Joint-Stock Company “Avangard-Agro”

Consolidated Financial Statements
for 2016
and Auditors’ Report

Contents

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of JSC "Avangard-Agro" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, 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 material respects, the consolidated financial position of the Group as at 31 December 2016, 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' *Code of Ethics for Professional Accountants* (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 biological assets	
See note 14 to the consolidated financial statements.	
Key audit matter	***Audit procedures regarding the key audit matter***
As at 31 December 2016, the Group had current biological assets amounting to RUB 1,818 million which were measured at fair value. The fair value is measured based on the discounted cash flow model and can vary significantly depending on changes in the assumptions used. Therefore, it is considered to be a key audit matter.	Our audit procedures in this area included testing of input data which is used as the basis for calculation of fair value, as well as testing of controls over the collection and accuracy of data used by the Group in developing the discounted cash flow model. We compared the assumptions, used by Group in the discounted cash flow model with external data, as well as our own assessment of key source data, such as forecast prices, exchange rates and the expense growth rate. We have recalculated the discount rate using rates of federal loan bonds and considering risks inherent in biological assets. We also compared crop acreage used in the fair value measurement model with the crop plan approved by the Management. Moreover, we evaluated the reasonableness of the Group's disclosures in this area, and specifically by performing sensitivity analysis of the assumptions used in the model.
Measurement of fair value of land plots	
See note 10 to the consolidated financial statements.	
Key audit matter	***Audit procedures regarding the key audit matter***
Since 2015, the Group has accounted for land plots at fair value. In 2015, the fair value was determined by an independent external expert on the basis of market prices for similar recent transactions	Our audit procedures included an analysis of pricing in recent transactions taking into account the intended use, condition and location of land plots, available in public sources,

adjusted for bargaining and location discounts. In 2016, the Group's management, analyzed the current economic conditions and came to a conclusion that the carrying value of land plots as at 31 December 2016 did not vary significantly from their fair value. Taking into account the significance of the land plot value and necessity to apply judgment to determine the fair value, we consider this matter as key to the audit.	as well as actual land acquisitions made by the Group in 2016. Based on the data collected, we compared the carrying value of land plots as at 31 December 2016 to market prices taking into account a bargaining discount. Our audit procedures included testing of input data on their area and location used as the basis for the analysis.

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

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

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

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

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

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

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

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

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

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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, related safeguards.

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:

Sheremet V.G.

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628
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Moscow, Russia

6 March 2017

million RUB	**Note**	**31 December 2016**	**31 December 2015**
ASSETS			
Property, plant and equipment	10	24,061	23,676
Biological assets	14	231	216
Other non-current assets	12	251	273
Non-current assets		**24,543**	**24,165**
Inventories	13	9,845	10,328
Biological assets	14	1,818	1,807
Trade and other receivables	15	779	1,002
Financial assets	11	5,633	3,341
Cash and cash equivalents	16	22	21
Current assets		**18,097**	**16,499**
Total assets		**42,640**	**40,664**
EQUITY AND RESERVES			
Share capital	17	9	10
Property, plant and equipment revaluation surplus		6,170	6,170
Retained earnings		18,192	16,624
Equity attributable to owners of the Company		**24,371**	**22,804**
Total equity		**24,371**	**22,804**
LIABILITIES			
Loans and borrowings	19	6,584	6,810
Non-current liabilities		**6,584**	**6,810**
Bonds	19	2,966	3,091
Loans and borrowings	19	6,763	7,208
Trade and other payables	20	1,511	751
Other non-current liabilities	7(b)	445	-
Current liabilities		**11,685**	**11,050**
Total liabilities		**18,269**	**17,860**
Total equity and liabilities		**42,640**	**40,664**

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 12 to 46.

million RUB	Note	2016	2015
Revenue	4	17,996	11,504
Cost of sales		(15,999)	(9,152)
Revaluation of biological assets	14	4,965	3,795
Gross profit		**6,962**	**6,147**
Distribution expenses		(211)	(199)
Administrative expenses	5	(563)	(469)
Other expenses, net	6	(40)	(39)
Results from operating activities		**6,148**	**5,440**
Finance income	7	907	2,068
Finance costs	7	(2,306)	(2,086)
Net finance costs		**(1,399)**	**(18)**
Profit before income tax		**4,749**	**5,422**
Income tax expense	9	(12)	(3)
Profit for the year		**4,737**	**5,419**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Property, plant and equipment revaluation surplus		-	6,170
Other comprehensive income for the year		**-**	**6,170**
Total comprehensive income for the year		**4,737**	**11,589**
Profit attributable to:			
owners of the Company		4,737	5,419
Profit for the year		**4,737**	**5,419**
Total comprehensive income attributable to:			
owners of the Company		4,737	11,589
Total comprehensive income for the year		**4,737**	**11,589**

These consolidated financial statements were approved by management on 6 March 2017 and were signed on its behalf by:

General Director of JSC "Avangard-Agro" — A.N. Kirkin

Financial Director of JSC "Avangard-Agro" — T.A. Korolyova

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 12 to 46.

