Avangard-Agro, Joint-Stock Company

Consolidated Financial Statements for 2021
and Independent Auditors' Report

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Independent Auditors' Report

To the Shareholders and Board of Directors of Avangard-Agro JSC

Opinion

We have audited the consolidated financial statements of Avangard-Agro JSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all materials respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of fair value of land plots

Please refer to Note 9 in the consolidated financial statements.

Key audit matter	Audit procedures regarding the key audit matter
As at 31 December 2021, Group had land plots amounting to RUB 30,832 million. The Group measures land plots at fair value. Due to the high volatility of prices in the land market, the fair value was determined by the Group's Management based on the value in use determined on the basis of discounted cash flow model. This issue is a key audit matter, since the calculation of the value of land plots involves a high degree of subjectivity and requires professional judgment in making reasonable assumptions. Fair value can vary significantly due to changes in the estimates used in the model. In particular, the fair value is sensitive to changes in key assumptions such as EBITDA and discount rates.	We assessed whether the methodology of fair value measurement complies with the international standards. We performed the following audit procedures in relation to the fair value measurement performed by the Group's management: — Testing of the input data which is used as basis for calculation of fair value, as well as the collection used by the Group at preparation of the discounted cash flow model. — We involved our Valuation Specialists and analysed the reasonableness of the assumptions used by the Group in the discounted flow model based on historical data and, where applicable, based on data from independent sources, determining whether these assumptions are within an acceptable range of values calculated independently. — We analysed the assessment models for mathematical accuracy, and also reviewed the mathematical accuracy of the calculations of sensitivity indicators. — Moreover, we have evaluated reasonableness of the Group's disclosures in this area, including sensitivity analysis of assumptions used in the model.

<table>
<tr><th colspan="2">Measurement of fair value of biological assets</th></tr>
<tr><td colspan="2">Please refer to Note 13 in the consolidated financial statements.</td></tr>
<tr><th>Key audit matter</th><th>Audit procedures regarding the key audit matter</th></tr>
<tr><td>As at 31 December 2021, the Group had current biological assets amounting to RUB 2,968 million recognised at fair value.

Fair value is measured on the basis of discounted cash flow model and can vary significantly depending on changes in the model of estimates.

Therefore, it is considered as a key audit matter.</td><td>— Our audit procedures in this area included testing of input data which is used as basis for calculation of fair value, as well as the collection process of data used by the Group at preparation of the discounted cash flow model.
— We have compared the assumptions used by the Group in the model of discounted cash flows with the available external data, as well as with checked historical data.
— We have also recalculated the discount rate considering risks inherent to these biological assets.
— We have compared crop acres used in the model of fair value measurement of biological assets with the crop plans approved by the management.
— Moreover, we have evaluated reasonableness of the Group's disclosures in this area, including sensitivity analysis of assumptions used in the model.</td></tr>
</table>

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' 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 auditors' 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

N.S. Samoylova

Principal registration number of the entry in the Register of Auditors and Audit Organisations No. 21906104332, acts on behalf of the audit organisation based on the power of attorney No. 115/21 dated 25 May 2021

KPMG JSC

Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.

Moscow, Russia

26 April 2022

RUB mln	Note	31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	9	43,789	41,286
Biological assets	13	112	126
Deferred tax assets		7	15
Other non-current assets	11	1,346	12
Non-current assets		**45,254**	**41,439**
Inventories	12	18,760	13,261
Biological assets	13	2,968	3,168
Trade and other receivables	14	5,611	3,132
Financial assets	10	9,320	17,748
Cash and cash equivalents	15	365	896
Current assets		**37,024**	**38,205**
Total assets		**82,278**	**79,644**
EQUITY AND RESERVES			
Share capital	16	7	7
Property, plant and equipment revaluation surplus		22,284	20,748
Retained earnings		37,302	31,750
Equity attributable to owners of the Company		**59,593**	**52,505**
Total equity and reserves		**59,593**	**52,505**
LIABILITIES			
Loans and borrowings	18	6,009	8,398
Product supply liabilities under land leases		297	356
Other long-term liabilities		2	-
Long-term liabilities		**6,308**	**8,754**
Bonds	18	5,470	4,133
Loans and borrowings	18	9,273	13,436
Trade and other payables	19	1,511	753
Other short-term liabilities	6(b)	123	63
Short-term liabilities		**16,377**	**18,385**
Total liabilities		**22,685**	**27,139**
Total equity and liabilities		**82,278**	**79,644**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 56.

RUB mln	Note	2021	2020
Revenue	4	27,761	23,146
Cost of sales		(22,354)	(20,041)
Revaluation of biological assets	13	11,311	9,826
Gross profit		**16,718**	**12,931**
Distribution expenses		(957)	(267)
Administrative expenses	5	(922)	(948)
Other income/(expenses), net		130	123
Results from operating activities		**14,969**	**11,839**
Finance income	6	768	1,800
Finance costs	6	(1,954)	(1,757)
Net finance income/(costs)		**(1,186)**	**43**
Profit before tax		**13,783**	**11,882**
Income tax expense		(21)	(8)
Profit for the year		**13,762**	**11,874**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Revaluation of property, plant and equipment	9	1 ,536	11,749
Other comprehensive income for the year		**1,536**	**11,749**
Total comprehensive income for the year		**15,298**	**23,623**
Profit attributable to:			
Owners of the Company		13,762	11,874
Profit for the year		**13,762**	**11,874**
Total comprehensive income attributable to:			
Owners of the Company		15,298	23,623
Total comprehensive income for the year		**15,298**	**23,623**

These consolidated financial statements were approved by management on 26 April 2022 and were signed on its behalf by:

General Director of Avangard-Agro JSC

A.N. Kirkin

Financial Director of Avangard-Agro JSC

T.A. Korolyova

АКЦИОНЕРНОЕ ОБЩЕСТВО «АВАНГАРД-АГРО» ОРЛОВСКАЯ ОБЛАСТЬ ОГРН 1045736000089

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 56.

RUB mln	Note	Share capital	Retained earnings	Property, plant and equipment revaluation surplus	Total equity and reserves
Balance at 1 January 2020		**7**	**20,126**	**8,999**	**29,132**
Profit for the year		-	11,874	-	**11,874**
Other comprehensive income					
Increase in revaluation value		-	-	11,753	**11,753**
Decrease in value upon disposal of assets		-	-	(4)	**(4)**
Total other comprehensive income		-	-	**11,749**	**11,749**
Total comprehensive income for the year		**-**	**11,874**	**11,749**	**23,623**
Transactions with shareholders of the Company					
Distributions to shareholders	16(c)	**-**	(250)	-	(250)
Total transactions with shareholders of the Company		-	**(250)**	**-**	**(250)**
Balance at 31 December 2020		**7**	**31,750**	**20,748**	**52,505**
Balance at 1 January 2021		**7**	**31,750**	**20,748**	**52,505**
Profit for the year			13,762	-	**13,762**
Other comprehensive income					
Revaluation surplus	9(a)	-	-	1,590	1,590
Decrease in value upon disposal of assets		-	-	(54)	(54)
Total other comprehensive income		**-**	**-**	**1,536**	**1,536**
Total comprehensive income for the year		**-**	**13,762**	**1,536**	**15,298**
Transactions with shareholders of the Company			**-**	**-**	-
Distributions to shareholders	16(c)	-	(8,210)	-	(8,210)
Total transactions with shareholders of the Company		**-**	**(8,210)**	**-**	**(8,210)**
Balance at 31 December 2021		**7**	**37,302**	**22,284**	**59,593**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 56.

