ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

1. Background

Description of the business

These consolidated financial statements were prepared for ROS AGRO PLC (hereinafter the "Company") and its subsidiaries (hereinafter collectively with the Company, the "Group"). The Group is ultimately controlled by Mr. Vadim Moshkovich (hereinafter the "Owner"), who controls 70.7% of the issued shares in ROS AGRO PLC as at 31 December 2020 (31 December 2019: 70.7%).

The principal activities of the Group are:

- agricultural production (cultivation of sugar-beet, grain and other agricultural crops);
- cultivation of pigs and meat processing;
- processing of raw sugar and production of sugar from sugar-beet;
- vegetable oil extraction and processing.

The registered office of ROS AGRO PLC is at 25 Aphrodite Street, CY-1060, Nicosia, Cyprus.

The Group mainly operates in the Russian Federation except for goods and financial derivatives trading activity (Note 30). The Group was incorporated and is domiciled in the Russian Federation except for Ros Agro Trading Limited and Ros Agro China Limited which are incorporated in Hong Kong.

Principal subsidiaries of the Group included into these consolidated financial statements are listed below. The Group's ownership share is the same as the voting share.

		Group's share in the share capital,%	
Entity	**Principal activity**	**31 December 2020**	**31 December 2019**
OJSC Rusagro Group	Investment holding, financing	100	100
LLC Group of Companies Rusagro	Investment holding, financing	100	100
	Sugar segment		
LLC Rusagro-Sakhar	Sugar division trading company, sales operations	100	100
LLC Rusagro-Belgorod	Beet and raw sugar processing	100	100
LLC Rusagro-Tambov	Beet and raw sugar processing	100	100
OJSC Krivets-Sakhar	Beet and raw sugar processing	100	100
OJSC Kshenskiy Sugar Plant	Beet and raw sugar processing	100	100
OJSC Otradinskiy Sugar Plant	Beet and raw sugar processing	100	100
OJSC Hercules	Buckwheat processing plant	100	100
Limeniko Trade and Invest Limited	Trading operations with goods and derivatives	-*	100
Ros Agro Trading Limited	Trading operations with goods	100	-
	Oil and Fat segment		
OJSC Fats and Oil Integrated Works	Oil processing	100	100
CJSC Samaraagroprompererabotka	Oil extraction	100	100
OJSC Pugachevskiy Elevator	Elevator	-**	84.95
LLC Primorskaya Soya	Oil extraction and processing	75	75
LLC Rusagro-Saratov	Oil processing	100	-
LLC Rusagro-Atkarsk	Oil extraction	100	-
LLC Rusagro-Balakovo	Oil extraction	100	-
	Meat segment		
LLC Tambovsky Bacon	Cultivation of pigs	100	100
LLC Rusagro-Primorie	Cultivation of pigs	100	100
LLC Regionstroy	Construction for cultivation of pigs	100	100
	Agriculture segment		
LLC Rusagro-Invest	Agriculture	100	100
LLL Rusagro-Moloko	Agriculture	100	100
LLC Agrotehnology	Agriculture	100	100
CJSC Primagro	Agriculture	100	100
LLC Kshenagro	Agriculture	100	100
LLC Otradaagroinvest	Agriculture	100	100
LLC Vozrozhdenie	Agriculture	100	100

** Limeniko Trade and Invest Limited was liquidated in November 2020.*

*** OJSC Pugachevskiy Elevator was liquidated in March 2020.*

1. Background (continued)

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 30). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Further, on 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time. Management is taking necessary measures to ensure sustainability of the Group's operations and support its customers and employees. However, the future effects of the current economic situation and the above measures are difficult to predict, and management's current expectations and estimates could differ from actual results.

Although the COVID-19 pandemic had no significant impact on business activity, the Group is taking actions to reduce Covid-19 exposure and support its personnel. The specifics of the Group's business does not allow transferring all personnel to distance work. However, the Group did utmost to increase the share of employees handling their duties remotely. All employees were provided with personal protective equipment and antiseptics, and all surfaces and common areas at offices and enterprises were given additional disinfection. Maintaining business processes and additional focusing on occupational safety helped the Group to demonstrate strong operating and financial results in 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, financial instruments categorized at fair value through profit or loss and at fair value through other comprehensive income, biological assets that are presented at fair value less point-of-sale costs and agricultural produce which is measured at fair value less point-of-sale costs at the point of harvest. The Group entities registered in Russia keep their accounting records in Russian Roubles in accordance with Russian accounting regulations (RAR). These consolidated financial statements significantly differ from the financial statements prepared for statutory purposes under RAR in that they reflect certain adjustments, which are necessary to present the Group's consolidated financial position, results of operations, and cash flows in accordance with IFRS as adopted by the EU.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

The preparation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below in Note 2.2.

2.2 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

2. Summary of significant accounting policies (continued)

2.2 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2020 would be to increase it by RR 894,928 or decrease it by RR 1,093,800 (2019: increase by RR 729,587 or decrease by RR 891,717).

Fair value of livestock and agricultural produce

The fair value less estimated point-of-sale costs of livestock at the end of each reporting period is determined using the physiological characteristics of the animals, management expectations concerning the potential productivity and market prices of animals with similar characteristics. The fair value of the Group's bearer livestock is determined by using valuation techniques, as there were no observable market prices near the reporting date for pigs and cows of the same physical conditions, such as weight and age. The fair value of the bearer livestock was determined based on the expected quantity of remaining farrows and calves for pigs and cows, respectively, and the market prices of the young animals. The fair value of mature animals is determined based on the expected cash flow from the sale of the animals at the end of the production usage. The cash flow was calculated based on the actual prices of sales of culled animals from the Group's entities to independent processing enterprises taking place near the reporting date, and the expected weight of the animals. Future cash flows were discounted to the reporting date at a current market-determined pre-tax rate. In the fair value calculation of the immature animals of bearer livestock management considered the expected culling rate.

Key inputs used in the fair value measurement of bearer livestock of the Group were as follows:

	31 December 2020			31 December 2019		
	Cows	Pigs (sows)	Pigs (boars)	Cows	Pigs (sows)	Pigs (boars)
Length of production usage in calves / farrows	5	5	-	5	5	-
Market prices for comparable bearer livestock in the same region (in Russian Roubles/kg, excl. VAT)	184	197	453	181	195	397

Should the key assumptions used in determination of fair value of bearer livestock have been 10% higher/lower with all other variables held constant, the fair value of the bearer livestock as at the reporting dates would be higher or lower by the following amounts:

	31 December 2020		31 December 2019	
	10% increase	10% decrease	10% increase	10% decrease
Cows				
Length of production usage in calves	2,489	(3,026)	2,535	(3,019)
Market prices for comparable bearer livestock in the same region	10,252	(10,252)	11,442	(11,442)
Pigs				
Length of production usage in farrows	50,090	(26,316)	42,259	(30,155)
Market prices for comparable bearer livestock in the same region	153,003	(153,003)	162,759	(162,759)

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

2. Summary of significant accounting policies (continued)

2.2 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

The fair value of consumable livestock (pigs) is determined based on the market prices multiplied by the livestock weight at the end of each reporting period, adjusted for the expected culling rates. The average market price of consumable pigs being the key input used in the fair value measurement was 88.7 Russian Roubles per kilogram, excluding VAT, as at 31 December 2020 (31 December 2019: 71.0 Russian Roubles per kilogram, excluding VAT).