million RUB	Note	Share capital	Retained earnings	Property, plant and equipment revaluation surplus	Total equity
Balance at 1 January 2015		**10**	**9,216**	**-**	**9,226**
Profit for the year		-	5,419	-	5,419
Other comprehensive income					
Revaluation of property, plant and equipment		-	-	6,170	6,170
Total other comprehensive income		**-**	**-**	**6,170**	**6,170**
Total comprehensive income for the year		**-**	**5,419**	**6,170**	**11,589**
Transactions with shareholders of the Company					
Acquisition of business under common control	3	-	2,096	-	2,096
Distributions to shareholders	17(e)	-	(107)	-	(107)
Total transactions with shareholders of the Company		**-**	**1,989**	**-**	**1,989**
Balance at 31 December 2015		**10**	**16,624**	**6,170**	**22,804**
Balance at 1 January 2016		**10**	**16,624**	**6,170**	**22,804**
Profit for the year		-	4,737	-	4,737
Total comprehensive income for the year		**-**	**4,737**	**-**	**4,737**
Transactions with shareholders of the Company					
Reacquisition of shares	17(b)	(1)	(2,999)	-	(3,000)
Distributions to shareholders	17(e)	-	(170)	-	(170)
Total transactions with shareholders of the Company		**(1)**	**(3,169)**		**(3,170)**
Balance at 31 December 2016		**9**	**18,192**	**6,170**	**24,371**

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 12 to 46.

million RUB	**Note**	**2016**	**2015**
Cash flows from operating activities			
Profit for the year		4,737	5,419
Adjustments for:			
Depreciation	5,10	1,489	1,334
Government grants	7	(1,171)	(1,540)
Exchange differences	7	(61)	(798)
Other finance (income)/ costs	7	382	(38)
Interest expense	7	1,836	2,086
Unrealised portion of revaluation of biological assets	14	(92)	(1,461)
Accrual/(reversal) of allowance for impairment of goods to net realisable value	13	742	(41)
Reversal of write-off of accounts receivable	6	(114)	(36)
Write-off of input VAT	6	5	30
Loss of crop, product deterioration, shortfalls identified during the stocktake	6	31	85
Other non-cash transactions		36	48
Income tax expense	9	12	3
Cash flows from operating activities before changes in working capital		**7,832**	**5,091**
Changes in inventories		526	(2,029)
Changes in biological assets		(371)	47
Changes in trade and other receivables		322	1,388
Changes in trade and other payables		792	(256)
Cash flows from operations before income taxes and interest paid		**9,101**	**4,241**
Income tax paid		(12)	(1)
Net cash from operating activities		**9,089**	**4,240**

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 12 to 46.

million RUB	**Note**	**2016**	**2015**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,988)	(909)
Acquisition of land lease rights		-	(41)
Proceeds from sale of property, plant and equipment		115	80
Promissory notes received		(2,358)	(3,146)
Acquisition of business under common control	3	-	(471)
Net cash used in investing activities		**(4,231)**	**(4,487)**
Cash flows from financing activities			
Government grants compensating interest expense	7	758	1,232
Interest paid		(1,775)	(2,041)
Proceeds from borrowings		10,838	11,731
Repayment of borrowings		(11,508)	(10,596)
Reacquisition of shares		(3,000)	-
Distributions to shareholders		(170)	(107)
Net cash from financing activities		**(4,857)**	**219**
Net increase in cash and cash equivalents		**1**	**(28)**
Effect of movements in exchange rates on cash and cash equivalents		-	1
Cash and cash equivalents at the beginning of the year	16	**21**	**48**
Cash and cash equivalents at the end of the year	16	**22**	**21**
Non-cash transactions:			
Offsetting of own promissory notes issued and promissory notes acquired from related parties		-	551
Settlement of acquisition of business under common control by promissory notes received from related parties	3	-	187

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 12 to 46.

1 Reporting entity

(a) Organisation and operations

Joint-Stock Company “Avangard-Agro” (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 is registered at the address: Russian Federation, 18, Ulitsa 8 Marta, Urban-Type Settlement of Zmievka, Orel Oblast 303320.

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

The Group’s principal activities are production 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.

The majority of the Group’s funding is from loans provided by a related party bank with a B2 credit rating by Moody’s. Further information about related party transactions is disclosed in note 25.

Joint-Stock Company “Avangard-Agro” has been rated A+ by rating agency RAEX based on the results of 2015.

The subsidiaries of the Group are:

		Ownership and voting rights	
Subsidiary	**Country of registration**	**31 December 2016**	**31 December 2015**
LLC “Avangard-Agro-Voronezh”	Russia	100%	100%
LLC “Avangard-Agro-Orel”	Russia	100%	100%
LLC “Avangard-Agro-Kursk”	Russia	100%	100%
LLC “Avangard-Agro-Belgorod”	Russia	100%	100%
LLC “Avangard-Agro-Lipetsk”	Russia	100%	100%
LLC “Avangard-Agro-Trade”	Russia	100%	100%
LLC “Avangard-Agro-Tula”	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 together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in 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. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. 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 roubles has been rounded to the nearest million unless otherwise stated.

(c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS 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 these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 29(e)(iv)– useful life of property, plant and equipment;
- Note 10(a) – revaluation of land;
- Note 13 – revaluation of agricultural produce;
- Note 14 – revaluation of biological assets.

(d) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values of an asset or a liability is disclosed in the notes specific to that asset or liability.

(i) Land

In 2015 the Group changed land accounting from cost model to revaluation model. This change was applied prospectively from the date of change in accounting policy.

Presented below are major assumptions used by independent appraiser for determining the fair value of land:

- Public sources analogues were selected for each group of land based on following criteria: permitted use of land, location, size.
- Selected analogues were adjusted for measurement purposes taking into account a discount for bargaining (5%) and location (from -31% to 45%).

(ii) Biological assets

The fair value of biological assets is based on the market price of the estimated harvest, net of the estimated costs to manage the crop until harvest and harvesting costs and a reasonable profit margin based on the effort required to manage and harvest the crops.

