UGC Group

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

31 December 2017

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Notes to the Consolidated Financial Statements

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 the Joint Stock Company “United grain company” and its subsidiaries (together – the “Group”) as at 31 December 2017, 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 2017;
- 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 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

6 April 2018

Moscow, Russian Federation

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

Audited entity:
Joint Stock Company "United grain company"

Certificate of inclusion in the Unified State Register of Legal Entities issued on 21 March 2007 under registration № 5077746345540

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

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

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

ORNZ 11603050547 in the register of auditors and audit organizations

In thousands of Russian Roubles	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	8	9,513,017	6,912,591
Advances paid for property, plant and equipment	8	1,311,810	286,183
Intangible assets	9	277,899	286,956
Investments in associates	10	601,406	608,095
Deferred income tax asset	24	491,285	422,462
Other non-current assets		12,680	41,960
Total non-current assets		**12,208,097**	**8,558,247**
Current assets			
Inventories	11	1,974,912	1,149,598
Trade and other receivables	12	1,320,673	1,343,053
Prepayments	13	713,710	963,310
Current income tax receivable		3,629	104,024
Short-term investments	14	2,007,149	36,866
Cash and cash equivalents	15	6,424,721	9,773,718
Other current assets		27,995	33,135
		12,472,789	**13,403,704**
Non-current assets held for sale (or disposal group)	10	23,211	-
Total current assets		**12,496,000**	**13,403,704**
TOTAL ASSETS		**24,704,097**	**21,961,951**
EQUITY			
Share capital	16	7,029,879	7,029,879
Share premium	16	4,464,394	4,464,394
Accumulated profit		1,809,070	1,654,189
Equity attributable to the Company's owners		**13,303,343**	**13,148,462**
Non-controlling interest		**2,528,790**	**1,894,882**
TOTAL EQUITY		**15,832,133**	**15,043,344**
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	24	134,377	82,521
Long-term borrowings	17	3,345,455	57,811
Employee define benefit liabilities		76,613	61,746
Total non-current liabilities		**3,556,445**	**202,078**
Current liabilities			
Short-term borrowings	17	4,121,823	5,973,814
Trade and other payables	18	974,309	625,652
Current income tax payable		70,144	36,984
Other taxes payable	19	149,243	80,079
Total current liabilities		**5,315,519**	**6,716,529**
TOTAL LIABILITIES		**8,871,964**	**6,918,607**
TOTAL LIABILITIES AND EQUITY		**24,704,097**	**21,961,951**

Approved for issue and signed on 6 April 2018.

Kiyko M.U.
General Director

Larionov I.V.
Financial Director

In thousands of Russian Roubles	Note	Year ended 31 December 2017	Year ended 31 December 2016
Revenue	20	16,215,846	12,113,257
Cost of sales	21	(10,459,255)	(8,714,536)
Gross profit		**5,756,591**	**3,398,721**
Distribution costs	21	(1,081,526)	(406,137)
Administrative expenses	21	(1,323,490)	(1,061,933)
Other operating expenses	21	(469,568)	(673,420)
Other operating income	22	29,937	1,306,125
Operating profit		**2,911,944**	**2 563 356**
Interest income		261,972	502,763
Finance expense	23	(423,358)	(340,752)
Share of result of associates	10	16,522	(36,378)
Profit before income tax		**2,767,080**	**2,688,989**
Income tax expense	24	(618,221)	(450,606)
Profit for the year		**2,148,859**	**2,238,383**
Other comprehensive income			
Items that will not be reclassified to profit or loss;			
Remeasurement of post-employment benefit obligations		1,397	4,154
Income tax on remeasurement of post-employment benefit obligations		(278)	(831)
Other comprehensive income for the year		**1,119**	**3,323**
Total comprehensive income for the year		**2,149,978**	**2,241,706**
Profit is attributable to:			
- Owners of the Company		948,034	1,551,948
- Non-controlling interest	27	1,200,825	686,435
Profit for the year		**2,148,859**	**2,238,383**
Total comprehensive income attributable to:			
- Owners of the Company		948,605	1,553,643
- Non-controlling interest		1,201,373	688,063
Total comprehensive income for the year		**2,149,978**	**2,241,706**
Earnings per ordinary share for profit from operations attributable to the owners of the Company (in RR per share)	25	**0.13**	**0.22**

EBITDA (non-IFRS measure)	Note	2017	2016
Operating profit		2,911,944	2,563,356
Adjustments to operating profit::			
Depreciation and amortization	6, 21	439,019	277,600
Share of result of associates	6, 10	16,522	(36,378)
EBITDA		**3,367,485**	**2,804,578**

	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 2015	**7,029,879**	**4,464,394**	**937,483**	**12,431,756**	**1,606,597**	**14,038,353**
Profit for the year	-	-	1,551,948	**1,551,948**	686,435	**2,238,383**
Other comprehensive income for the year	-	-	1,695	**1,695**	1,628	**3,323**
Total comprehensive income for the year	-	-	1,553,643	**1,553,643**	688,063	**2,241,706**
Dividends declared to non-controlling interest	-	-	-	**-**	(399,778)	**(399,778)**
Dividends declared to the owners	-	-	(836,937)	**(836,937)**	-	**(836,937)**
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**

