Independent auditor’s report
on the consolidated financial statements of
joint stock company “United Grain Company”
and its subsidiaries
for 2019

April 2020

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Contents

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827
ОГРН: 1027739707203
ИНН: 7709383532

Independent auditor's report

To the Shareholders and Board of Directors of
joint stock company "United Grain Company"

Opinion

We have audited the consolidated financial statements of joint stock company "United Grain Company" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for 2019 in accordance with International Financial Reporting Standards (IFRSs).

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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The consolidated financial statements of joint stock company "United Grain Company" for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on 8 April 2019.

Responsibilities of management and Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

Board of Directors 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 skepticism 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.

A.A. Mankov
Partner
Ernst & Young LLC

3 April 2020

Details of the audited entity

Name: joint stock company "United Grain Company"
Record made in the State Register of Legal Entities on 21 March 2007, State Registration Number 5077746345540.
Address: Russia 107140, Moscow, per. Orlikov, h. 3, building 1.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

In thousands of Russian Roubles	Note	31 December 2019	31 December 2018 (Note 4)
ASSETS			
Non-current assets			
Property, plant and equipment	9	13,346,481	12,408,457
Advances paid for property, plant and equipment	9	43,010	622,449
Right-of-use assets	10	301,410	–
Intangible assets		–	243,529
Investments in associates	11	634,622	602,425
Deferred income tax assets	25	340,380	265,562
Other non-current assets		22,892	2,699
Total non-current assets		**14,688,795**	**14,145,121**
Current assets			
Inventories	12	2,530,029	2,968,705
Trade and other receivables	13	5,323,130	1,688,160
Prepayments	14	3,087,776	2,350,586
Current income tax prepayments		59,078	101,293
Short-term investments	15	70,500	100,027
Cash and cash equivalents	16	6,820,337	9,135,660
Other current assets		4,716	3,725
Total current assets		**17,895,566**	**16,348,156**
TOTAL ASSETS		**32,584,361**	**30,493,277**
EQUITY			
Share capital	17	7,029,879	7,029,879
Share premium	17	4,464,394	4,464,394
Accumulated profit		2,633,031	4,284,992
Equity attributable to the Company's owners		**14,127,304**	**15,779,265**
Non-controlling interest	29	3,222,338	3,465,159
TOTAL EQUITY		**17,349,642**	**19,244,424**
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	25	322,070	195,604
Long-term borrowings	18	2,933,444	3,228,126
Lease liabilities	10	81,360	-
Post-employment benefit obligations		64,651	51,810
Total non-current liabilities		**3,401,525**	**3,475,540**
Current liabilities			
Short-term borrowings	18	8,923,246	3,434,573
Lease liabilities	10	30,158	-
Trade and other payables	19	1,895,826	3,820,810
Current income tax payable		14,568	74,061
Other taxes payable	20	349,869	353,857
Provisions for liabilities and charges	27	619,527	90,012
Total current liabilities		**11,833,194**	**7,773,313**
TOTAL LIABILITIES		**15,234,719**	**11,248,853**
TOTAL LIABILITIES AND EQUITY		**32,584,361**	**30,493,277**

Approved for issue and signed on 3 April 2020.

Sergeev D. G.
General Director

Kafizov R.T.
Financial Director

In thousands of Russian roubles	**Note**	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Revenue	21	32,601,515	32,504,189
Cost of sales	22	(26,920,921)	(22,537,480)
Gross profit		**5,680,594**	**9,966,709**
Distribution costs	22	(2,198,085)	(2,800,842)
Administrative expenses	22	(1,527,371)	(1,635,736)
Other operating expenses	22	(1,770,842)	(283,643)
Other operating income	23	257,470	955,768
Operating profit		**441,766**	**6,202,256**
Finance income	24	614,750	388,577
Finance expense	24	(522,551)	(376,656)
Share in result of associates	11	7,877	1,019
Profit before income tax		**541,842**	**6,215,196**
Income tax expense	25	(488,712)	(1,556,634)
Profit for the year		**53,130**	**4,658,562**
Other comprehensive income			
Items that will not be reclassified to profit or loss;			
Remeasurement of post-employment benefit obligations		(10,477)	3,825
Income tax on remeasurement of post-employment benefit obligations	25	2,095	(765)
Other comprehensive (loss)/income for the year		**(8,382)**	**3,060**
Total comprehensive income for the year		**44,748**	**4,661,622**
Profit attributable to:			
- Owners of the Company	26	(173,497)	2,948,378
- Non-controlling interest	29	226,627	1,710,184
Profit for the year		**53,130**	**4,658,562**
Total comprehensive (loss)/income attributable to:			
- Owners of the Company		(177,772)	2,949,939
- Non-controlling interest		222,520	1,711,683
Total comprehensive income for the year		**44,748**	**4,661,622**
(Losses)/earnings per ordinary share for profit from operating activities attributable to the owners of the Company (in RUB per share)	26	(24.68)	419.41

EBITDA (non-IFRS measure)	**Note**	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Operating profit		441,766	6,202,256
Adjustments to operating profit			
Depreciation and amortization	7, 22	589,533	472,480
Share in result of associates	7, 11	7,877	1,019
EBITDA		**1,039,176**	**6,675,755**

In thousands of Russian roubles	Attributable to owners of the Company					
	Share capital	**Share premium**	**Accumulated profit/(deficit)**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2017	**7,029,879**	**4,464,394**	**1,809,070**	**13,303,343**	**2,528,790**	**15,832,133**
Profit for the year	–	–	2,948,378	**2,948,378**	1,710,184	**4,658,562**
Other comprehensive income for the year	–	–	1,561	**1,561**	1,499	**3,060**
Total comprehensive income for the year	**–**	**–**	**2,949,939**	**2,949,939**	**1,711,683**	**4,661,622**
Dividends declared to non-controlling interest	–	–	–	**–**	(775,314)	**(775,314)**
Dividends declared to the owners of the Company	–	–	(474,017)	**(474,017)**	–	**(474,017)**
Balance at 31 December 2018	**7,029,879**	**4,464,394**	**4,284,992**	**15,779,265**	**3,465,159**	**19,244,424**
Profit for the year	–	–	(173,497)	**(173,497)**	226,627	**53,130**
Other comprehensive loss for the year	–	–	(4,275)	**(4,275)**	(4,107)	**(8,382)**
Total comprehensive income for the year	**–**	**–**	**(177,772)**	**(177,772)**	**222,520**	**44,748**
Dividends declared to non-controlling interest	–	–	–	**–**	(465,341)	**(465,341)**
Dividends declared to the owners of the Company	–	–	(1,474,189)	**(1,474,189)**	–	**(1,474,189)**
Balance at 31 December 2019	**7,029,879**	**4,464,394**	**2,633,031**	**14,127,304**	**3,222,338**	**17,349,642**