Should the market prices used in determination of fair value of consumable livestock have been 10% higher/lower with all other variables held constant, the fair value of the consumable livestock as at 31 December 2020 would be higher/lower by RR 465,891 (31 December 2019: RR 356,210).

The fair value less estimated point-of-sale costs for agricultural produce at the time of harvesting was calculated based on quantities of crops harvested and the prices on deals that took place in the region of location on or about the moment of harvesting and was adjusted for estimated point-of-sale costs at the time of harvesting.

The average market prices (Russian Roubles/tonne, excluding VAT) used for fair value measurement of harvested crops were as follows:

	2020	2019
Sugar beet	3,512	1,592
Wheat	10,995	8,564
Barley	9,100	8,200
Sunflower	29,726	16,862
Corn	13,302	14,024
Soya bean	32,797	22,357

Should the market prices used in determination of fair value of harvested crops have been 10% higher/lower with all other variables held constant, the fair value of the crops harvested in 2020 would be higher/lower by RR 3,237,356 (2019: RR 2,043,291).

Fair value of investment in LLC GK Agro-Belogorie

Key inputs and assumptions used in the fair value measurement of investment in LLC GK Agro-Belogorie are disclosed in Note 10 and Note 30. Change in fair value of investment in LLC GK Agro-Belogorie is accounted within Fair value reserve line of Statement of financial position.

Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units ("CGUs") have been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 25.

Deferred income tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable and in relation to losses carried forward it is also based on management judgement about deductibility of expenses included in the related profit tax base. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. The key assumptions in the business plan are EBITDA margin and pre-tax discount rate (Notes 25, 26).

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 31).

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

2. Summary of significant accounting policies (continued)

2.2 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Assessment of existence of control over the Group of companies Solnechnye producty

Management assessed the existence of control over Group of companies Solnechnye producty (hereinafter – "Solnechnye producty") in terms of control criteria set out in IFRS 10. The Group's rights in relation to Solnechnye producty being in the stage of bankruptcy are by nature protective and do not result in power over investee. Additionally, the Group has no ability to exercise its rights in order to influence variable returns from Solnechnye producty, meaning that at least two essential control existence criteria are not met. Thus, management of the Group believes that control over Solnechnye producty does not exist.

Estimated credit loss measurement of loans issued to Solnechnye producty

Key inputs and assumptions used in the estimated credit loss measurement of loans issued to Solnechnye producty are disclosed in Note 15.

Depreciation of right-of-use assets

Extension and termination options. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of buildings, machinery, equipment and vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate) the lease.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate) the lease.

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As for the land leases historical lease durations were used in determining the terms of right-of-use assets depreciation. Based on the management assessment and previous experience, lease term was set as 10 years as a minimum.

Discount rates used for determination of lease liabilities

The Group uses its incremental borrowing rate as a base for calculation of the discount rate because the interest rate implicit in the lease cannot be readily determined. The Group's incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

10% increase or decrease in discount rate at 31 December 2020 would result in an increase or decrease in lease liabilities of RR 253,307 (31 December 2019: RR 278,447).

2.3 Foreign currency and translation methodology

Functional and presentation currency

The functional currency of the Group's consolidated entities is the Russian Rouble (RR), which is the currency of the primary economic environment in which the Group operates. The Russian Rouble has been chosen as the presentation currency for these consolidated financial statements.

Translation of foreign currency items into functional currency

Transactions in foreign currencies are translated to Russian Roubles at the official exchange rate of the Central Bank of the Russian Federation (CBRF) at the date of the transaction.

2. Summary of significant accounting policies (continued)

2.3 Foreign currency and translation methodology (continued)

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'Other gains/(losses), net'. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

2.4 Group accounting

Consolidation

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

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

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the fair value of net assets of the acquiree from the aggregate of the fair value of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement. The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

2. Summary of significant accounting policies (continued)

2.4 Group accounting (continued)

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

Associates

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

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

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

Purchases of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. The difference, if any, between the carrying amount of a non-controlling interest acquired and the purchase consideration is recorded as capital transaction in the consolidated statements of changes in equity.

Purchases of subsidiaries from parties under common control

Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted for using the predecessor basis of accounting. Under this method the consolidated financial statements of the acquiree are included in the consolidated financial statements from the beginning of the earliest period presented or, if later, the date when common control was established. The assets and liabilities of the subsidiary transferred under common control are accounted for at the predecessor entity's IFRS carrying amounts using uniform accounting policies on the assumption that the Group was in existence from the date when common control was established. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to retained earnings within equity.

Disposals of subsidiaries and associates

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and provision for impairment, if any.

Assets under construction are accounted for at purchase cost less provision for impairment, if required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing a major part or component of property, plant and equipment items is capitalized and the replaced part is retired.

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the consolidated financial statements. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in operating profit or loss for the year within other operating income and expenses.

2.6 Depreciation

Depreciation on property, plant and equipment other than land and assets under construction is calculated using the straight-line method to allocate their cost to the residual values over their estimated useful lives:

Asset category	Useful life, years
Buildings	15-50
Constructions	5-50
Machinery, vehicles and equipment	2-20
Other	4-6

Assets are depreciated on a straight-line basis from the month following the date they are ready for use.

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

2.7 Biological assets and agricultural produce

Biological assets of the Group consist of unharvested crops (grain crops, sugar beets and other plant crops) and livestock (pigs and cows).

Livestock is measured at their fair value less estimated point-of-sale costs. Fair value at initial recognition is assumed to be approximated by the purchase price incurred. Point-of-sale costs include all costs that would be necessary to sell the assets. All the gains or losses arising from initial recognition of biological assets and from changes in fair-value-less-cost-to-sell of biological assets less the amounts of these gains or losses related to the realised biological assets are included in a separate line "Net gain/ (loss) on revaluation of biological assets and agricultural produce" above the gross profit line.

At the year-end unharvested crops are carried at the accumulated costs incurred, which approximate the fair value since little biological transformation has taken place since initial cost incurrence due to the seasonal nature of the crops. Unharvested crop-growing costs represent costs incurred to plant and maintain seed crops which will be harvested during the subsequent reporting period. Subsequent to the year-end unharvested crops are measured at fair value less estimated point-of-sale costs. A gain or loss from the changes in the fair value less estimated point-of-sale costs of unharvested crops less the amount of such gain or loss related to the realisation of agricultural products is included as a separate line "Net gain/ (loss) on revaluation of biological assets and agricultural produce" above the gross profit line.