In thousands of Russian Roubles	Note	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities			
Profit before income tax		2,767,080	2,688,989
Adjustments for:			
Depreciation of property, plant and equipment	8, 21	405,217	267,277
Amortization of intangible assets	21	33,802	10,323
Share in loss of associates	10	57,438	97,643
Change in provision for impairment of receivables and prepayments and write-off of trade and other receivables	21	3,099	59,564
Loss/(Gain) on disposal of property, plant and equipment	21	12,006	(45,678)
Interest income		(261,972)	(502,763)
Finance expense	23	423,358	340,752
Change in provision for net realizable value of inventory	21	-	1,254
Change in provision for legal claims and similar items	21	1,920	76,881
Net foreign exchange loss		256,783	491,561
Gain on sale of disposal group	22	-	(968,046)
Accrual of in unused vacation	21	94,099	80,712
Share of profit of associates	10	(73,960)	(61,265)
Net gain from foreign currency purchases	22	(4,581)	(14,420)
Operating cash flows before working capital changes		**3,714,289**	**2,522,784**
Change in trade and other receivables		155,797	327,135
Change in inventories		(825,314)	(60,758)
Change in trade and other payables		444,191	(1,255,020)
Change in other current assets and liabilities		34,420	(19,290)
Cash generated from operating activities before income taxes		**3,523,383**	**1,514,851**
Income tax paid		(491,416)	(607,737)
Net cash from operating activities		**3,031,967**	**907,114**
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,745,049)	(3,820,122)
Proceeds from sale of property, plant and equipment		32,194	-
Purchases of intangible assets		(24,746)	(297,279)
Purchases of subsidiaries net of cash acquired		-	(660)
Return of financial assets		-	38,000
Proceeds from sale of disposal group		-	1,180,000
Acquisition of shares in subsidiary		(33,739)	-
Proceeds from cash withdrawals from deposits		1,752,199	6,495,843
Deposits placed with banks		(3,721,751)	(39,000)
Interest received		284,775	529,845
Net cash (used in) / from investing activities		**(5,456,117)**	**4,086,627**
Cash flows from financing activities			
Proceeds from borrowings		14,812,239	11,706,642
Repayment of borrowings		(13,413,911)	(8,219,679)
Interest paid		(672,253)	(432,640)
Dividends paid	16	(1,403,421)	(1,377,777)
Net cash (used in) / from financing activities		**(677,346)**	**1,676,546**
Net decrease / (increase) in cash and cash equivalents		**(3,101,496)**	**6,670,287**
Effect of exchange rates changes on cash and cash equivalents		(247,501)	(460,767)
Cash and cash equivalents at the beginning of the period	15	**9,773,718**	**3,564,198**
Cash and cash equivalents at the end of the period	15	**6,424,721**	**9,773,718**

The accompanying notes on pages 5 to 47 are an integral part of these consolidated financial statements.

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 2017 for Joint Stock Company United Grain Company (the "Company") and its subsidiaries (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 2017 and 31 December 2016 it owns 50% plus 1 share of issued shares in the Company. Another 50% minus 1 share of the Company is controlled by LLC Investor (related entity of Summa Group, ultimately controlled by Mr. Z. Magomedov) (Note 16).

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

		Group's share in the share capital	
Entity	**Principal activity by segment**	**31 December 2017**	**31 December 2016**
PJSC NKHP	Port transhipment, trading and production	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%	51%
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 February 2017 the Company purchased additional 31.49% shares in JSC Elevator.*

1 UGC Group and its Operations (Continued)

Principal activity. Principal activities of the Group involve grain trading, port transhipment, 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 subsidiary grain trading company registered 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"), 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 was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This 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.

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, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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.

3 Summary of Significant Accounting Policies (Continued)

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 acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") 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 or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies. 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 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 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 associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

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

3 Summary of Significant Accounting Policies (Continued)

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

Disposals of subsidiaries or 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 item will flow to the Group and the cost of the item 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.

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 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. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other operating income or costs.

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 separately 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:

	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.*

3 Summary of Significant Accounting Policies (Continued)

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 respective assets 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 other than goodwill have definite useful lives and primarily include leasehold rights of plots of land.

Leasehold rights are recongnized 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 23 years.

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

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.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities are substantially the same.

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.

3 Summary of Significant Accounting Policies (Continued)

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down (direct or through impairment provision) for incurred impairment 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 net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the 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 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 statement of financial position are not reclassified or re-presented in the comparative 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 period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

3 Summary of Significant Accounting Policies (Continued)

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment, are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes 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.

Classification of financial assets. 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. 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.

Initial recognition of financial instruments. Derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus 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.

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 deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the 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 the 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.

Derecognition of financial liabilities. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

Presentation of results from trading derivatives. The Group engages in grain derivatives trading transactions. As such transactions are directly related to the core activities of the Group, their results are presented above gross profit as 'Gains/ (losses) from trading derivatives, net' in the consolidated statement of profit or loss and other comprehensive income.

Management believes that the presentation above gross profit line appropriately reflects the nature of derivative operations of the Group.

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 amortised cost using the effective interest method.

Cash flows related to repayments of borrowing costs capitalised as a part of property, plant and equipment are included in cash flows from financing activities in the consolidated statement of cash flows as interest paid.

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

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.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or 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 difficulty 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.

3 Summary of Significant Accounting Policies (Continued)

The renegotiated 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, whether or not foreclosure is probable.

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

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

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 amortised cost using the effective interest method.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost 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 necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

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

Income taxes. Income taxes 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 period, in other comprehensive income or directly in equity.

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 for financial reporting purposes. 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.

3 Summary of Significant Accounting Policies (Continued)

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 recognised 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.

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 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.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the events after the reporting period note.

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

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 expense.

3 Summary of Significant Accounting Policies (Continued)

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 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 expense. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 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 2017	**31 December 2016**
RR/USD	57.6002	60.6569
RR/EUR	68.8668	63.8111
RR/CHF	58.9743	59.4151

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 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.

Sales of goods (grain, flour, 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.

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.

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.

3 Summary of Significant Accounting Policies (Continued)

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

State grain intervention fund. The state agricultural policy of the Russian Federation includes as one of its instruments the state 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 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 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 Rosselhozbank. In accordance with these agreements, the grain for the state intervention fund is pledged to 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 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 gains 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 chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4 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 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 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).

Deferred income tax asset recognition. The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. 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 in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group.

The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends иon 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 management’s estimates, the impact on depreciation for the year ended 31 December 2017 would be to increase it by RR 29,180 thousand or decrease by RR 32,238 thousand (2016: increase by RR 16,902 thousand or decrease by RR 21,572 thousand).

5 New Accounting Pronouncements

The following amended standards became effective from 1 January 2017, but did not have a material impact on the Group.

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The new disclosures are included in Note 17.

5 New Accounting Pronouncements (Continued)

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Group has not early adopted.

IFRS 9 Financial Instruments (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). The standard introduces new requirements to classification and measurement of financial instruments, accounting for impairment and hedging. The Group estimates, that application of this standard will not have significant influence on its consolidated financial statements.