In thousands of Russian roubles	**Note**	**Year ended 31 December 2019**	**Year ended 31 December 2018 (Note 4)**
Cash flows from operating activities			
Profit before income tax		541,842	6,215,196
Adjustments for:			
Depreciation of property, plant and equipment	9, 22	510,317	438,111
Amortization of rights-of-use assets	10, 22	79,216	–
Amortization of intangible assets		–	34,369
Share in results of associates	11	(7,877)	(1,019)
Credit loss from impairment of financial assets and assets from contracts with customers	22	89,184	25,273
Provision for prepayments	22	(8,321)	6,164
Loss/(gain) on disposal of property, plant and equipment		1,495	(4,027)
Loss on write-off of capitalized project costs	9	306,687	–
Finance income	24	(614,750)	(388,577)
Finance expense	24	522,551	376,656
Change in provision for net realizable value of inventory	22	94,587	9,428
Change in provision for legal claims and similar items	22	529,515	–
Net loss from exchange differences related investing and financing activities		(4,343)	(660,579)
Gain on sale of disposal group		–	26,789
Change in unused vacation provision	22	109,702	154,999
Loss on disposal of associate	11, 22	45,111	–
Net gain from foreign currency purchases	22, 23	1,188	(80,341)
Operating cash flows before working capital changes		**2,196,104**	**6,152,442**
Change in trade and other receivables		(4,777,106)	(1,903,219)
Change in inventories		344,089	(1,003,221)
Change in trade and other payables		(2,008,592)	2,439,893
Change in other current assets and liabilities		(22,807)	57,462
Cash (used in) / generated from operating activities before income taxes		**(4,268,312)**	**5,743,357**
Income tax paid		(400,831)	(1,363,431)
Net cash (used in) / from operating activities		**(4,669,143)**	**4,379,926**
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,086,090)	(2,116,505)
Proceeds of sales of property, plant and equipment		63,492	24,446
Sale of disposal group		–	50,000
Dividends received from associates	11	13,679	–
Sale of shares in associate	11	8,454	–
Proceeds from cash withdrawals from deposits		137,300	2,300,128
Deposits placed with banks		(126,800)	(377,076)
Interest received		523,078	157,287
Net cash (used in) / from investing activities		**(466,887)**	**38,280**
Cash flows from financing activities			
Proceeds from loans	18	23,307,937	14,210,002
Repayment of loans	18	(18,116,124)	(14,919,575)
Interest paid	18	(622,505)	(644,774)
Payments of principal portion of lease liabilities	10	(23,857)	–
Payments of interests of lease liabilities	10	(11,167)	–
Dividends paid	17	(1,724,876)	(995,285)
Net cash from / (used in) financing activities		**2,809,408**	**(2,349,632)**
Net (decrease)/increase in cash and cash equivalents		**(2,326,662)**	**2,068,574**
Effect of exchange rates changes on cash and cash equivalents		11,299	642,365
Cash and cash equivalents at the beginning of the period	16	**9,135,660**	**6,424,721**
Cash and cash equivalents at the end of the period	16	**6,820,337**	**9,135,660**

The accompanying notes are an integral part of these consolidated financial statements.

1 General information of the Group and its principal activities

Description of the business. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019 for Joint Stock Company United Grain Company (hereafter – the "Company") and its subsidiaries (hereafter – the "Group" or "UGC Group").

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

The Government of the Russian Federation through Rosimushestvo is the ultimate controlling party of the Group. As at 31 December 2019 and 31 December 2018 Rosimushestvo owns 50% plus 1 share of issued shares in the Company. Until February 2019 another 50% minus 1 share of the Company was owned by LLC Investor (related entity of Summa Group, ultimately controlled by Mr. Z. Magomedov). In February 2019 control over 50% minus 1 share of JSC "UGC" was transferred from LLC "Investor" to PJC "Bank VTB".

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

		Group's share in the share capital	
Entity	**Principal activity by segments**	**31 December 2019**	**31 December 2018**
PJSC NKHP	Port transhipment, trading, production and freight forwarding services	51%	51%
LLC DVZT	Port transhipment	100%	100%
LLC Torgovyi Dom UGC	Trading	100%	100%
LLC UGC Center	Trading	100%	100%
LLC UGC Sibir	Trading	100%	100%
LLC UGC South	Trading	100%	100%
GRAINEXPORT SA	Trading	100%	100%
OJSC Buturlinovskiy Melcombinat	Flour production	51%	51%
OJSC Ardatovskoe HPP	Grain storage	100%-1 share	100%-1 share
OJSC Atyashevskoe HPP	Grain storage	100%-1 share	100%-1 share
OJSC Obrochinskoe HPP	Grain storage	100%-1 share	100%-1 share
OJSC Reservhleb	Grain storage	100%-1 share	100%-1 share
OJSC Orskiy elevator	Grain storage	99.58%	99.58%
LLC Agrostandart	Agriculture	51%	51%
JSC Elevator	Grain storage	82.49%	82.49%
OJSC Grachevskiy elevator	Grain storage	51%	51%
OJSC Pallasovskiy elevator	Grain storage	51%	51%
OJSC Portovyi elevator	Port transhipment	51%	51%
OJSC Surovikinsky elevator	Grain storage	51%	51%

Principal activity. Principal activities of the Group involve grain trading, port transhipment, freight forwarding services, flour production, grain storage and acting as an agent in state interventions in the grain market (Note 33). The Group's manufacturing and logistic facilities are based in Russia. In 2016 the Group acquired a grain trading company registered and carried out activity under the laws of Switzerland.

Registered address and place of business. The Company's registered address and place of business is Orlikov pereulok, 3 bld.1, Moscow, Russian Federation, 107140.

Presentation currency. These consolidated financial statements are presented in thousands of Russian roubles ("RUB"), 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. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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

3 Summary of significant accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention as modified by initial recognition of financial instruments based on fair value.

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

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee.

In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

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

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the equity of the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" 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.

3 Summary of significant accounting policies (continued)

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group’s policies. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

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

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

The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

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

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

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

Disposals of subsidiaries and associates. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

3 Summary of significant accounting policies (continued)

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

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

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

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

Rolling stock repair and maintenance costs. The cost of each periodic capital and depot repair of rolling stock is recognised in the carrying amount of the relevant item of rolling stock repaired and 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 years deprecation period is attributed to depo and capital repairs of rolling stock, 32 year depreciation is attributed to rolling stock.*

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

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

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

Leases. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3 Summary of significant accounting policies (continued)

i) Right-of-use assets. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The Group's right-of-use assets comprise leased land and buildings with depreciation periods mostly ranging from 1 to 35 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

ii) Lease liabilities. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Impairment of non-financial assets. The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

3 Summary of significant accounting policies (continued)

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

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

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

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

Amortised cost ("AC") 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 allowance for expected credit losses *("ECL")*. 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.

3 Summary of significant accounting policies (continued)

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

The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

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

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

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

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

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

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

Expected credit losses are based on sales payment schedules for 36 months until 31 December 2019 or 1 January 2019, accordingly, or other analogous historical credit losses, incurred during the period. Level of losses for prior periods are corrected with account for current and forecasted macroeconomic factors affecting ability of buyers to settle accounts receivable. The Group determined GDP and unemployment levels in countries, in which the Group sells its goods and services, as the most relevant factors and adjusts prior period losses, accordingly, based on expected changes in these factors.

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

Financial assets – derecognition. The Group derecognises financial assets when (a) 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.

3 Summary of significant accounting policies (continued)

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for loan commitments.

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

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

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

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

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

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

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

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

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

Contract liabilities are represented by prepayments received from buyers for subsequent provision of services and supply of goods, are included in "trade and other payables" in the statement of financial position as "advances received" (Note 19).

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

3 Summary of significant accounting policies (continued)

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

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

Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

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

Non-current assets or disposal groups classified as held for sale in the current period's 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. 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.

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

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

3 Summary of significant accounting policies (continued)

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. 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.

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.

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. The statutory accounting reports of the Group entities are the basis for profit distribution and other appropriations.

3 Summary of significant accounting policies (continued)

Provisions and other liabilities. 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.

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 2019	31 December 2018
RR/USD	61.9057	69.4706
RR/EUR	69.3406	79.4605
RR/CHF	63.6039	70.5787

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

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

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

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

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

3 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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. 1003, dated 5 October 2016 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.

3 Summary of significant accounting policies (continued)

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.

In these operations with grain of the State Grain Intervention Fund, the Group acts as an agent and does not obtain control over the purchased, stored and / or sold grain. In this regard, grain acquired by the Group is not recognized in the consolidated statement of financial position, and grain sales are not included in the Group's revenue. The fee is included in revenue in the consolidated statement of profit or loss and other comprehensive income as revenue from sales of services.

The Group does not recognize liabilities on loans received as part of grain purchase operations for the State Grain Intervention Fund, since, although it is a party to loan agreements, it acts as a transit mechanism.

Cash received by the Group as part of the sale of grain purchased for the State Grain Intervention Fund is disclosed in line "Cash and cash equivalents" of the consolidated statement of financial position and liabilities to transfer income from these transactions are disclosed in line "Trade and other payables" of consolidated statement of financial position. The cash received from offsetting and reimbursement of VAT on goods purchased for the State Grain Intervention Fund is disclosed similarly.

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

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.

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 Changes in accounting policies and disclosures

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for (a) changes in the procedure for reflecting settlements with the Ministry of Agriculture and (b) the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2019. Standards, Interpretations and amendments other than those described below effective 1 January 2019 did not have a material impact on the financial position or performance of the Group.

Changes of the accounting and disclosure the operations the Ministry of Agriculture. In 2019, the Group decided to present cash, received under renewable state contract, concluded between the Company and Ministry of Agriculture, gross of liabilities for their transfer.