Upon harvest, grain crops, sugar beets and other plant crops are included into inventory for further processing or for sale and are initially measured at their fair value less estimated point-of-sale costs at the time of harvesting. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs of unharvested crops less the amount of such gain or loss related to the realisation of agricultural products is recognised in profit or loss in the period in which it arises.

Bearer livestock is classified as non-current assets; consumable livestock and unharvested crops are classified as current assets in the consolidated statement of financial position.

2. Summary of significant accounting policies (continued)

2.8 Goodwill

Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash-generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

2.9 Intangible assets

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, patents, trademarks and licences. Acquired computer software licences, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets are amortised using the straight-line method over their useful lives:

Asset category	Useful life, years
Trademarks	5-12
Software licences	1-3
Capitalised internal software development costs	3-5
Other licences	1-3

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

2.10 Impairment of non-current assets

The Group's non-current assets except for deferred tax, biological assets and financial assets are tested for impairment in accordance with the provisions of IAS 36, Impairment of Assets. The Group makes an assessment whether there is any indication that an asset may be impaired at each reporting date, except for goodwill which is tested at least annually regardless of whether there are any indications of impairment. If any such indication exists, an estimate of the recoverable amount of the asset is made. IAS 36 requires an impairment loss to be recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its life.

2.11 Financial instruments

Financial instruments – key measurement terms

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

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

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

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

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

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Initial recognition and measurement of financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets and liabilities are initially recorded at fair value. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost, resulting in an immediate accounting loss.

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

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Financial assets – classification and subsequent measurement – measurement categories

The Group classifies financial assets in the following measurement categories: fair value through profit and loss, fair value through other comprehensive income and amortised cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

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

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

Financial assets – classification and subsequent measurement – cash flow characteristics

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

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

All financial instruments except those that measured at fair value meet the SPPI criteria and recognises at amortised cost. The Group has some instruments that meet SPPI and held for trading and to collect that recognised at fair value through profit and loss and at fair value through other comprehensive income.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Financial assets impairment – credit loss allowance for expected credit loss

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

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

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

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its expected credit loss is measured based on expected credit loss on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any. Refer to Note 30 for a description of how the Group determines when a significant increase in credit risk has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its expected credit loss is measured as a Lifetime expected credit loss. The Group's definition of credit impaired assets and definition of default is explained in Note 30. For financial assets that are purchased or originated credit-impaired, the expected credit loss is always measured as a Lifetime expected credit loss. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring expected credit loss, including an explanation of how the Group incorporates forward-looking information in the expected credit loss models.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before each balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at amortised cost, except for (i) financial liabilities at fair value through profit and loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities designated at fair value through profit and loss

The Group may designate certain liabilities at fair value through profit and loss at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in other comprehensive income and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

Financial liabilities – derecognition

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy. There were no offsets of financial assets and liabilities as at 31 December 2020.

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Presentation of results from sugar trading derivatives

The Group engages in raw sugar derivative trading transactions through an agent on ICE Futures US primarily in order to manage the raw sugar purchase price risk (Note 30). As such transactions are directly related to the core activity of the Group, their results are presented above gross profit as 'Net gain from trading derivatives' in the consolidated statement of profit or loss and other comprehensive income. Management believes that the presentation above gross profit line appropriately reflects the nature of derivative operations of the Group.

2.12 Cash and cash equivalents

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

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

2.13 Investments

Bank deposits with original maturities of more than three months and less than twelve months are classified as short-term investments and are carried at amortised cost using the effective interest method.

Bank deposits with original maturity of more than twelve months are classified as long-term and are carried at amortised cost.

Bond held for trading are securities which are acquired solely to generate a profit from short-term fluctuations in price or trader's margin or are included in a portfolio in which a pattern of short-term trading exists. These financial assets are classified as part of "other" business model and measured at fair value through profit and loss. Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

2.14 Prepayments

Prepayments classified as current assets represent advance payments to suppliers for goods and services. Prepayments for construction or acquisition of property, plant and equipment and prepayments for intangible assets are classified as non-current assets. Prepayments are carried at cost less provisions for impairment, if any. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

2.15 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

2. Summary of significant accounting policies (continued)

2.15 Inventories (continued)

Raw materials intended for the operating activities of the Group, finished goods and work in progress are classified as current assets. Materials intended for construction are classified as non-current assets as “Inventories intended for construction”.

2.16 Borrowings

Borrowings are recognised initially at their fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between the amount at initial recognition and the redemption amount is recognised as interest expense over the period of the borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

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

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

2.17 Trade and other payables

Trade and other payables are recognised when the counterparty has performed its obligations under the contract, and are carried at amortised cost using the effective interest method.

2.18 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to purchases where all the specified conditions for recovery have not been met yet is recognised in the consolidated statements of financial position and disclosed separately within other taxes receivable, while input VAT that has been claimed is netted off with the output VAT payable. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.19 Other taxes payable

Other taxes payable comprises liabilities for taxes other than on income outstanding at the reporting date, accrued in accordance with legislation enacted or substantively enacted by the end of the reporting period.

2.20 Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge or credit comprises current tax and deferred tax and is recognised in profit or loss for the year.

Current tax

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

2. Summary of significant accounting policies (continued)

2.20 Income tax (continued)

Deferred tax

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

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

2.21 Employee benefits

Payroll costs and related contributions

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

Pension costs

The Group contributes to the Russian Federation state pension fund on behalf of its employees and has no obligation beyond the payments made. The contribution was approximately 21.2% (2019: 19.6%) of the employees' gross pay and is expensed in the same period as the related salaries and wages.

The Group does not have any other legal or constructive obligation to make pension or other similar benefit payments to its employees.

Share-based payment transactions

The Group accounts for share-based compensation in accordance with IFRS 2, Share-based Payment. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted measured at the grant date. For share-based compensation made to employees by shareholders, an increase to share-based payment reserve in equity is recorded equal to the associated compensation expense each period.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

2. Summary of significant accounting policies (continued)

2.22 Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense within finance costs. Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.23 Revenue recognition

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

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

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

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

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

Contract assets and liabilities are not separately presented in the consolidated statement of financial position as they are not material.

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

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

Sales of transportation services. Revenue from providing transportation services is recognised in the accounting period in which these services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

2. Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

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

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

2.25 Government grants

Government grants comprise compensation of interest expense under bank loans and government grants relating to costs and property, plant and equipment.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Government grants relating to costs are deferred and recognised in profit or loss as other operating income over the period necessary to match them with the costs that they are intended to compensate.