The new standard also introduces requirements for disclosure of additional information and changes in presentation of data. It is expected, that this will change the nature and scope of information disclosed by the Group in respect of financial instruments, especially in the year of implementation of the new standard.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

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

IFRS 16, Leases (issued on 13 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. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

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). This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions used during initial recognition of respective asset, expense or income (or their part) and termination of recognition of non-cash asset or non-cash liability, arising as a result of prepayment in foreign currency. The interpretation applies where an entity either pays or received consideration in advance for foreign currency-denominated contracts. The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

5 New Accounting Pronouncements (Continued)

If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. Due to the fact that settlements in foreign currency are generally made after delivery, the Group does not expect the 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). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment.

The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on its consolidated financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when 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).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (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).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- 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).
- 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).
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019.
- IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- 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).

5 New Accounting Pronouncements (Continued)

- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

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

6 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 transshipment;
- Trading and transportation (in 2017 transportation services were not provided);
- 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.

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 but not financial position indicators. 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, SGI 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.

6 Segment information (Continued)

(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 center. 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 Center and Other". Prior year information was restated accordingly.

6 Segment Information (Continued)

(e) Information about reportable segment profit or loss

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

In thousands of Russian Roubles	Agent in state grain interventions	Port transshipment	Trading	Production	Corporate center and Other	Eliminations	Total
External revenue	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**

6 Segment Information (Continued)

Segment information for the reportable segments for the period ended 31 December 2016 is set out below:

In thousands of Russian Roubles	**Agent in state grain interventions**	**Port transshipment**	**Trading & Transportation**	**Production**	**Corporate center and Other**	**Eliminations**	**Total**
External revenue	474,300	2,739,511	6,147,535	2,222,406	529,505	-	12,113,257
Inter-segment revenue	-	225,539	671,540	-	19,316	(916,395)	-
Total revenue	**474,300**	**2,965,050**	**6,819,075**	**2,222,406**	**548,821**	**(916,395)**	**12,113,257**
Cost of sales	-	(687,452)	(6,217,438)	(2,083,381)	(397,731)	671,466	(8,714,536)
Gross profit	**474,300**	**2,277,598**	**601,637**	**139,025**	**151,090**	**(244,929)**	**3,398,721**
Distribution costs	(50,200)	(21,780)	(359,060)	(121,006)	(99,020)	244,929	(406,137)
Administrative expenses	(68,502)	(403,306)	(63,217)	(43,550)	(483,358)	-	(1,061,933)
Other operating expenses	-	(128,081)	(178,536)	(40,390)	(326,413)	-	(673,420)
Other operating income	-	612	11,898	1,755	1,291,860	-	1,306,125
Operating profit / (loss)	**355,598**	**1,725,043**	**12,722**	**(64,166)**	**534,159**	**-**	**2,563,356**
Interest income	-	26,413	-	-	476,350	-	502,763
Finance expense	-	-	(340,752)	-	-	-	(340,752)
Share of results of associates	-	-	-	-	(36,378)	-	(36,378)
Profit / (loss) before income tax	**355,598**	**1,751,456**	**(328,030)**	**(64,166)**	**974,131**	-	**2,688,989**
Income tax (expense) / benefit	**-**	**(377,949)**	**59,427**	**664**	**(132,748)**	-	**(450,606)**
Profit / (loss) for the period	**355,598**	**1,373,507**	**(268,603)**	**(63,502)**	**841,383**	-	**2,238,383**
Adjustments to Operating profit / (loss)							
Depreciation and amortization	-	*124,462*	*46,715*	*49,631*	*56,792*	-	*277,600*
Share of result of associates	-	-	-	-	*(36,378)*	-	*(36,378)*
EBITDA	**355,598**	**1,849,505**	**59,437**	**(14,535)**	**554,573**	**-**	**2,804,578**

6 Segment Information (Continued)

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

In thousands Russian Roubles	**Agent in state grain interventions**	**Port transhipment**	**Trading**	**Production**	**Corporate center 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**

Information on significant expenses by segments for the year ended 31 December 2016 is presented below:

In thousands Russian Roubles	**Agent in state grain interventions**	**Port transhipment**	**Trading & Transportation**	**Production**	**Corporate center and Other**	**Total**
Purchase price of grain sold	-	-	5,645,287	568	1,837	**5,647,692**
Materials	-	16,280	7,616	1,520,987	82,371	**1,627,254**
Staff costs	112,962	649,938	117,547	160,154	570,469	**1,611,070**
Transportation expenses	-	17,866	233,478	26,967	15,669	**293,980**

(f) Geographical information

The Group’s revenue by customers’ geographical locations:

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Russia	8,216,687	6,823,496
Switzerland	2,810,596	3,328,436
UAE	2,479,763	223,450
Venezuela	1,388,476	-
Egypt	375,045	683,409
Portugal	352,118	-
France	316,769	708,619
Singapore	271,775	61,954
Finland	4,617	43,358
British Virgin Islands	-	118,118
Netherlands	-	61,075
Estonia	-	35,885
Panama	-	15,672
Israel	-	7,052
Italy	-	2,733
Total revenue	**16,215,846**	**12,113,257**

(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 2017**	**Year ended 31 December 2016**
Customer 1	1,388,476	-
Customer 2	1,372,210	1,502,551
Total revenues from major customers	**2,760,686**	**1,502,551**

7 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 2017 and 31 December 2016 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 2017 and 31 December 2016, and had significant outstanding balances as at 31 December 2017 and 31 December 2016 are detailed below.

LLC Investor and its affiliates

Transactions with entities under common control with LLC Investor were as follows:

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Purchases	-	204,111

The Group had no balances with entities under common control with LLC Investor as at 31 December 2017 and 31 December 2016.

In 2017 the Group accrued and paid dividends to LLC Investor in the amount of RR 387,987 thousand (2016: RR 418,468 thousand)

Associates

Transactions with associates were as follows:

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Purchases	5,272	25

Balances with associates at the end of the period as at 31 December 2017 and 31 December 2016 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 2017**	**Year ended 31 December 2016**
Sales	17,174	7,885
Interest income	256,087	219,463
Purchases	607,953	499,801
Interest expense	7,472	-

In 2017 the Group capitalized borrowing costs on loans obtained from VTB Bank, which is controlled by the State, in amount of RR 286,220 thousand (2016: RR 146,120 thousand) (Note 8).