As a result of this change, the Group restated the comparative data of the consolidated statements of financial position and cash flows in the Group’s financial statements for 2018. As a result of this change, as of 31 December 2018, the accounts of the consolidated statement of financial position “Cash and cash equivalents” and “Trade and other payables” increased by RUB 2,080,263. Also accounts of the consolidated statement of cash flows “Change in trade and other payables” and “Cash and cash equivalents” increased for 2018 by the same amount. There was no significant effect of this change on the Group’s comparative information as at 31 December 2017.

New and amended standards and interpretations. The Group applied IFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases. IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group applied the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applied the lease of low-value assets recognition exemption to leases of assets that are considered to be low value.

The effect of adopting IFRS 16 at 1 January 2019 (increase/(decrease)) is, as follows:

In thousands of Russian rubles	**1 January 2019**
Assets	
Right-of-use assets	380,626
Intangible assets	(243,529)
Prepayments	(1,722)
Total assets	**135,375**
Liabilities	
Lease liabilities	136,675
Trade and other payables	(1,300)
Total liabilities	**135,375**

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. Refer to Note 3 for a description of the accounting policies applied from 1 January 2019. The Group has applied the special transitional requirements and practical simplifications provided for in the standard.

4 Changes in accounting policies and disclosures (continued)

For leases previously classified as operating leases applying IAS 17 the Group at the date of transition to IFRS 16 measured right-of-use assets on a lease-by-lease basis at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of transition to IFRS 16.

The Group measured these lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group has elected to use the following practical expedients proposed by the standard:

- Applied its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- Applied the accounting exemption for short-term leases to leases for which the lease term ends within 12 months of the date of initial application;
- Applied hindsight for determining the lease term when considering options to extend and terminate leases.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of RUB 380,626 were recognised and presented separately in the statement of financial position;
- Lease assets of RUB 243,529 which were included under Intangible assets, were derecognized as these expenses are included in the initial cost of Right-of-use assets;
- Lease liabilities of RUB 136,675 were recognised and presented separately in the statement of financial position;
- Prepayments of RUB 1,722 and Trade and other payables of RUB 1,300 related to previous operating leases were derecognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

In thousands of Russian rubles	**1 January 2019**
Operating lease commitments as at 31 December 2018	**392,208**
Weighted average incremental borrowing rate as at 1 January 2019	9.02%
Discounted operating lease commitments as at 1 January 2019	**135,748**
Less:	
Commitments relating to short-term leases	(373)
Lease liabilities as at 1 January 2019	**135,375**

5 Critical accounting estimates and judgements in applying accounting policies

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

Loans received for the purchase of grain for the State Grain Intervention Fund. As part of agent operations for the purchase of grain for the State Grain Inventory Fund, the Group is a party to loan agreements that are provided for the purchase of this grain. After analyzing the terms and conditions of the loan and agency agreements, the Group came to the conclusion that in these loan agreements, both in respect of principal and interest payments, it acts as a transit mechanism. In this regard, loans and borrowings liabilities, as well as corresponding reimbursement rights from the Ministry of Agriculture in the amount of RUB 19,106,699 and RUB 29,143,628 as at 31 December 2019 and 31 December 2018, respectively, were not recognized in the consolidated statement of financial position of the Group. See Note 33 for more information.

5 Critical accounting estimates and judgements in applying accounting policies (continued)

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. (Note 28).

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.

Litigations. The Group exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates may significantly affect future operating results.

Impairment of non-financial assets. The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. Assets subject to such an assessment include property, plant and equipment and intangible assets. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. If any such indicators exist, the Group estimates the recoverable amount of the asset.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment is based on an analysis of a significant number of factors, such as changes in the current competitive environment, expectations for an upswing in the industry, an increase in the cost of capital, changes in the ability to attract financing in the future, technological obsolescence, termination of service, current replacement cost, and other changes in circumstances that indicate impairment. Determining the recoverable amount at the cash generating unit level requires the use of management estimates. The determination of the value in use includes methods based on the assessment of expected future discounted cash flows and requiring the Group to assess such flows at the cash generating unit level and to select a reasonable discount rate for calculating the carrying value of cash flows. These estimates, including the methodology used, can significantly affect fair value and, ultimately, the amount of impairment of non-financial assets.

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.

6 New accounting pronouncements

If necessary, the Group intends to apply the standards and interpretations that have been issued, but have not yet entered into force, from the date of their entry into force. The Group expects that the adoption of other amendments and pronouncements will not have a significant impact on the Group's results of operations and financial positions in the period of initial application.

7 Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available.

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

(a) Description of products and services from which each reportable segment derives its revenue

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

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

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and separate expenses structure aimed at maintenance of efficient activity.

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, agent activity is presented as a separate business segment.

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

(d) Corporate Center and Other

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

7 Segment information (continued)

(e) Information about reportable segment profit or loss

Segment information for the reportable segments for the year ended 31 December 2019 is set out below:

In thousands of Russian roubles	**Agent in state grain interventions**	**Port transshipment**	**Trading & freight forwarding services**	**Production**	**Corporate center and other**	**Eliminations transactions between the segments**	**Total**
Revenue from sales to third parties	361,155	2,156,217	26,029,532	2,728,212	1,326,399	–	**32,601,515**
Inter-segment revenue	–	444,732	–	–	7,092	(451,824)	**–**
Total revenue	**361,155**	**2,600,949**	**26,029,532**	**2,728,212**	**1,333,491**	**(451,824)**	**32,601,515**
Cost of sales	(15,129)	(1,074,853)	(22,431,573)	(2,525,940)	(873,906)	480	**(26,920,921)**
Gross profit	**346,026**	**1,526,096**	**3,597,959**	**202,272**	**459,585**	**(451,344)**	**5,680,594**
Distribution costs	(107,085)	(32,142)	(2,318,580)	(32,418)	(159,204)	451,344	**(2,198,085)**
Administrative expenses	(124)	(432,409)	(64,928)	(69,463)	(960,447)	–	**(1,527,371)**
Other operating expenses	(5,172)	(323,449)	(464,846)	(26,441)	(950,934)	–	**(1,770,842)**
Other operating income	–	3,692	217,945	11,401	24,432	–	**257,470**
Operating profit	**233,645**	**741,788**	**967,550**	**85,351**	**(1,586,568)**	**–**	**441,766**
Finance income	–	107,772	474,471	4,000	28,507	–	**614,750**
Finance expense	–	(344,617)	(162,156)	(3,727)	(12,051)	–	**(522,551)**
Share in results of associates	–	–	–	–	7,877	–	**7,877**
Profit before income tax	**233,645**	**504,943**	**1,279,865**	**85,624**	**(1,562,235)**	**–**	**541,842**
Income tax (expense)/benefit	(46,729)	(305,973)	(228,136)	4,933	87,193	–	(488,712)
Profit for the period	**186,916**	**198,970**	**1,051,729**	**90,557**	**(1,475,042)**	**–**	**53,130**
Adjustments to operating profit							
Depreciation and amortization	–	260,558	5,646	42,430	280,899	–	**589,533**
Share in result of associates	–	–	–	–	7,877	–	**7,877**
EBITDA	**233,645**	**1,002,346**	**973,196**	**127,781**	**(1,297,792)**	**–**	**1,039,176**

7 Segment information (continued)

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

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

7 Segment information (continued)

Information on significant expenses (Note 22) by segments for the year ended 31 December 2019 is presented below:

In thousands Russian roubles	**Agent in state grain interventions**	**Port tranship-ment**	**Trading & freight forwarding services**	**Production**	**Corporate center and other**	**Total**
Purchase price of grain sold	14,761	–	22,058,934	23,214	304,379	**22,401,288**
Transportation expenses	94	11,690	2,872	2,323,390	115,914	**2,453,960**
Staff costs	80,561	859,834	178,390	121,781	927,024	**2,167,590**
Materials	12,735	11,600	1,815,597	14,764	13,115	**1,867,811**

Information on significant expenses (Note 22) by segments for the year ended 31 December 2018 is presented below:

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

(e) Geographical information

The Group's revenue by customers' geographical locations:

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Russia	7,999,595	8,509,484
UAE	7,976,011	8,369,724
Egypt	5,692,260	969,669
Switzerland	3,173,094	4,498,684
Turkey	2,249,489	–
Singapore	2,200,519	6,802,577
Venezuela	1,698,862	2,118,087
Great Britain	767,764	601,522
Azerbaijan	428,514	–
Netherlands	346,158	–
Finland	69,249	55,110
Korea	–	579,332
Total revenue	**32,601,515**	**32,504,189**

(f) 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 2019**	**Year ended 31 December 2018**
Customer 1 (trading & freight forwarding services)	4,062,524	–
Customer 2 (trading & freight forwarding services)	2,418,738	3,482,752
Customer 3 (port transshipment, trading & freight forwarding services)	–	4,639,209
Customer 4 (trading & freight forwarding services)	–	3,747,620
Total revenues from major customers	**6,481,262**	**11,869,581**

8 Balances and transactions with related parties

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

As at 31 December 2019 and 31 December 2018 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 2019 and 31 December 2018, and had significant outstanding balances as at 31 December 2019 and 31 December 2018 are detailed below.