RUB mln	Note	2021	2020
Cash flows from operating activities			
Profit for the year		13,762	11,874
Adjustments			
Depreciation and amortisation	9	1,574	1,579
Government grants	6(a)	(336)	(376)
Foreign exchange (gain)/loss	6	46	(39)
Interest income and income on forward contracts	6	(391)	(1,385)
Interest expenses and expenses on forward contracts	6	1,908	1,674
Accrual/(reversal) of allowance for financial assets impairment	6	(41)	20
Net gain on revaluation of biological assets and agricultural products	13	(2,815)	(1,114)
(Reversal)/accrual of allowance for reduction of inventory net realisable value	12	(54)	(649)
Write-off of accounts receivable		9	(10)
Receipt of non-cash revenue	4	-	(357)
Loss/(gain) on disposal of property, plant and equipment		(58)	(24)
Loss on disposal of other assets		-	2
Other non-cash transactions		6	(81)
Income tax expense		21	8
Cash flows from operating activities excluding changes in working capital		**13,631**	**11,120**
Change in inventories		(2,587)	(1,144)
Change in biological assets		172	20
Change in trade and other receivables		(2,447)	(1,358)
Change in trade and other payables		697	(188)
Cash flows from operating activities before income tax		**9,466**	**8,450**
Income tax paid		-	-
Net cash flow from operating activities		**9,466**	**8,450**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 56.

RUB mln	Note	2021	2020
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,586)	(1,359)
Promissory notes paid/(received)		8,890	(9,685)
Acquisition of other financial assets		(112)	-
Addition of other non-current assets	11	(1,332)	-
Proceeds from sale of PPE		135	63
Cash proceeds/(payments) on currency forward contracts		(423)	682
Net cash flows from/(used in) investing activities		**4,572**	**(10,299)**
Cash flows from financing activities			
Government grants compensating interest expense	6	336	376
Interest paid		(1,266)	(1,622)
Proceeds from borrowings		12,884	18,503
Placement of previously bought back bonds		1,316	123
Repayment of borrowings		(19,548)	(14,689)
Lease payments		(81)	(21)
Distributions to shareholders		(8,210)	(251)
Net cash flows (used in)/from financing activities		**(14,569)**	**2,419**
Net (decrease)/increase in cash and cash equivalents		**(531)**	**570**
Cash and cash equivalents at the beginning of the reporting year	15	896	326
Cash and cash equivalents at the end of the reporting year	15	**365**	**896**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 56.

1 Reporting entity

(a) Organisation and operations

Avangard-Agro Joint-Stock Company (the “Company”) and its subsidiaries (the “Group”) comprise Russian open joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation and companies located abroad.

The Company's registered office is 18, Ulitsa 8 Marta, Urban-Type Settlement of Zmievka, Orel Region, 303320, the Russian Federation.

The ultimate beneficiary of the Group is K.V. Minovalov.

The Group’s principal activities are production, processing and sale of agricultural produce. The Group carries out its activities in Voronezh, Kursk, Orel, Belgorod, Lipetsk and Tula regions. The Group’s products are sold in the Russian Federation and abroad.

In 2021, Avangard-Agro Joint-Stock Company has been rated BBB(RU) by the Analytical Credit Rating Agency (ACRA (JSC)) based on the results of 2020.

The subsidiaries of the Group are:

		Ownership and voting rights	
Subsidiary	**Country of registration**	**31 December 2021**	**31 December 2020**
Avangard-Agro-Voronezh LLC	Russia	100%	100%
Avangard-Agro-Orel LLC	Russia	100%	100%
Avangard-Agro-Kursk LLC	Russia	100%	100%
Avangard-Agro-Belgorod LLC	Russia	100%	100%
Avangard-Agro-Lipetsk LLC	Russia	100%	100%
Avangard-Agro-Trade LLC	Russia	100%	100%
Avangard-Agro-Tula LLC	Russia	100%	100%
Avangard Agro Trade AG	Switzerland	100%	100%

(b) Business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute, together with other legal and fiscal impediments, to the challenges faced by entities operating in the Russian Federation.

Starting from 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

In February 2022, after the self-proclaimed Donetsk and Lugansk People’s Republics have been recognised and Russia’s special military operation in Ukraine has been declared and commenced, the USA, the EU and some other countries introduced additional sanctions against Russia. Moreover, it is highly likely that further sanctions will be imposed. This could have a material negative impact on the Russian economy. The above events and circumstances have already resulted in Rouble depreciation, increased volatility in financial markets, and have also significantly raised the level of economic uncertainty of the Russian business environment.

The pandemic coronavirus infection has also increased the uncertainty of the business environment. The consolidated financial statements reflect management's assessment of the impact of the business environment in the Russian Federation on the operations and the financial position of the Group. The actual impact of the future business environment may differ from management’s assessment.

2 Basis of accounting

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(b) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“rouble” or “RUB”), which is the functional currency of the Company and all its subsidiaries and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million, except when otherwise indicated.

(c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most critical judgment formed by management in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements concerns the recognition of government grants based on actual amounts received rather than using an accrual basis; this choice is preconditioned by irregular payment of such grants by the state authorities.

Critical accounting judgments applied by management in the course of preparing these consolidated financial statements are included in the following notes:

- Note 27(e)(iv) – useful life of property, plant and equipment.
- Note 9(a) – revaluation of land plots.
- Note 13 – evaluation of agricultural produce.
- Note 13 – revaluation of biological assets.

(d) Fair value measurement

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 9(a) – land plots.
- Note 13 – biological assets.
- Note 20(e) – fair value of financial instruments.

3 Changes in significant accounting policies

The Group has consistently applied the accounting policies set out in Note 27 to all the periods presented in these consolidated financial statements.

4 Revenue

	Russia		Export		Total	
RUB mln	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Agricultural produce	**6,654**	**9,541**	**5,891**	**4,688**	**12,544**	**14,229**
Wheat	1,588	4,128	4,487	3,154	6,075	7,282
Sunflower	3,515	3,682	-	895	3,515	4,577
Corn	727	916	1,404	639	2,131	1,555
Sugar beet	410	389	-	-	410	389
Barley	113	164	-	-	113	164
Other	301	262	-	-	301	262
Processed agricultural produce	**7,940**	**6,907**	**7,276**	**2,010**	**15,217**	**8,917**
Malt	6,931	6,613	7,276	2,010	14,207	8,623
Sugar	861	156	-	-	861	156
Milk	148	139	-	-	149	139
Total	**14,594**	**16,448**	**13,167**	**6,698**	**27,761**	**23,147**

The Group identifies two operating segments:

Agricultural production includes production and sale of agricultural produce, as well as sale of other processed agricultural produce, such as sugar and milk, in the Russian Federation and abroad.

Malt production includes production and sale of barley and wheat malt in the Russian Federation and abroad. Detailed information is provided in Note 29.

5 Administrative expenses

RUB mln	**2021**	**2020**
Wages and salaries	382	469
Software	101	31
Other taxes and duties	82	75
Depreciation of property, plant and equipment	61	62
Legal, advisory and audit services	33	22
Other administrative expenses	263	289
	922	**948**

6 Finance income and finance costs

RUB mln	2021	2020
Government grants (refer to Note 6(a))	336	376
Interest income	391	274
Reversal of allowance for financial assets impairment (refer to Note 10)	41	-
Foreign exchange gain	-	39
Net change in fair value of currency forward contracts measured at fair value through profit or loss (refer to Note 6(b))	-	1,111
Finance income	**768**	**1,800**
Interest expense	(1,398)	(1,645)
Interest expenses for lease of land plots (refer to Note 21)	(27)	(29)
Allowance for financial assets impairment (refer to Note 10)	-	(20)
Net change in fair value of currency forward contracts measured at fair value through profit or loss (refer to Note 6(b))	(483)	-
Foreign exchange loss	(46)	-
Other		(63)
Finance costs	**(1,954)**	**(1,757)**
Net finance (costs)/ income	**(1,186)**	**43**

(a) Government grants

Government grants represent a compensation by state authorities for interest expenses on the Group's bank loans. All of these grants were received in cash.

