. The Group chose an approach without recalculating of comparative information. In result of adoption of new standard there has been no impact on the carrying amounts of financial assets and liabilities as at 1 January 2018 were required. Therefore, on the date of adoption the opening retained earnings as at the date of initial application of the standard remained unchanged. The revised requirements of the IFRS 7, Financial Instruments: Disclosures have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The significant new accounting policies applied in the current period are described in Note 3. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 4.

The Group's financial assets as at 31 December 2017 included receivables and cash and cash equivalents which were designated to the measurement category “Loans and receivables” under the previous measurement categories in accordance with IAS 39 and measured at amortised cost. As at 1 January 2018, these financial assets were designated to measurement category “At amortised cost” under IFRS 9. The carrying value of the above financial assets has not changed upon transition to IFRS 9. Expected credit losses on cash and cash equivalents and receivables are insignificant. The impairment provision at the end of the previous period assessed using the incurred loss model under IAS 39, equals the amount of the new credit loss allowance calculated using the expected loss model under IFRS 9 at 1 January 2018, as the Group has a limited number of debtors representing large players in the grain market with a good payment discipline. For these debtors, the Group historically has not accrued any provisions and has not written off bad debts and does not expect any losses in the future. As at 31 December 2017, all financial liabilities of the Group were carried at amortised cost. There were no changes in classification or valuation of financial liabilities.

IFRS 15 “Revenue from Contracts with Customers”. The Group applied simplified method of transition to IFRS 15, and elected to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018).

6 New Accounting Pronouncements (Continued)

The adoption of IFRS 15 resulted in changes in accounting.The significant new accounting policies applied in the current period are described in Note 3. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 4.

The management did not recognize the adjustments to the consolidated statement of financial position as at 1 January 2018 since there the adoption of IFRS 15 did not has significant impact on the consolidated financial statements.

The adoption of IFRS 15 resulted in changes in accounting policies and adjustments to the consolidated financial statements in 2018. The main changes from the adoption of IFRS 15 are explained below:

- Additional performance obligations identified that relate to the revenue from transportation services transferred over time;
- Changes in timing of revenue recognition from providing transportation services (from point in time to over time);
- Presentation of contract assets and contract liabilities: management decided not to present separately contract assets and contract liabilities in the consolidated statement of financial position as at 1 January 2018 as they are immaterial.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

- Amendments to IFRS 4 – "Applying IFRS 9 Financial Instruments with IFRS 4 " Insurance Contracts" (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

6 New Accounting Pronouncements (Continued)

The Group plan that it will apply the modified retrospective approach with no restatement to comparative information. At the date of initial application of the new lease standard, the Group is going to recognize cumulative effect of the initial application as an adjustment to the opening balance of equity as of 1 January 2019. Therefore, the Group recognize the right-of-use asset in amount measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

Based on the Management assessment at the moment of IFRS 16 implementation on 1 January 2019 the Group will recognize lease liability in amount of RR 110,207 thousand. Weighted average interest rate applicable to the lease liability as at 1 January 2019 is expected to be 9.31%.

Based on analysis performed, the Group does not expect application of this standard to have significant effect on its consolidated financial statements.

- IFRIC 23 “Uncertainty over Income Tax Treatments” (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019);
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019);
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

7 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 the person or group of persons who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Board of Directors of the Company.

(a) 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:

- Agent in state grain interventions (SGI);
- Port transhipment;
- Trading and freight forwarding service;
- Production.

(b) 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 each business unit requires different marketing strategies and separate expenses structure aimed at maintenance of efficient activity.

7 Segment Information (Continued)

Segment financial information reviewed by the CODM includes performance indicators of operating segments such as revenue, major cost items and net profit of the Group's subsidiaries. For this purpose the CODM obtains financial statements of the Group's subsidiaries. Such financial information overlaps with the segment analysis provided internally to the CODM.

Management therefore applied the core principle of IFRS 8, *Operating Segments*, in determining which of the overlapping financial information sets should form the basis of operating segments.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews segment information prepared in accordance with IFRS. The CODM assesses the performance of the operating segments based on "EBITDA", this figures is not IFRS measure and is reconciled to IFRS operating profit in this note.

EBITDA is defined as operating profit before taking into account:

- Depreciation of property, plant and equipment and amortization of intangible assets;
- Share of results of associates.

The CODM assesses the performance of the Group as state agent separately from other segments due to the particular importance and specific risks related to this activity. Therefore, agent activity is presented as a separate business segment.

The CODM does not review the information related to the operating segment's assets and liabilities in order to make decisions about resource allocation and evaluate results of operations.

(d) Corporate center and Other

Due to changes in corporate functions JSC "UGC" no longer performs trading operations. The Group CODM currently reviews results of the Company as results of corporate centre. According to IFRS 8, *Operating Segments*, the Group does not recognize corporate center as an operating segment. Starting 1 January 2017 results of corporate center are aggregated with other operations under the heading "Corporate centre and Other".

7 Segment Information (Continued)

(e) Information about reportable segment profit or loss

Segment information for the reportable segments for the year ended 31 December 2018 is set out below:

In thousands of Russian Roubles	Agent	Port transhipment	Trading & freight forwarding services	Production	Corporate center and Other	Eliminations transactions between the segments	Total
Revenue from sales to third parties *	452,227	4,628,557	23,796,986	2,183,531	1,442,888	-	32,504,189
Inter-segment revenue	-	906,128	-	-	78,628	(984,756)	-
Total revenue	**452,227**	**5,534,685**	**23,796,986**	**2,183,531**	**1,521,516**	**(984,756)**	**32,504,189**
Cost of sales	(335)	(1,159,167)	(18,519,156)	(2,080,807)	(815,986)	37,971	(22,537,480)
Gross profit	**451,892**	**4,375,518**	**5,277,830**	**102,724**	**705,530**	**(946,785)**	**9,966,709**
Distribution costs	(79,869)	(57,582)	(3,485,088)	(33,047)	(92,041)	946,785	(2,800,842)
Administrative expenses	-	(579,456)	(135,686)	(50,682)	(869,912)	-	(1,635,736)
Other operating expenses	(85,142)	(154,665)	(40,101)	(2,119)	(1,616)	-	(283,643)
Other operating income	-	284,891	298,280	741	371,856	-	955,768
Operating profit	**286,881**	**3,868,706**	**1,915,235**	**17,617**	**113,817**	**-**	**6,202,256**
Finance income	-	123,234	5,611	849	258,883	-	388,577
Finance expense	-	(155,608)	(216,646)	(4,402)	-	-	(376,656)
Share of results of associates	-	-	-		1,019	-	1,019
Profit before income tax	**286,881**	**3,836,332**	**1,704,200**	**14,064**	**373,719**	**-**	**6,215,196**
Income tax (expense)	(57,376)	(879,452)	(210,329)	(3,545)	(405,932)	-	**(1,556,634)**
Profit / (loss) for the period	**229,505**	**2,956,880**	**1,493,871**	**10,519**	**(32,213)**	**-**	**4,658,562**
Adjustments to Operating profit							
Depreciation and amortization	-	*191,480*	*2,366*	*54,746*	*223,888*	-	*472,480*
Share of result of associates	-	-	-	-	*1,019*	-	*1,019*
EBITDA	**286,881**	**4,060,186**	**1,917,601**	**72,363**	**338,724**	**-**	**6,675,755**

* Revenue from sales to third parties in «Port transhipment» and «Trading & freight forwarding services» for year 2018 differ from respective categories of revenue, disclosed in Note 20, due to reclassification of port transhipment from trading and freight forwarding services in the amount of RR 534,929 thousand for the purpose of analysis of segment information. In 2017, the effect of those transactions was insignificant.