7 Balances and Transactions with Related Parties (Continued)

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

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Trade and other receivables	38,252	23,092
Short-term deposits	1,994,840	21,500
Cash and cash equivalents	5,269,435	7,055,015
Borrowings	3,700,565	1,491,220
Trade and other payables	12,802	5,312

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

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 2017**	**Year ended 31 December 2016**
Sales	530,695	571,432

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

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Trade and other receivables	89,994	23,815

In 2017 the Group accrued and paid dividends to Rosimushestvo in the amount of RR 387,987 thousand (2016: RR 418,469 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 2017**	**Year ended 31 December 2016**
Salaries	146,468	146,349
Social tax contributions	22,734	17,097

The Group had no balances with key management personnel as at 31 December 2017 and 31 December 2016.

8 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 2015	**623,413**	**2,076,418**	**1,040,598**	**-**	**62,116**	**647,271**	**4,449,816**
Additions	-	62,468	68,168	1,834,649	4,228	1,828,188	3,797,701
Transfers	6,829	65,739	436,595	-	3,944	(513,107)	-
Capitalized borrowing costs	-	-	-	-	-	146,120	146,120
Disposals	-	(3,284)	(29,944)	-	(13,211)	-	(46,439)
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	3,080	3,658	108,186	1,587,540	2,617	1,022,386	2,727,467
Transfers	488,629	235,056	85,109	-	2,696	(811,490)	-
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**
Accumulated depreciation							
As at 31 December 2015	**-**	**(659,177)**	**(479,103)**	**-**	**(50,469)**	**-**	**(1,188,749)**
Charge for the year	-	(133,201)	(112,207)	(13,659)	(7,949)	(261)	(267,277)
Disposals	-	2,308	12,035	-	7,041	35	21,419
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)**
Net book value							
As at 31 December 2016	**630,242**	**1,411,271**	**936,142**	**1,820,990**	**5,700**	**2,108,246**	**6,912,591**
As at 31 December 2017	**1,121,951**	**1,549,348**	**955,887**	**3,276,826**	**7,405**	**2,601,600**	**9,513,017**

At 31 December 2017 and 31 December 2016 no property, plant and equipment has been pledged as collateral for borrowings.

In 2016 and 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. The Group obtained government grants for acquisition of rolling stock in the amount of RR 106,400 thousand (2016: RR 241,500 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.

8 Property, Plant and Equipment (Continued)

Increase in construction in progress is represented by the ongoing modernization of transshipment capacity of the Group supplemented with the construction of new objects in line with the program of modernization of PJSC NKHP.

In addition, construction in progress includes capitalized borrowing costs from specific-purpose loans from VTB bank in amount of RR 286,220 thousand (2016: RR 146,120 thousand).

Prepayments for property, plant and equipment

Prepayments for property, plant and equipment as at 31 December 2017 and 31 December 2016 were represented by the following counterparties:

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
AVG	1,287,953	273,859
Kubangiprotrans	13,996	-
ElevatorStroyProekt	4,993	-
Tay-2	4,631	4,631
Service System Bezopasnotsi	237	1,154
Liftgruzmash	-	2,062
Promzernoproekt	-	1,396
Glavgosexpertiza	-	1,867
Other individually less than 1 mln. RR	-	1,214
Total	**1,311,810**	**286,183**

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 2017**	**Year ended 31 December 2016**
Not later than 1 year	510,270	278,607
Later than 1 year and not later than 5 years	320,142	452,664
Total	**830,412**	**731,271**

9 Intangible assets

In 2017 and 2016 the Group obtained leasehold rights with respect of plots of land located near port Zarubino. These rights expire in the period from 2022 to 2039. Leasehold rights were recognized at acquisition cost in these consolidated financial statements and are amortized using linear method over the rent period. Leased plots of land will be used for construction of Far-Eastern grain terminal.

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 2017**	**Year ended 31 December 2016**
Carrying amount at 1 January	**608,095**	**644,473**
Share of profit of associates	73,960	61,265
Share of loss of associates	(57,438)	(97,643)
Reclass to non-current assets held for sale (or disposal groups)	(23,211)	-
Carrying amount at 31 December	**601,406**	**608,095**

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. The sale of this asset was completed after reporting date (Note 32).

10 Investments in Associates (Continued)

At 31 December 2017 the Group's interests in its principal associates and their summarised financial information, including total assets, liabilities, revenues and profit and 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**

At 31 December 2016 the Group's interests in its principal associates and their summarised financial information, including total assets, liabilities, revenues and profit or loss for 2016, 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	64,203	78,953	1	25,834	524,127	42,189	25.5%	117,321
JSC BKZ	17,708	13,359	46,984	25,203	21,763	294	25.5%	(41,120)
OJSC Elanskiy elevator	48,833	42,225	-	27,081	85,543	1,058	25.5%	63,977
OJSC Elevator Rudny klad	57,559	160,563	75	3,008	22,505	(25,284)	25.5%	215,039
OJSC Gerkules	639,626	172,779	98	222,405	596,025	59,976	25.5%	589,902
JSC Ipatovskiy Elevator	30,889	34,524	76	5,767	55,224	15,064	49%	59,570
OJSC Khlebnaya baza #3	42,115	218,804	149	6,281	88,693	23,884	25.5%	254,489
OJSC Penzenskiy KHP	435,272	853,793	130,491	1,257,565	4,948,246	417	31%	(98,991)
JSC Permskiy mukomol'ny zavod	753,697	686,327	6,966	571,030	2,454,547	29,437	25.5%	862,028
OJSC Pugachevskiy elevator	18,355	79,816	358	7,257	103,515	29,261	25.5%	90,556
JSC Rybinskiy mukomol'ny zavod	13,348	434,145	777	186,379	672,779	24,705	25.5%	260,337
OJSC Zelenokumskiy Elevator	79,058	14,290	27	5,365	30,829	(186,114)	49%	87,956
Total	**2,200,663**	**2,789,578**	**186,002**	**2,343,175**	**9,603,796**	**14,887**		**2,461,064**

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 2017**	**31 December 2016**
Goods for resale	1,502,802	640,197
Raw materials	364,354	407,248
Finished products	102,360	97,781
Work in progress	5,396	4,372
Total inventories	**1,974,912**	**1,149,598**

Increase in goods for resale, which consist of grain, as at 31 December 2017 was due to record harvest in 2017.