Also, in 2021, the Group received government grants to partially compensate for insurance premiums paid under crop insurance contracts, unrelated support, elite seed production and livestock totalling RUB 526 million recognised in the cost of sales (2020: RUB 373 million). Out of them, government grants in the amount of RUB 119 million were received in cash.

(b) Currency forward contracts

During 2021, the Group entered into several currency forward contracts with a related party. As at 31 December 2021, the Group has opened forward contracts for purchase of USD 94,930 thousand at the average exchange rate of RUB/USD 77.89 and EUR 19,750 thousand at the average exchange rate of RUB/EUR 93.04 (as at 31 December 2020, forward contracts for purchase of USD 89,130 thousand at the average exchange rate of RUB/USD 77.95 and EUR 26,950 thousand at the average exchange rate of RUB/EUR 87.91). The fair value of currency forward contracts was recognised in other financial assets and other short-term liabilities and amounted to RUB 271 million and RUB 123 million respectively (2020: RUB 281 million and RUB 63 million, respectively).

7 Employee benefits expenses

RUB mln	**2021**	**2020**
Production personnel wages and salaries including mandatory contributions to extra-budgetary funds	2,523	2,304
Administrative personnel wages and salaries including mandatory contributions to extra-budgetary funds	382	469
Distribution personnel wages and salaries including mandatory contributions to extra-budgetary funds	74	68
	2,979	**2,841**

The Group's average number of employees during the years ended 31 December 2021 and 2020 was 4,370 employees and 4,966 employees, respectively.

8 Income tax expense

In accordance with Russian legislation, the income tax rate for agricultural companies is 0%. The income tax rate for companies taxable at the standard rate is 20%.

9 Property, plant and equipment

RUB mln	Land	Lease right-of-use assets	Buildings and constructions	Machinery and equipment, vehicles	Other property, plant and equipment	Under construction	Total
Historical cost							
Balance at 1 January 2020	**16,868**	**514**	**8,862**	**13,759**	**62**	**368**	**40,433**
Additions	216	109	277	496	9	335	**1,442**
Disposals	(2)	(32)		(73)	-	-	(107)
Transfers	3	-	207	44	1	(255)	-
Revaluation	11,749	-	-	-	-	-	11,749
Balance at 31 December 2020	**28,834**	**591**	**9,346**	**14,226**	**72**	**448**	**53,517**
Additions	461	68	923	995	12	195	**2,654**
Disposals	(61)	(64)	(21)	(310)	-	-	(456)
Transfers	8	-	1	307	1	(317)	-
Revaluation	1,590	-	-	-	-	-	1,590
Balance at 31 December 2021	**30,832**	**595**	**10,249**	**15,218**	**85**	**326**	**57,305**
Depreciation and amortisation							
Balance at 1 January 2020	**-**	**(50)**	**(1,720)**	**(8,915)**	**(36)**	**-**	**(10,721)**
Depreciation for the year	-	(50)	(380)	(1,143)	(6)	-	(1,579)
Disposals	-	5	-	64	-	-	69
Balance at 31 December 2020	**-**	**(95)**	**(2,100)**	**(9,994)**	**(42)**	**-**	**(12,231)**
Depreciation for the year	-	(55)	(407)	(1,105)	(7)	-	(1,574)
Disposals	-	28	10	251	-	-	289
Balance at 31 December 2021	**-**	**(122)**	**(2,497)**	**(10,848)**	**(49)**	**-**	**(13,516)**
Carrying amount							
At 1 January 2020	**16,868**	**464**	**7,142**	**4,844**	**26**	**368**	**29,712**
At 31 December 2020	**28,834**	**496**	**7,246**	**4,232**	**30**	**448**	**41,286**
At 31 December 2021	**30,832**	**473**	**7,752**	**4,370**	**36**	**326**	**43,789**

In 2021, depreciation charge of RUB 1,508 million was included in the cost of sales (in 2020: RUB 1,517 million).

At 31 December 2021, there are no outstanding land acquisitions within property, plant and equipment under construction (as at 31 December 2020: RUB 3 million).

(a) Land plots

In 2021, the Group's management reassessed land as at 31 December 2021 using a discounted cash flow model in accordance with the Group's accounting policy.

The estimated fair value of land plots refers to Level 3 of the fair value hierarchy: input data for assets and liabilities that are not based on observable market data (unobservable inputs).

The following key assumptions were used in performing the cash flow testing:

- Cash flows were projected based on past experience, actual operating results and the Group’s six-year business plan.
- According to this business plan in 2022 and subsequent years, total production was projected at years 2019-2021.
- Based on economic environment at the reporting date, the Group's EBITDA margin in 2022-2026 is projected to be in the range of 36%-44% and the Group's EBITDA margin in the terminal period is projected to be 29%. In the 2020 models, the projected margin was set at 32.4% for all periods.
- A rate of 13.52% to 15.47% was used for discounting purposes in the 2021 models (2020 – 12.9%)
- A terminal value was derived at the end of a 6-year interim period. The terminal rate of 3.1% was used in calculating the terminal value in 2021 and 2020.

The calculated discounted value represents the market value of land and exceeds the value at the previous reporting date by RUB 1,590 million. (2020: RUB 11,874 million). The cost of land depending on the region in 2021 was from RUB 63 to 100 thousand per 1 hectare. (2020: from RUB 56 to 87 thousand).

Management identified two key assumptions, the change of which is reasonably possible and may lead to a significant change in the fair value of the land plots owned:

— An increase in the discount rate applied by 3 percentage points (to 18.47%) would have resulted in a 24% decrease in the total value of land plots to RUB 7,432 million.

— A 3 percentage point decrease in target EBITDA margin would have resulted in a 18% decrease in the total value of land plots to RUB 5,528 million.

(b) Securities

At 31 December 2021, items of property, plant and equipment with the carrying amount of RUB 7,749 million (31 December 2020: RUB 8,414 million) were pledged to secure bank loans (refer to Note 18).

10 Financial assets

RUB mln	31 December 2021	31 December 2020
Current		
Promissory notes acquired from related parties	8,937	17,467
Currency forward contracts	271	281
Third-party bonds	112	-
	9,320	**17,748**

Promissory notes acquired from related parties are RUB-denominated, with a rate of 0-9.25%. As at 31 December 2021, the estimated allowance for impairment losses on promissory notes received amounted to RUB 34 million. (as at 31 December 2020: RUB 75 million).

Information about the Group’s exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 20.

11 Other non-current assets

Other non-current assets as at 31 December 2021 include advances issued for the purchase of two buildings in the centre of Moscow for a total amount of RUB 1,332 million. A decision was taken after the reporting date to terminate the contracts and refund the cash in full.

12 Inventories

RUB mln	31 December 2021	31 December 2020
Agricultural produce	14,354	9,003
Processed agricultural produce	936	1,723
Fallow land and spring crop costs	2,395	1,614
Raw materials and consumables	1,075	921
	18,760	**13,261**

In 2021, raw materials, consumables recognised within the cost of production amounted to RUB 6,137 (2020: RUB 5,004 million).

In 2021, the amount received from the use of the allowance for markdown of inventories to net realisable value resulted in a decrease in the cost of sales and amounted to RUB 54 million (in 2020: RUB 649 million).

Inventories with the carrying amount of RUB 10,305 million as at 31 December 2021 (as at 31 December 2020: RUB 7,405 million) were pledged to secure bank loans (refer to Note 18).

As at 31 December 2021, fallow land and spring crop land plots amounted to 283,845 ha (as at 31 December 2020: 266,247 ha).