7 Segment Information (Continued)

Segment information for the reportable segments for the year ended 31 December 2017 is presented below:

In thousands of Russian Roubles	**Agent**	**Port transhipment**	**Trading & freight forwarding services**	**Production**	**Corporate centre and Other**	**Eliminations transactions between the segments**	**Total**
Revenue from sales to third parties	387,749	4,052,002	8,733,316	1,828,294	1,214,485	-	16,215,846
Inter-segment revenue	-	366,280	353,048	-	52,725	(772,053)	-
Total revenue	**387,749**	**4,418,282**	**9,086,364**	**1,828,294**	**1,267,210**	**(772,053)**	**16,215,846**
Cost of sales	(2,617)	(970,784)	(7,447,725)	(1,741,736)	(692,254)	395,861	(10,459,255)
Gross profit	**385,132**	**3,447,498**	**1,638,639**	**86,558**	**574,956**	**(376,192)**	**5,756,591**
Distribution costs	(78,198)	(109,341)	(1,169,384)	(28,565)	(72,230)	376,192	(1,081,526)
Administrative expenses	(14,700)	(423,372)	(97,352)	(32,866)	(755,200)	-	(1,323,490)
Other operating expenses	(553)	(105,255)	(159,255)	(18,186)	(186,319)	-	(469,568)
Other operating income	340	27	1,328	11,960	16,282	-	29,937
Operating profit / (loss)	**292,021**	**2,809,557**	**213,976**	**18,901**	**(422,511)**	**-**	**2,911,944**
Interest income	-	83,083	3,029	-	175,860	-	261,972
Finance expense	-	(5,248)	(407,264)	(474)	(10,372)	-	(423,358)
Share of results of associates	-	-	-	-	16,522	-	16,522
Profit / (loss) before income tax	**292,021**	**2,887,392**	**(190,259)**	**18,427**	**(240,501)**	**-**	**2,767,080**
Income tax (expense) / benefit	-	(639,559)	42,842	(9,789)	(11,715)	-	(618,221)
Profit / (loss) for the period	**292,021**	**2,247,833**	**(147,417)**	**8,638**	**(252,216)**	**-**	**2,148,859**
Adjustments to Operating profit / (loss)							
Depreciation and amortization	-	*163,389*	*2,263*	*50,220*	*223,147*	-	439,019
Share of result of associates	-	-	-	-	*16,522*	-	16,522
EBITDA	**292,021**	**2,972,946**	**216,239**	**69,121**	**(182,842)**	**-**	**3,367,485**

7 Segment Information (Continued)

Information on significant expenses (Note 21) by segments for the year ended 31 December 2018 is presented below:

In thousands Russian Roubles	**Agent**	**Port transhipment**	**Trading & freight forwarding services**	**Production**	**Corporate centre and Other**	**Total**
Purchase price of grain sold	-	-	18,171,143	-	14,237	**18,185,380**
Transportation expenses	-	37,813	2,596,503	15,031	9,961	**2,659,308**
Staff costs	61,432	1,134,506	170,856	106,519	951,859	**2,425,172**
Materials	-	14,986	15,447	1,861,469	279,614	**2,171,516**

Information on significant expenses (Note 21) by segments for the year ended 31 December 2017 is presented below:

In thousands Russian Roubles	**Agent**	**Port transhipment**	**Trading & freight forwarding services**	**Production**	**Corporate centre and Other**	**Total**
Purchase price of grain sold	-	-	7,314,230	-	14,730	**7,328,960**
Staff costs	72,665	877,455	127,590	140,776	864,469	**2,082,955**
Materials	-	20,028	281	1,244,341	175,385	**1,440,035**
Transportation expenses	2,948	19,866	699,806	21,540	14,208	**758,368**

(f) Geographical information

The Group's revenue by customers' geographical locations:

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Russia	8,509,484	8,216,687
UAE	8,369,724	2,479,763
Singapore	6,802,577	271,775
Switzerland	4,498,684	2,810,596
Venezuela	2,118,087	1,388,476
Egypt	969,669	375,045
Great Britain	601,522	-
Korea	579,332	-
Finland	55,110	4,617
Portugal	-	352,118
France	-	316,769
Total revenue	**32,504,189**	**16,215,846**

(g) Major customers

The Group's revenues from customers, which represent 10% or more of the total revenues, are as follows:

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Customer 1 (port transhipment, trading & freight forwarding services)	4,639,209	-
Customer 2 (trading & freight forwarding services)	3,747,620	271,775
Customer 3 (trading & freight forwarding services)	3,482,752	1,243,148
Total revenues from major customers	**11,869,581**	**1,514,923**

8 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at 31 December 2018 and 31 December 2017 the Government of the Russian Federation was the ultimate controlling party of the Group (Note 1), hence significant transactions with other state-controlled entities were disclosed as related party transactions in accordance with IAS 24 requirements.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions in the years ended 31 December 2018 and 31 December 2017, and had significant outstanding balances as at 31 December 2018 and 31 December 2017 are detailed below.

LLC Investor and its affiliates

In 2018, the Group did not send funds to Investor LLC (2017: 387,987 thousand rubles) to pay dividends. At the same time, the Group accrued liabilities to Investor LLC for payment of dividends in the amount of RUR 237,008 thousand. At the reporting date, these funds are placed in the National Depository.

Associates

Transactions with associates were as follows:

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Purchases	12,745	5,272

Balances with associates at the end of the period as at 31 December 2018 and 31 December 2017 were nil.

State-controlled entities

In the normal course of business, the Group enters into transactions with other entities under the Government control. Taxes are charged and paid under the Russian tax law.

The Group had the following transactions with State-controlled entities:

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Revenue	6,942	17,174
Finance income	388,577	256,087
Purchases	1,029,230	607,953
Finance expenses	152,108	7,472

In 2018 the Group capitalized borrowing costs on loans obtained from VTB Bank, which is controlled by the State, in amount of RR 276,685 thousand (2017: RR 286,220 thousand) (Note 9).

The Group had the following balances with State-controlled entities:

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Trade and other receivables	25,876	38,252
Short-term deposits	75,000	1,994,840
Cash and cash equivalents	6,834,032	5,269,435
Borrowings	4,341,706	3,700,565
Trade and other payables	10,077	12,802

Some of the transactions are conducted through agency agreements with Ministry of Agriculture of the Russian Federation.

8 Balances and Transactions with Related Parties (Continued)

The Group had the following transactions with Ministry of Agriculture of the Russian Federation (Note 31):

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Revenue	527,872	530,695

The Group had the following balances with Ministry of Agriculture of the Russian Federation:

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Trade and other receivables	53,415	89,994

In 2018, the Group accrued and paid dividends to Rosimushestvo in the amount of RR 237,009 thousand (2017: RR 387,987 thousand).

Key management personnel

Key management personnel comprises General Director, his deputies, and members of the Board of Directors of the Company. The total remuneration paid to the key management personnel amounted to:

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Salaries	177,007	146,468
Social tax contributions	29,686	22,734

Payables in respect of remuneration of board of directors as at 31 December 2018 were RR 11,400 thousand (as at 31 December 2017: nil).

The Group had no other balances with key management personnel as at 31 December 2018 and 31 December 2017.