(iii) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. The valuation technique used includes analysis of market ratios (multiples) and discounting of expected future cash flows using a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(iv) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes or when respective receivables are acquired in a business combination.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

3 Acquisition of business and disposal of subsidiary

In July 2015 the Group acquired assets and operations comprising business for malt production from entity under common control for RUB 658 million. Gain on acquisition was recognized in equity as shareholder contribution according to the accounting policies (note 29). Fair value of the assets acquired was appraised by independent expert.

The impact of this transaction on the consolidated financial statements is presented below:

million RUB	**Note**	**2015**
Land	10	9
Buildings and constructions	10	2,021
Machinery and equipment	10	724
Total identifiable assets		2,754
Consideration paid to a related party		(658)
The difference between fair value of identifiable assets and paid consideration measured as shareholder contribution		**2,096**

4 Revenue

million RUB	**2016**	**2015**
Revenue from domestic sales	11,570	7,309
Revenue from export sales	6,426	4,195
	17,996	**11,504**

5 Administrative expenses

million RUB	**2016**	**2015**
Wages and salaries	297	238
Software	63	29
Other taxes and duties	41	40
Depreciation of property, plant and equipment	36	28
Legal, advisory and audit services	24	30
Other administrative expenses	102	104
	563	**469**

6 Other income and expenses

million RUB	**2016**	**2015**
Reversal of previous write-down of accounts receivable	114	36
Insurance compensation from related parties	-	115
Reversal of allowance for impairment of goods and materials	-	9
Other income	23	16
Total other income	**137**	**176**
Financial aid	(88)	(62)
Allowance for impairment of goods and materials	(36)	-
Loss of crop, product deterioration, shortfalls identified during the stocktake	(31)	(85)
Net loss on disposal of other assets	(8)	(20)
Write-off of VAT	(5)	(30)
Other expenses	(9)	(18)
Total other expenses	**(177)**	**(215)**
Total other expenses, net	**(40)**	**(39)**

Insurance compensations received by the Group under crop insurance contracts were recognized in other income with regard to land plots where reseeding after loss of crops was impossible. Insurance compensations on land plots where it was possible to seed other cultures after loss of crops or it was impossible to gather crops due to unfavorable weather conditions were recognized as decrease in the cost of sales. The compensations amounted to RUB 911 million (2015: RUB 545 million).

7 Finance income and finance costs

million RUB	**2016**	**2015**
Government grants (7(a))	758	1,232
Interest income	79	38
Foreign exchange gain	61	798
Other financial income	9	-
Finance income	**907**	**2,068**
Interest expense	(1,836)	(2,086)
Net change in fair value of foreign currency forward contracts measured at fair value through profit or loss (7(b))	(445)	-
Other finance costs	(25)	-
Finance costs	**(2,306)**	**(2,086)**
Net finance costs	**(1,398)**	**(18)**

(a) Government grants

Government grants partially compensate the Group interest expenses under bank loan agreements.

Also in 2016 the Group received government grants totalling RUB 413 million (2015: RUB 308 million) to partially compensate for insurance premiums paid under agricultural insurance contracts and the provision of arm’s-length support to crop farmers. Such government grants were recognised in the cost of sales.

(b) Foreign exchange forward contracts

During 2016, the Group entered into several foreign exchange forward contracts. The fair value of foreign exchange forward contracts was recognized in other current liabilities totaling RUB 445 million (2015: RUB 0 million).

8 Employee benefit expenses

million RUB	**2016**	**2015**
Production personnel wages and salaries including mandatory contributions to state funds	1,161	1,017
Administrative personnel wages and salaries including mandatory contributions to state funds	297	238
Distribution personnel wages and salaries including mandatory contributions to state funds	36	32
	1,494	**1,287**

The Group’s average number of employees during 2016 and 2015 was 4,141 employees and 4,154 employees, respectively.

9 Income taxes

The Group’s applicable tax rate is the corporate income tax rate of 0% for Russian companies involved in the production of agricultural produce.

10 Property, plant and equipment

million RUB	Land	Buildings and constructions	Machinery and equipment, vehicles	Other fixed assets	Under construction	Total
Historical cost						
Balance at 1 January 2015	**6,086**	**4,172**	**7,791**	**36**	**545**	**18,630**
Additions	190	-	607	-	75	**872**
Disposals	(76)	(6)	(29)	(16)	(3)	**(130)**
Transfer from investment property	-	-	116	-	-	**116**
Acquisition of business	9	2,021	724	-	-	**2,754**
Revaluation	6,170	-	-	-	-	**6,170**
Transfers	33	461	-	-	(494)	**-**
Balance at 31 December 2015	**12,412**	**6,648**	**9,209**	**20**	**123**	**28,412**
Additions	950	9	620	21	370	**1,970**
Disposals	(73)	-	(38)	(4)	(4)	**(119)**
Transfers	-	228	-	-	(228)	**-**
Balance at 31 December 2016	**13,289**	**6,885**	**9,791**	**37**	**261**	**30,263**
Depreciation						
Balance at 1 January 2015	**-**	**(297)**	**(3,078)**	**(5)**	**-**	**(3,380)**
Depreciation for the year	-	(208)	(1,113)	(13)	-	**(1,334)**
Disposals	-	3	27	-	-	**30**
Transfer from investment property	-	-	(52)	-	-	**(52)**
Balance at 31 December 2015	**-**	**(502)**	**(4,216)**	**(18)**	**-**	**(4,736)**
Depreciation for the year	-	(285)	(1,196)	(8)	-	**(1,489)**
Disposals	-	-	23	-	-	**23**
Balance at 31 December 2016	**-**	**(787)**	**(5,389)**	**(26)**	**-**	**(6,202)**
Carrying amount						
At 1 January 2015	**6,086**	**3,875**	**4,713**	**31**	**545**	**15,250**
At 31 December 2015	**12,412**	**6,146**	**4,993**	**2**	**123**	**23,676**
At 31 December 2016	**13,289**	**6,098**	**4,402**	**11**	**261**	**24,061**

In 2016 depreciation charge of RUB 1,453 million was included in the cost of sales (2015: RUB 1,306 million).