12 Trade and Other Receivables

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Trade receivables	1,453,660	1,603,184
Other financial receivables	1,334,031	1,239,582
Less: impairment loss provision	(1,467,018)	(1,499,713)
Total financial assets within trade and other receivables	**1,320,673**	**1,343,053**
Total trade and other receivables	**1,320,673**	**1,343,053**

As at 31 December 2017 and 31 December 2016 other financial receivable and impairment provision in amount of RR 377,806 thousand is represented by short-term deposit in Vneshprombank.

As at 31 December 2017 trade and other receivables in the amount of RR 493,438 thousand (31 December 2016: RR 944,292 thousand) net of impairment loss provisions are denominated in USD.

Reconciliation of movements in trade and other receivables impairment provision:

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Provision for impairment at 1 January	**(1,499,713)**	**(1,376,737)**
Accrued provision for impairment during the period	(54,518)	(101,412)
Reversal of provision for impairment during the period	32,445	58,749
Utilized provision for impairment during the period	54,768	297,493
Reclass from other lines of the statement of financial position	-	(377,806)
Provision for impairment at 31 December	**(1,467,018)**	**(1,499,713)**

Below is the analysis of past due, but not impaired, trade and other financial receivables:

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
- delay of less than 30 days	205,835	57,577
- delay from 30 to 90 days	7,009	7,816
- delay from 91 to 180 days	-	44
- delay from 181 to 360 days	-	147
- delay more than 1 year	2	1
Total	**212,846**	**65,585**

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 2017**	**31 December 2016**
Large foreign companies	485,512	878,288
Large Russian corporations	108,410	234,040
Medium companies	439,839	117,305
Government and municipal entities	55,251	24,395
Small companies	14,420	20,542
Individuals	4,395	2,898
Total	**1,107,827**	**1,277,468**

12 Trade and Other Receivables (Continued)

The individually impaired receivables are as follows:

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Trade receivables	306,434	406,995
Other financial receivables	1,160,584	1,092,718
Total	**1,467,018**	**1,499,713**

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 2017**	**31 December 2016**
Prepayments for suppliers	1,378,578	1,206,820
Prepayments for value added tax	380,133	853,843
Other tax prepayments	3,219	2,491
Less: impairment loss provision	(1,048,220)	(1,099,844)
Total	**713,710**	**963,310**

Reconciliation of movements in prepayments impairment provision:

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Provision for impairment at 1 January	**(1,099,844)**	**(1,118,790)**
Accrued provision for impairment during the period	(5,842)	(16,342)
Reversal of provision for impairment during the period	23,188	12,970
Utilized provision for impairment during the period	34,278	22,318
Provision for impairment at 31 December	**(1,048,220)**	**(1,099,844)**

14 Short-term Investments

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Bank deposits with maturity over three months	1,998,052	28,500
Other investments	9,097	8,366
Total	**2,007,149**	**36,866**

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

In thousands of Russian Roubles		**31 December 2017**		**31 December 2016**	
Name	**Rating agency**	**Rating**	**Balance**	**Rating**	**Balance**
Rosselhozbank	Fitch Ratings	BB+	1,994,840	BB+	13,000
Moscow Credit Bank	Moody's	Ba3	1,212	-	-
Alfabank	Moody's	Ba1	1,000	-	-
Bank St.Petersburg	Fitch Ratings	-	1,000	BB-	3,000
Sberbank	Moody's	-	-	Ba1	8,500
Energotransbank	Expert RA	-	-	A+	4,000
Total			**1,998,052**		**28,500**

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. As at 31 December 2016 bank deposits within short-term investments are denominated in Russian roubles.

15 Cash and Cash Equivalents

In thousands of Russian Roubles	31 December 2017	31 December 2016
Bank balances payable on demand	3,848,190	2,654,771
Bank deposits with original maturity of less than three months	2,575,213	7,117,836
Cash on hand	1,318	609
Other cash equivalents	-	502
Total	**6,424,721**	**9,773,718**

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 2017		31 December 2016	
Name	**Rating agency**	**Rating**	**Balance**	**Rating**	**Balance**
Bank VTB	Moody's	Ba2	2,023,529	Ba1	1,845,698
Gazprombank	Moody's	Ba2	1,436,470	Ba2	1,477,742
Rosselhozbank	Fitch Ratings	BB+	887,992	BB+	2,371,458
Rosbank	Moody's	Ba2	754,820	Ba1	1,908,841
Sberbank	Moody's	Ba2	679,944	-	-
Societe Generale	Moody's	A2	368,801	-	-
Federal Treasury	-	-	241,500	-	1,243,456
Raiffeisen	Moody's	Ba1	12,414	Ba2	678,580
Other	-	-	17,933	-	247,334
Total			**6,423,403**		**9,773,109**

Cash in the amount of RR 241,500 thousand (31 December 2016: RR 1,243,456 thousand) deposited with Federal treasury of the Russian Federation in Moscow as at 31 December 2017 presents funds intended for investment activities (Note 8). Federal treasury of the Russian Federation does not have a credit rating.

The Group had the following currency positions:

In thousands of Russian Roubles	31 December 2017	31 December 2016
RR	3,786,591	4,482,911
USD	2,566,133	5,284,468
CHF	58,413	1,588
EUR	13,584	4,751
Total	**6,424,721**	**9,773,718**

16 Share Capital and Share Premium

In thousands of Russian Roubles	Number of shares issued	Share capital	Share premium	Total
As at 31 December 2015	7,029,879	7,029,879	4,464,394	11,494,273
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**

The total authorised number of ordinary shares as at 31 December 2017 is 7,029,879 shares (31 December 2016: 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 shows information about dividends movements in 2017 and 2016:

In thousands of Russian Roubles	Year ended 31 December 2017	Year ended 31 December 2016
Dividends payable at 1 January	116,917	259,180
Dividends declared during the period	1,327,450	1,236,715
Dividends paid during the period	(1,403,421)	(1,377,777)
Write-off of unclaimed dividends payable	(6,716)	(1,201)
Dividends payable at 31 December	**34,230**	**116,917**
Dividends per share declared during the period	**0.19**	**0.18**

16 Share Capital and Share Premium (Continued)

Dividends paid to owners of the Company

The Company declared and paid dividends to its owners in 2017 in the amount of RR 775,974 thousand (2016: RR 836,937 thousand).

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. The statutory financial statements of the Company are the basis for profit distribution and other appropriations.