Bank VTB (PJSC) and its affiliated parties

In February 2019 control over 50% less 1 share of OJSC “UGC” was transferred to Bank VTB (PJSC).

The Group has the following significant balances of transactions with companies belonging to the group of VTB Bank (PJSC):

In thousands of Russian roubles	**Year ended 31 December 2019**
Cash and cash equivalents	918,612
Loans	4,658,609
Interest on loans	62,110
Trade and other receivables	2,195
Trade and other payables	235,196

The Group has the following significant transactions with companies belonging to the group of VTB Bank (PJSC):

In thousands of Russian roubles	**2019**
Purchases of services	366,610
Finance income	64,450
Finance expense	334,926

The interest on loans received from VTB Bank in 2019 was capitalized in the amount of RUB 147,948 (Note 9). In 2019 purchases of services mainly included the purchases of port services from LLC “NZT”.

Associates

Transactions with associates included the following:

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Purchases	1,040	12,745

Balances with associates at the end of the period as at 31 December 2019 and 31 December 2018 were nil.

8 Balances and transactions with related parties (continued)

State-controlled entities (excluding VTB Bank and its affiliated parties since the date of acquisitions by it of equity share in the Group)

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 2019**	**Year ended 31 December 2018**
Revenue	1,854	6,942
Finance income	422,612	388,577
Purchases	579,359	1,029,230
Finance expense	63,355	152,108

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

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Trade and other receivables	41,793	25,876
Short-term deposits	64,500	75,000
Cash and cash equivalents	5,504,495	6,834,032
Borrowings	5,506,187	4,341,706
Trade and other payables	9,424	10,077

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 33):

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Revenue	419,204	527,872

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

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Trade and other receivables	37,608	53,415

In 2019, the Group accrued and paid dividends to The Federal Agency for State Property Management (Rosimushchestvo) in the amount of RUB 737,095 (2018: RUB 237,009).

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 2019**	**Year ended 31 December 2018**
Salaries	109,775	177,007
Social tax contributions	19,027	29,686

Payables in respect of remuneration of board of directors as at 31 December 2019 were RUB 13,805 (as at 31 December 2018: RUB 11,400).

The Group had no other balances with key management personnel as at 31 December 2019 and 31 December 2018.

9 Property, plant and equipment

Movements in property, plant and equipment were as follows:

In thousands of Russian roubles	**Land**	**Buildings, structures and utilities**	**Machinery, transport and equipment**	**Rolling stock**	**Other**	**Construction in progress**	**Total**
Cost							
As at 31 December 2017	**1,121,951**	**2,432,557**	**1,680,333**	**3,422,189**	**57,829**	**2,601,826**	**11,316,685**
Additions	3,334	65,857	43,038	–	1,696	2,951,845	**3,065,770**
Transfers	–	3,962,249	87,192	–	4,066	(4,053,507)	**–**
Capitalized borrowing costs	–	–	–	–	–	276,685	**276,685**
Disposals	(3,293)	(7,368)	(13,226)	–	(719)	160	**(24,446)**
As at 31 December 2018	**1,121,992**	**6,453,295**	**1,797,337**	**3,422,189**	**62,872**	**1,777,009**	**14,634,694**
Additions	–	468,695	36,950	299,298	11,891	848 695	**1,665,529**
Transfers	–	(1,310,808)	1,835,918	–	2,056	(527 166)	**–**
Capitalized borrowing costs	–	–	–	–	–	147 948	**147,948**
Disposals	–	(59,037)	(40,806)	–	(2,244)	(307 044)	**(409,131)**
As at 31 December 2019	**1,121,992**	**5,552,145**	**3,629,399**	**3,721,487**	**74,575**	**1,939,442**	**16,039,040**
Accumulated depreciation							
As at 31 December 2017	**–**	**(883,209)**	**(724,446)**	**(145,363)**	**(50,424)**	**(226)**	**(1,803,668)**
Charge for the year	–	(124,523)	(175,584)	(131,704)	(6,300)	–	**(438,111)**
Disposals	–	5,791	5,911	–	3,840	–	**15,542**
As at 31 December 2018	**–**	**(1,001,941)**	**(894,119)**	**(277,067)**	**(52,884)**	**(226)**	**(2,226,237)**
Charge for the year	–	(225,401)	(141,077)	(138,631)	(5,208)	–	**(510,317)**
Disposals	–	10,876	31,639	–	1,480	–	**43,995**
As at 31 December 2019	**–**	**(1,216,466)**	**(1,003,557)**	**(415,698)**	**(56,612)**	**(226)**	**(2,692,559)**
Net book value							
As at 31 December 2018	**1,121,992**	**5,451,354**	**903,218**	**3,145,122**	**9,988**	**1,776,783**	**12,408,457**
As at 31 December 2019	**1,121,992**	**4,335,679**	**2,625,842**	**3,305,789**	**17,963**	**1,939,216**	**13,346,481**

9 Property, plant and equipment (continued)

Prepayments for property, plant and equipment

In 2019 the Group wrote off previously capitalized project costs for the construction of a grain port in the Far East region in the amount of RUB 306 687 due to the cancellation of this project.

The decrease in advances to suppliers as of 31 December 2019 *was* due to the completion of the modernization program carried out by the Group.

Group is the lessor under the rolling stock lease agreements (operating lease). The carrying amount of wagons transferred for operating leases as of 31 December 2019 and 2018 amounted to RUB 3,305,789 and RUB 3,145,122, respectively. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

In thousands of Russian roubles	**2019**	**2018**
Not later than 1 year	976,325	921,443
Later than 1 year and not later than 5 years	1,947,315	2,766,852
Total	**2,923,640**	**3,688,295**

10 Leases

The Group's lease contracts that have a lease term for more than 12 months are leases of land and buildings, structures and railways. Lease terms vary between 1 and 35 years. The contracts do not contain the right to purchase the leased object. Generally, the Group is restricted from assigning and subleasing the leased assets and lease contracts do not include options extension except for legal preference rights. The Group also has certain leases of machinery with lease terms for less than 12 months. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

In thousands of Russian roubles	**2019**
Right-of-use assets as at 1 January	**380,626**
Depreciation expense	(79,216)
Right-of-use assets as at 31 December	**301,410**

Set out below are the carrying amounts of lease and the movements during the period:

In thousands of Russian roubles	**2019**
Lease liabilities as at 1 January	**135,375**
Interest accrued	11,167
Payments	(35,024)
Lease liabilities as at 31 December	**111,518**

Depreciation expenses on the right of use assets were recognized in cost of sales. Interest on lease liabilities was recognized in finance costs. Undiscounted potential future cash outflows of lease liabilities are due in 2020 in the amount of RUB 30,916, in 2021-2024 in the amount of RUB 57,689 and for the years after 2024 in the amount of RUB 105,229.

11 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 2019**	**Year ended 31 December 2018**
Carrying amount at 1 January	**602,425**	**601,406**
Share of profit of associates	36,917	49,926
Share of loss of associates	(29,040)	(48,907)
Dividends received from associates	(13,679)	–
Disposal of associates	(53,565)	–
Other	91,564	–
Carrying amount at 31 December	**634,622**	**602,425**

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

11 Investments in associates (continued)

In 2019 the Group sold a 25.5% stake in the associated company JSC “Rybinskiy mukomol’ny zavod” for RUB 8,454. As a result of this transaction the Group received a loss of RUB 45,111.