Compensation of interest expense under bank loans is credited to profit or loss over the periods of the related interest expense unless this interest was capitalised into the carrying value of assets in which case it is included in non-current liabilities as government grants and credited to profit or loss on a straight-line basis over the expected lives of the related assets.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognised and measured in accordance with IFRS 9 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

Bank loans at a below-market rate of interest under the programme of government support are recognized at the nominal value if there isn't reasonable assurance that the grants will be received. The differences between nominal and market interest rate is recognized as interest expenses and government grants in a consolidated statement of profit or loss and other comprehensive income or in a consolidated statement of financial position.

Government grants are recognized at their fair value when there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants cash inflows are presented in the financing activities section of the consolidated statement of cash flows.

2.26 Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved, appropriately authorised and are no longer at the discretion of the Group. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

2.27 Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration receivable over the par value of shares issued is recorded as share premium in equity. Share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE*)

2. Summary of significant accounting policies (continued)

2.28 Treasury shares

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. Where such equity instruments are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

2.29 Amendments of the consolidated financial statements after issue

Any changes to these consolidated financial statements after issue require approval of the Group's management and the Board of Directors who authorised these consolidated financial statements for issue.

2.30 Right-of-use assets

The Group leases various land, buildings, machinery, equipment and vehicles. Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Useful lives of right-of-use of land is limited by contract terms but are not less than 10 years (Note 12). Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Land	1 to 50
Buildings	1 to 20
Machinery and equipment	1 to 5
Vehicles	1 to 5

2.31 Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of land plots, buildings, machinery, equipment and vehicles across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. Summary of significant accounting policies (continued)

2.31 Lease liabilities (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take place, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with value of RR 300 or less.

2.32 Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020.

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020. The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

The Group estimates the amendments to IFRS 16 to have no material impact on consolidated financial statements.

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

2. Summary of significant accounting policies (continued)

2.32 Adoption of new or revised standards and interpretations (continued)

Endorsed by the European Union

Amendments

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

Not yet endorsed by the European Union

New standards

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).

Amendments

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014).

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The Group’s Board of Directors assesses the impact of new standards and interpretations at the point when these are endorsed by the European Union. The new standards and interpretations are not expected to affect significantly the Group’s consolidated financial statements.

3. Cash and cash equivalents

	31 December 2020	31 December 2019
Bank balances receivable on demand	2,597,065	1,876,735
Cash in transit	234,798	223,277
Bank deposits with original maturity of less than three months	9,034,370	49,336
Brokerage accounts	-	20,980
Cash in hand	565	451
Total cash and cash equivalents	**11,866,798**	**2,170,779**

The Group had the following currency positions:

	31 December 2020	31 December 2019
Russian Roubles	11,290,200	1,724,800
Euro	24,413	364,924
US Dollars	552,065	79,998
Other	120	1,057
Total	**11,866,798**	**2,170,779**

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

3. Cash and cash equivalents (continued)

The weighted average interest rate on cash at bank balances in Russian Roubles presented within cash and cash equivalents was 5.15% at 31 December 2020 (31 December 2019: 0.00%). The weighted average interest rate on cash at bank balances in US Dollars presented within cash and cash equivalents was 0.00% at 31 December 2020 (31 December 2019: 1.35%).

4. Short-term investments

	31 December 2020	31 December 2019
Loans issued to third parties (Note 15)	19,137,343	23,168,244
Interest receivable on long-term bonds held to collect (Note 10)	218,057	283,541
Bonds held to collect	197,523	-
Interest receivable on bonds held for trading (Note 10)	7,908	4,767
Other short-term investments	22,692	-
Total	**19,583,523**	**23,456,552**

As at 31 December 2020, the Group has bonds held to collect. The table below shows the rating and balances of bonds held to collect at 31 December 2020:

		31 December 2020		31 December 2019	
	Rating agency	Rating	Balance	Rating	Balance
VTB Bank JSC	S&P	bbb	25,308		-
Magnit PAO	S&P	bb	136,662		-
PJSC MegaFon	Fitch Ratings	bb+	35,553		-
Total bonds to collect			**197,523**		**-**

5. Trade and other receivables

	31 December 2020	31 December 2019
Trade receivables	8,508,956	7,175,546
Other	469,167	300,632
Less: credit loss allowance (Note 30)	(148,322)	(351,262)
Total financial assets within trade and other receivables	**8,829,801**	**7,124,916**
Deferred charges	682,485	943,433
Total trade and other receivables	**9,512,286**	**8,068,349**

The above financial assets within trade and other receivables are denominated in the following currencies:

	31 December 2020	31 December 2019
Russian Roubles	7,273,692	6,204,501
US dollars	1,501,230	811,387
Euro	54,879	109,028
Total	**8,829,801**	**7,124,916**

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

5. Trade and other receivables (continued)

The credit loss allowance for trade and other receivables is determined according to the provision matrix presented in the table below. The provision matrix is based the number of days that an asset is past due.

		31 December 2020		31 December 2019	
	Loss rate	**Gross carrying amount**	**Lifetime expected credit loss**	**Gross carrying amount**	**Lifetime expected credit loss**
Trade receivables					
- current	-	6,656,734	-	5,636,414	-
- less than 90 days overdue	-	685,795	22,742	87,811	16,575
- 91 to 180 days overdue	100%	1,553	1,553	8,892	8,892
- 181 to 360 days overdue	100%	27,592	27,592	49,443	49,443
- over 360 days overdue	100%	24,958	24,958	164,338	164,338
Total trade receivables (gross carrying amount)		**7,396,632**		**5,946,898**	
Credit loss allowance		76,845		239,248	
Total trade receivables from contracts with customers (carrying amount)		**7,319,787**		**5,707,650**	
Other receivables					
- current	-	387,983	-	185,466	-
- less than 90 days overdue	-	35,612	25,905	3,152	-
- 91 to 180 days overdue	100%	5,729	5,729	1,357	1,357
- 181 to 360 days overdue	100%	5,039	5,039	57,710	57,710
- over 360 days overdue	100%	34,804	34,804	52,947	52,947
Total other receivables		**469,167**		**300,632**	
Credit loss allowance		71,477		112,014	
Total other receivables (carrying amount)		**397,690**		**188,618**	

The Group did not recognise any expected credit loss allowance for trade receivables in the amount of RR 1,112,324 because of excess of collateral value over the gross carrying value of these receivables as at 31 December 2020 (Note 15) (31 December 2019: RR 1,228,648).