At the reporting dates the agricultural produce comprised the following:

	31 December 2021		31 December 2020	
	RUB mln	**Tonnes**	**RUB mln**	**Tonnes**
Wheat	4,566	310,640	3,470	273,616
Barley	4,038	247,528	3,539	293,461
Sunflower	4,447	123,585	1,015	41,086
Corn	1,301	95,834	978	85,585
Other	2	1,808	1	1,396
	14,354	**779,395**	**9,003**	**695,144**

At the reporting dates the processed agricultural produce comprised the following:

	31 December 2021		31 December 2020	
	RUB mln	**Tonnes**	**RUB mln**	**Tonnes**
Sugar	-	-	533	22,384
Malt	936	37,754	1,190	62,771
	936	**37,754**	**1,723**	**85,155**

13 Biological assets

As at 31 December 2021, biological assets classified as non-current assets comprised oxen and milk cows of 2,939 heads and had a fair value of RUB 112 million (31 December 2020: 2,651 heads, fair value of RUB 126 million).

As at 31 December 2021, biological assets classified as current assets comprised winter wheat and had a fair value of RUB 2,968 million; the land area was 101,584 ha (31 December 2020: RUB 3,168 million, area of 133,225 ha).

(a) Movements in biological assets classified as non-current assets

RUB mln	**Heads**	**Fair value RUB mln**
Fair value less costs of sale as at 1 January 2020	**3,018**	**170**
Natural increase	1,216	46
Increase due to asset acquisition	31	-
Decrease due to distemper	(235)	(10)
Decrease due to disposal of assets	(1,379)	(67)
Net change in fair value	-	(13)
Fair value less costs to sell at 31 December 2020	**2,651**	**126**
Natural increase	1,299	51
Increase due to asset acquisition	141	-
Decrease due to distemper	(172)	(7)

RUB mln	Heads	Fair value RUB mln
Decrease due to disposal of assets	(980)	(42)
Net change in fair value	-	(16)
Fair value less costs to sell at 31 December 2021	**2,939**	**112**

(b) Movements in biological assets classified as current assets

The following represents the changes in current value of biological assets classified as current assets during the years, ended 31 December 2021 and 2020:

	2021	2020
At the beginning of the year	**3,168**	**2,472**
Increase due to growth costs	10,273	10,008
Net change in fair value less estimated costs to sell	11,327	9,840
Decrease due to harvest	(21,800)	(19,152)
At the end of the year	**2,968**	**3,168**

As at 31 December 2021, an unrealised part of revaluation of current biological assets and finished goods amounted to RUB 8,097 million (31 December 2020: RUB 5,265 million).

(c) Fair value

The estimated fair value of biological assets refers to Level 3 of the fair value hierarchy: input data for assets and liabilities that are not based on observable market data (unobservable inputs).

Biological assets classified as non-current assets

Fair value of oxen and milk cows was calculated on the basis of simplified DCF model. Calculation of expected milk yield, milk and meat prices was based on actual data of companies for 2021. Calculated income and costs were discounted to the date of determining fair value depending on the period that they are originated. Discount rate as at 31 December 2021 was 8.5%.

Biological assets classified as current assets

The fair value of biological assets as at 31 December 2021 and 2020 was determined using a DCF method.

When determining the fair value, the following main assumptions were used:

– revenue is forecast based on the estimated wheat yield, which is determined based on factors such as location of farmland, natural-climatic conditions and other conditions as well as price growth rates on the valuation date. Average crop yield for the areas was determined as 45.4 q/ha (2020: 41.5 q/ha).

– expected market prices of wheat based on data from open sources at the end of the reporting period. The expected export price per ton of crop was determined as RUB 16,4 thousand with the expected exchange rate at the date of sale of 93.89 RUB/EUR (2020: RUB 14.3 thousand with the expected exchange rate at the date of sale of 94.44 RUB/EUR).
– cost of production and sales costs were forecast based on actual operating expenses.
– for the purpose of determining the fair value of biological assets at the reporting dates a discount rate of 8.5% was applied (2020: 7%).
– risks related to a biological transformation subsequent to the reporting period end were considered when generating flows.

The above-mentioned main assumptions represent management's assessment of future trends in agriculture and are based on data from both external and internal sources.

Based on management's assessment, reasonably possible changes to the main assumptions used to determine the fair value of biological assets would have affected their value by the amounts shown below:

RUB mln	**2021**	**2020**
Increase in discount rate by 1% (in absolute terms)	(62)	(15)
Decrease in discount rate by 1% (in absolute terms)	62	15
Increase in grain harvest prices by 10%	372	264
Decrease in grain harvest prices by 10%	(372)	(264)
Increase in yields by 10%	250	263
Decrease in yields by 10%	(250)	(263)

(d) Harvest quantity (in tonnes)

Annual harvest of agricultural produce (in tonnes) was as follows:

	2021	**2020**
Wheat	412,025	662,494
Barley	467,314	518,343
Sugar beet	110,858	116,054
Sunflower	163,974	122,796
Corn	143,154	140,903
	1,297,325	**1,560,590**

(e) Risk management in agribusiness

The Group is exposed to a number of risks related to agricultural assets:

Raw materials price risk

The Group's operating results are particularly sensitive to fluctuations in prices on core raw materials, including seeds, fertilisers and agrochemicals. In order to manage this risk, the Group takes measures aimed at optimising its consumption of fertilisers and agrochemicals, and in order to guarantee the best bid price, the Group runs purchases on a tender basis.

Soil and climatic risks

Biological assets are exposed to a risk of deterioration caused by climatic conditions and changes to soil fertility of territories where the Group is having its business. The Group regularly monitors its exposure to these risks; measures taken include diversification of land masses in regions with varying soil and climatic characteristics, cultivation of spring and winter crops within the framework of a crop rotation link, and farming rotation of crops with varying sensitivity to soil fertility.

14 Trade and other receivables

RUB mln	31 December 2021	31 December 2020
Trade receivables	4,209	1,644
Other receivables	25	32
VAT receivable	24	32
Advances issued	1,336	1,406
Prepayment of other taxes and duties	17	18
	5,611	**3,132**

(a) Overdue trade and other receivables

The ageing analysis of accounts receivable is presented in the table below:

RUB mln	31 December 2021	31 December 2020
Not overdue	4,187	1,478
Past due not more than 30 days	19	189
From 30 to 180 days	15	8
From 180 to 360 days	1	1
Over 360 days	12	1
	4,234	**1,676**

As at 31 December 2021, an allowance was accrued in respect of the expected credit losses on accounts receivable in the amount of RUB 14 million (as at 31 December 2020, an allowance was accrued: RUB 9 million). The write-off of accounts receivable during the 12 months ended 31 December 2021 amounted to RUB 9 million (during the year ended 31 December 2020: RUB 1 million).

The Group’s exposure to credit and currency risks is disclosed in Note 20.

15 Cash and cash equivalents

RUB mln	Currency	31 December 2021	31 December 2020
Bank balances	RUB	37	86
Bank balances	EUR	321	282
Bank balances	USD	5	526
Cash on hand		2	2
		365	**896**

As at 31 December 2021, cash balances at a related party bank with a B2 credit rating by Moody’s amounted to RUB 363 million (as at 31 December 2020: RUB 894 million), refer to Note 24.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 20.

16 Capital and reserves

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	31 December 2021	31 December 2020
Authorised shares	7,290	7,290
Nominal value	RUB 1,000	RUB 1,000
Outstanding at the beginning of the year	7,290	7,290
Outstanding at the end of the year, fully paid	**7,290**	**7,290**

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group companies, all rights are suspended until those shares are reissued.

(b) Revaluation of land

In 2021, the Group revalued land plots in accordance with the accounting policy. The increase in value amounted to RUB 1,590 million and was recognised as other comprehensive income. For more detail, please see Note 9(a).

(c) Dividends and other distributions to shareholders

In accordance with the Russian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with Russian Accounting and Reporting Principles.