Russian legislation identifies the basis of distribution as the net profit. For 2017, the current year statutory net profit of the Company as reported in the published annual statutory financial statements was RR 872,900 thousand (2016: net loss of RR 6,178,927 thousand) and the closing balance of the accumulated profit including the current year statutory net profit totalled RR 6,804,130 thousand (2016: accumulated profit of RR 6,707,204 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 2017 amounted to RR 551,476 thousand (2016: RR 399,778 thousand). Dividends paid to non-controlling interest by subsidiaries of the parent company of the Group during 2017 amounted to RR 627,447 thousand (2016: RR 540,840 thousand).

17 Borrowings

Long-term borrowings and loans

	31 December 2017		**31 December 2016**	
In thousands of Russian Roubles	**Interest rate**	**Carrying amount**	**Interest rate**	**Carrying amount**
Credit line with PJSC VTB	10.8%-13.9%	3,692,410	10.8%	58,203
Total long-term borrowings and loans, including current portion		**3,692,410**		**58,203**
less				
current portion of credit line		(254,545)		-
interest payable on credit line		(92,410)		(392)
Total long-term borrowings and loans		**3,345,455**		**57,811**

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

Short-term borrowings and loans

	31 December 2017		**31 December 2016**	
In thousands of Russian Roubles	**Interest rate**	**Carrying amount**	**Interest rate**	**Carrying amount**
Bank loans	9.25%-9.75%	3,773,708	11.5%-14.15%	5,971,620
Current portion of credit line with PJSC VTB	13.9%	254,545		-
Interest payable on credit line with PJSC VTB		92,410		392
Loans received from 3rd parties	8%	1,160	8%	1,802
Total short-term borrowings and loans		**4,121,823**		**5,973,814**

As at 31 December 2017 the fair value of long-term and short-term borrowings and loans differs from their carrying value and is equal to RR 7,639,160 thousand. Increase in fair value of loans above their carrying value is due to decline in average commercial interest rates in 2017. As at 31 December 2016 the fair value of long-term and short-term borrowings and loans was equal to their carrying value.

Credit facilities

The following credit facilities were available to the Group:

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Expiring within one year	4,354,545	9,600,000
Expiring beyond one year	4,785,460	5,000,000
Less amount withdrawn	(7,356,414)	(5,998,216)
Total	**1,783,591**	**8,601,784**

17 Borrowings (Continued)

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 2017 the Group capitalised borrowing costs arising on financing directly attributable to the expansion of port transshipment capacity in the total amount of RR 286,220 thousand (2016: RR 146,120 thousand).

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 statement of cash flows:

	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 8)	*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**

18 Trade and Other Payables

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Trade payables	403,576	125,807
Dividends payable	34,230	116,917
Other payables	67,496	35,644
Total financial payables within trade and other payables	**505,302**	**278,368**
Advances received	213,923	144,109
Payables to employees	162,533	110,624
Legal claim	92,551	92,551
Total trade and other payables	**974,309**	**625,652**

As at 31 December 2017 financial payables within trade and other payables were denominated in foreign currencies: RR 2,217 thousand (31 December 2016: RR 8,472 thousand) were denominated in USD; RR 3,481 thousand (31 December 2016: nil) were denominated in Euro; RR 1,201 thousand (31 December 2016: RR 5,067 thousand) were denominated in Swiss francs. All other financial liabilities within trade and other payables were denominated in Russian roubles.

Legal claim as at 31 December 2017 and 31 December 2016 is a provision for legal dispute with an insurance company related to refund of previously received insurance compensation, which was recognized as an expense by the Group in 2016.

19 Other Taxes Payable

In thousands of Russian Roubles	31 December 2017	31 December 2016
Value-added tax	80,109	23,918
Social insurance contribution	42,116	37,655
Personal income tax	14,162	9,105
Property tax	9,839	7,858
Other taxes	3,017	1,543
Total	**149,243**	**80,079**

20 Analysis of Revenue by Category

In thousands of Russian Roubles	Year ended 31 December 2017	Year ended 31 December 2016
Sales of goods	10,668,746	8,100,518
Port transshipment	4,007,338	2,684,373
Lease of wagons	479,303	65,238
Sales of transportation services	-	269,423
Sales of other services, *including*	1,060,459	993,705
Agency fee for agency services related to operations with State Grain Intervention Fund (Note 31)	*387,749*	*474,300*
Total	**16,215,846**	**12,113,257**

Increase in sales of goods and port transshipment services is due to record harvest in 2017.

From the end of 2016 the Company receives revenue from lease of hopper wagons, purchased in 2016 and 2017 for the purpose of expanding trading operations (Note 8).

In 2016 the Company provided logistics services for transportation of grain from Federal Inventarization Fund, provided by Ministry of Agriculture in line with government decree to support flour producers in Moscow and Moscow region. The Company fulfilled its obligation under this decree in 2016. In 2017 transportation services were not provided by the Group.

21 Expenses by Nature

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Purchase price of grain sold	7,328,960	5,647,692
Staff costs	2,082,955	1,611,070
Materials	1,440,035	1,627,254
Transportation expenses	758,368	293,980
Depreciation of property, plant and equipment	405,217	267,277
Net foreign exchange loss	255,034	501,561
Electricity and utilities	158,340	131,916
Repair and maintenance	152,567	84,960
Accrual of unused vacation	94,099	80,712
Advertising	93,271	16,303
Taxes other than on income	71,596	91,480
Consulting services	55,902	98,859
Rent	37,573	35,269
Bank services	36,737	31,862
Amortization of intangible assets	33,802	10,323
Technological losses	25,336	14,319
Surveyor services	18,184	32,883
Fire safety	14,818	17,677
Loss/(gain) on disposal of property, plant and equipment	12,006	(45,678)
Provision for impairment of receivables and advances	4,727	43,558
Legal claims, breach of contract fees and other reserves	1,920	76,881
(Reversal)/write-off of trade and other receivables	(1,629)	16,006
Commission fees	1,570	22,773
Write-off of inventory	-	1,254
Other	252,451	145,835
Total	**13,333,839**	**10,856,026**

Staff costs include statutory pension contributions of RR 389,586 thousand (2016: RR 269,434 thousand).

Increase in purchase price of grain sold in 2017 is due to increase in sales of goods (Note 20).

Staff costs increased in 2017 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 transshipment capacity of the Group’s subsidiary (Note 8).