At 31 December 2019 the Group’s interests in its principal associates and their summarised financial information, including total assets, liabilities, revenues and profit and loss for 2019, were as follows:

In thousands of Russian roubles	Non-current assets	Current assets	Long-term labilities	Short-term labilities	Net assets	Revenue	Profit/ (loss)	Interest held, %
JSC Balashovskiy KHP	79,961	125,483	1	51,820	153,623	527,374	12,026	25.5%
JSC BKZ	19,457	2,495	59,816	8,635	(46,499)	24,537	(2,660)	25.5%
OJSC Elanskiy elevator	47,130	55,723	33	17,053	85,767	71,234	(554)	25.5%
OJSC Elevator Rudny klad	55,754	23,196	60	4,688	74,202	17,008	(9,006)	25.5%
OJSC Gerkules	751,557	184,746	269	183,808	752,226	482,977	49,757	25.5%
JSC Ipatovskiy Elevator	31,523	36,812	253	21,135	46,947	24,295	(6,145)	49.0%
OJSC Khlebnaya baza #3	50,002	268,053	122	7,973	309,960	114,671	32,736	25.5%
OJSC Penzenskiy KHP	353,678	1,492,313	1,925	1,819,779	24,287	3,934,614	5,294	31.0%
JSC Permskiy mukomol’ny zavod	751,013	853,050	6,894	603,967	993,201	1,987,537	43,816	25.5%
Total	**2,140,074**	**3,041,871**	**69,373**	**2,718,858**	**2,393,714**	**7,184,247**	**125,264**	**–**

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

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

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.

12 Inventories

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Goods for resale	2,062,320	2,524,707
Raw materials	395,306	386,398
Finished products	72,403	57,600
Total inventories	**2,530,029**	**2,968,705**

13 Trade and other receivables

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Trade receivables	5,157,097	1,280,650
Trade receivables arising from inventory loans	–	417,976
Other financial receivables	1,579,714	1,292,999
Less: allowance for expected credit losses	(1,413,681)	(1,303,465)
Total trade and other receivables	**5,323,130**	**1,688,160**

Trade and other receivables are denominated in the following currencies:

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
USD	4,434,113	871,131
RR	863,600	817,029
EUR	24,554	–
CHF	863	–
Total trade and other receivables	**5,323,130**	**1,688,160**

Trade receivables arising from inventory loans are represented by receivables from limited number of counterparties. Settlements with these counterparties are done on the basis of offsetting claims for these transactions, which leads to netting off of amounts of receivable and payable. Therefore, delay in payments do not arise and expected credit losses of the Group from these receivables are insignificant.

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 2019**	**31 December 2018**
Large foreign companies	4,949,815	865,030
Large Russian corporations	25,494	6,107
Medium companies	245,450	213,682
Government and municipal entities	19,070	102,947
Small companies	52,685	30,114
Individuals	2,073	3,132
Total	**5,294,587**	**1,221,012**

Movements on the allowance for expected credit losses of trade receivables were as follows:

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Provision for impairment at 1 January	**(1,303,465)**	**(1,467,018)**
Accrued allowance for expected credit losses during the period	(116,765)	(39,850)
Reversal of allowance for expected credit losses during the period	27,581	33,954
Utilized allowance for expected credit losses during the period	6,729	169,449
Other	(27,761)	–
Provision for impairment at 31 December	**(1,413,681)**	**(1,303,465)**

13 Trade and other receivables (continued)

Reserve for expected credit losses in respect of trade and other receivables as at 31 December 2019 was determined in accordance with reserve matrix prepared below. Reserve matrix is based on day's receivable overdue.

In thousands of Russian roubles	**Level of losses**	**Balance sheet value**	**Expected credit losses**
Financial assets in trade and other accounts receivable			
- current	0%	5,294,587	–
- less than 30 days overdue	0%	23,596	–
- from 30 to 90 days overdue	60%	12,285	7,416
- from 91 to 180 days overdue	100%	92,551	92,551
- from 181 to 360 days overdue	0%	–	–
- more than 360 days overdue	100%	1,313,792	1,313,714
Total financial assets in trade and other receivable (gross carrying amount)		**6,736,811**	
Expected credit loss allowance		(1,413,681)	
Total financial assets in trade and other receivable (carrying amount)		**5,323,130**	

Reserve for expected credit losses in respect of trade and other receivables as at 31 December 2018 was determined in accordance with reserve matrix prepared below. Reserve matrix is based on day's receivable overdue.

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

Trade and other financial receivables, individually impaired, are mainly related to grain sales contracts with counterparties who find themselves in a difficult financial situation, as well as a deposit reserve at Vneshprombank, which had a banking license revoked in January 2017.

14 Prepayments

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Prepayments for suppliers	1,797,639	1,297,698
Prepayments for value added tax	1,687,028	1,477,607
Other tax prepayments	11,494	14,010
Less: impairment loss provision	(408,385)	(438,729)
Total	**3,087,776**	**2,350,586**

14 Prepayments (continued)

Reconciliation of movements in prepayments impairment provision:

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Provision for impairment at 1 January	**(438,729)**	**(1,048,220)**
Accrued provision for impairment during the period	(673)	(10,742)
Reversal of provision for impairment during the period	8,994	4,578
Utilized provision for impairment during the period	22,023	615,655
Provision for impairment at 31 December	**(408,385)**	**(438,729)**

15 Short-term investments

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Bank deposits with maturity over three months	64,500	75,000
Other investments	6,000	25,027
Total	**70,500**	**100,027**

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

In thousands of Russian roubles		**31 December 2019**		**31 December 2018**	
Name	**Rating agency**	**Rating**	**Balance**	**Rating**	**Balance**
Rosselhozbank	Moody's	Ba1	64,500	Ba2	72,000
Sberbank	Moody's	Baa3	–	Ba1	3,000
Total			**64,500**		**75,000**

As at 31 December 2019 bank deposits within short-term investments are denominated in Russian roubles.

The expected credit losses on bank deposits are insignificant due to the high credit reliability of banks as well as the short-term timing of the placement of funds.

16 Cash and cash equivalents

In thousands of Russian roubles	**31 December 2019**	**31 December 2018 (Note 4)**
Bank balances payable on demand	1,058,385	775,710
Bonds with original maturity of less than three months	–	2,505,232
Bank deposits with original maturity of less than three months	5,761,445	3,773,861
On demand deposits obtained as a result of SGI interventions	–	2,080,263
Cash on hand	507	594
Total	**6,820,337**	**9,135,660**

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 2019**		**31 December 2018 (Note 4)**	
Name	**Rating agency**	**Rating**	**Balance**	**Rating**	**Balance**
Bank RRDB	Moody's	Ba2	4,500,000		–
Bank VTB	Moody's	Baa3	918,612	Ba2	1,485,827
Rosselhozbank	Moody's	Ba1	758,081	Ba2	3,219,717
Sberbank	Moody's	Baa3	243,532	Ba1	96,300
CCP NCC	Fitch Ratings	BBB	234,590	BBB-	160,262
Rosbank	Moody's	Baa3	137,145	Ba1	43,760
Societe Generale	Moody's	A1	3,078	A1	3,646
Gazprombank	Moody's	Ba1	2	Ba2	1,606,196
VEB.RF	Fitch Ratings	BBB	–	BBB-	2,505,232
Other	–	–	24,790	–	14,126
Total			**6,819,830**		**9,135,660**

16 Cash and cash equivalents (continued)

The Group had the following currency positions:

In thousands of Russian roubles	**31 December 2019**	**31 December 2018 (Note 4)**
Russian rubles	6,482,950	8,129,765
US dollar	328,853	988,000
Euro	6,092	1,640
Swiss francs	2,442	16,255
Total	**6,820,337**	**9,135,660**

The expected credit losses on cash and cash equivalents are insignificant due to the high credit reliability of banks as well as the short-term timing of the placement of funds.