In 2021, there were dividends payments to the shareholders in the amount of RUB 8,000 million and other payments in the amount of RUB 210 million. (In 2020, there were dividends payments to the shareholders in the amount of RUB 100 million and other payments in the amount of RUB 150 million).

17 Capital management

The Group has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

Management of the Group regularly assesses an EBITDA/total borrowed funds ratio. EBITDA is determined as profit for the period excluding depreciation and amortisation and net financial income/costs. Total borrowed funds are determined as the total of current and non-current loans and borrowings, bonds, trade and other payables. Provided that the method of calculating EBITDA and total borrowed funds is not prescribed by IFRS and there are no uniform rules for determining these indicators, other companies may calculate them differently.

RUB mln	**2021**	**2020**
Profit for the year	13,762	11,874
Income tax expense	21	8
Net finance costs/(income)	1,186	(43)
Depreciation of property, plant and equipment	1,574	1,579
EBITDA	**16,543**	**13,418**
Total liabilities	22,685	27,139
Total liabilities/ EBITDA	**1.37**	**2.02**

18 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate, currency and liquidity risks, refer to Note 20.

RUB mln	**31 December 2021**	**31 December 2020**
Long-term		
Long-term bank loans from related parties	6,009	8,398
	6,009	**8,398**
Short-term		
Short-term bank loans from related parties	3,039	3,799
Short-term bank loans from third parties	4,518	8,554
Bonds	5,470	4,133
Short-term promissory notes issued to third parties	1,716	133
Short-term borrowings from non-banking companies	-	950
	14,743	**17,569**
	20,752	**25,967**

Financing of the Group, among other things, is provided by loans issued by a bank, which is a related party and has a B2 rating according to Moody's Rating Agency.

In 2021, the Group entered into contracts for the sale of previously repurchased bonds in the amount of RUB 1,316 million (in 2020, RUB 69 million), including the repayment of previously accumulated coupon income of RUB -21 million. (in 2020: RUB 54 million). As at 31 December 2021, the amount of bonds repurchased by the Group at the end of the period was RUB 554 million (as at 31 December 2020: RUB 1,870 million) of 553,856 units (as at 31 December 2020: 1,866,281 units), excluding coupon income of RUB 31 million. (as at 31 December 2020: RUB 31 million).

The terms of the issue do not provide for the possibility of early redemption of bonds. However, since at the time of issue the Group announced the rates only for the first six coupons, the bondholders have the right to claim the bonds for redemption within 5 business days of the last in series bond coupon, the amount of which was determined by the Group. As a result, at 31 December 2021 the Group has classified bond payables as short-term.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	31 December 2021				
RUB mln	**Currency**	**Nominal interest rate**	**Year of maturity**	**Nominal value**	**Carrying amount**
Secured bank loans from related parties	RUB	1-11.25%	2022-2030	8,980	8,980
Secured bank loans from third parties	RUB	2.1-9.9%	2022	1,810	1,814
Unsecured bank loans from related parties	RUB	0.5-11.5%	2022-2023	68	68
Unsecured bank loans from third parties	RUB	2.1-11%	2022	2,700	2,705
Unsecured borrowings from other companies	RUB	0%	2022	-	-
Bonds	RUB	6%	2027	5,446	5,470
Promissory notes issued to third parties	RUB	6–8%	2022	1,688	1,716
Total liabilities				**20,692**	**20,752**

	31 December 2020				
RUB mln	**Currency**	**Nominal interest rate**	**Year of maturity**	**Nominal value**	**Carrying amount**
Secured bank loans from related parties	RUB	1-11.5%	2021-2030	12,229	12,133
Secured bank loans from third parties	RUB	5.25-7.01%	2021	3,500	3,505
Unsecured bank loans from related parties	RUB	1-8.25%	2021-2023	64	64
Unsecured bank loans from third parties	RUB	2.27-7.01%	2021	5,040	5,049
Unsecured borrowings from other companies	RUB	0%	2021	950	950
Bonds	RUB	7.75-8.25%	2027	4,133	4,133
Promissory notes issued to third parties	RUB	0-7.5%	2021	129	133
Total liabilities				**26,045**	**25,967**

Low interest rates apply to subsidised loan agreements. The Group receives grants through accredited banks that provide loans to farmers at a reduced rate. The reduced rate can be cancelled if the Group does not fulfil certain contract terms or if the budget is insufficient to provide a grant. The Group recognises such government grants as financial income (Note 7(a)).

Bank loans are secured by the following assets:

- property, plant and equipment with the carrying amount of RUB 7,749 million (as at 31 December 2020: RUB 8,414 million) – refer to Note 9;
- inventories with the carrying amount of RUB 10,305 million (as at 31 December 2020: RUB 7,405 million) – refer to Note 12.

(b) Reconciliation of movements in liabilities and cash flows from financing activities

RUB mln	Liabilities		
	Loans and borrowings	**Bonds**	**Total**
Balance at 1 January 2021	**21,826**	**4,140**	**25,967**
Changes from financing cash flows			
Interest paid on loans and borrowings	(997)	(269)	(1,266)
Proceeds from borrowings	12,884	-	12,884
Repayment of borrowings	(19,548)	-	(19,548)
Bonds issued, net	-	1,316	1,316
Total changes from financing cash flows	**(7,661)**	**1,047**	**(6,614)**
Other movements			
Interest expense on loans and borrowings	1,115	283	1,398
Promissory notes exchange	2	-	2
Total other changes	**1,117**	**283**	**1,400**
Balance at 31 December 2021	**15,282**	**5,470**	**20,752**

RUB mln	Liabilities		
	Loans and borrowings	**Bonds**	**Total**
Balance at 1 January 2020	**17,937**	**4,064**	**22,001**
Changes from financing cash flows			
Interest paid on loans and borrowings	(1,160)	(462)	(1,622)
Lease payments	-	-	-
Proceeds from borrowings	18,503	-	18,503
Repayment of borrowings	(14,689)	-	(14,689)
Bonds issued, net	-	123	123
Total changes from financing cash flows	**2,654**	**(339)**	**2,315**
Other changes			
Interest expense on loans and borrowings	1,230	415	1,645
Promissory notes exchange	5	-	5
Total other changes	**1,235**	**415**	**1,650**
Balance at 31 December 2020	**21,826**	**4,140**	**25,967**

19 Trade and other payables

RUB mln	31 December 2021	31 December 2020
Trade payables	370	138
Short-term liabilities to deliver the products for lease of land plots	97	58
Other payables	348	132
Other taxes payable	402	257
Advances received	294	168
	1,511	**753**

As at 31 December 2021, trade and other payables to related parties amounted to RUB 1 million (as at 31 December 2020: RUB 19 million), refer to Note 24.

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 20.

20 Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure of the Group. The maximum exposure to credit risk at the reporting date was:

RUB mln	31 December 2021	31 December 2020
Promissory notes	8,937	17,467
Trade and other receivables	4,234	1,676
Cash and cash equivalents	363	894
Other financial assets	383	281
	13,917	**20,318**

At 31 December 2021, cash in the amount of RUB 363 million was placed with a related party bank with a B2 credit rating by Moody’s (31 December 2020: cash in the amount of RUB 894 million).

As at 31 December 2021, the estimated allowance for impairment losses on promissory notes received amounted to RUB 34 million. According to Moody's rating agency, the counterparty rating is not lower than B2. The tax effect from the allowance reversal amounted to RUB 8 million.

(ii) Trade and other receivables

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers factors that could affect the credit risk of the Group's customer base, including the default risk of the specific industry or country in which customers operate, as these factors may have an impact on credit risk, particularly in the currently deteriorating economic circumstances.

Generally, sales of agricultural products are made on a prepayment basis and sales of malt are made on a deferred payment basis. The Group does not require collateral in respect of trade receivables. The Group enters into factoring agreements to mitigate credit risk on such counterparties. As at 31 December 2021, the total amount of transferred debt on them amounted to RUB 623 million (as at 31 December 2020: RUB 1,920 million).