The following table explains the changes in the credit loss allowance for trade and other receivables under the simplified expected credit loss model between the beginning and the end of the annual period:

	Trade receivables	**Other receivables**
As at 1 January 2020	**239,248**	**112,014**
(Reversed)	(13,285)	(12,023)
Utilised	(149,118)	(28,514)
As at 31 December 2020 (Note 30)	**76,845**	**71,477**

	Trade receivables	**Other receivables**
As at 1 January 2019	**230,546**	**70,713**
Accrued	20,930	41,307
Utilised	(12,228)	(6)
As at 31 December 2019 (Note 30)	**239,248**	**112,014**

The majority of the Group's trade debtors are proven counterparties with whom the Group has long-lasting sustainable relationships.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

6. Prepayments

Prepayments classified as current assets represent the following advance payments:

	31 December 2020	31 December 2019
Prepayments for transportation services	677,737	886,174
Prepayments for other materials	554,650	630,984
Prepayments for raw materials	574,698	658,406
Prepayments for fuel and energy	361,373	310,325
Prepayments under insurance contracts	299,138	136,974
Prepayments for rent	127,639	102,746
Prepayments for advertising expenses	130,272	53,265
Prepayments for animals	70,634	47
Prepayments to customs	6,245	3,227
Other prepayments	207,803	271,446
Less: provision for impairment	(68,965)	(34,936)
Total	**2,941,224**	**3,018,658**

Reconciliation of movements in the prepayments' impairment provision:

	2020	2019
As at 1 January	**34,936**	**34,411**
Accrued	38,900	3,777
Utilised	(4,871)	(3,252)
As at 31 December	**68,965**	**34,936**

As at 31 December 2020 prepayments classified as non-current assets and included in the "Advances paid for property, plant and equipment" line in the consolidated statements of financial position in the amount of RR 6,905,003 (31 December 2019: RR 8,721,155) represent advance payments for construction works and purchases of production equipment.

7. Other taxes receivable

	31 December 2020	31 December 2019
Value added tax receivable	5,463,711	4,233,415
Other taxes receivable	42,964	115,985
Total	**5,506,675**	**4,349,400**

8. Inventories

	31 December 2020	31 December 2019
Finished goods	30,298,732	21,837,217
Raw materials	30,337,027	19,794,528
Work in progress	3,041,868	3,250,396
Less: provision for write-down to net realisable value	(411,238)	(321,193)
Total	**63,266,389**	**44,560,948**

As at 31 December 2020 the value of finished goods and raw materials increased mainly as a result of the higher cost of sunflower seed, sugar beet and wheat compared to 2019.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

9. Biological assets

The fair value of biological assets belongs to level 3 measurements in the fair value hierarchy. Pricing model is used as a valuation technique for biological assets fair value measurement. There were no changes in the valuation technique during the years ended 31 December 2020 and 2019. The reconciliation of changes in biological assets between the beginning and the end of the year can be presented as follows:

Short-term biological assets

	Consumable livestock, pigs	Unharvested crops	Total
As at 1 January 2019	**3,147,474**	**918,396**	**4,065,870**
Increase due to purchases and gain arising from cost inputs	23,484,968	18,234,109	41,719,077
Gain on initial recognition of agricultural produce	-	2,296,933	2,296,933
Lost harvest written-off (Note 23)	-	(122,468)	(122,468)
Decrease due to harvest and sales of the assets	(23,251,995)	(20,310,439)	(43,562,434)
Gain arising from changes in fair value less estimated point-of-sale costs	428,871	-	428,871
As at 31 December 2019	**3,809,318**	**1,016,531**	**4,825,849**
Increase due to purchases and gain arising from cost inputs	24,243,682	17,939,612	42,183,294
Gain on initial recognition of agricultural produce	-	14,279,563	14,279,563
Lost harvest written-off (Note 23)	-	(188,536)	(188,536)
Decrease due to harvest and sales of the assets	(23,971,389)	(32,185,021)	(56,156,410)
Gain arising from changes in fair value less estimated point-of-sale costs	791,219	-	791,219
As at 31 December 2020	**4,872,830**	**862,149**	**5,734,979**

Long-term biological assets

	Bearer livestock		
	Pigs	**Cows**	**Total**
As at 1 January 2019	**2,505,943**	**144,258**	**2,650,201**
Increases due to purchases and breeding costs of growing livestock	1,226,377	80,059	1,306,436
Decreases due to sales	(1,344,532)	(64,430)	(1,408,962)
Loss arising from changes in fair value less estimated point-of-sale costs	(233,788)	(34,552)	(268,340)
As at 31 December 2019	**2,154,000**	**125,335**	**2,279,335**
Increases due to purchases and breeding costs of growing livestock	1,635,760	30,496	1,666,256
Decreases due to sales	(535,120)	(40,313)	(575,433)
Loss arising from changes in fair value less estimated point-of-sale costs	(839,406)	(2,624)	(842,030)
As at 31 December 2020	**2,415,234**	**112,894**	**2,528,128**

In 2020 the aggregate gain on initial recognition of agricultural produce and from the change in fair value less estimated point-of-sale costs of biological assets amounted to RR 14,228,752 (2019: RR 2,457,464).

Included in the above amounts there are gains related to realised biological assets and agricultural produce amounting to RR 8,338,305 (2019: RR 6,569,411).

9. Biological assets (continued)

Livestock population were as follows:

	31 December 2020	31 December 2019
Cows (heads)	2,032	2,160
Pigs within bearer livestock (heads)	130,229	116,664
Pigs within consumable livestock (tonnes)	59,016	54,998

Cows are bred for the purpose of production of milk. In 2020 the milk produced amounted to 7,080 tonnes (2019: 6,897 tonnes).

In 2020 total area of cultivated land amounted to 559 thousand ha (2019: 608 thousand ha).

The main crops of the Group's agricultural production and output were as follows (in thousands of tonnes):

	2020	2019
Sugar beet	2,889	3,932
Wheat	1,007	708
Barley	78	190
Sunflower	67	88
Corn	110	109
Soya bean	284	312

Key inputs in the fair value measurement of the livestock and the agricultural crops harvested together with sensitivity to reasonably possible changes in those inputs are disclosed in Note 2.2.

As at 31 December 2020 biological assets with a carrying value of RR 1,397,922 (2019: RR 880,464) were pledged as collateral for the Group's borrowings (Note 15).

The Group is exposed to financial risks arising from changes in milk, meat and crops prices. The Group does not anticipate that milk or crops prices will decline significantly in the foreseeable future except some seasonal fluctuations and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in respective prices. The Group reviews its outlook for milk, meat and crops prices regularly in considering the need for active financial risk management.

10. Long-term investments

	31 December 2020	31 December 2019
Bonds held to collect (Note 15)	19,900,000	19,900,000
Bank deposits with maturity over twelve months	14,070,635	14,071,101
Investments in third parties	8,556,556	8,500,000
Bonds held for trading (Note 15)	165,129	165,222
Total	**42,692,320**	**42,636,323**

The above long-term investments are denominated in Russian Roubles. Interest receivable on bonds to collect is disclosed in Note 4.