At 31 December 2016 outstanding transactions on land acquisitions were included in property, plant and equipment under construction in the amount of RUB 33 million. (31 December 2015: RUB 37 million.).

(a) Changes in the accounting policy and revaluation of land

In late 2015, the Group changed its accounting policy relating to land plots to start accounting for them at fair value on the basis of periodic evaluation conducted by external independent appraisers. As a result, the management engaged an independent appraiser for the fair value measurement of land as at 31 December 2015. The fair value of land plots was determined to equal RUB 12,412 million representing the market prices of recent similar transactions adjusted for bargaining and location discounts. The fair value measurement for land plots refers to Level 3 of the fair value hierarchy: inputs for assets and liabilities which are not based on observable market data (unobservable inputs).

As at 31 December 2016, the fair value of land plots amounted to RUB 13,289 million and was based on the assumptions used as at 31 December 2015.

(b) Acquisition of land

In 2015 the Group acquired 2,633 ha of land in Buturlinovsky district of Voronezh region from a Dolgorukovo-Agro LLC. The value of acquired land was RUB 53 million (excluding VAT).

In 2016 the Group acquired 24,181 ha of land in Tula region from Sakho-Agro LLC. The value of acquired land was RUB 772 million (excluding VAT).

(c) Acquisition of business

In July 2015 the Group acquired assets and operations comprising business for malt production from entity under common control. Fair value of the assets acquired was appraised by independent expert.

(d) Security

At 31 December 2016 items of property, plant and equipment with the carrying value of RUB 5,095 million (31 December 2015: RUB 5,039 million) and long-term lease rights for land plots of 4 thousand ha (31 December 2015: 116 thousand ha) were pledged to secure bank loans received by the Group (see note 19).

(e) Leased property, plant and equipment

The Group leases land plots under a number of lease agreements. Some of them provide the Group with a pre-emptive right to repurchase a respective land plot at a market price. Such transactions are recognised as operating leases based on the terms and conditions of the lease agreements. Lease liabilities are secured by leased land plots.

11 Financial assets

million RUB	**31 December 2016**	**31 December 2015**
Current		
Promissory notes acquired from related parties	5,622	3,341
Other current financial assets	11	-
	5,633	**3,341**

As at 31 December 2016 investments with the carrying value of RUB 2,776 million (31 December 2015: RUB 3,341 million) were pledged to secure bank loans (see note 19). Profitability of promissory notes, fully denominated in RUB as at 31 December 2016 is 8-11% (31 December 2015: 1-3%, all promissory notes were denominated in foreign currency).

Information about the Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 21.

12 Other non-current assets

million RUB	31 December 2016	31 December 2015
Land lease rights	233	256
Other non-current assets	18	17
	251	**273**

13 Inventories

million RUB	31 December 2016	31 December 2015
Agricultural produce	6,094	6,088
Processed agricultural produce	1,773	2,424
Fallow land and spring crop costs	1,387	1,103
Raw materials and consumables	591	713
	9,845	**10,328**

In 2016 raw materials and movements in finished goods and work-in-progress which were recognised within the cost of sales amounted to RUB 4,462 million (2014: RUB 3,945 million).

In 2016 the accrual of the allowance for impairment of goods to net realisable value resulted in increase the cost of sales and amounted to RUB 742 million. In 2015 the reversal of the allowance for the write-down of inventories to net realisable value resulted in a decrease in the cost of sales and amounted to RUB 41 million.

Inventories with the carrying value of RUB 5,770 million at 31 December 2016 (31 December 2015: RUB 4,189 million) were pledged to secure bank loans (see note 19).

As at 31 December 2016 fallow land and spring crop land plots amounted to 277,671 ha (31 December 2015: 259,494 ha).

At the reporting dates the agricultural produce comprised the following:

	31 December 2016		31 December 2015	
	million RUB	**Tonnes**	**million RUB**	**Tonnes**
Wheat	2,541	291,161	3,381	370,733
Barley	2,114	220,438	964	131,516
Sunflower	942	51,753	1,369	65,747
Corn	412	54,953	309	41,232
Buckwheat	19	688	15	727
Other	66	13,984	50	6,665
	6,094	**632,977**	**6,088**	**616,620**

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

	31 December 2016		31 December 2015	
	million RUB	**tonnes**	**million RUB**	**tonnes**
Sugar	1,047	30,608	1,015	28,030
Malt	722	50,172	1,406	136,800
Other	4	-	3	292
	1,773	**80,780**	**2,424**	**165,122**

14 Biological assets

At 31 December 2016 biological assets classified as non-current assets comprised oxen and milk cows (3,339 cattle) and had a fair value of RUB 231 million (31 December 2014: 3,444 live animals, fair value of RUB 216 million).

At 31 December 2016 biological assets classified as current assets comprised winter wheat and had a fair value of RUB 1,818 million; the planting acreage was 107,760 ha (31 December 2015: RUB 1,807 million and 106,503 ha respectively).