As at 31 December 2021, 76% of trade receivables are from multiple counterparties which are part of the same Group (31 December 2020: 37%), with which the Group has had a trading relationship for more than 4 years. According to Moody's rating agency, the counterparty rating is Baa1.

In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are individual or legal entity, wholesale, retail or end-user customer, as well as their location, industry, ageing profile, maturity and existence of previous financial difficulties. Trade and other receivables relate only to the Group’s wholesale customers. Customers that are graded as “high risk” are placed on a restricted customer list and monitored by the Board of Directors, and future sales are made on a prepayment basis with approval of the Board of Directors.

The expected credit loss level is calculated for receivables based on each customer's credit rating, the status of overdue amount and actual experience of credit losses over the past three years. The estimated allowance for losses from impairment of receivables as at 31 December 2021 made up RUB 14 million (as at 31 December 2020: RUB 8 million).

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has contractual commitments for the purchase of property, plant and equipment (refer to Note 22).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

RUB mln	Carrying amount	Contractual cash flows	On demand	Less than 3 months	3-12 months	1–5 years	More than 5 years
31 December 2021							
Loans and borrowings	15,282	16,568	-	2,355	7,654	6,516	43
Bonds	5,470	5,906	-	133	5,773	-	-
Trade and other payables	814	813	523	168	113	8	1
Currency forward contracts (refer to Note 6(b))	123	48	-	19	29	-	-
Outflow	-	*9,170*	-	*3,563*	*5,607*	-	-
Inflow	-	*(9,122)*	-	*(3,544)*	*(5,578)*	-	-
Balance at 31 December 2021	**21,689**	**23,383**	**523**	**2,694**	**13,598**	**6,524**	**44**
31 December 2020							
Loans and borrowings	21,834	23,641	-	7,431	6,761	8,771	678
Bonds	4,133	4,464	-	85	4,379	-	-
Trade and other payables	328	335	213	50	69	2	1
Currency forward contracts (refer to Note 6(b))	63	37	-	9	28	-	-
Outflow	-	*9,139*	-	*634*	*8,505*	-	-
Inflow	-	*(9,102)*	-	*(625)*	*(8,477)*	-	-
Balance at 31 December 2020	**26,295**	**28,477**	**213**	**7,575**	**11,237**	**8,773**	**679**

The gross inflows (outflows) disclosed in the table above represent the contractual undiscounted cash flows related to derivative financial liabilities held to manage risks. These liabilities are not usually closed out before maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement, e.g. forward exchange contracts.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group generates foreign currency revenues from sales of agricultural produce at European markets, the majority of which is aimed at conclusion of currency forward contracts. Net foreign exchange loss for 2021 amounted to RUB 46 million (for 2020, net gain was RUB 19 million). Also, net expense from changes in the fair value of currency forward contracts for 2021 amounted to RUB 483 million (for 2020, income was RUB 1,111 million). Please refer to Note 6.

Exposure to currency risk

The Group's exposure to foreign currency risk, based on nominal values, was as follows:

	31 December 2021	
RUB mln	**USD-denominated**	**EUR-denominated**
Trade and other receivables	3,128	83
Cash and cash equivalents	5	321
Currency forward contracts	192	(40)
Trade and other payables	(169)	(69)
	3,156	**295**

	31 December 2020	
RUB mln	**USD - denominated**	**EUR - denominated**
Trade and other receivables	1,141	130
Cash and cash equivalents	526	282
Currency forward contracts used for hedging	29	203
Trade and other payables	-	(9)
	1,696	**606**

The following significant exchange rates have been applied during the year:

RUB	Average exchange rate		Reporting date spot rate	
	2021	**2020**	**2021**	**2020**
USD 1	73.65	72.15	74.29	73.88
EUR 1	87.18	82.45	84.06	90.68

Sensitivity analysis

Strengthening/(weakening) of the RUB, as indicated below, against foreign currencies at 31 December 2021 would have increased/(decreased) equity and profit or loss before taxes by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The indicators as at 31 December 2020 were analysed, using the same principles, although reasonably possible changes to foreign currency exchange rates were different (see below):

RUB mln	Strengthening		Weakening	
	Equity	**Profit or (loss)**	**Equity**	**Profit or (loss)**
31 December 2021				
USD (10% movement)	(1,208)	(1,208)	1,208	1,208
EUR (10% movement)	(769)	(769)	769	769
Other (10% movement)	(8)	(8)	8	8
31 December 2020				
USD (10% movement)	(832)	(832)	832	832
EUR (10% movement)	(284)	(284)	284	284
Other (10% movement)	(8)	(8)	8	8

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group' s management has no formal policy as to how much of the Group's exposure should be divided between fixed and variable interest rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether a fixed or variable rate would be more favourable to the Group for the expected period until maturity.

Structure

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

RUB mln	Carrying amount	
	31 December 2021	31 December 2020
Fixed-rate instruments		
Financial assets	9,049	17,748
Financial liabilities	(11,703)	(14,497)
Total fixed-rate instruments	**(2,654)**	**3,251**
Variable rate instruments		
Financial liabilities	(9,049)	(11,470)
Total variable rate instruments	**(9,049)**	**(11,470)**
Total	**(11,703)**	**(8,219)**

(iii) Other market price risk

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

(e) Fair value of financial instruments

Management of the Group believes that the carrying amounts of such financial instruments as cash and cash equivalents (refer to Note 15), short-term receivables (refer to Note 14), payables (refer to Note 19) and short-term promissory notes received (refer to Note 10) approximate their fair values.

As at 31 December 2021 and 2020 fair values of short-term bank loans, borrowings and promissory notes issued and bonds determined on the basis of the current value of future cash flows using discount rates which represent the best management assessment does not differ significantly from their carrying amounts.

Financial instruments with carrying amounts different from their fair values are presented below:

	31 December 2021		31 December 2020	
RUB mln	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans and borrowings	6,009	5,546	8,398	8,240
	6,009	**5,546**	**8,398**	**8,240**

Financial instruments at fair value as at the reporting dates are represented by currency forward contracts (Note 6(b)). Fair value is based on forward currency quotes and refers to the Level 2 of the fair value hierarchy.

21 Lease

(a) Leases as lessee

The Group leases land plots with an area of 67,198 ha (in 2020: 51,632 ha). Lease agreements are concluded for a term from 1 to 50 years with the right of its subsequent extension. A number of lease agreements provide for additional payments depending on changes in local price index.

Payments under lease agreements for land plots were usually made in kind.

(i) Right-of-use assets

Right-of-use assets that do not meet the definition of investment property are presented within property, plant and equipment (see Note 9).

(ii) Amounts recognised in profit or loss

RUB thousand	2021
Leases under IFRS 16	
Interest on lease liabilities	(27)
Depreciation of right-of-use assets	(55)
Municipal lease expenses	(47)

(iii) Extension options

The Group has applied judgment to some lease contracts as a lessee to determine the lease term by reference to the period during which the contract is enforceable. The Group considers that enforceability of the lease is established not only by the written agreement (including penalty clauses) in combination with applicable legislation related to renewal or termination rights, but also by economic disincentives for the lessee and/or the lessor that might create a ‘penalty’ in a broader meaning. This might result in the lease enforceability period going beyond the boundaries of the written agreement because of inclusion of additional period which lasts until the moment when the ‘penalty’ becomes insignificant for both parties. The ‘penalty’ in the Group's interpretation includes, in addition to "contractual penalties", investments in land cultivation and fertilisation.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

22 Capital commitments

As at 31 December 2021, the Group entered into agreements for acquisition of agricultural machinery in the amount of RUB 76 million (as at 31 December 2020: RUB 881 million).