9 Property, Plant and Equipment

Movements in property, plant and equipment were as follows:

In thousands of Russian Roubles	**Land**	**Buildings, structures and utilities**	**Machinery, transport and equipment**	**Rolling stock**	**Other**	**Construction in progress**	**Total**
Cost							
As at 31 December 2016	**630,242**	**2,201,341**	**1,515,417**	**1,834,649**	**57,077**	**2,108,472**	**8,347,198**
Additions	491,709	3,658	108,186	1,587,540	2,617	533,757	2,727,467
Transfers	-	235,056	85,109	-	2,696	(322,861)	-
Capitalized borrowing costs	-	-	-	-	-	286,220	286,220
Disposals	-	(7,498)	(28,379)	-	(4,561)	(3,762)	(44,200)
As at 31 December 2017	**1,121,951**	**2,432,557**	**1,680,333**	**3,422,189**	**57,829**	**2,601,826**	**11,316,685**
Additions	3,334	65,857	43,038	-	1,696	2,951,845	3,065,770
Transfers	-	3,962,249	87,192	-	4,066	(4,053,507)	-
Capitalized borrowing costs	-	-	-	-	-	276,685	276,685
Disposals	(3,293)	(7,368)	(13,226)	-	(719)	160	(24,446)
As at 31 December 2018	**1,121,992**	**6,453,295**	**1,797,337**	**3,422,189**	**62,872**	**1,777,009**	**14,634,694**
Accumulated depreciation							
As at 31 December 2016	**-**	**(790,070)**	**(579,275)**	**(13,659)**	**(51,377)**	**(226)**	**(1,434,607)**
Charge for the year	-	(99,803)	(168,726)	(131,704)	(4,984)	-	(405,217)
Disposals	-	6,664	23,555	-	5,937	-	36,156
As at 31 December 2017	**-**	**(883 209)**	**(724,446)**	**(145,363)**	**(50,424)**	**(226)**	**(1,803,668)**
Charge for the year	-	(124,523)	(175,584)	(131,704)	(6,300)	-	(438,111)
Disposals	-	5,791	5,911	-	3,840	-	15,542
As at 31 December 2018	**-**	**(1,001,941)**	**(894,119)**	**(277,067)**	**(52,884)**	**(226)**	**(2,226,237)**
Net book value							
As at 31 December 2017	**1,121,951**	**1,549,348**	**955,887**	**3,276,826**	**7,405**	**2,601,600**	**9,513,017**
As at 31 December 2018	**1,121,992**	**5,451,354**	**903,218**	**3,145,122**	**9,988**	**1,776,783**	**12,408,457**

9 Property, Plant and Equipment (Continued)

At 31 December 2018 and 31 December 2017 no property, plant and equipment has been pledged as collateral for borrowings.

In 2017 for the purpose of expanding its trading activities and provision of transportation services to third parties the Group purchased rolling stock, consisting of hopper wagons, used to deliver grain. In 2017 the Group obtained government grants for acquisition of rolling stock in the amount of RR 106,400 thousand. These grants were recognized as a reduction of the cost of rolling stock and are subject to depreciation during the period of useful lives of wagons to which they relate. In 2018 the Group did not purchase rolling stock and did not receive grants.

Construction in progress is represented by construction of infrastructure objects within the scope of program of modernization of terminal. In 2017 the Group increased the scope of the program of modernization of transhipment capacity by expanding it to construction of automobile terminal. Reduction in volume of construction in progress in 2018 is due to recognition as fixed assets of transhipment capacities of the Group. Additions of construction in progress include capitalized borrowing costs from specific-purpose loans from VTB bank in amount of RR 276,685 thousand (2017: RR 286,220 thousand) (Note 17). Capitalization rate in 2018 is 65% (in 2017: 100%). All interest expenses were capitalized excluding investment income from temporary investment of funds and with exception for interest expenses for construction of assets, capitalization of which stopped as a result of brining into use in 2017-2018 years.

As at 31 December 2018 fixed assets with a total value of RR 4,065,178 thousand were transferred to conservation (2017: RR 31,717 thousand). Of this amount as at 31 December 2018 RR 4,033,416 thousand relate to fixed assets construction of which has been completed in line with program of modernization, but permission to use dangerous production objects have not been received (as at 31 December 2017: nil).

Prepayments for property, plant and equipment

Significant advances to suppliers as at 31 December 2018 and 31 December 2017 are due to modernization program implemented by the Group.

Prepayments for property, plant and equipment as at 31 December 2018 and 31 December 2017 were represented by the following counterparties:

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
LLC AVG	336,568	1,287,953
LLC Torgovo Zakupochnaya Kompaniya “OVK”	245,735	-
Other	40,146	23,857
Total	**622,449**	**1,311,810**

Group is the lessor under the rolling stock lease agreements. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Not later than 1 year	921,443	510,270
Later than 1 year and not later than 5 years	2,766,852	320,142
Total	**3,688,295**	**830,412**

10 Investments in Associates

The table below summarises the movements in the carrying amount of the Group's investments in associates.

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Carrying amount at 1 January	**601,406**	**608,095**
Share of profit of associates	49,926	73,960
Share of loss of associates	(48,907)	(57,438)
Reclassification to non-current assets held for sale (or disposal groups)	-	(23,211)
Carrying amount at 31 December	**602,425**	**601,406**

All of the Group's associates are domiciled in the Russian Federation.

In 2017 an associate of the Group, OJSC Pugachevskiy elevator, was recognized as non-current assets held for sale as a result of the decision by the board of directors of the Company to dispose of this investment within 12 month period.

In February 2018, the Company sold shares representing 25.5% of the share capital of the associated company Pugachevskiy elevator OJSC for 50,000 thousand roubles.

10 Investments in Associates (Continued)

At 31 December 2018 the Group's interests in its principal associates and their summarised financial information, including total assets, liabilities, revenues and profit and loss for 2018, were as follows:

In thousands of Russian Roubles	Non-current assets	Current assets	Long-term labilities	Short-term labilities	Revenue	Profit/ (loss)	Interest held, %	Net assets
JSC Balashovskiy KHP	67,935	125,483	1	51,820	527,374	12,026	25.5%	141,597
JSC BKZ	19,173	9,466	49,113	26,769	23,915	15	25.5%	(47,243)
OJSC Elanskiy elevator	48,853	46,846	29	9,349	107,275	5,456	25.5%	86,321
OJSC Elevator Rudny klad	56,052	31,748	183	4,410	28,808	(12,428)	25.5%	83,207
OJSC Gerkules	696,741	187,970	269	181,973	626,400	64,352	25.5%	702,469
JSC Ipatovskiy Elevator	27,485	59,490	246	10,053	77,305	27,106	49%	76,676
OJSC Khlebnaya baza #3	37,793	258,902	122	11,024	124,269	18,342	25.5%	285,549
OJSC Penzenskiy KHP	379,619	1,251,441	779	1,611,288	4,739,836	(38,439)	31%	18,993
JSC Permskiy mukomol'ny zavod	757,041	855,182	7,141	655,697	2,084,014	43,511	25.5%	949,385
JSC Rybinskiy mukomol'ny zavod	12,039	215,707	687	17,001	303,477	(19,187)	25.5%	210,058
OJSC Zelenokumskiy Elevator	35,039	48,212	13	35,093	42,152	(59,039)	49%	48,145
Total	**2,137,770**	**3,090,447**	**58,583**	**2,614,477**	**8,684,825**	**41,715**	**-**	**2,555,157**

At 31 December 2017 the Group's interests in its principal associates and their summarised financial information, including total assets, liabilities, revenues and profit or loss for 2017, were as follows:

In thousands of Russian Roubles	Non-current assets	Current assets	Long-term labilities	Short-term labilities	Revenue	Profit/(loss)	Interest held, %	Net assets
JSC Balashovskiy KHP	67,986	92,766	1	28,496	363,464	14,934	25.5%	132,255
JSC BKZ	19,727	9,872	46,607	35,234	23,738	(11,336)	25.5%	(52,242)
OJSC Elanskiy elevator	52,534	42,953	21	12,713	116,608	18,882	25.5%	82,753
OJSC Elevator Rudny klad	56,251	44,055	4	6,059	32,188	(120,787)	25.5%	94,243
OJSC Gerkules	612,727	208,662	105	183,167	675,118	48,215	25.5%	638,117
JSC Ipatovskiy Elevator	31,849	51,687	88	8,137	74,900	25,741	49%	75,311
OJSC Khlebnaya baza #3	39,593	232,476	132	8,679	69,868	18,342	25.5%	263,258
OJSC Penzenskiy KHP	410,197	1,397,752	295	1,900,222	4,280,144	6,423	31%	(92,568)
JSC Permskiy mukomol'ny zavod	749,375	661,575	7,238	498,102	2,110,044	43,677	25.5%	905,610
JSC Rybinskiy mukomol'ny zavod	13,348	434,145	777	186,379	672,779	24,705	25.5%	260,337
OJSC Zelenokumskiy Elevator	30,911	43,692	17	35,093	42,152	(48,463)	49%	39,493
Total	**2,084,498**	**3,219,635**	**55,285**	**2,902,281**	**8,461,003**	**20,333**	**-**	**2,346,567**

Management could not reliably estimate the fair value of the Group's investment in shares of associates. Shares of associates are not quoted and recent trade prices are not publicly accessible.