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

million RUB	Cattle	Fair value, million RUB
Fair value less costs to sell as at 1 January 2015	**3,113**	**198**
Natural increase	1,207	86
Growth due to asset acquisition	103	3
Decrease due to distemper	(650)	(57)
Decrease due to disposal of assets	(329)	(14)
Fair value less costs to sell as at 31 December 2016	**3,444**	**216**
Natural increase	1,270	81
Growth due to asset acquisition	17	1
Decrease due to disposal of assets	(172)	(4)
Decrease due to distemper	(1,220)	(63)
Fair value less costs to sell as at 31 December 2016	**3,339**	**231**

(b) Movements in biological assets classified as current assets

The following represents the changes in during the years, ended 31 December 2016 and 2015, in the carrying amounts of crops:

	2016	2015
Opening balance	**1,807**	**1,775**
Increase due to purchases	6,819	5,423
Net change in fair value less estimated costs to sell	4,965	3,795
Decrease due to harvest	(11,773)	(9,186)
Closing balance	**1,818**	**1,807**

As at 31 December 2016 an unrealised part of revaluation of biological assets amounted to RUB 3,382 million (31 December 2015: RUB 3,290 million).

(c) Fair value

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 2016. 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 2016 was 16%. The rate was calculated on the ground of the market-based valuation of risks inherent in the activity of the Group at that date.

Biological assets classified as current assets

The fair value of biological assets as at 31 December 2016 and 2015 was determined using a DCF method.

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

– revenue is forecasted based on the estimated crops' yield, which is determined based on factors such as location of farmland, natural environment and climate conditions, as well as price growth rates on the valuation date. Average crop yield for the areas was determined as 45 q/ha.

– data on grain harvest prices are obtained from the state statistical reporting or other public sources as at the end of the reporting period or from existing sale-and-purchase agreements as of the dates of their execution (if applicable). Planned selling price per ton of crop was determined in the range of RUB 8-9 thousand.

– 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 date a discount rate of 16% was applied (31 December 2015 - 15%). The above rate was calculated based on the market rate which reflects the current market assessment of risks inherent in the activities of the Group;

– risks related to a biological transformation subsequent to the end of the reporting period.

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

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

	31 December 2016	**31 December 2015**
1% increase in discount rate (in absolute terms)	(8)	(14)
1% decrease in discount rate by (in absolute terms)	8	14
10% increase in grain harvest prices	172	168
10% decrease in grain harvest prices	(172)	(168)

(d) Harvest quantity (in tonnes)

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

	2016	**2015**
Sugar beet	566,791	450,076
Wheat	409,111	427,847
Barley	320,299	223,562
Sunflower	82,104	96,134
Corn	73,117	64,756
Buckwheat	7,521	11,449
Soya	36	3,986
	1,458,979	**1,277,810**

(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 areas where the Group operates. 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.

15 Trade and other receivables

million RUB	**31 December 2016**	**31 December 2015**
Trade receivables	386	295
Other receivables	127	276
VAT receivable	127	219
Advances given	102	195
Prepayment of other taxes and duties	37	17
	779	**1,002**

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

million RUB	**31 December 2016**	**31 December 2015**
Not overdue	377	545
Past due not more than 30 days	116	22
From 30 to 180 days	10	1
From 180 to 360 days	2	1
Over 360 days	8	2
	513	**571**

No provision for the impairment of receivables was accrued at 31 December 2016 and 2015. In 2016 reversal of previous write-down of accounts receivable amounted to RUB 114 million (write off in 2015: RUB 36 million).

The Group's exposure to credit and currency risks is disclosed in note 21.

16 Cash and cash equivalents

million RUB	Currency	31 December 2016	31 December 2015
Bank balances	RUB	16	8
Bank balances	USD	1	7
Bank balances	EUR	3	5
Petty cash		2	1
		22	**21**

As at 31 December 2016 cash balances at a related party bank with a B2 credit rating by Moody’s amounted to RUB 19 million (31 December 2015: RUB 19 million) – see note 25.

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

17 Equity

(a) Share capital and additional paid-in capital

Number of shares unless otherwise stated	2016	2015
Authorised shares	10,000	10,000
Par value	RUB 1,000	RUB 1,000
Outstanding at the beginning of the year	10,000	10,000
Redemption of shares	(1,000)	-
Outstanding at the end of the year, fully paid	**9,000**	**10,000**

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 the 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.

Redemption of shares

In the 1st quarter of 2016 the Group redeemed 1,000 shares from shareholders for RUB 3,000 million. As the result of the transaction total quantity of outstanding shares decreased to 9,000 shares.

(b) Acquisitions from entities under common control

In July 2015, the Group acquired assets and operations comprising malt production business from an entity under common control for RUB 658 million. The gain on acquisition of RUB 2,096 million was recognized in equity as a shareholder contribution according to the Group’s accounting policies (note 29).

(c) Revaluation of land

In 2015, the Group changed its accounting policy relating to land plots to start accounting for them at fair value on the basis of periodic evaluation conducted by external independent appraisers.. As a result of the revaluation, the value of land plots increased by RUB 6,170 million. This amount was recognized as the revaluation surplus in other comprehensive income.

(d) 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 statutory financial statements prepared in accordance with Russian Accounting Principles.

The Company’s shareholders decided not to pay dividends for 2016. However, in 2016 the shareholders received other payments in the amount of RUB 170 million (2015: RUB 107 million).

18 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 by efficient cash management, permanent monitoring of the Group’s revenues and profit, and long-term investment plans mainly financed by the Group’s operating cash flows. Making these measures, the Group aims for steady profit growth.

Management of the Group regularly monitors 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.