17 Share capital and share premium

In thousands of Russian roubles	**Number of shares issued**	**Share capital**	**Share premium**	**Total**
As at 31 December 2017	7,029,879	7,029,879	4,464,394	**11,494,273**
As at 31 December 2018	7,029,879	7,029,879	4,464,394	**11,494,273**
As at 31 December 2019	**7,029,879**	**7,029,879**	**4,464,394**	**11,494,273**

The total authorised number of ordinary shares as at 31 December 2019 is 7,029,879 shares (31 December 2018: 7,029,879 shares) with par value of RUB 1 per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The table below provides information on the movement of dividends in 2019 and 2018:

In thousands of Russian roubles	**2019**	**2018**
Dividends payable at 1 January	**276,155**	**34,230**
Dividends declared during the period	1,939,530	1,249,331
Dividends paid during the period	(1,724,876)	(995,285)
Write-off of unclaimed dividends payable	(6,394)	(12,121)
Dividends payable at 31 December	**484,415**	**276,155**

Dividends paid to owners of the Company

The Company declared dividends to its owners in 2019 in the amount of RUB 1,474,189 or RUB 209.7 per share (2018: RUB 474,017 or RUB 67.43 per share).

The Company paid dividends to its owners in 2019 in the amount of RUB 1,474,189 (2018: RUB 237,009).

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 2019, the current year statutory net profit of the Company as reported in the published annual statutory financial statements was RUB 1,389,418 (2018: net profit of RUB 1,041,930) and the closing balance of the accumulated profit including the current year statutory net profit totalled RUB 7,261,364 (2018: accumulated profit of RUB 7,401,852).

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 2019 amounted to RUB 465,341 (2018: RUB 775,314). Dividends paid to non-controlling interest by subsidiaries of the parent company of the Group during 2019 amounted to RUB 250,687 (2018: RUB 758,276).

18 Loans and borrowings

Long-term borrowings and loans

	31 December 2019		31 December 2018	
In thousands of Russian roubles	**Interest rate**	**Carrying amount**	**Interest rate**	**Carrying amount**
Credit line with JSC VTB	8.5%-9.5%	4,613,999	8.5%-13.9%	4,341,706
Other borrowings	–	–	–	12,500
Total long-term borrowings and loans, including current portion		**4,613,999**		**4,354,206**
Less				
Current portion of credit line		(1,618,445)		(1,035,505)
Interest payable on credit line		(62,110)		(90,575)
Total long-term borrowings and loans		**2,933,444**		**3,228,126**

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

Short-term borrowings and loans

	31 December 2019		31 December 2018	
In thousands of Russian roubles	**Interest rate**	**Carrying amount**	**Interest rate**	**Carrying amount**
Bank loans	2.75%-9.75%	7,242,691	9.5%-9.75%	2,308,492
Current portion of credit line	8.5%-9.5%	1,618,445	10.8%-13.9%	1,035,505
Interest payable on credit line	–	62,110	–	90,575
Loans received from 3rd parties	8%	–	8%	1
Total short-term borrowings and loans		**8,923,246**		**3,434,573**

As at 31 December 2019 the fair value of long-term and short-term borrowings and loans differs from their carrying value and is equal to RUB 12,052,649 (31 December 2018: RUB 6,756,016). Fair value is determined on cash flows, discounted at rate, based on interested rate of 8.5% (2018: 8.93%). Excess of fair value of loans above their carrying value as at 31 December 2019 and 31 December 2018 is due to decline in average commercial interest rates.

Credit facilities

The following credit facilities were available to the Group:

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Expiring within one year	3,125,000	2,600,000
Expiring beyond one year	17,987,593	22,083,825
Less amount withdrawn	(11,895,854)	(6,656,568)
Total	**9,216,739**	**18,027,257**

All short-terms loans and other borrowings are at fixed interest rates and denominated in Russian rubles with the exception of short-term loans in the amount of RUB 376,445 nominated in US dollars raised at the rate of LIBOR2m + 2%. The repayment dates of loans and borrowings are provided in Note 30.

In 2019 the Group capitalised borrowing costs arising on financing directly attributable to the expansion of port transshipment capacity in the total amount of RUB 147,948 (2018: RUB 276,685) (Note 9).

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

Compliance with debt covenants is disclosed in Note 28.

18 Loans and borrowings (continued)

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 2017	**7,467,278**	**34,230**	**7,501,508**
Proceeds from loans	14,210,002	–	**14,210,002**
Payments for debt financing	(14,919,575)	–	**(14,919,575)**
Interest paid	(644,774)	–	**(644,774)**
Dividends paid (Note 17)	–	(995,285)	**(995,285)**
Other changes not related to cash movements, including:	549,768	1,237,210	**1,786,978**
Finance expenses (Note 24)	*376,656*	–	***376,656***
Capitalized interest (Note 9)	*276,685*	–	***276,685***
Dividends declared (Note 17)	–	*1,249,331*	***1,249,331***
Write-off of unclaimed dividends (Note 17)	–	*(12,121)*	***(12,121)***
Other non-cash movements	*(103,573)*	–	***(103,573)***
As at 31 December 2018	**6,662,699**	**276,155**	**6,938,854**
Proceeds from loans	23,307,937	–	**23,307,937**
Payments for debt financing	(18,116,124)	–	**(18,116,124)**
Interest paid	(622,505)	–	**(622,505)**
Dividends paid (Note 17)	–	(1,724,876)	**(1,724,876)**
Other changes not related to cash movements, including:	624,683	1,933,136	**2,557,819**
Finance expenses (Note 24)	*522,551*	–	***522,551***
Capitalized interest (Note 9)	*147,948*	–	***147,948***
Dividends declared (Note 17)	–	*1,939,530*	***1,939,530***
Write-off of unclaimed dividends (Note 17)	–	*(6,394)*	***(6,394)***
Other non-cash movements	*(45,816)*	–	***(45,816)***
As at 31 December 2019	**11,856,690**	**484,415**	**12,341,105**

19 Trade and other payables

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Trade payables	469,393	772,564
Dividends payable	484,415	276,155
Settlements for operations with grain of State Grain Intervention Fund	430,293	2,080,263
Other payables	261,764	309,889
Total financial payables within trade and other payables	**1,645,865**	**3,438,871**
Advances received	99,233	103,928
Payables to employees	150,728	278,011
Total trade and other payables	**1,895,826**	**3,820,810**

As at 31 December 2019 financial payables within trade and other payables were denominated in foreign currencies: RUB 22,722 (31 December 2018: RUB 6,233) were denominated in USD; RUB 20,169 (31 December 2018: nil) were denominated in EUR; RUB 1,393 (31 December 2018: RUB 1,345) were denominated in Swiss francs. All other financial liabilities within trade and other payables were denominated in Russian roubles.

20 Other taxes payable

In thousands of Russian roubles	**31 December 2019**	**31 December 2018**
Value-added tax	233,465	207,904
Social insurance contribution	62,355	66,061
Property tax	14,903	59,833
Personal income tax	34,013	17,149
Other taxes	5,133	2,910
Total	**349,869**	**353,857**

21 Analysis of revenue by categories

Analysis of revenue by category:

In thousands of Russian roubles	**2019**	**2018**
Sales of goods	27,762,181	25,973,266
Port transshipment	2,123,801	3,974,173
Lease of wagons	951,484	752,813
Sales of transportation services	514,764	443,256
Freight forwarding service	416,564	336,589
Sales of other services, *including*	832,720	1,024,092
Agency fee for agency services related to operations with State Grain Intervention Fund (Note 33)	*361,155*	*452,227*
Total	**32,601,515**	**32,504,189**

The transportation expenses related to sales of transportation services in amount of RUB 453,231 (2018: RUB 240,592) were recognised within "Cost of sales" line in the consolidated statement of profit or loss and other comprehensive income.

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

In thousands of Russian roubles	**Note**	**2019**	**2018**
At a point of time		28,594,902	26,762,082
Over time		4,006,613	5,742,107
Total revenue		**32,601,515**	**32,504,189**

22 Expenses by nature

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Purchase price of grain sold	22,401,288	18,185,380
Materials	2,453,960	2,171,516
Staff costs	2,167,590	2,425,172
Transportation expenses	1,867,811	2,659,308
Depreciation of property, plant and equipment	510,317	438,111
Legal claims, breach of contract fees and other reserves	529,515	–
Loss on write-off of capitalized project costs	306,687	–
Net foreign exchange (gain)/loss	308,807	–
Repair and maintenance	183,037	121,632
Taxes other than on income	161,940	124,991
Surveyor services	152,968	80,104
Charity	144,600	32,004
Electricity and utilities	143,092	172,911
Unused vacation provision	109,702	154,999
Provision for impairment of receivables	89,184	25,273
Write-off of inventory	94,587	9,428
Amortization of rights of use	79,216	–
Amortization of intangible assets	–	34,369
Provision for impairment of advances	–	6,164
Loss on disposal of associates	45,111	–
Net loss on the purchase of foreign currency	1,188	–
Other operating expenses	666,619	616,339
Total	**32,417,219**	**27,257,701**

Staff costs include statutory pension contributions of RUB 411,261 (2018: RUB 471,383).