Transportation expenses increased in 2017 due to increase in trading activities (Note 20) and also due to changes in geography of purchases in favor of distant regions of Siberia.

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. In 2016 net foreign exchange loss in amount of RR 501,561 thousand is a result of foreign exchange gain in amount of RR 920,341 thousand and foreign exchange loss in amount of RR 1,421,902 thousand.

22 Other Operating Income

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Dispatch (remuneration for delivery ahead of schedule)	10,301	3,878
Reinstatement of inventory	9,453	-
Fines for breach of contract	5,602	38,956
Net gain from sales of foreign currency	4,581	14,420
Gain on disposal of assets held for sale	-	968,046
Recovery of funds from Ministry of Agriculture	-	280,825
Total	**29,937**	**1,306,125**

In 2016 gain from disposal of assets held for sale resulted from sale of Group's subsidiary company OJSC Zarayskhleboprodukt and associate OJSC Eisky portovy elevator.

In 2016 the Company recognized income from previously written-off deferred tax asset due to recognition of related liability by the government and receipt of compensation by the Company in the total amount of RR 280,825 thousand.

23 Finance expense

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Interest on borrowings	418,110	334,836
Interest on actuarial liabilities	5,248	5,916
Total	**423,358**	**340,752**

24 Income Tax

(a) Components of income tax charge/(credit)

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

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Current income tax charge	635,466	486,580
Deferred income tax credit	(17,245)	(35,974)
Income tax charge for the year	**618,221**	**450,606**

(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 2017 and 2016 income is 20%. The income tax rate applicable to the majority of income of subsidiaries is 20% (2016: 20%). A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Profit before tax	**2,767,080**	**2,688,989**
Theoretical tax charge at the rate of 20%:	553,416	537,798
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	31,780	25,589
- Unrecognized accounting income	(2,423)	(101,233)
- Unrecognised deferred tax asset	-	4,000
- Difference between tax rate in Switzerland and Russia	2,254	(661)
- Other effects	33,194	(14,887)
Total	**618,221**	**450,606**

(c) Deferred taxes in respect of subsidiaries and associates

The Group has not recognised deferred tax asset of RR 1,560,760 thousand as at 31 December 2017 (31 December 2016: deferred tax asset of RR 1,482,010 thousand) in respect of temporary differences associated with investments in subsidiaries as the Group is able to control the timing of reversal of those temporary differences and it is probable that they will not reverse in the foreseeable future.

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.

24 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 2017	Deferred tax credited/ (charged) to profit or loss	Deferred tax credited/ (charged) to other comprehensive income	31 December 2016	Deferred tax credited/ (charged) to profit or loss	Deferred tax credited/ (charged) to other comprehensive income	31 December 2015
Property, plant and equipment	**(259,088)**	(38,323)	-	**(220,765)**	(2,392)	-	**(218,373)**
Investments in associates	**18,459**	1,338	-	**17,121**	27,384	-	**(10,263)**
Investments	**-**	-	-	**-**	(74,983)	-	**74,983**
Inventory	**1,468**	2,101	-	**(633)**	(4,038)	-	**3,405**
Receivables and prepayments	**462,403**	10,849	-	**451,554**	53,122	-	**398,432**
Reserves	**28,666**	2,319	-	**26,347**	(23,424)	-	**49,771**
Post-employment defined benefit program obligations	**12,769**	698	(278)	**12,349**	854	(831)	**12,326**
Loss carried forward	**92,311**	43,075	-	**49,236**	49,236	-	**-**
Payables	**(80)**	(4,812)	-	**4,732**	10,215	-	**(5,483)**
Recognised deferred tax asset	**491,285**	**-**	**-**	**422,462**	-	-	**401,844**
Recognised deferred tax liability	**(134,377)**	**-**	**-**	**(82,521)**	-	-	**(97,046)**
Net deferred tax asset	**356,908**	**17,245**	**(278)**	**339,941**	**35,974**	**(831)**	**304,798**

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 491,285 thousand (31 December 2016: RR 422,462 thousand) and deferred tax liabilities of RR 134,377 thousand (31 December 2016: RR 82,521 thousand) may be recoverable/payable 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 from continuing operations are calculated as follows:

In thousands of Russian Roubles	**Note**	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Profit for the year attributable to shareholders		948,034	1,551,948
Profit for the year		948,034	1,551,948
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)		**0.13**	**0.22**

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 has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. The Management has implemented internal controls to be in compliance 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 2017 the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling RR 2,228,955 thousand (31 December 2016: RR 3,766,292 thousand). Capital commitments arise from ongoing modernization project of Group's subsidiary PJSC NKHP, construction of a new grain terminal by Group's subsidiary – LLC DVZT.

26 Contingencies and Commitments (Continued)

The Group has already allocated the necessary resources in respect of 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 8).

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. 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 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. On the date of issuance of these consolidated financial statements the Group did not receive any demands from banks regarding repayment of loans ahead of schedule.

As at 31 December 2016 the Group was in compliance with covenants except the covenant stipulated in the loan agreement with Bank VTB and related to the requirement to receive the written bank approval for raising new debt in the amount exceeding RR 500,000 thousand. As at 31 December 2016 the loan under this agreement amounted to RR 1,433,017 thousand. The Group presented this loan within short-term borrowings line of the consolidated statement of financial position as at 31 December 2016. In 2017 this breach was remediated by signing of respective additional agreement with the bank.

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 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**

Period ended 31 December 2016	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%	690,316	(1,569,627)	491,941
OJSC Buturlinovskiy Melcombinat	Russia	49%	49%	(36,450)	(184,512)	46,524
LLC Agrostandart	Russia	49%	49%	(4)	(4,472)	-
OJSC Ardatovskoe HPP	Russia	1 share	1 share	-	-	-
OJSC Atyashevskoe HPP	Russia	1 share	1 share	-	-	-
JSC Elevator	Russia	49%	49%	1,884	(24,880)	2,375
OJSC Grachevskiy elevator	Russia	49%	49%	7,465	(34,517)	-
OJSC Obrochinskoe HPP	Russia	1 share	1 share	-	-	-
OJSC Orskiy elevator	Russia	1%	1%	(52)	453	-
OJSC Pallasovskiy elevator	Russia	49%	49%	341	(22,404)	-
OJSC Portovyi elevator	Russia	49%	49%	7,967	(31,008)	-
OJSC Reservhleb	Russia	1 share	1 share	-	-	-
OJSC Surovikinsky elevator	Russia	49%	49%	14,968	(23,915)	-
Total				**686,435**	**(1,894,882)**	**540,840**