	Year ended 31 December 2016	**Year ended 31 December 2015**
Profit for the year	4,737	5,418
Income tax expense	12	3
Net finance costs	1,398	18
Depreciation of property, plant and equipment	1,489	1,334
EBITDA	**7,636**	**6,774**
Total borrowed funds	18,269	17,860
Total borrowed funds/EBITDA	**2.39**	**2.64**

19 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 21.

million RUB	**31 December 2016**	**31 December 2015**
Long-term		
Long-term bank loans from related parties	389	6,810
Long-term borrowings from related party	6,195	-
	6,584	**6,810**

million RUB	31 December 2016	31 December 2015
Short-term		
Short-term bank loans from related parties	5,504	7,207
Bonds	2,966	3,091
Short-term promissory notes issued to other parties	166	-
Short-term borrowings from related parties	1,093	1
	9,729	**10,299**
	16,313	**17,109**

In October 2014 in the course of a public subscription the Group placed 3,000,000 non-convertible bonds with the par value of RUB 1,000 each and the total nominal value of RUB 3,000 million maturing in 1,092 days after the placement date (October 2017). The bonds have 6 coupon periods of 182 days. The 5th and 6th coupon rate is 11.5% per annum (1th and 2nd coupon rates are 12.0% per annum; 3rd and 4th coupon rates are 14.0% per annum).

Terms of issue do not provide for an early redemption. Given, however, that at the date of issue the Group declared rates only for the first 2 coupons, bond holders are entitled to bring these bonds for redemption within 5 working days of the last in series bond coupon, amount of which was determined by the Group. As a result, at 31 December 2015 and 2014 the Group has classified bond payables as short-term debt liability.

In 2016, 108,073 bonds were bought back by one of the Group’s companies, LLC “Avangard-Agro Trade”. The total transaction value amounted to RUB 111 million, including an accumulated coupon yield of RUB 3 million.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	31 December 2016				
million RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**
Secured bank loans from related parties	RUB	average 10%	2017-2031	5,893	5,893
Unsecured bank loans from related parties	RUB	7.75-17%	2017-2030	7,288	7,288
Bonds	RUB	11.5-14%	2017	2,892	2,966
Promissory notes issued to other companies	RUB	10-13%	2017	166	166
Total liabilities				**16,239**	**16,313**

	31 December 2015				
million RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**
Secured bank loans from related parties	RUB	7.75-17%	2016-2030	13,862	13,862
Unsecured bank loans from related parties	RUB	8-17%	2016-2030	156	156
Bonds	RUB	12-14%	2017 (2016 - offer)	3,000	3,091
Total liabilities				**17,018**	**17,109**

Bank loans are secured by the following assets:

- property, plant and equipment with the carrying value of RUB 5,095 million (31 December 2015: RUB 5,039 million) – see note 10;
- long-term land lease rights for plots of 4 thousand ha (31 December 2015: 116 thousand ha) – see note 10;
- inventories with the carrying value of RUB 5,770 million (31 December 2015: RUB 4,189 million) – see note 13;
- investments with the carrying value of RUB 2,276 million (31 December 2015: RUB 3,341 million) – see note 11. The above investments can be settled by offsetting against claim on bank loan if it is due or is payable on demand.

(b) Breach of loan covenant

As at 31 December 2016 and 2015 no additional terms (covenants) under loan agreements were applicable to the Group.

20 Trade and other payables

million RUB	**31 December 2016**	**31 December 2015**
Trade payables	555	581
Other payables	788	95
Other tax payables	43	43
Advances received	125	32
	1,511	**751**

As at 31 December 2016 trade and other payables to related parties amounted to RUB 115 million (31 December 2015: RUB 237 million) – see note 25.

The Group’s exposure to currency and liquidity risks related to trade and other payables is disclosed in note 21.

21 Financial risk management

(a) Overview

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

- credit risk;

- liquidity risk;
- market risks.

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 investments in 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:

million RUB	**31 December 2016**	**31 December 2015**
Promissory notes	5,633	3,341
Trade and other receivables	513	571
Cash and cash equivalents	20	20
	6,166	**3,932**

At 31 December 2016 cash in the amount of RUB 19 million and promissory notes amounting to RUB 2,951 million were placed with a related party bank with a B2 credit rating by Moody's (31 December 2015: RUB 19 million and RUB 3,341 million respectively).

(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 the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic environment. 21% of the Group's revenue for 2016 is represented by revenue from one customer (2015: 11%). However, geographically there is no concentration of credit risk.

The Group's products are sold to different categories of customers based on different terms:

– to customers in the Russian Federation – on a prepayment basis;

– to customers outside the Russian Federation – on a CAD basis (cash against documents) or based on a letter of credit.

Credit terms for certain customers are approved by the Board of Directors. Sale limits are established for each such customer, and represent the maximum open amount without requiring an approval. These limits are reviewed quarterly.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are individuals 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 classified 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.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not claim collateral in respect of trade and other receivables.

No provision for the impairment of receivables was created at 31 December 2016 and 2015.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty 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 (see note 23).

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

million RUB	**Carrying amount**	**Contractual cash flows**	**On demand**	**Less than 3 months**	**3–12 months**	**1–5 years**	**More than 5 years**
31 December 2016							
Loans and borrowings	13,347	18,125	118	1,174	6,367	2,652	7,814
Bonds	2,966	3,242	-	-	3,242	-	-
Trade and other payables	1,343	1,343	478	128	737	-	-
Foreign exchange forward contracts used for hedging (7(b))	445	636	-	223	413	-	-
Outflow	-	*5,105*	-	*1,089*	*4,016*	-	-
Inflow	-	*(4,469)*	-	*(866)*	*(3,603)*	-	-
Balance at 31 December 2016	**18,101**	**23,346**	**596**	**1,525**	**10,759**	**2,652**	**7,814**
31 December 2015							
Loans and borrowings	14,018	22,659	-	1,630	9,899	2,914	8,216
Bonds	3,091	3,432	-	-	3,432	-	-
Trade and other payables	676	676	411	71	194	-	-
Balance at 31 December 2015	**17,785**	**26,767**	**411**	**1,701**	**13,525**	**2,914**	**8,216**

Gross cash inflows (outflows) presented in the table above are contractual non-discounted cash flows, relating to derivative financial liabilities held for the risk management purposes. Such liabilities are not usually paid off till the maturity date. Cash flows are presented on the net basis for derivatives which are calculated on the net basis, and on the gross basis for derivatives which provide for full simultaneous settlement, e.g. foreign exchange forward 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 optimizing the return on investments.