23 Other operating income

Other operating income consist of:

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Fines for breach of contract (income)	82,557	10,499
Dispatch (income)	43,111	19,874
Demmurage received	18,994	–
Provision for impairment of advances	8,321	–
Net foreign exchange gain on financial activities	–	803,856
Net gain from sales of foreign currency	–	80,341
Other operating income	104,487	41,198
Total	**257,470**	**955,768**

24 Finance income and expenses

Financial income in 2019 and 2018 included mainly the income of the bank deposits.

Finance costs are:

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Interest on debts and borrowings	506,980	371,868
Interest on lease liabilities	11,167	–
Interest on actuarial liabilities	4,404	4,788
Total	**522,551**	**376,656**

25 Income Tax

(a) Components of income tax expenses

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

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Current income tax charge	434,969	1,270,449
Deferred income tax charge	53,743	286,185
Income tax charge for the year	**488,712**	**1,556,634**

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

The income tax rate applicable to the majority of the Group's 2019 and 2018 income is 20%. The income tax rate applicable to the majority of income of subsidiaries is 20% (2018: 20%).

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

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Profit before tax	**541,842**	**6,215,196**
Theoretical tax charge at the rate of 20%	**108,368**	**1,243,039**
Tax effect of items which are not deductible or assessable for taxation purposes:		
- non-deductible expenses	176,809	42,590
- unrecognized other potential deferred tax asset	66,959	321,694
- unaccounted taxable income	105,877	–
- difference between tax rate in Switzerland and Russia	4,782	(29,899)
- other effects	26,256	(20,790)
Total	**488,712**	**1,556,634**

25 Income tax (continued)

(c) Deferred taxes in respect of subsidiaries and associates

The Group has not recognised deferred tax asset of RUB 1,393,109 as at 31 December 2019 (31 December 2018: deferred tax asset of RUB 1,185,226) 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.

25 Income tax (continued)

(d) Deferred taxes analysed by type of temporary difference

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

In thousands of Russian roubles	31 December 2019	Deferred tax credited/ (charged) to profit or loss	Deferred tax credited/ (charged) to other comprehensive income	31 December 2018	Deferred tax credited/ (charged) to profit or loss	Deferred tax credited/ (charged) to other comprehensive income	31 December 2017
Property, plant and equipment	(444,198)	(149,684)	–	(294,514)	(35,426)	–	(259,088)
Investments in associates	7,123	(17,300)	–	24,423	5,964	–	18,459
Inventory	54,099	55,073	–	(974)	(2,442)	–	1,468
Receivables	369,074	66,706	–	302,368	(160,035)	–	462,403
Reserves	14,495	8,792	–	5,703	(22,963)	–	28,666
Post-employment defined benefit program obligations	12,930	473	2,095	10,362	(1,642)	(765)	12,769
Loss carried forward	–	(240)	–	240	(92,071)	–	92,311
Payables	4,787	(17,564)	–	22,350	22,430	–	(80)
Recognised deferred tax asset	**340,380**	**72,723**	**2,095**	**265,562**	**(224,958)**	**(765)**	**491,285**
Recognised deferred tax liability	(322,070)	(126,466)	–	(195,604)	(61,227)	–	(134,377)
Net deferred tax asset	**18,310**	**(53,743)**	**2,095**	**69,958**	**(286,185)**	**(765)**	**356,908**

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.

Temporary differences of property, plant and equipment are temporary differences arising from different useful lives and adjustments to the fair value of property, plant and equipment due to transitioning to IFRS. Temporary differences in trade receivables are mainly temporary differences associated with the difference in the moment the recognition of expenses for credit losses on receivables.

26 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	2019	2018
Profit for the year attributable to shareholders		(173,497)	2,948,378
Weighted average number of shares in issue	17	7,029,879	7,029,879
Basic and diluted earnings per share (expressed in RUB per share)		**(24.68)**	**419.41**

27 Provisions and other liabilities

In thousands of Russian roubles	Year ended 31 December 2019	Year ended 31 December 2018
Provision for the legal claim	515,260	–
Other	104,267	90,012
Total	**619,527**	**90,012**

28 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 (Note 27).

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.

28 Contingencies and commitments (continued)

Capital expenditure commitments. At 31 December 2019 the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling RUB 349,596 (31 December 2018: RUB 1,264,563). The decrease of capital commitments relates to execution of main part of modernization project of Group's subsidiary PJSC NKHP.

The Group has allocated necessary resources to cover these liabilities. Management of the Group is certain, that the level of profit in the future, as well as level of financing will be sufficient to cover these and similar obligations.

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

Environmental matters. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. 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.

29 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 2019	**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%	481,308,	(3,144,402)	227,168
OJSC Buturlinovskiy Melcombinat	Russia	49%	49%	40,129	(222,848)	112
LLC Agrostandart	Russia	49%	49%	(1,848)	2,105	–
OJSC Ardatovskoe HPP	Russia	1 share	1 share	–	–	–
OJSC Atyashevskoe HPP	Russia	1 share	1 share	–	–	–
JSC Elevator	Russia	17.51%	17.51%	(8,597)	(2,090)	–
OJSC Grachevskiy elevator	Russia	49%	49%	500	(23,412)	–
OJSC Obrochinskoe HPP	Russia	1 share	1 share	–	–	–
OJSC Orskiy elevator	Russia	1%	1%	(21)	435	–
OJSC Pallasovskiy elevator	Russia	49%	49%	(283,018)	232,837	–
OJSC Portovyi elevator	Russia	49%	49%	13,854	(48,616)	23,407
OJSC Reservhleb	Russia	1 share	1 share	–	–	–
OJSC Surovikinsky elevator	Russia	49%	49%	(15,680)	(16,347)	–
Total				**226,627**	**(3,222,338)**	**250,687**

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

28 Non-controlling interest (continued)

The summarised financial information of these subsidiaries was as follows:

Period ended 31 December 2019	**Current assets**	**Non-current assets**	**Current labilities**	**Non-current labilities**	**Revenue**	**Profit/(loss)**	**Total comprehensive income/(loss)**
PJSC NKHP	5,912,226	8,628,308	(4,915,237)	(3,249,652)	18,543,942	981,921	**973,539**
OJSC Buturlinovskiy Melcombinat	441,166	283,902	(231,532)	(34,527)	2,117,916	81,898	**81,898**
LLC Agrostandart	735	8,455	(12,802)	(674)	1,249	(3,771)	**(3,771)**
OJSC Ardatovskoe HPP	8,221	6,049	(2,548)	(621)	10,282	(3,842)	**(3,842)**
OJSC Atyashevskoe HPP	10,493	8,047	(834)	(1,057)	7,203	5,417	**5,417**
JSC Elevator	9,609	59,512	(38,409)	(18,747)	26,654	(49,098)	**(49,098)**
OJSC Grachevskiy elevator	31,648	40,933	(6,786)	(1,378)	47,416	1,020	**1,020**
OJSC Obrochinskoe HPP	8,026	6,925	(860)	−	4,945	(15,643)	**(15,643)**
OJSC Orskiy elevator	1,627	11,050	(55,344)	(811)	25,175	(2,100)	**(2,100)**
OJSC Pallasovskiy elevator	25,111	31,915	(532,181)	−	12,429	(577,588)	**(577,588)**
OJSC Portovyi elevator	87,401	20,956	(9,075)	−	99,551	28,273	**28,273**
OJSC Reservhleb	24,830	201,773	(7,455)	(28,938)	64,877	(5,099)	**(5,099)**
OJSC Surovikinsky elevator	25,661	88,568	(80,848)	−	113,889	(32,002)	**(32,002)**
Total	**6,586,813**	**9,396,393**	**(5,893,911)**	**(3,336,405)**	**21,075,528**	**409,386**	**401,004**

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

30 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.