11 Inventories

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Goods for resale	2,524,707	1,502,802
Raw materials	386,398	364,354
Finished products	57,600	102,360
Work in progress	-	5,396
Total inventories	**2,968,705**	**1,974,912**

Increase in goods for resale as at 31 December 2018 was due to increase in trading operations.

12 Trade and Other Receivables

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Trade receivables	1,280,650	1,332,631
Trade receivables arising from commodity loans	417,976	121,029
Other financial receivables	1,292,999	1,334,031
Less: credit loss allowance	(1,303,465)	(1,467,018)
Total financial assets within trade and other receivables	**1,688,160**	**1,320,673**
Total trade and other receivables	**1,688,160**	**1,320,673**

As at 31 December 2018 and 31 December 2017 other financial receivables and impairment losses in amount of RR 377,806 thousand are represented by short-term deposit in Vneshprombank.

As at 31 December 2018 trade and other receivables in the amount of RR 871,131 thousand (31 December 2017: RR 493,438 thousand) net of impairment loss provisions are denominated in USD.

Trade receivables arising from commodity loans are represented by receivables from limited number of counterparties. Settlements with these counterparties are settled by offsetting, which results in netting off the amounts of receivable and payable, therefore, there are no passed due receivable and expected credit losses of the Group in respect these receivables are insignificant.

In 2018 the Group provided commodity loans in the amount of RR 10,234,589 thousand (2017: RR 9,103,234 thousand). Trade receivables from commodity loans in amount of RR 5,318,459 thousand were settled by offsetting (2017: RR 4,320,256 thousand).

Analysis by credit quality of neither passed due and nor impaired trade other financial receivables is as follows:

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Large foreign companies	865,030	485,512
Large Russian corporations	6,107	108,410
Medium companies	213,682	439,839
Government and municipal entities	102,947	55,251
Small companies	30,114	14,420
Individuals	3,132	4,395
Total	**1,221,012**	**1,107,827**

The following table explains the changes in the credit loss allowance for trade and other receivables:

In thousands of Russian Roubles	**31 December 2018**
Credit loss allowance at 1 January	**(1,467,018)**
Accrued credit loss allowance during the period	(39,850)
Reversal of credit loss allowance during the period	33,954
Utilized credit loss allowance during the period	169,449
Credit loss allowance at 31 December	**(1,303,465)**

12 Trade and Other Receivables (Continued)

Reconciliation of movements in trade and other receivables impairment provision:

In thousands of Russian Roubles	**31 December 2017**
Provision for impairment at 1 January	**(1,499,713)**
Accrued provision for impairment during the period	(54,518)
Reversal of provision for impairment during the period	32,445
Utilized provision for impairment during the period	54,768
Provision for impairment at 31 December	**(1,467,018)**

Expected credit losses allowance on trade and other receivables as at 31 December 2018 was calculated in accordance with a provision matrix prepared below. The provision matrix is based on day's receivable overdue.

In thousands of Russian Roubles	**Level of losses**	**Balance sheet value**	**Expected credit losses**
Financial assets in trade and other accounts receivable			
- current	0%	1,221,012	-
- less than 30 days overdue	0%	30,459	-
- from 30 to 90 days overdue	0%	11,759	-
- from 91 to 180 days overdue	56%	15,797	8,843
- from 181 to 360 days overdue	100%	28,650	28,650
- more than 360 days overdue	100%	1,265,972	1,265,972
Total financial assets in trade and other receivable (gross carrying amount)		**2,573,649**	
Credit loss allowance		(1,303,465)	
Total financial assets in trade and other receivable (carrying amount)		**1,270,184**	

The individually impaired receivables mainly relate to grain sales contracts with customers experiencing financial difficulties and impairment provision related to deposit in Vneshprombank, which had its banking license withdrawn in January 2016.

13 Prepayments

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Prepayments for suppliers	1,297,698	1,378,578
Prepayments for value added tax	1,477,607	380,133
Other tax prepayments	14,010	3,219
Less: impairment loss provision	(438,729)	(1,048,220)
Total	**2,350,586**	**713,710**

Reconciliation of movements in prepayments impairment provision:

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Provision for impairment at 1 January	**(1,048,220)**	**(1,099,844)**
Accrued provision for impairment during the period	(10,742)	(5,842)
Reversal of provision for impairment during the period	4,578	23,188
Utilized provision for impairment during the period	615,655	34,278
Provision for impairment at 31 December	**(438,729)**	**(1,048,220)**

14 Short-term Investments

In thousands of Russian Roubles	31 December 2018	31 December 2017
Bank deposits with maturity over three months	75,000	1,998,052
Other investments	25,027	9,097
Total	**100,027**	**2,007,149**

Bank deposits with original maturity over three months are presented below:

In thousands of Russian Roubles		31 December 2018		31 December 2017	
Name	**Rating agency**	**Rating**	**Balance**	**Rating**	**Balance**
Rosselhozbank	Moody's	Ba2	72,000	BB+	1,994,840
Sberbank	Moody's	Ba1	3,000	-	-
Moscow Credit Bank	Moody’s		-	Ba3	1,212
Alfabank	Moody's		-	Ba1	1,000
Bank St.Petersburg	Fitch Ratings		-	BB-	1,000
Total			**75,000**		**1,998,052**

As at 31 December 2018 bank deposits within short-term investments are denominated in Russian roubles. As at 31 December 2017 bank deposits within short-term investments are denominated in Russian roubles with an exception of the deposit in Rosselhozbank in the amount of RR 1,987,840 thousand, which is denominated in USD.

15 Cash and Cash Equivalents

In thousands of Russian Roubles	31 December 2018	31 December 2017
Bank deposits with original maturity of less than three months	3,773,861	2,575,213
Bonds with original maturity of less than three months	2,505,232	-
Bank balances payable on demand	775,710	3,848,190
Cash on hand	594	1,318
Total	**7,055,397**	**6,424,721**

The table below shows the long-term rating and balances of cash and cash equivalents at major financial institutions at the reporting dates:

In thousands of Russian Roubles		31 December 2018		31 December 2017	
Name	**Rating agency**	**Rating**	**Balance**	**Rating**	**Balance**
Vnesheconombank	Fitch Ratings	BBB-	2,505,232	-	-
Gazprombank	Moody's	Ba2	1,606,196	Ba2	1,436,470
Bank VTB	Moody's	Ba2	1,485,827	Ba2	2,023,529
Rosselhozbank	Moody's	Ba2	1,139,454	BB+	887,992
AO NKC	Fitch Ratings	BBB-	160,262	-	-
Sberbank	Moody's	Ba1	96,300	Ba2	679,944
Rosbank	Moody's	Ba1	43,760	Ba2	754,820
Societe Generale	Moody's	A1	3,646	A2	368,801
Federal Treasury	-	-	-	-	241,500
Other	-	-	14,126	-	30,347
Total			**7,054,803**		**6,423,403**

The Group had the following currency positions:

In thousands of Russian Roubles	31 December 2018	31 December 2017
RR	6,049,502	3,786,591
USD	988,000	2,566,133
CHF	16,255	58,413
EUR	1,640	13,584
Total	**7,055,397**	**6,424,721**

16 Share Capital and Share Premium

In thousands of Russian Roubles	Number of shares issued	Share capital	Share premium	Total
As at 31 December 2016	7,029,879	7,029,879	4,464,394	11,494,273
As at 31 December 2017	7,029,879	7,029,879	4,464,394	11,494,273
As at 31 December 2018	**7,029,879**	**7,029,879**	**4,464,394**	**11,494,273**

The total authorised number of ordinary shares as at 31 December 2018 is 7,029,879 shares (31 December 2017: 7,029,879 shares) with par value of RR 1 thousand per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The table below provides information on the movement of dividends in 2018 and 2017:

In thousands of Russian Roubles	Year ended 31 December 2018	Year ended 31 December 2017
Dividends payable at 1 January	34,230	116,917
Dividends declared during the period	1,249,331	1,327,450
Dividends paid during the period	(995,285)	(1,403,421)
Write-off of unclaimed dividends payable	(12,121)	(6,716)
Dividends payable at 31 December	**276,155**	**34,230**
Dividends per share declared during the period	**0.18**	**0.19**

Dividends paid to owners of the Company

The Company declared and paid dividends to its owners in 2018 in the amount of RR 237,009 thousand (2017: 775,974).