As at 31 December 2020 bank deposits in the amount of RR 13,900,000 (31 December 2019: RR 13,900,000) were pledged as collateral for the Group's borrowings.

Bank deposits include a restricted deposit in Vnesheconombank in the amount of RR 13,900,000 which could not be withdrawn till 27 November 2028 (Note 15).

Bonds held to collect include restricted bonds in Rosselkhozbank in the amount of RR 19,900,000 which could not be withdrawn till 22 November 2038 (Note 15).

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

10. Long-term investments (continued)

On 20 August 2019 the Group acquired 22.5% of ownership interest in LLC GK Agro-Belogorie, one of the largest pork producers in Russia and a large landholder in Belgorod region. Total cash consideration transferred under the deal amounted to RR 8,500,000.

Key business areas of investee include industrial pig farming and meat processing, milk livestock, crop and feed production.

Investment in LLC GK Agro-Belogorie is classified as investment at fair value through other comprehensive income. The management considers that the Group does not have significant influence over LLC GK Agro-Belogorie due the following:

- The Group has no power to appoint the members of the board of directors or equivalent governing body of LLC GK Agro-Belogorie;
- Group management does not participate in the policy-making processes, including decisions about dividends or other distributions;
- There were no material transactions or interchange of managerial personnel between the Group and LLC GK Agro-Belogorie since the share acquisition date;
- No essential technical information was interchanged between the Group and LLC GK Agro-Belogorie

The fair value of the investment determined applying the level 3 valuation model amounted to RR 8,500,000 at acquisition date.

Subsequent to the initial recognition this investment is measured at fair value through other comprehensive income. As at 31 December 2020 the fair value of the acquired investment amounted to RR 8,556,556 (31 December 2019: RR 8,500,000)

The fair value of the investment has been determined based on discounted cash flow calculation using the actual financial data and budgets of LLC GK Agro-Belogorie covering a five-year period and the expected market prices for the key products for the same period according to leading industry publications. Cash flows beyond the five-year period were projected with a long-term growth rate of 1.8% per annum (2019: 2.0% per annum).

The assumptions used for calculation and sensitivity of fair value measurement are presented in Note 30.

Bonds held for trading and held to collect were denominated in Russian Roubles and mature in the period from 2022 till 2038. Nominal interest rates on bonds vary between 6.2% and 10.5%. Bonds held for trading were acquired with the intention of generating a profit from short-term price fluctuations and for the purpose of these consolidated financial statements were classified as trading investments with measurement at fair value through profit and loss.

The table below shows the rating and balances of bonds held for trading and bonds held to collect:

		31 December 2020		31 December 2019	
	Rating agency	**Rating**	**Balance**	**Rating**	**Balance**
Rosselkhozbank	Fitch Ratings	bbb-	19,900,000	bbb-	19,900,000
VimpelCom Ltd	Fitch Ratings	bbb-	142,205	bbb-	142,233
LLC Lenta	Fitch Ratings	bb+	22,924	bb	22,989
Total bonds (Note 10)			**20,065,129**		**20,065,222**

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

11. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	Land	Machinery, vehicles and equipment	Buildings and constructions	Assets under construction	Other	Total
Cost (Note 2.5)						
As at 1 January 2019	**7,956,585**	**51,744,510**	**32,691,562**	**16,134,143**	**267,271**	**108,794,071**
Additions	445,236	1,443,712	41,675	18,690,742	780	20,622,145
Transfers	10,712	6,227,130	9,766,514	(16,025,299)	20,943	-
Disposals	(72,512)	(1,468,000)	(365,549)	(23,431)	(50,423)	(1,979,915)
As at 31 December 2019	**8,340,021**	**57,947,352**	**42,134,202**	**18,776,155**	**238,571**	**127,436,301**
Accumulated depreciation (Note 2.6)						
As at 1 January 2019	**-**	**(29,267,876)**	**(10,816,411)**	**-**	**(194,782)**	**(40,279,069)**
Charge for the year	-	(5,991,498)	(1,993,807)	-	(40,149)	(8,025,454)
Disposals	-	1,364,751	82,885	-	50,069	1,497,705
As at 31 December 2019	**-**	**(33,894,623)**	**(12,727,333)**	**-**	**(184,862)**	**(46,806,818)**
Net book value as at 31 December 2019	**8,340,021**	**24,052,729**	**29,406,869**	**18,776,155**	**53,709**	**80,629,483**

	Land	Machinery, vehicles and equipment	Buildings and constructions	Assets under construction	Other	Total
Cost (Note 2.5)						
As at 1 January 2020	8,340,021	57,947,352	42,134,202	18,776,155	238,571	127,436,301
Additions	412,553	2,180,363	247,729	14,262,182	29,416	17,132,243
Transfers	-	3,596,649	12,554,965	(16,163,200)	11,586	-
Disposals	(21,624)	(664,621)	(175,781)	(167,736)	(17,508)	(1,047,270)
As at 31 December 2020	**8,730,950**	**63,059,743**	**54,761,115**	**16,707,401**	**262,065**	**143,521,274**
Accumulated depreciation (Note 2.6)						
As at 1 January 2020	-	(33,894,623)	(12,727,333)	-	(184,862)	(46,806,818)
Charge for the year	-	(6,667,902)	(3,138,494)	-	(37,807)	(9,844,203)
Disposals	-	590,912	41,526	-	16,397	648,835
As at 31 December 2020	**-**	**(39,971,613)**	**(15,824,301)**	**-**	**(206,272)**	**(56,002,186)**
Net book value as at 31 December 2020	**8,730,950**	**23,088,130**	**38,936,814**	**16,707,401**	**55,793**	**87,519,088**

As at 31 December 2020 property, plant and equipment with a net book value of RR 25,920,704 (31 December 2019: RR 23,778,342) was pledged as collateral for the Group's borrowings (Note 15).

As at 31 December 2020 and 2019 the assets under construction related mainly to the pig farm construction in the Tambov region and Primorsky Krai. During the reporting period, the Group capitalised borrowing costs within assets under construction in the amount of RR 1,537,052 (2019: RR 1,741,103). The average capitalisation rate in 2020 was 7.27% (2019: 8.83%).

At 31 December 2020 and 2019, inventories intended for construction related mainly to the inventories which will be used for the pig farm construction in the Primorsky Krai.