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

Master scale credit risk grade	Corresponding internal ratings	Corresponding ratings of external international rating agencies	Corresponding PD interval
Excellent	1 to 6	AAA to BB+	0.01%-0.5%
Good	7 to 14	BB+ to B+	0.51%-3%
Satisfactory	15 to 21	B, B-	3%-10%
Special monitoring	22 to 25	CCC+ to CC-	10%-99.9%
Default	26 to 30	C, D-I, D-II	100%

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

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

30 Financial risk management (continued)

The table below presents an analysis of cash and deposits for credit quality as of December 31, 2019:

In thousands of Russian roubles	**Balances with banks on demand accounts**	**Deposits with initial period of repayment of less than three months**	**Deposits with initial period of repayment of more than three months**	**Total**
- Excellent level	1,053,476	1,241,564	–	**2,295,040**
- Good level	–	4,524,790	64,500	**4,589,290**
Total cash, cash equivalents and deposits as at 31 December	**1,053,476**	**5,766,354**	**64,500**	**6,884,330**

The table below presents an analysis of cash and deposits for credit quality as of 31 December 2018:

In thousands of Russian roubles	**Balances with banks on demand accounts**	**Deposits with initial period of repayment of less than three months**	**Deposits with initial period of repayment of more than three months**	**Total**
- Excellent level	160,262	2,505,232	–	**2,665,494**
- Good level	615,448	3,773,861	75,000	**4,464,309**
Total cash, cash equivalents and deposits as at 31 December	**775,710**	**6,279,093**	**75,000**	**7,129,803**

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

Expected credit losses are modelled over instrument’s *lifetime period.* The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

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

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

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

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

30 Financial risk management (continued)

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

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

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 2019			
Russian roubles	7,411,050	(13,143,383)	(5,732,333)
US dollars	4,762,966	(399,167)	4,363,799
Euros	30,646	(20,169)	10,477
CHF	3,305	(1,393)	1,912
Total	**12,207,967**	**(13,564,112)**	**(1,356,145)**
31 December 2018			
Russian roubles	6,966,558	(8,013,729)	(1,047,171)
US dollars	1,859,131	(6,233)	1,852,898
Euros	1,640	–	1,640
CHF	16,255	(1,345)	14,910
Total	**8,843,584**	**(8,021,307)**	**822,277**

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 2019	**31 December 2018**
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	872,760	370,580
US dollar weakening	(872,760)	(370,580)
Euros strengthening	2,095	328
Euros weakening	(2,095)	(328)
CHF strengthening	382	2,982
CHF weakening	(382)	(2,982)

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 an insignificant share of external borrowings bears a floating rate (Note 18).

30 Financial risk management (continued)

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 16).

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.

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 13, 15 and 16. 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 analysis of financial liabilities by their remaining contractual maturity as at 31 December 2019 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**	**Total**
Liabilities					
Bank loans (Note 18)	1,064,237	1,358,774	6,887,172	3,241,142	**12,551,325**
Trade payables (Note 19)	469,393	–	–	–	**469,393**
Dividend payables (Note 19)	484,415	–	–	–	**484,415**
Settlements for operations with grain of State Grain Intervention Fund (Note 19)	430,293	–	–	–	**430,293**
Other financial payables (Note 19)	220,469	122	41,173	–	**261,764**
Total future payments, including future principal and interest payments	**2,668,807**	**1,358,896**	**6,928,345**	**3,241,142**	**14,197,190**

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

In thousands of Russian roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Total**
Liabilities					
Bank loans (Note 18)	141,865	1,417,842	2,143,010	3,690,735	**7,393,452**
Trade payables (Note 19)	755,004	15,105	2,455	–	**772,564**
Dividend payables (Note 19)	276,155	–	–	–	**276,155**
Settlements for operations with grain of State Grain Intervention Fund (Note 19)	2,080,263	–	–	–	**2,080,263**
Other financial payables (Note 19)	276,018	28,272	5,599	–	**309,889**
Total future payments, including future principal and interest payments	**3,529,305**	**1,461,219**	**2,151,064**	**3,690,735**	**10,832,323**

31 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 2019 was RUB 14,127,304 (31 December 2018: RUB 15,779,265). Capital consists of share capital, share premium and retained earnings.

The Group complied with all externally imposed capital requirements throughout 2019 and 2018.

32 Fair value of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Management uses judgement in assigning financial instruments to a particular level.

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

In accordance with IFRS 9, *Financial Instruments* the Group allocates its financial assets to accounting category financial assets measured at amortized cost. They include accounts receivable – Level 3 (Note 13), other investments – Level 3 (Note 15), deposits – Level 2 (Note 15), cash – Level 2 (Note 16).

In accordance with IFRS 9, *Financial Instruments* the Group allocates its financial liabilities to accounting category financial liabilities measured at amortized cost. They include trade and other payables – Level 3 (Note 19), borrowings – Level 2 (Note 18).

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

Financial liabilities carried at amortised cost. The fair value of liabilities is determined using estimation model. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

33 State Grain Intervention fund

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

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Sales	10,515,637	7,926,707
Cost of sales	(9,698,286)	(6,810,183)
Income tax charge	(163,470)	(223,305)
Results of operations attributable to Ministry of Agriculture of the Russian Federation	**653,881**	**893,219**
Agency fee for services related to operations with State Grain Interventions Fund (Note 21)	**361,155**	**452,227**

As of 31 December 2019 and 2018 The Group did not recognize loan obligations for the purchase of grain for the State Grain Intervention Fund in the amount of RUB 19,106,699 and RUB 29,143,628, respectively, including accrued interest, as the Group believes that it acts as a transit mechanism in relation to these loans.

33 State Grain Intervention fund (continued)

As of 31 December 2019 and 2018 the collateral value of grain purchased for the State Grain Intervention Fund, excluding VAT, amounted to RUB 18,574,372 and RUB 28,393,860, respectively. The Group does not recognize this grain on the balance sheet, as it believes that it does not have control over it.

As of 31 December 2019 and 2018 the amount of cash received in the course of operations with grain of the State Grain Intervention Fund is disclosed in Note 16. The amount of the obligation to transfer income from operations with grain of the State Grain Intervention Fund as of 31 December 2019 and 2018 disclosed in Note 19.

The Ministry of Agriculture, within the framework of the subsidy agreement, reimburses the Group for insurance and storage expenses for grain purchased for the State Grain Intervention Fund, as well as reimburses the Group for interest on loan agreements that were concluded for the purchase of grain for the State Grain Intervention Fund. The Group reflects these expenses and subsidies received in the consolidated financial statements. The settlement movement with the Ministry of Agriculture for these subsidies for 2019 and 2018 is presented below:

In thousands of Russian roubles	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Receivables/(payables) from Ministry of Agriculture of the Russian Federation, as at 1 January	**–**	**3,563**
Storage of trade interventions of grain	1,846,769	3,168,569
Interest expenses on loans for trade interventions of grain	2,601,817	4,171,633
Insurance of grain for trade interventions	195,996	314,353
Reimbursement of storage expenses on grain for trade interventions	(1,846,769)	(3,172,132)
Reimbursement of expenses on loans for trade interventions of grain	(2,601,817)	(4,171,633)
Reimbursement of insurance expenses on grain for trade interventions	(195,996)	(314,353)
Receivables from Ministry of Agriculture of the Russian Federation, as at 31 December	**–**	**–**

34 Subsequent events for the Group

By the ruling of the Volgograd Region Arbitration Court of 30 January 2020, a monitoring procedure concerning the Group’s subsidiary Pallasovskiy Elevator OJSC was introduced under Federal Law of 26 October 2002, No. 127-FZ on Insolvency (Bankruptcy).

In connection with the recent rapid development of the coronavirus pandemic (COVID-19), many countries, including the Russian Federation, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries. The Group assesses the pandemic as a non-adjusting event after the reporting period, the quantitative effect of which is impossible to estimate at the moment is uncertain.

Since March 2020, significant volatility has been observed in the stock, currency and commodity markets, including a drop in oil prices and a depreciation of the ruble against the US dollar and the euro. The management of the Group is currently analyzing the possible impact of changing micro and macroeconomic economic conditions on the financial position and performance of the Group.