All dividends are declared and paid in Russian Roubles. In accordance with Russian legislation, the Company distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules.

In accordance with Russian legislation, the Company distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules. Russian legislation identifies the basis of distribution as the net profit. For 2018, the current year statutory net profit of the Company as reported in the published annual statutory financial statements was RR 1,041,930 thousand (2017: net profit of RR 872,900 thousand) and the closing balance of the accumulated profit including the current year statutory net profit totalled RR 7,401,852 thousand (2017: accumulated profit of RR 6,804,130 thousand).

However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for distributable reserves in these consolidated financial statements.

Dividends paid to non-controlling interest

Dividends declared to non-controlling interest by subsidiaries of the parent company of the Group during 2018 amounted to RR 775,314 thousand (2017: RR 551,476 thousand). Dividends paid to non-controlling interest by subsidiaries of the parent company of the Group during 2018 amounted to RR 758,276 thousand (2017: RR 627,447 thousand).

17 Borrowings

Long-term borrowings and loans

In thousands of Russian Roubles	31 December 2018 Interest rate	31 December 2018 Carrying amount	31 December 2017 Interest rate	31 December 2017 Carrying amount
Credit line with PJSC VTB	8.5%-13.9%	4,341,706	10.8%-13.9%	3,692,410
Other borrowings	-	12,500	-	-
Total long-term borrowings and loans, including current portion		**4,354,206**		**3,692,410**
Less				
current portion of credit line		(1,035,505)		(254,545)
interest payable on credit line		(90,575)		(92,410)
Total long-term borrowings and loans		**3,228,126**		**3,345,455**

Credit lines were opened for the purpose of modernization of transhipment services of Group's subsidiary.

Short-term borrowings and loans

In thousands of Russian Roubles	31 December 2018 Interest rate	31 December 2018 Carrying amount	31 December 2017 Interest rate	31 December 2017 Carrying amount
Bank loans	9.5%-9.75%	2,308,492	9.25%-9.75%	3,773,708
Current portion of credit line	10.8%-13.9%	1,035,505	13.9%	254,545
Interest payable on credit line		90,575		92,410
Loans received from 3rd parties	8%	1	8%	1,160
Total short-term borrowings and loans		**3,434,573**		**4,121,823**

As at 31 December 2018 the fair value of long-term and short-term borrowings and loans differs from their carrying value and is equal to RR 6,756,016 thousand (31 December 2017: 7,639,160). The fair value is based on cash flows discounted using a rate of 8.93%, based on interested rate of 8.93% (2017: 9.31%). Excess of fair value of loans above their carrying value as at 31 December 2018 and 31 December 2017 is due to decline in average commercial interest rates.

Credit facilities

The following credit facilities were available to the Group:

In thousands of Russian Roubles	31 December 2018	31 December 2017
Expiring within one year	2,600,000	4,354,545
Expiring beyond one year	22,083,825	4,785,460
Less amount withdrawn	(6,656,568)	(7,356,414)
Total	**18,027,257**	**1,783,591**

All short-terms loans and other borrowings are at fixed interest rates and denominated in Russian rubles. The repayment dates of loans and borrowings are provided in Note 28.

In 2018 the Group capitalised borrowing costs arising on financing directly attributable to the expansion of port transhipment capacity in the total amount of RR 276,685 thousand (2017: RR 286,220 thousand) (Note 9).

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its interest rate exposures.

Compliance with debt covenants is disclosed in Note 26.

Liabilities from financing activities

The table below sets out an analysis of net debt and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the consolidated statement of cash flows:

17 Borrowings (Continued)

	Liabilities from financing activities		
In thousands or Russian Roubles	**Loans and borrowings**	**Dividends payable**	**Total**
As at 31 December 2016	**6,031,625**	**116,917**	**6,148,542**
Proceeds from borrowings	14,812,239	-	**14,812,239**
Payments for debt financing	(13,413,911)	-	**(13,413,911)**
Interest paid	(672,253)	-	**(672,253)**
Dividends paid (Note 16)	-	(1,403,421)	**(1,403,421)**
Other changes not related to cash movements, including:	709,578	1,320,734	**2,030,312**
Finance expenses (Note 23)	*418,110*	-	***418,110***
Capitalized interest (Note 9)	*286,220*	-	***286,220***
Dividends declared (Note 16)	-	*1,327,450*	***1,327,450***
Write-off of unclaimed dividends (Note 16)	-	*(6,716)*	***(6,716)***
Other non-cash movements	*5,248*	-	***5,248***
As at 31 December 2017	**7,467,278**	**34,230**	**7,501,508**

As at 31 December 2017	**7,467,278**	**34,230**	**7,501,508**
Proceeds from borrowings	14,210,002		**14,210,002**
Payments for debt financing	(14,919,575)		**(14,919,575)**
Interest paid	(644,774)		**(644,774)**
Dividends paid (Note 16)		(995,285)	**(995,285)**
Other changes not related to cash movements, including:	549,768	1,237,210	**1,786,978**
Finance expenses (Note 23)	*376,656*	-	***376,656***
Capitalized interest (Note 9)	*276,685*	-	***276,685***
Dividends declared (Note 16)	-	*1,249,331*	***1,249,331***
Write-off of unclaimed dividends (Note 16)	-	(12,121)	**(12,121)**
Other non-cash movements	(103,573)	-	**(103,573)**
As at 31 December 2018	**6,662,699**	**276,155**	**6,938,854**

18 Trade and Other Payables

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Trade payables	772,564	403,576
Dividends payable	276,155	34,230
Other payables	309,889	67,496
Total financial payables within trade and other payables	**1,358,608**	**505,302**
Advances received	103,928	213,923
Payables to employees	278,011	162,533
Total trade and other payables	**1,740,547**	**881,758**

As at 31 December 2018 financial payables within trade and other payables were denominated in foreign currencies: RR 6,233 thousand (31 December 2017: RR 2,217 thousand) were denominated in USD; RR 1,345 thousand (31 December 2017: 1,201) were denominated in Swiss francs; financial payables in Euro is nil (31 December 2017: RR 3,481 thousand). All other financial liabilities within trade and other payables were denominated in Russian roubles.

Advances, received under contracts with customers, recognised as at 31 December 2017, are included in revenue for the current period.

19 Other Taxes Payable

In thousands of Russian Roubles	31 December 2018	31 December 2017
Value-added tax	207,904	80,109
Social insurance contribution	66,061	42,116
Property tax	59,833	9,839
Personal income tax	17,149	14,162
Other taxes	2,910	3,017
Total	**353,857**	**149,243**

20 Analysis of Revenue by Category

Analysis of revenue by category under revenue recognition guidance effective from 1 January 2018:

In thousands of Russian Roubles	Year ended 31 December 2018
Sales of goods	25,973,266
Port transhipment	3,974,173
Lease of wagons	752,813
Sales of transportation services	443,256
Freight forwarding service	336,589
Sales of other services, *including*	1,024,092
Agency fee for agency services related to operations with State Grain Intervention Fund (Note 31)	*452,227*
Total	**32,504,189**

The transportation expenses related to sales of transportation services in amount of RR 240,592 thousand were recognised within “Cost of sales” line in the consolidated statement of profit or loss and other comprehensive income.