Movements in the carrying amount of inventories intended for construction were as follows:

As at 1 January 2019	4,136,855
Additions	1,259,235
Disposals	(2,238,721)
As at 31 December 2019	**3,157,369**
As at 1 January 2020	3,157,369
Additions	3,504,176
Disposals	(3,308,215)
As at 31 December 2020	**3,353,330**

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

12. Right-of-use assets and lease liabilities

The Group leases various lands, buildings, machinery, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 49 years but may have extension options as described below.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

As for the land lease, contracts include monetary agreements in which payments do not depend on an index or a rate and non-monetary agreements based on a certain share of agricultural produce harvested or a fixed volume of harvested crops. Based on management's assessment and previous experience, the lease term was set as 10 years as a minimum. This term is justified by payback period of particular investment projects, which depend on the time to analyse composition of the land and the roll-out and purchase price of necessary fertilizers and equipment.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group recognised right-of-use asset as follows:

	Land	Buildings	Equipment	Other	Total
Carrying amount at 1 January 2019	**5,060,408**	**1,063,302**	**117,759**	**-**	**6,241,469**
Additions	384,172	594,788	9,144	5,638	993,742
Disposals	(206,644)	(149,833)	-	-	(356,477)
Depreciation charge (Note 20,21,22)	(436,318)	(172,614)	(38,458)	(637)	(648,027)
Carrying amount at 31 December 2019	**4,801,618**	**1,335,643**	**88,445**	**5,001**	**6,230,707**

	Land	Buildings	Equipment	Other	Total
Carrying amount at 1 January 2020	**4,801,618**	**1,335,643**	**88,445**	**5,001**	**6,230,707**
Additions	1,620,103	468,444	8,217	-	2,096,764
Disposals	(663,379)	(8,507)	-	-	(671,886)
Depreciation charge (Note 20,21,22)	(463,976)	(223,095)	(32,855)	(1,092)	(721,018)
Carrying amount at 31 December 2020	**5,294,366**	**1,572,485**	**63,807**	**3,909**	**6,934,567**

The Group recognised lease liabilities as follows:

	31 December 2020	31 December 2019
Short-term lease liabilities	943,859	916,791
Long-term lease liabilities	4,855,508	3,989,801
Total lease liabilities	**5,799,367**	**4,906,592**

Interest expense included in finance costs for 2020 was RR 580,276 (2019: RR 590,777) (Note 24).

As at 31 December 2020, future cash outflows of RR 1,830,868 (undiscounted) (31 December 2019: RR 1,232,746) to which the Group is potentially exposed to during the lease term have not been included in the lease liability because they include variable lease payments that are linked to cadastral value.

Variable lease payments that depend on cadastral value are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Expenses relating to short-term leases (included in cost of sales and general and administrative expenses):

	2020	2019
Expenses related to contracts in which payments do not depend on an index or a rate	145,923	184,897
Expenses relating to short-term leases	528,716	447,330

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

12. Right-of-use assets and lease liabilities (continued)

Total outflow for leases in 2020 was RR 1,057,899 (2019: RR 989,086), including RR 439,157 (2019: RR 481,604) settled in agricultural products.

The reconciliation of lease liabilities and the movements is presented in Note 15.

13. Intangible assets

	Trademarks	Software licenses	Internally developed software	Other	Total
Cost (Note 2.9)					
As at 1 January 2019	130,010	873,974	49,492	273,355	1,326,831
Additions	25,715	198,560	4,013	96,040	324,328
Transfers	1,683	1,544	-	(3,227)	-
Disposals	(437)	(172,001)	(3,793)	(524)	(176,755)
As at 31 December 2019	**156,971**	**902,077**	**49,712**	**365,644**	**1,474,404**
Accumulated amortisation (Note 2.9)					
As at 1 January 2019	(51,379)	(426,731)	(38,276)	(178,416)	(694,802)
Charge for the year	(24,045)	(299,058)	(4,161)	(17,750)	(345,014)
Disposals	437	171,117	2,440	53	174,047
As at 31 December 2019	**(74,987)**	**(554,672)**	**(39,997)**	**(196,113)**	**(865,769)**
Net book value as at 31 December 2019	**81,984**	**347,405**	**9,715**	**169,531**	**608,635**

	Trademarks	Software licenses	Internally developed software	Other	Total
Cost (Note 2.9)					
As at 1 January 2020	156,971	902,077	49,712	365,644	1,474,404
Additions	4,903	336,653	122	77,130	418,808
Disposals	(1,333)	(238,403)	(14,362)	(265)	(254,363)
As at 31 December 2020	**160,541**	**1,000,327**	**35,472**	**442,509**	**1,638,849**
Accumulated amortisation (Note 2.9)					
As at 1 January 2020	(74,987)	(554,672)	(39,997)	(196,113)	(865,769)
Charge for the year	(6,354)	(325,279)	(3,782)	(56,756)	(392,171)
Disposals	1,333	223,310	14,098	143	238,884
As at 31 December 2020		(656,641)	(29,681)	(252,726)	(1,019,056)
Net book value as at 31 December 2020	**80,533**	**343,686**	**5,791**	**189,783**	**619,793**

14. Share capital, share premium and transactions with non-controlling interests

Share capital and share premium

At 31 December 2020 the issued and paid share capital consisted of 27,333,333 ordinary shares (31 December 2019: 27,333,333 ordinary shares) with par value of EUR 0.01 each.

At 31 December 2020 and 2019, the authorised share capital consisted of 60,000,000 ordinary shares with par value of EUR 0.01 each.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

14. Share capital, share premium and transactions with non-controlling interests (continued)

Treasury shares

At 31 December 2020 the Group held 2,135,313 of its own GDRs (31 December 2019: 2,166,313 own GDRs) that is equivalent of approximately 427,063 shares (31 December 2019: 433,263 shares). The GDRs are held as treasury shares. In 2020 and 2019 there were no acquisitions of treasury shares. In 2020 31,000 GDRs (2019: no GDRs) were transferred to the employees under the share option incentive arrangements.

Dividends

In 2020 the Company distributed RR 3,216,350 of dividends for the second half of 2019 and RR 1,922,033 of interim dividends for the first half of 2020. The dividends for the second half of 2019 amounted to RR 119.54 per share and interim dividends for 2020 amounted to RR 71.43 per share. All dividends declared were paid in 2020.

In 2019 the Company distributed RR 3,449,838 of dividends for the second half of 2018 and RR 1,683,841 of interim dividends for the first half of 2019. The dividends for the second half of 2018 amounted to RR 128.25 per share and interim dividends for 2019 amounted to RR 62.6 per share. All dividends declared were paid in 2019.

Purchases of non-controlling interests

2020

On 3 March 2020 the Group's subsidiary OJSC Pugachevskiy Elevator was liquidated. The Group held 84.95% share in the share capital of OJSC Pugachevskiy Elevator at the date of liquidation, corresponding non-controlling interest disposal in the amount of RR 2,792 was recorded as a capital transaction in the consolidated statement of changes in equity.