23 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

During the year, the Group was involved in various claims and legal proceedings arising in the normal course of business, both as a plaintiff and a defendant. Management does not believe that the Group has claims which could have a material adverse impact on its operating results, financial condition of cash flows and which are not recognised in these IFRS consolidated financial statements or in notes thereto.

(c) Tax risks

The taxation system in the Russian Federation continuous to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

The tax authorities have the power to impose severe fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation.

Current Russian transfer pricing legislation requires transfer pricing analysis for the majority of cross-border intercompany and major domestic intercompany transactions. Starting from 2019, transfer pricing control, as a general rule, is applied to domestic transactions only if both criteria are met: the parties apply different tax rates, and the annual turnover of transactions between them exceeds RUB 1 billion.

The Russian transfer pricing rules are close to OECD guidelines, but have certain differences that create uncertainty in practical application of tax legislation in specific circumstances. A very limited number of publicly available transfer pricing court cases in Russia does not provide enough certainty as to the approach to applying transfer pricing rules in Russia. The impact of any transfer pricing assessment may be material to financial statements of the Group, however, the probability of such impact cannot be reliably assessed.

Russian tax authorities may review prices used in intra-group transactions, in addition to transfer pricing audits. They may charge additional taxes payable if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions.

Russian tax authorities continue to exchange transfer pricing as well as other tax related information with tax authorities of other countries. This information may be used by the tax authorities to identify transactions for additional in-depth analysis.

In addition, changes aimed at regulating tax consequences of transactions with foreign companies have been introduced, such as concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks.

All these circumstances may create tax risks in the Russian Federation that are substantially higher than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations, could be significant. According to the Group's management, the amount of possible contingencies will not exceed 2% of the Group's revenue.

24 Related party transactions

(a) Beneficiaries of the Group

The controlling shareholder of Avangard-Agro JSC is K.V. Minovalov.

(b) Transactions with key management personnel

(i) Key management remuneration

Key management personnel received the following remuneration during the year, which is included in personnel costs (see Note 7):

RUB mln	**2021**	**2020**
Salaries and bonuses	18	16
Contributions to State Pension Fund	3	3
	21	**19**

Key management personnel of the Group holds positions in other entities being related parties to the Group, and part of such remuneration is paid by respective entities.

(c) Other related party transactions

(i) Related party balances

RUB mln	**2021**	**2020**

Promissory notes	8,937	17,467
Other financial assets	271	281
Balances on settlement accounts	363	894
Trade and other receivables	2	1
Trade and other payables	(1)	(19)
Other short-term liabilities	(123)	(63)
Loans received	(9,048)	(12,197)
	401	**6,364**

In 2021, insurance indemnities were received from a related party in the amount of RUB 496 million (in 2020: RUB 123 million), loans in the amount of RUB 2,600 million and RUB 5,817 million were received and repaid, respectively (in 2020: RUB 7,479 million and RUB 4,988 million, respectively). During 2021, interest expenses of RUB 593 million were accrued on agreements with related parties. (in 2020: RUB 665 million). During the period ended 31 December 2021, promissory notes in the amount of RUB 9,008 million were sold for cash (in 2020 were purchased for cash: RUB 9,638 million) and purchases from related parties in the amount of RUB 1,448 million were performed (in 2020: (RUB 401 million).

25 Subsequent events

During the past few days and weeks following the commencement of Russia's special military operation in Ukraine, USA, EU and a number of other countries have introduced additional severe sanctions again the Russian government and major credit institutions and other entities, as well as Russian individuals. Besides, supplies of various goods and services to Russian companies have been restricted. In response to these sanctions, the Russian Government has implemented a package of currency control measures, and the CBR increased the key interest rate to 20%.

As at the date of authorisation of these financial statements for issue, these events had no direct negative effect on the Group's operations. However, there remains a high degree of uncertainty about the impact of these events and possible subsequent changes in economic conditions on the Group's future results of operations and financial position.

26 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets measured at fair value through profit or loss, biological assets, agricultural produce at the harvest point, and property, plant and equipment, which were independently appraised as at 1 January 2012 to determine their deemed cost as part of the adoption of IFRSs and also land plots from 2015.

27 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see Note 27(a)(ii)).

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss for the period.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If the contingent consideration is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated in full to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Acquisitions from entities under common control

Business combinations arising from acquisition of assets and liabilities of business under control of the Group's shareholder are accounted for using the acquisition method as at the date of control transfer to the Group at fair value at the transfer date according to IFRS 3. If a bargain purchase gain arose during the process of recognition of such transaction using the acquisition method, it is recognised in equity as shareholder contribution.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component are initially measured at the transaction price.

(ii) Classification and subsequent measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of ‘held to maturity’, ‘loans and receivables’ and ‘available-for-sale’.

Financial assets classification depends on the Group’s business model for managing financial assets and contractual characteristics of cash flows from financial assets. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's assets carried at amortised cost consist of trade and other receivables, promissory notes received, cash and cash equivalents. These assets are measured at amortised cost, which is calculated using the effective interest rate method, less impairment losses (refer to Note 27(h)(i)).

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

The Group's financial liabilities are measured at amortised cost using the effective interest rate method. The Group has loans and borrowings, bank overdrafts and trade and other payables.

(iii) Derecognition and offsetting

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Financial assets and liabilities are offset and presented in the consolidated statement of financial position in the net amount only if the Group has a legally enforceable right to offset them and intends either to settle on them on a net basis or to realise the asset and fulfil the obligation simultaneously.

(iv) Derivatives

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Group holds forward derivative financial instruments to hedge its currency risk. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in the profit or loss.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of certain items of property, plant and equipment at 1 January 2012, the Group's date of transition to IFRSs, was determined by reference to its fair value at that date. Information about fair values of property, plant and equipment is disclosed in Note 9.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When certain parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent expenditures

The cost of replacing a major component of an item of property, plant and equipment increases the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Revaluation of land

Land is measured at fair value, based on periodic valuation by external independent valuers. A revaluation increase on land is recognised directly under the heading of revaluation surplus in other comprehensive income. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

A revaluation decrease on land is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in Revaluation surplus.

(iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

Each component of an item of property, plant and equipment is generally recognised in profit or loss on a straight-line basis over its estimated useful live, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of items of property, plant and equipment for the current and comparative periods were as follows:

- buildings and constructions 7–60 years;
- machinery, equipment and vehicles 3–10 years;

Depreciation methods, expected useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted-average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of self-manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(i) Agricultural produce

Agricultural produce, which is the harvested product of the Group's biological assets, is measured at fair value less expected costs to sell at the point of harvest, which represents its cost of production. If applicable, sales costs include brokers and dealers' commission, duties payable to regulators and stock exchanges, as well as transfer payments in the form of taxes and duties. Sales costs do not include transportation and other costs required to deliver assets to a market. After harvest agricultural produce is treated as inventory and is measured at the lower of cost or net realisable value.

(ii) Investments in future crop

Investments in future crop represent pre-planting preparation of land and include the cost of fertilisers and cultivation costs. After the seeding season is over, the carrying amount of investments in future crop is reclassified in the cost of biological assets.

(g) Biological assets

Initially biological assets represent unharvested agricultural produce and both at initial and subsequent recognition at each reporting date are measured at fair value less costs to sell. If subsequent to initial recognition of costs only insignificant biological transformation occurred or, according to expectations, the transformation will not have a material impact on price, the cost of production will approximate the fair value.

The difference between the fair value less expected costs to sell and the total cost of production so far is allocated to available biological assets at each reporting date as a fair value adjustment. Gains and losses upon a change of such adjustment of biological assets in different periods and upon valuation of agricultural produce at fair value at the harvest point less costs to sell are recognised in the consolidated statement of profit or loss and other comprehensive income in the period when occurred within "Revaluation of biological assets". Write-offs of recognised biological assets as a result of crop failure in the current period are also recorded within "Revaluation of biological assets".