Timing of revenue recognition (for each revenue stream) is as follows:

In thousands of Russian Roubles	Note	2018
At a point in time		26,762,082
Over time		5,742,107
Total		**32,504,189**

Analysis of revenue by category under revenue recognition guidance effective prior to 1 January 2018:

In thousands of Russian Roubles	Year ended 31 December 2018	Year ended 31 December 2017
Sales of goods	26,416,522	10,668,746
Port transhipment	3,974,173	4,007,338
Lease of wagons	752,813	479,303
Freight forwarding service	336,589	39,482
Sales of other services, *including*	1,024,092	1,020,977
Agency fee for agency services related to operations with State Grain Intervention Fund (Note 31)	*452,227*	*387,749*
Total	**32,504,189**	**16,215,846**

Increase in sales of goods is due to increase in sales of grain for export, which was made possible due to record harvest in 2017. Increase in freight forwarding services is due to increase in share of customers in 2018 to whom with provision of port transhipment freight forwarding services were provided, which was increased to 100%, and also due to increase in prices for these services.

21 Expenses by Nature

In thousands of Russian Roubles	Year ended 31 December 2018	Year ended 31 December 2017
Purchase price of grain sold	18,185,380	7,328,960
Transportation expenses	2,659,308	758,368
Staff costs	2,425,172	2,082,955
Materials	2,171,516	1,440,035
Depreciation of property, plant and equipment	438,111	405,217
Electricity and utilities	172,911	158,340
Accrual of unused vacation	154,999	94,099
Taxes other than on income	124,991	71,596
Repair and maintenance	121,632	152,567
Surveyor services	80,104	18,184
Technological losses	61,377	25,336
Advertising	56,315	93,271
Rent	51,890	37,573
Consulting services	51,355	55,902
Bank services	37,640	36,737
Amortization of intangible assets	34,369	33,802
Write-off / (Reversal) of trade and other receivables	13,213	(1,629)
Net impairment losses on financial and contract assets	12,060	4,727
Provision of inventories to net realisable value	9,428	-
Provision for prepayments	6,164	-
Commission fees	-	1,570
Other	106,123	66,661
Total	**26,974,058**	**12,864,271**

Staff costs include statutory pension contributions of RR 471,383 thousand (2017: RR 389,586 thousand).

Increase in purchase price of grain sold is due to increase in sales of goods (Note 20).

Staff costs increased due to utilization more labour resources in the view of growth in trading and port transhipment services provided by the Group (Note 20). Additional employees were hired due to expansion and modernization of port transhipment capacity of the Group’s subsidiary (Note 9).

Transportation expenses increased due to increase in trading activities (Note 20) and also due to changes in geography of purchases in favor of distant regions of Siberia.

22 Other Operating Income and Expenses

Other operating income comprises:

In thousands of Russian Roubles	Year ended 31 December 2018	Year ended 31 December 2017
Net gain on exchange differences	803,856	-
Net gain from sales of foreign currency	80,341	4,581
Gain on sale of disposal group	26,789	-
Dispatch (remuneration for delivery ahead of schedule)	19,874	10,301
Fines for breach of contract	10,499	5,602
Reinstatement of inventory	5,862	9,453
Gain on disposal of property, plant and equipment	4,027	-
Other operating income	4,520	-
Total	**955,768**	**29,937**

22 Other Operating Income and Expenses (Continued)

Other operating expenses comprise:

In thousands of Russian Roubles	Year ended 31 December 2018	Year ended 31 December 2017
Legal claims and other reserves	103,713	1,920
Charity	32,004	6,967
Demurrage	26,626	-
Fire safety	14,731	14,818
Net loss on exchange differences	-	255,034
Loss on disposal of property, plant and equipment	-	12,006
Other expenses	106,569	178,823
Total	**283,643**	**469,568**

In 2018 net foreign exchange gain in amount of RR 803,856 thousand is a result of foreign exchange gain in amount of RR 2,320,900 thousand and foreign exchange loss in amount of RR 1,517,044 thousand. In 2017 net foreign exchange loss in amount of RR 255,034 thousand is a result of foreign exchange gain in amount of RR 1,030,954 thousand and foreign exchange loss in amount of RR 1,285,988 thousand.

23 Finance Expenses

In thousands of Russian Roubles	Year ended 31 December 2018	Year ended 31 December 2017
Interest on borrowings	371,868	418,110
Interest on actuarial liabilities	4,788	5,248
Total	**376,656**	**423,358**

24 Income Tax

(a) Components of income tax charge

Income tax charge recorded in profit or loss comprises the following:

In thousands of Russian Roubles	Year ended 31 December 2018	Year ended 31 December 2017
Current income tax charge	1,270,449	635,466
Deferred income tax expense / (credit)	286,185	(17,245)
Income tax charge for the year	**1,556,634**	**618,221**

(b) Reconciliation between the tax charge and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's 2018 and 2017 income is 20%. The income tax rate applicable to the majority of income of subsidiaries is 20% (2017: 20%).

A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Russian Roubles	Year ended 31 December 2018	Year ended 31 December 2017
Profit before tax	**6,215,196**	**2,767,080**
Theoretical tax charge at the rate of 20%:	1,243,039	553,416
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	42,590	31,780
- Unrecognized accounting income	-	(2,423)
- Unrecognized other potential deferred tax asset	321,694	-
- Difference between tax rate in Switzerland and Russia	(29,899)	2,254
- Other effects	(20,790)	33,194
Total	**1,556,634**	**618,221**

24 Income Tax (Continued)

(c) Deferred taxes in respect of subsidiaries and associates

The Group has not recognised deferred tax asset of RR 1,185,226 thousand as at 31 December 2018 (31 December 2017: deferred tax asset of RR 1,560,760 thousand) in respect of temporary differences associated with investments in subsidiaries. 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.

Management has performed an analysis of the dividend policies at the Group's associates with regards to the Group's potential deferred taxes. For all associates of the Group, management expects that the carrying value of the investments would be recovered primarily through a sale and partially through dividends. Therefore, deferred taxes have been recognised in respect of the investments in all of the Group's associates.

25 Income Tax (Continued)

(d) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below at 20% tax rate:

In thousands of Russian Roubles	31 December 2018	Deferred tax credited/ (charged) to profit or loss	Deferred tax credited/ (charged) to other comprehensive income	31 December 2017	Deferred tax credited/ (charged) to profit or loss	Deferred tax credited/(charged) to other comprehensive income	31 December 2016
Property, plant and equipment	**(294,514)**	(35,426)	-	**(259,088)**	(38,323)	-	**(220,765)**
Investments in associates	**24,423**	5,964	-	**18,459**	1,338	-	**17,121**
Inventory	**(974)**	(2,442)	-	**1,468**	2,101	-	**(633)**
Receivables and prepayments	**302,368**	(160,035)	-	**462,403**	10,849	-	**451,554**
Reserves	**5,703**	(22,963)	-	**28,666**	2,319	-	**26,347**
Post-employment defined benefit program obligations	**10,362**	(1,642)	(765)	**12,769**	698	(278)	**12,349**
Loss carried forward	**240**	(92,071)	-	**92,311**	43,075	-	**49,236**
Payables	**22,350**	22,430	-	**(80)**	(4,812)	-	**4,732**
Recognised deferred tax asset	**265,562**	-	-	**491,285**	**-**	**-**	**422,462**
Recognised deferred tax liability	**(195,604)**	-	-	**(134,377)**	**-**	**-**	**(82,521)**
Net deferred tax asset	**69,958**	**(286,185)**	**(765)**	**356,908**	**17,245**	**(278)**	**339,941**

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

Management estimates that deferred tax assets of RR 265,562 thousand (31 December 2017: RR 491,285 thousand) and deferred tax liabilities of RR 195,604 thousand (31 December 2017: RR 134,377 thousand) may be recoverable after more than twelve months after the end of the reporting period.