27 Non-Controlling Interest (Continued)

The summarised financial information of these subsidiaries was as follows:

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**

Period ended 31 December 2016	Current assets	Non-current assets	Current labilities	Non-current labilities	Revenue	Profit/(loss)	Total comprehensive income/(loss)
PJSC NKHP	1,291,983	3,883,707	(449,061)	(1,519,557)	4,724,536	1,408,808	1,408,808
OJSC Buturlinovskiy Melcombinat	393,308	348,243	(330,922)	(34,075)	1,820,694	(74,388)	(74,388)
LLC Agrostandart	20,339	12,473	(23,686)	-	30,319	(8)	(8)
OJSC Ardatovskoe HPP	10,750	7,830	(1,127)	(731)	21,654	2,184	2,184
OJSC Atyashevskoe HPP	9,277	8,358	(441)	(964)	7,203	2,703	2,703
JSC Elevator	41,072	40,908	(17,896)	(13,309)	97,210	3,843	3,843
OJSC Grachevskiy elevator	50,210	37,695	(13,129)	(4,333)	87,739	15,235	15,235
OJSC Obrochinskoe HPP	21,492	11,742	(733)	(265)	8,383	2,064	2,064
OJSC Orskiy elevator	2,047	8,351	(9,200)	(46,535)	16,221	(5,200)	(5,200)
OJSC Pallasovskiy elevator	25,528	26,716	(6,498)	-	52,167	696	696
OJSC Portovyi elevator	52,750	14,066	(3,532)	(2)	56,005	16,259	16,259
OJSC Reservhleb	6,412	227,926	(6,604)	(36,125)	54,793	(8,080)	(8,080)
OJSC Surovikinsky elevator	27,881	48,328	(27,382)	-	106,834	30,547	30,547
Total	**1,953,049**	**4,676,343**	**(890,211)**	**(1,655,896)**	**7,083,758**	**1,394,663**	**1,394,663**

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 operational and legal 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 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.

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.

The losses less gains from trading derivatives are presented as a separate line within consolidated statement of profit or loss and other comprehensive income for the year. In 2017 and 2016 the Group did not trade derivatives.

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 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**
31 December 2016			
Russian Roubles	4,928,837	(6,299,021)	(1,370,184)
US Dollars	6,218,112	(8,472)	6,209,640
Euros	4,750	-	4,750
CHF	1,938	(2,500)	(562)
Total	**11,153,637**	**(6,309,993)**	**4,843,644**

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 2017	**31 December 2016**
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	1,009,039	1,241,928
US Dollar weakening	(1,009,039)	(1,241,928)
Euros strengthening	2,021	950
Euros weakening	(2,021)	(950)
CHF strengthening	11,450	(112)
CHF weakening	(11,450)	112

The exposure was calculated only for monetary balances 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 table below shows liabilities by their remaining contractual maturity.

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**

The maturity analysis of financial liabilities at 31 December 2016 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)	64,451	1,300,143	3,592,542	1,848,457	-	6,805,593
Trade payables (Note 18)	125,807	-	-	-	-	125,807
Dividend payables (Note 18)	116,917	-	-	-	-	116,917
Other financial payables (Note 18)	35,641	3	-	-	-	35,644
Total future payments, including future principal and interest payments	**342,816**	**1,300,146**	**3,592,542**	**1,848,457**	**-**	**7,083,961**

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 2017 was RR 13,303,343 thousand (31 December 2016: RR 13,148,462 thousand). Capital consists of share capital, share premium and retained earnings.

The Group complied with all externally imposed capital requirements throughout 2017 and 2016.

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 IAS 39, *Financial Instruments: Recognition and Measurement* the Group allocates its financial assets to accounting category "loans and receivables". They include accounts receivable – Level 3 (Note 12), other investments – Level 3 (Note 14), deposits – Level 2 (Note 14), cash – Level 2 (Note 15).

Financial liabilities fall into the category of "Other financial liabilities" and are recorded 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. The carrying amounts of financial assets carried at amortised cost are approximately equal to their fair value.

Financial liabilities carried at amortised cost. 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 carrying amounts of financial liabilities carried at amortised cost are approximately equal to their fair value except for borrowings (Note 17).

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

31 State Grain Interventions

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 2017**	**31 December 2016**
Trade and other receivables	14,342	6,099
Receivables from Ministry of Agriculture of the Russian Federation	3,563	192,203
Other taxes receivable	1,053,127	1,054,570
Inventories	35,403,362	35,496,484
Cash and cash equivalents	-	626
Total assets	**36,474,394**	**36,749,982**
Trade and other payables	(16,792)	(2,827,976)
Borrowings	(36,457,602)	(33,922,006)
Total liabilities	**(36,474,394)**	**(36,749,982)**

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Sales	534,411	341,519
Cost of sales	(534,411)	(334,773)
Other expenses	-	(5,136)
Income tax charge	-	(1,349)
Results of operations attributable to Ministry of Agriculture of the Russian Federation	**-**	**261**
Agency fee for services related to operations with State Grain Interventions Fund (Note 20)	**(387,749)**	**(474,300)**

In thousands of Russian Roubles	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Receivables from/(payables to) Ministry of Agriculture of the Russian Federation, as at 1 January	**192,203**	**(381,526)**
Storage of trade interventions of grain	3,413,131	2,744,931
Interest expenses on loans for trade interventions of grain	5,159,228	3,905,772
Insurance of grain for trade interventions	333,045	202,142
Reimbursement of storage expenses on grain for trade interventions	(3,517,754)	(2,264,172)
Reimbursement of interest expenses on loans for trade interventions of grain	(5,238,462)	(3,840,316)
Reimbursement of insurance expenses on grain for trade interventions	(337,828)	(174,628)
Receivables from Ministry of Agriculture of the Russian Federation, as at 31 December	**3,563**	**192,203**

32 Events After the Reporting Period

In February 2018 the Company sold shares comprising 25.5% of share capital of its associate OJSC Pugachevskiy elevator for RR 50,000 thousand. This investment was classified as non-current asset held for sale as at 31 December 2017 in these consolidated financial statements.