The Group classifies biological assets as current assets based on their average useful lives.

Provided that presently it is not practicable to determine market price or cost of unharvested crop in its current state, fair value of such unharvested crop is assessed by determining the present value of net cash flows expected from such assets and discounted at the current market rate taking into account biological transformation at the reporting date.

(h) Impairment

(i) Financial assets

IFRS 9 replaced the 'incurred loss' model with a forward-looking 'expected credit loss' (ECL) model according to the prospective approach to impairment. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Under IFRS 9, loss will be measured on the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group selected lifetime ECLs measurement approach as an accounting policy for trade receivables and promissory notes received.

When determining the credit risk of a financial asset at the time of initial recognition and at the reporting date, the Group considers relevant information available without undue effort. This includes both quantitative and qualitative information and analysis, including the Group's expert forecast regarding credit risk dynamics.

The Group assumes that the credit risk has increased significantly if it is more than 90 days past due.

For the purpose of ECL measurement the Group specifies the following indicators of a potential default:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);

- the financial asset is more than 90 days past due and there is no arrangement on the timing of debt settlement.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows in accordance with the contract and the cash flows that the Group expects to receive). The effective interest rate is applied to the ECLs on non-current financial assets.

At each reporting date, the Group assesses whether financial assets are non-refundable. The financial asset is ‘non-refundable’ when one or more events that have a detrimental impact on cash flows owed to the Group.

Impairment allowances are deducted from the carrying amount of financial assets carried at amortised cost. Impairment losses on trade and other receivables are presented as part of the net operating expenses, impairment losses on promissory notes received are presented as part of financial expenses.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. As at 31 December 2021, the estimated allowance for impairment losses on promissory notes received amounted to RUB 34 million. The tax effect from the allowance accrual amounted to RUB 8 million.

Loans and receivables and held-to-maturity investment securities

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables are individually assessed for impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, the CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Revenue

The Group's revenue is represented by revenue from contracts with customers.

Revenue from the sale of finished products and goods in the course of ordinary activities is measured based on the consideration specified in a contract with a customer, net of returns and any trade or wholesale discounts. The Group recognises revenue when control over goods and services passes to the customer.

The timing of the control transfers varies depending on the individual terms of the sales agreement. For sales of wheat, the transfer usually occurs when the product is received by the customer at the dispatcher's (supplier's) warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port of the seller. For sales of other agricultural produce, the transfer of control occurs when the product is received by the customer either at the dispatcher's (supplier's) warehouse or at the customer's warehouse depending on the terms of the agreement. Generally, the customer has a right of return that do not meet the contractual conditions and revenue is recognised to the extent that there is a very high probability that there will be no need to reverse this amount and recognise a significant decrease in the total amount of recognised revenue.

Products are sold to customers under contracts that generally differ in terms, but not exceeding one year (therefore, there is no significant financing component) and pricing mechanisms, including with respect to a certain volume sold on the spot market.

As a rule, sales are made on a prepaid basis for customers on the territory of the Russian Federation and on CAD (Cash against documents) terms, or against a letter of credit for foreign customers. Credit terms for certain customers are approved by the Board of Directors.

(j) Government grants

Grants that compensate the Group for expenses incurred are recognised net in the cost of sales in the periods in which such grants are actually received.

Grants that compensate the Group for interest expenses incurred under bank loan agreements are recognised gross within finance costs.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale investments, incremental fair value of financial assets measured through profit or loss, and gains on the remeasurement to fair value of any pre-existing interest in an acquiree. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, losses on the remeasurement of the fair value of financial assets measured at fair value through profit or loss, and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(l) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred income tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available causing the Group to change its judgment regarding the adequacy of existing tax liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Lease

At inception of a contract, the entity assesses whether a contract is, or contains, a lease.

The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This accounting policy is applicable to contracts that were concluded on or after 1 January 2019.

(i) Group as a lessee

The Group recognises any right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the value of the right-of-use asset is periodically reduced by the amount of impairment losses, if any, and adjusted at certain revaluations of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate based on interest rates from various external sources and makes certain adjustments to take into account the lease terms and type of asset.

The lease payments in the measurement of the lease liability include:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or rate, initially measured using the index or rate as at the lease commencement date;
– amounts that are expected to be paid by the lessee under the residual value guarantee;
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise the extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

The Group has elected not to recognise the right-of-use assets and lease liabilities for leases of low-value assets and short-term leases.

In accordance with IFRS 16 variable payments which do not depend on an index or rate, i.e. do not reflect changes in market lease rates, should not be included in calculation of lease liability. In respect of municipal or federal land leases where lease payments are based on cadastral value of the land plot and do not change until the next revision of that value or the applicable rates (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market lease rates) or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

28 New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

– Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
– Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
– COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
– *Annual Improvements to IFRS Standards 2018-2020 Cycle – various standards*
– Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 Property, Plant and Equipment).
– Reference to Conceptual Framework (Amendments to IFRS 3).
– Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).
- IFRS 17 *Insurance Contracts*.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
– Definition of Accounting Estimates (Amendments to IAS 8).

While there is no requirement to disclose new standards or amendments to standards that do not have a significant effect on the financial statements, the Group has included disclosures about new standards and amendments to existing standards and their potential impact on the consolidated financial statements for illustrative purposes.

29 Operating segments

Operating segments are determined based on the internal component reports which are reviewed by the Board of Directors on a regular basis. For each of the strategic business units, internal management reports are reviewed on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Agricultural production.* Comprises production and sale of agricultural produce in the Russian Federation and abroad.
- *Malting production.* Comprises production and sale of barley and wheat malt in the Russian Federation and abroad. This operating segment was created in 2015 as a result of the acquisition of malt production business by the Group.

There are varying levels of integration between reportable segments. In particular, integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on the same terms as for transactions between independent parties.

Information regarding the results of each reportable segment is set out below. Performance is measured based on segment revenue and cost of sales. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(i) Information about reportable segments

	Agricultural production		Malt production		Total	
RUB mln	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
External revenue	13,554	14,523	14,207	8,622	27,761	23,145
Inter-segment revenue	7,476	5,824	-	-	7,476	5,824
Segment revenue	**21,029**	**20,347**	**14,207**	**8,622**	**35,237**	**28,969**
Segment gross profit	**14,303**	**10,794**	**2,415**	**2,137**	**16,718**	**12,931**
Finance income	768	1,800	-	-	768	1,800
Finance costs	(1,954)	(1,757)	-	-	(1,954)	(1,757)
Depreciation	1,199	1,181	375	398	1,574	1,579
Segment assets	**73,733**	**71,777**	**8,545**	**7,867**	**82,278**	**79,644**
Property, plant and equipment	40,513	37,756	3,276	3,530	43,789	41,286

(ii) Revenue reconciliation of reportable segments

RUB mln	**2021**	**2020**
Revenue		
Total revenue for reportable segments	35,237	28,969
Elimination of inter-segment revenue	(7,476)	(5,824)
Consolidated revenue	**27,761**	**23,145**

(iii) Geographic information

During 2021, revenue from the sale of agricultural produce to ultimate customers in the Russian Federation and abroad amounted to RUB 14,594 million and RUB 13,167 million, respectively (2020: RUB 16,448 million and RUB 6,698 million in the Russian Federation and abroad, respectively). The main export destination is Central America.

At 31 December 2021 and 2020, all non-current assets of the Group were located in the Russian Federation.

(iv) Major customer

In 2021, revenue from one customer of the Group's *Agricultural production* segment represented approximately 17% (RUB 2,246 million) of the segment total revenue (in 2020, the Group's segment - 19% (RUB 2,733 million).

In 2021, revenue from one customer of the Group's *Malt production* segment represented approximately 47% (RUB 6,668 million) of the segment total revenue (in 2020, the Group's segment - 34% (RUB 2,959 million).