(i) Currency risk

The Group generates foreign currency revenues from sales of agricultural produce at European markets. Net exchange gain for 2016 amounted to RUB 61 million (2015: RUB 798 million) (see note 7).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

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

	31 December 2016	
million RUB	**USD-denominated**	**EUR-denominated**
Trade and other receivables	22	44
Cash and cash equivalents	1	3
Trade and other payables	-	(2)
Foreign exchange forward contract used for hedging	(350)	(286)
	(327)	**(241)**

	31 December 2015	
million RUB	**USD-denominated**	**EUR-denominated**
Promissory notes received	1,313	2,028
Trade and other receivables	155	7
Cash and cash equivalents	7	5
Trade and other payables	-	(1)
	1,475	**2,039**

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

RUB	Average exchange rate		Reporting date spot rate	
	2016	2015	2016	2015
USD 1	67.03	60.96	60.66	72.88
EUR 1	74.23	67.78	63.81	79.70

Sensitivity analysis

A reasonably possible strengthening (weakening) of the RUB, as indicated below, against all other currencies at 31 December 2016 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. Indicators for 31 December 2015 were analysed on the basis of the same principles although reasonably possible changes to foreign currency exchange rates were different (see below):

million RUB	Strengthening		Weakening	
	Equity	Profit or (loss)	Equity	Profit or (loss)
31 December 2016				
USD (10% movement)	(15)	(15)	15	15
EUR (10% movement)	(23)	(23)	23	23
Other (10% movement)	(1)	(1)	1	1
31 December 2015				
USD (10% movement)	147	147	(147)	(147)
EUR (10% movement)	204	204	(204)	(204)
Other (10% movement)	10	10	(10)	(10)

(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). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Exposure to interest rate risk

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

million RUB	Carrying amount	
	31 December 2016	31 December 2015
Fixed rate instruments		
Financial assets	5,633	3,341
Financial liabilities	(16,313)	(17,109)
	(10,680)	**(13,768)**

(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 cash (see note 16), short-term receivables (see note 15) and payables (see note 20), short-term promissory notes acquired (see note 11) and long-term investments in equity instruments of related parties (see note 11), cost of which was determined based on the expected cost of subsequent sale, approximate their fair values.

As at 31 December 2016 and 2015 fair values of current bank loans and short-term borrowings, promissory notes issued and bonds determined on the basis of the current value of future cash flows using discount rates which present 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 (in million RUB):

	31 December 2016		**31 December 2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term bank loans from related parties	6,584	6,747	6,810	6,708
	6,584	**6,747**	**6,810**	**6,708**

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.

At the reporting dates the fair value hierarchy of the Group's assets was as follows (in million RUB):

	31 December 2016		
Other assets measured at fair value	**Level 1**	**Level 2**	**Level 3**
Land	-	-	13,289
Biological assets	-	-	2,049
Short-term financial liabilities measured at fair value			
Other short-term liabilities	-	445	-
Long-term financial liabilities measured at fair value			
Loans	-	6,747	-

	31 December 2015		
Other assets measured at fair value	**Level 1**	**Level 2**	**Level 3**
Land	-	-	12,412
Biological assets	-	-	2,023
Long-term financial liabilities measured at fair value			
Loans	-	6,708	-

In order to determine the fair value of equity instruments, at the reporting dates management of the Group applied cost calculated based on the expected cost of subsequent sale.

22 Operating leases

At 31 December, the lease payments under non-cancellable operating leases were payable as follows:

million RUB	**2016**	**2015**
Less than 1 year	38	38
From 1 to 5 years	96	115
More than 5 years	353	423
	487	**576**

Generally, lease payments are revised on an annual basis and are increased in accordance with the market rates. A number of lease agreements provide for additional payments depending on changes in local price indices.

In 2016 operating lease expenses in the amount of RUB 114 million (2015: RUB 145 million) were recognised in profit or loss.

23 Capital commitments

As at 31 December 2016 the Group had contracts for the acquisition of agricultural equipment worth RUB 80 million (31 December 2015: RUB 6 million).

24 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

The Group is 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) Taxation contingencies

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

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant 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 relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

25 Related party transactions

(a) Beneficiaries of the Group

The controlling shareholder of JSC “Avangard-Agro” 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 8):

million RUB	**2015**	**2014**
Salaries and bonuses	8	7
Contributions to the RF State Pension Fund	1	1
	9	**8**

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

Information on the Group’s transactions with other related parties is presented in the table below:

million RUB	**Transaction value**		**Outstanding balance**	
	2016	**2015**	**31 December 2016**	**31 December 2015**
Revenue from sale of agricultural produce and related receivables	1	8	98	210
Purchases and related payables	(1,208)	(894)	(115)	(237)

million RUB	**Transaction value**		**Outstanding balance**	
	2016	**2015**	**31 December 2016**	**31 December 2015**
Insurance compensations	911	660	-	-
Loans received, promissory notes issued and related liability	(10,215)	(10,301)	(13,181)	(14,017)
Loans issued, promissory notes acquired and related liability	31,916	9,833	5,622	3,341
Other short-term liabilities	-	-	(445)	-
Balances at settlement accounts	-	-	19	19

During 2016 the Group received related party promissory notes, without cash consideration paid, for RUB 17,996 million (2015: RUB 6,687 million).