25 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

Earnings per share are calculated as follows:

In thousands of Russian Roubles	**Note.**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Profit for the year attributable to shareholders		2,948,378	948,034
Profit for the year		2,948,378	948,034
Weighted average number of shares in issue	16	7,029,879	7,029,879
Basic and diluted earnings per share (expressed in RR per share)		**0.42**	**0.13**

26 Contingencies and Commitments

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 and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Tax contingencies. 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 decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD) but it has specific characteristics. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on arm's length basis. The Management has implemented internal controls to comply with this transfer pricing legislation.

Tax liabilities arising from transactions between companies within the Group are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. 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.

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 an 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.

Capital expenditure commitments. At 31 December 2018 the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling RR 1,264,563 thousand (31 December 2017: RR 2,228,955 thousand). The decrease of capital commitments relates to execution of main part of modernization project of Group's subsidiary PJSC NKHP.

26 Contingencies and Commitments (Continued)

The Group has already allocated necessary resources to cover these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Assets pledged and restricted. No property, plant and equipment in relation to borrowings has been pledged as collateral (Note 9).

Environmental matters. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately in the consolidated financial statements. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings.

In 2018 the Group was in compliance with covenants, stipulated in loan agreements. In 2017 the Group has violated a number of covenants stipulated in its loan agreements, which required the Group to inform banks in due time in written form regarding appointment of a new general director of Group’s subsidiary, as well as maintaining certain net credit turnover on its account with the bank. As a result of these violations, banks obtained a right to demand immediate repayment of loans in the total amount of RR 3,701,351 thousand. Irrespective these violations and according to terms of loan agreements all loans, in respect of which violations occurred, were subject to repayment within three months from the reporting date.

27 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

Period ended 31 December 2018	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit/(loss) attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the period
PJSC NKHP	Russia	49%	49%	1,661,697	(3,099,243)	758,067
OJSC Buturlinovskiy Melcombinat	Russia	49%	49%	1,340	(184,785)	210
LLC Agrostandart	Russia	49%	49%	(7,327)	1,518	-
OJSC Ardatovskoe HPP	Russia	1 share	1 share	-	-	-
OJSC Atyashevskoe HPP	Russia	1 share	1 share	-	-	-
JSC Elevator	Russia	17.51%	17.51%	1,910	(11,906)	-
OJSC Grachevskiy elevator	Russia	49%	49%	3,913	(31,065)	-
OJSC Obrochinskoe HPP	Russia	1 share	1 share	-	-	-
OJSC Orskiy elevator	Russia	1%	1%	31	414	-
OJSC Pallasovskiy elevator	Russia	49%	49%	14,774	(50,180)	-
OJSC Portovyi elevator	Russia	49%	49%	35,475	(55,441)	-
OJSC Reservhleb	Russia	1 share	1 share	-	-	-
OJSC Surovikinsky elevator	Russia	49%	49%	(1,629)	(34,471)	-
Total				**1,710,184**	**(3,465,159)**	**758,277**

Period ended 31 December 2017	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit/(loss) attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the period
PJSC NKHP	Russia	49%	49%	1,177,735	(2,195,857)	623,556
OJSC Buturlinovskiy Melcombinat	Russia	49%	49%	2,839	(187,350)	1,160
LLC Agrostandart	Russia	49%	49%	1,502	(5,810)	2,731
OJSC Ardatovskoe HPP	Russia	1 share	1 share	-	-	-
OJSC Atyashevskoe HPP	Russia	1 share	1 share	-	-	-
JSC Elevator	Russia	17.51%	17.51%	1,743	(10,636)	-
OJSC Grachevskiy elevator	Russia	49%	49%	(8,455)	(27,151)	-
OJSC Obrochinskoe HPP	Russia	1 share	1 share	-	-	-
OJSC Orskiy elevator	Russia	1%	1%	9	444	-
OJSC Pallasovskiy elevator	Russia	49%	49%	12,378	(34,663)	-
OJSC Portovyi elevator	Russia	49%	49%	889	(31,667)	-
OJSC Reservhleb	Russia	1 share	1 share	-	-	-
OJSC Surovikinsky elevator	Russia	49%	49%	12,185	(36,100)	-
Total				**1,200,825**	**(2,528,790)**	**627,447**

27 Non-Controlling Interest (Continued)

The summarised financial information of these subsidiaries was as follows:

Period ended 31 December 2018	Current assets	Non-current assets	Current labilities	Non-current labilities	Revenue	Profit/(loss)	Total comprehensive income/(loss)
PJSC NKHP	4,334,271	7,830,523	(2,489,581)	(3,372,716)	13,596,860	3,398,129	3,401,189
OJSC Buturlinovskiy Melcombinat	310,171	315,813	(199,212)	(49,661)	1,705,524	2,735	2,735
LLC Agrostandart	1,667	8,582	(13,346)	-	28,500	(14,953)	(14,953)
OJSC Ardatovskoe HPP	14,094	7,625	(6,148)	(628)	18,761	(4,212)	(4,212)
OJSC Atyashevskoe HPP	13,684	6,498	(8,348)	(696)	7,203	3,227	3,227
JSC Elevator	25,778	61,618	(17,116)	(2,303)	97,248	10,908	10,908
OJSC Grachevskiy elevator	40,814	48,536	(23,206)	(2,749)	77,526	7,986	7,986
OJSC Obrochinskoe HPP	25,405	9,188	(4,374)	(485)	17,537	(2,490)	(2,490)
OJSC Orskiy elevator	2,698	9,331	(2,858)	(50,520)	33,351	3,100	3,100
OJSC Pallasovskiy elevator	71,603	36,275	(5,446)	-	121,474	30,151	30,151
OJSC Portovyi elevator	98,444	20,982	(5,658)	(565)	119,785	72,398	72,398
OJSC Reservhleb	27,319	211,477	(9,883)	(32,305)	67,036	6,345	6,345
OJSC Surovikinsky elevator	52,538	96,871	(66,540)	(12,500)	293,755	(3,324)	(3,324)
Total	**5,018,486**	**8,663,319**	**(2,851,716)**	**(3,525,128)**	**16,184,560**	**(3,510,000)**	**3,513,060**

Period ended 31 December 2017	Current assets	Non-current assets	Current labilities	Non-current labilities	Revenue	Profit/(loss)	Total comprehensive income/(loss)
PJSC NKHP	3,049,853	5,790,385	(896,100)	(3,470,793)	6,347,614	2,412,637	2,403,541
OJSC Buturlinovskiy Melcombinat	279,104	340,595	(196,737)	(40,615)	1,587,477	5,794	5,794
LLC Agrostandart	35,722	13,414	(23,673)	(13,607)	9,842	3,065	3,065
OJSC Ardatovskoe HPP	17,485	7,034	(1,997)	(664)	32,271	5,141	5,141
OJSC Atyashevskoe HPP	9,720	7,476	(652)	(839)	7,203	3,400	3,400
JSC Elevator	42,384	62,666	(22,168)	(22,155)	111,895	9,954	9,954
OJSC Grachevskiy elevator	33,539	48,368	(23,371)	(3,126)	71,390	(17,255)	(17,255)
OJSC Obrochinskoe HPP	27,526	10,628	(1,667)	(669)	16,628	3,585	3,585
OJSC Orskiy elevator	6,631	8,475	(5,099)	(54,462)	27,560	900	900
OJSC Pallasovskiy elevator	54,349	32,008	(15,593)	-	109,514	25,261	25,261
OJSC Portovyi elevator	52,353	15,894	(3,562)	-	44,777	1,814	1,814
OJSC Reservhleb	15,453	219,754	(9,957)	(34,989)	58,107	(5,615)	(5,615)
OJSC Surovikinsky elevator	61,350	74,089	(61,745)	-	273,078	24,867	24,867
Total	**3,685,469**	**6,630,786**	**(1,262,321)**	**(3,641,919)**	**8,697,356**	**2,473,548**	**2,464,452**

28 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise these risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the consolidated statement of financial position.