26 Subsequent events

In January-February 2017 promissory notes in the amount of RUB 5,622 million as at 31 December 2016 were partially paid for RUB 2,692 million. Contractual terms for promissory notes received, which were not paid, were not broken.

27 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 from 2015.

28 Changes in accounting policies

The accounting policies set out in note 29 have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as changes set out below.

The Group adopted the following amendments to the accounting policies from the date of transition to IFRS as at 1 January 2012:

In 2015 the Group changed the accounting policy relating to land and took decision to account land at fair value on the basis of periodic valuation by external independent appraisers. This change was applied prospectively from the date of change in accounting policy.

29 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 29(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 less 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.

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 payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, 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 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 common control are accounted for using the acquisition method, which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date according to IFRS 3. If negative goodwill is arose during the process of recognition of such transaction using acquisition method, it is recognized in equity as shareholder contribuition.

(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 retranslated 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 interest payments accrued using the effective interest method 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 retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items 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 in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets include investments in equity and debt securities, trade and other receivables, and cash and cash equivalents.

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred to another party. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 29(h)(i)).

Loans and receivables category comprise the following classes of financial assets: trade and other receivables as presented in note 15, loans issued and promissory notes acquired as presented in note 11, and cash and cash equivalents as presented in note 16.

Cash and cash equivalents

Cash and cash equivalents comprise petty 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.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities initially recognised at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises the financial liability when its obligations relating to a corresponding contract are discharged or annulled or the effective term expires.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

(iii) Derivatives

The Group has foreign exchange forward derivatives for the purposes of hedging currency risks. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized 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 any accumulated 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 10.

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 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 expenditure

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 written off. 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 evaluation conducted by external independent appraisers. A revaluation increase on land is recognised directly in the revaluation surplus line 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 the revaluation surplus item.

(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 significant items of property, plant and equipment for the current and comparative periods are 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 realizable value. The cost of inventories is based on the weighted average principle 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) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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, 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

(i) Sale of finished products and goods

Revenue from the sale of finished products and goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and any trade or wholesale discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be provided and it can be measured reliably, the discount is to be recognised as a reduction of revenue as the sale is recognised.

The timing of the transfers of risks and rewards 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 risks and rewards varies depending on the individual terms of the sales agreement and occurs when the product is received by the customer either at the dispatcher's (supplier's) warehouse or at the customer's warehouse. Generally for such products the customer has a right of return if supplied products do not satisfy contractual terms. The term for accepting and verifying quantity and quality of products is stipulated in individual contracts.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Government grants

Grants that compensate the Group for expenses incurred are recognised net in the cost of sales in the same 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.

(j) Other costs

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of an arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's borrowing rate.

(k) Finance income and 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 recognized in profit or loss except to the extent that it relates to a business combination, or items recognized 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 recognized 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 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 that causes the Group to change its judgments 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 recognized for unused tax losses, unused 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 realized.

30 New standards and interpretations not yet adopted

Standards and interpretations applied in the reporting period

In the reporting year the Group applied all new standards and interpretations approved by the International Financial Reporting Interpretations Committee (IFRIC), which are mandatory for the preparation of annual reporting for periods beginning on 1 January 2016.

Standards and interpretations issued but not yet applicable

Anumber of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2016, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
- IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.
- IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a lease,* SIC-15 *Operating Leases – Incentives* and SIC-27

Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- IFRS 14 *Regulatory Deferral Accounts*.
- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).*
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).*
- *Disclosure Initiative (Amendments to IAS 1)*.
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*
- *Disclosure Initiative (Amendments to IAS 7).*

Management of the Group plans to adopt all of the above-mentioned standards and interpretations in the preparation of the consolidated financial statements for respective reporting periods. Management of the Group is assessing the potential impact on its consolidated financial statements resulting from the application of the above-mentioned standards and interpretations.

31 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.
- *Malt 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 (see note 3).

There are varying levels of integration between reportable segments. Integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis.

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	
million RUB	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
External revenue	12,149	8,836	5,847	2,668	17,996	11,504
Inter-segment revenue	1,917	1,330	-	-	1,917	1,330
Segment revenue	**14,066**	**10,166**	**5,847**	**2,668**	**19,913**	**12,834**
Segment gross profit	**5,072**	**5,396**	**1,890**	**750**	**6,962**	**6,146**
Finance income	907	2,068	**-**	-	908	2,068
Finance expense	(2,306)	(2,086)	-	-	(2,306)	(2,086)
Depreciation	1,185	1,188	304	146	1,489	1,334
Segment assets	**37,682**	**34,559**	**4,958**	**6,105**	**42,640**	**40,664**
Property, plant and equipment	19,998	19,320	4,063	4,356	24,061	23,676

(ii) Revenue reconciliation of reportable segments

million RUB	**2016**	**2015**
Revenue		
Total revenue of reportable segments	19,913	12,834
Elimination of inter-segment revenue	(1,917)	(1,330)
Consolidated revenue	**17,996**	**11,504**

(iii) Geographic information

During 2016 revenue from the sale of agricultural produce to customers in Russia and abroad amounted to RUB 11,570 million and RUB 6,426 million respectively (2015: RUB 7,309 million and RUB 4,195 million respectively).

At 31 December 2016 and 2015 all non-current assets of the Group were located in the Russian Federation.

(iv) Major customer

In 2016, revenue from one customer of the Group's *"Agricultural production"* segment represented approximately 21% (RUB 3,742 million) of the Group's total revenue (2015: 11% (RUB 1,209 million).