The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. The Group has no collateral held as a security for its financial assets.

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. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Group management regularly reviews ageing analysis of outstanding trade receivables and follows up on past due balances.

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

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies two approaches – an Internal Risk-Based (IRB) rating system or risk grades estimated by external international rating agencies (Standard & Poor's [S&P], Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding ratings of external international rating agencies	Corresponding PD interval
Excellent	AAA to BB+	0.01% - 0.5%
Good	BB+ to B+	0.51% - 3%
Satisfactory	B, B-	3% - 10%
Special monitoring	CCC+ to CC-	10% - 99.9%
Default	C, D-I, D-II	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

28 Financial Risk Management (Continued)

The table below discloses the credit quality of cash and cash equivalents and deposits balances based on credit risk grades at December 31, 2018:

In thousands of Russian Roubles	**Bank balances payable on demand**	**Bank deposits and bonds with original maturity of less than three months**	**Bank deposits with original maturity over three months**	**Total**
- Excellent level	160,262	2,505,232	-	**2,665,494**
- Good level	615,448	3,773,861	75 000	**4,464,309**
Total cash, cash equivalents and deposits as at 31 December	**775,710**	**6,279,093**	**75,000**	**7,129,803**

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - the borrower is insolvent;
  - the borrower is in breach of financial covenant(s);
  - it is becoming likely that the borrower will enter bankruptcy.

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.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Sales price risk. The Group's revenue includes revenue from export grain sales which exposes the Group to this commodity price risk. The Group manages this risk through financial derivatives. With derivatives, management aims to minimize effects of export price fluctuations on the results of the Group.

Purchase price risk. The Group purchases grain at Russian domestic market. Market prices of grain are subject to volatility. The Group does not manage its price risk arising from purchases of grain.

28 Financial Risk Management (Continued)

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored monthly. The table below summarises the Group's exposure to foreign currency risk at the end of the reporting period:

In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
31 December 2018			
Russian Roubles	6,966,558	(8,013,729)	(1,047,171)
US Dollars	1,859,131	(6,233)	1,852,898
Euros	1,640	-	1,640
CHF	16,255	(1,345)	14,910
Total	**8,843,584**	**(8,021,307)**	**822,277**
31 December 2017			
Russian Roubles	4,623,999	(7,965,681)	(3,341,682)
US Dollars	5,047,411	(2,217)	5,045,194
Euros	13,584	(3,481)	10,103
CHF	58,453	(1,201)	57,252
Total	**9,743,447**	**(7,972,580)**	**1,770,867**

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	31 December 2018	**31 December 2017**
In thousands of Russian Roubles	**Impact on profit or loss of exchange rate changing by 20%**	**Impact on profit or loss of exchange rate changing by 20%**
US Dollar strengthening	370,580	1,009,039
US Dollar weakening	(370,580)	(1,009,039)
Euros strengthening	328	2,021
Euros weakening	(328)	(2,021)
CHF strengthening	2,982	11,450
CHF weakening	(2,982)	(11,450)

The exposure was calculated only for monetary assets and liabilities denominated in currencies other than the functional currency.

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. The Group's policy is to maintain most of its borrowings in fixed rate instruments.

Income and operating results of the Group do not depend on changes in market interest rates due to the fact that all external borrowings of the Group bear fixed interest rates.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by Management of the Group. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowing, trade and other payables.

The Group invests the funds in fixed assets and construction in progress, while maintaining sufficient investments in cash and cash equivalents, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group's liquidity portfolio comprises cash and cash equivalents (Note 15).

The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

28 Financial Risk Management (Continued)

The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on discounted cash flows.

Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

Financial assets are presented in Notes 12, 14 and 15. All financial assets have maturity of not more than 12 months from the reporting date.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Bank loans (Note 17)	141,865	1,417,842	2,143,010	3,690,735	-	7,393,452
Trade payables (Note 18)	755,004	15,105	2,455	-	-	772,564
Dividend payables (Note 18)	276,155	-	-	-	-	276,155
Other financial payables (Note 18)	276,018	28,272	5,599	-	-	309,889
Total future payments, including future principal and interest payments	**1,449,042**	**1,461,219**	**2,151,064**	**3,690,735**	**-**	**8,752,060**

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities						
Bank loans (Note 17)	85,022	3,828,867	640,962	3,984,184	-	8,539,035
Trade payables (Note 18)	338,538	63,193	1,845	-	-	403,576
Dividend payables (Note 18)	34,230	-	-	-	-	34,230
Other financial payables (Note 18)	53,782	5,639	3,028	5,047	-	67,496
Total future payments, including future principal and interest payments	**511,572**	**3,897,698**	**645,835**	**3,989,231**	**-**	**9,044,337**

29 Management of Capital

The Group's objectives when managing capital are to safeguard the Group'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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Group managed as of 31 December 2018 was RR 15,779,265 thousand (31 December 2017: RR 13,303,343 thousand). Capital consists of share capital, share premium and retained earnings.

The Group complied with all externally imposed capital requirements throughout 2018 and 2017.

30 Fair Value of Financial Instruments

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). Management uses judgement in assigning financial instruments to a particular level.

If a fair value measurement uses visible inputs that require significant adjustment, this measurement relates to Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

In accordance with IFRS 9, *Financial Instruments* the Group allocates its financial assets to accounting category financial assets measured at amortized cost. They include accounts receivable – Level 3 (Note 12), other investments – Level 3 (Note 14), deposits – Level 2 (Note 14), cash – Level 2 (Note 15).

In accordance with IFRS 9, *Financial Instruments* the Group allocates its financial liabilities to accounting category financial liabilities measured at amortized cost. They include trade and other payables – Level 3 (Note 18), borrowings – Level 2 (Note 17).

Financial assets carried at amortised cost. 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 risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

Financial liabilities carried at amortised cost. The fair value of liabilities is determined using estimation model. 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.

The Group has no assets and liabilities with floating interest rates.

31 State Grain Intervention Funds

The balances and results of operations of the Group with the State Grain Intervention Fund (Note 3) are summarised as follows:

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Trade and other receivables	14,886	14,342
Receivables from Ministry of Agriculture of the Russian Federation	-	3,563
Other taxes receivable	-	1,053,127
Inventories	28,393,860	35,403,362
Cash and cash equivalents	2,080,263	-
Total assets	**30,489,009**	**36,474,394**
Trade and other payables	(1,269,495)	(16,792)
Taxes payable	(75,886)	-
Borrowings	(29,143,628)	(36,457,602)
Total liabilities	**(30,489,009)**	**(36,474,394)**

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Sales	7,926,707	534,411
Cost of sales	(6,810,183)	(534,411)
Other expenses	-	-
Income tax charge	(223,305)	-
Results of operations attributable to Ministry of Agriculture of the Russian Federation	**893,219**	**-**
Agency fee for services related to operations with State Grain Interventions Fund (Note 20)	**(452,227)**	**(387,749)**

31 State Grain Intervention fund (Continued)

In thousands of Russian Roubles	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Receivables from Ministry of Agriculture of the Russian Federation, as at 1 January	**3,563**	**192,203**
Storage of trade interventions of grain	3,168,569	3,413,131
Interest expenses on loans for trade interventions of grain	4,171,633	5,159,228
Insurance of grain for trade interventions	314,353	333,045
Reimbursement of storage expenses on grain for trade interventions	(3,172,132)	(3,517,754)
Reimbursement of expenses on loans for trade interventions of grain	(4,171,633)	(5,238,462)
Reimbursement of insurance expenses on grain for trade interventions	(314,353)	(337,828)
Receivables from Ministry of Agriculture of the Russian Federation, as at 31 December	**-**	**3,563**

32 Events After the Reporting Period

In February 2019 control over 50% minus 1 share of JSC “UGC” was transferred from LLC “Investor” to PJSC “VTB Bank”.