2019

On 26 February 2019 the Group acquired 0.78% additional shares in OJSC Pugachevskiy Elevator, thereby increasing its share in the share capital of OJSC Pugachevskiy Elevator to 84.95% (2018: 84.17%). The total excess of the Group's share of identifiable net assets acquired over the consideration paid in the amount of RR 1,643 was recorded as a capital transaction in the consolidated statement of changes in equity.

15. Borrowings

Short-term borrowings

	31 December 2020	31 December 2019
Bank loans	32,762,452	14,918,829
Loan received from related parties (Note 27)	-	3,472,349
Loans received from third parties	16,600	710,460
Interest accrued on borrowings from third parties	615	8,624
Current portion of long-term borrowings	18,973,808	12,724,437
Total	**51,753,475**	**31,834,699**

All short-term borrowings are at fixed interest rate. The above borrowings are denominated in the following currencies:

	Interest rate	31 December 2020	Interest rate	31 December 2019
Russian Roubles	1.0%-11.14%	51,753,475	1.0%-12.95%	23,854,865
Euro		-	0.7%-0.8%	7,979,834
Total		**51,753,475**		**31,834,699**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

15. Borrowings (continued)

Long-term borrowings

	31 December 2020	31 December 2019
Bank loans	82,149,528	78,765,221
Less current portion of long-term borrowings from:		
Bank loans	(18,973,808)	(12,724,437)
Total	**63,175,720**	**66,040,784**

The above borrowings are denominated in the following currencies:

	Interest rate	31 December 2020	Interest rate	31 December 2019
Russian Roubles	1.0%-12.5%	63,175,720	1.0%-12.95%	66,040,784
Total		**63,175,720**		**66,040,784**

In November 2018 the Group entered into a transaction with Rosselkhozbank (hereinafter – "RSHB") for the acquisition of debt of Group of companies Solnechnye producty and its subsidiaries and related companies. The gross value of total consideration for this acquisition amounted to RR 34,810,446 and the payment will be made by the Group in cash in accordance with the payment schedule deferred over 20 years.

The deferred liability due to RSHB is presented within bank loans. The fair value of this liability at inception date was RR 19,897,813 determined using the effective interest rate of 10.7% (applying level 2 valuation model). The liability is subsequently measured at amortized cost with an effective interest rate of 10.7%. The liability is collateralised by the 20-year bonds of RSHB in the amount of RR 19,900,000 at the interest rate of 10.5% per annum purchased by the Group.

The fair value of the loans acquired in this transaction determined applying the level 3 valuation model amounted to RR 23,410,231.

The fair value of the acquired loans has been determined based on the fair value of the collateral. The collateral fair value is represented by the fair value of the underlying rights of claim determined with reference to the assets pledged and other assets of the borrower / guarantors, taking into account bankruptcy procedure period and discount rate, applicable to distressed assets. The fair value of the production companies as a part of the assets pledged was determined based on discounted cash flow calculations.

The difference of RR 3,412,418 between the fair value of the consideration and the fair value of loans acquired represented day-one gain was initially deferred for the period of 5 years being the average term of the acquired loans.

As at 31 December 2019 the acquired loans amounted to RR 22,075,850 (including RR 2,666,807 of interest receivable on these loans) and recognised within Short-term investments (Note 4) driven by the principal repayment of the loans as a result of the bankruptcy procedure expected to be finalised by the end of 2020.

The Group did not recognise any expected credit loss allowance for loans receivable because of the excess of collateral fair value over the gross carrying value of these loans as at 31 December 2019. The collateral fair value is represented by the fair value of the underlying rights of claim determined with reference to the assets pledged and other assets of the borrower / guarantors, taking into account bankruptcy procedure period and discount rate, applicable to distressed assets. The fair value of the production companies as part of the assets pledged was determined based on discounted cash flow calculations using the actual financial data and budgets of pledged Solnechnye producty production units covering a five-year period and the expected market prices for the key products for the same period according to the leading industry publications.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

15. Borrowings (continued)

The assumptions used for the calculations to which the fair value is most sensitive were:

- WACC after-tax discount rate of 13.05%;
- Discount rate applicable to distressed assets of 20.5%.

If the revised estimated WACC after-tax discount rate applied to the discounted cash flows used in the valuation models of the loans acquired and discount rate applicable to distressed assets had been 1.0% higher than management's estimates, with all other assumptions held constant, the Group would need to recognise the credit loss allowance for expected credit loss in the amount of RR 2,144,519.

In 2020 COVID-19 pandemic caused the overall slowdown of bankruptcy procedures leading to the shift of expected finalization to the end of 2021. As at 31 December 2020 the acquired loans amounted to RR 18,580,203 (including RR 4,875,725 of interest receivable on these loans) and recognised within Short-term investments (Note 4).

In 2020 part of loans issued was repaid and the Group started to participate in auctions to buy some of the assets of Solnechnye producty. An expected credit loss allowance for loans receivable in the amount of RR 4,804,688 was recognized because of the excess of gross carrying value of these loans as at 31 December 2020 over their collateral fair value mainly driven by the bankruptcy procedures terms' increase. The collateral fair value is represented by the fair value of the underlying rights of claim determined with reference to the assets pledged and other assets of the borrower / guarantors, taking into account bankruptcy procedure period and discount rate, applicable to distressed assets. The fair value of the production companies as part of the assets pledged was determined based on discounted cash flow calculations using the actual financial data and budgets of pledged Solnechnye producty production units covering a five-year period and the expected market prices for the key products for the same period according to the leading industry publications.

The assumptions used for the calculations to which the fair value is most sensitive were:

- WACC after-tax discount rate of 12.3%;
- Discount rate applicable to distressed assets of 20.3%.

If the revised estimated WACC after-tax discount rate applied to the discounted cash flows used in the valuation models of the loans acquired and discount rate applicable to distressed assets had been 1.0% higher than management's estimates, with all other assumptions held constant, the Group would need to increase the credit loss allowance by RR 1,990,099.

As at 31 December 2019 the day-one gain amounted to RR 1,546,306 and is recognised within Trade and other payables (Note 16). In 2020 the period for day-one gain amortization was revised and set in line with the expected timing of finalisation of bankruptcy procedures until the end of 2021. As at 31 December 2020 the day-one gain amounted to RR 552,748 and is recognised within Trade and other payables (Note 16).

In November 2015 the Group entered into a transaction with VEB for the acquisition of debt (loans and bonds) and equity (19.97% shares in PJSC Group Razguliay) of PJSC Group Razguliay and its subsidiaries (hereinafter – "Razguliay Group"). The total consideration for this acquisition amounted to RR 33,914,546 and was paid by the Group in cash.

For the purpose of financing of this transaction, the Group raised a thirteen-year loan from VEB in the amount of RR 33,914,546 at 1% per annum. The fair value of this loan at inception date was RR 13,900,000 determined using the effective interest rate of 13.23%. The loan is measured at amortized cost with an effective interest rate of 13.23%. The loan is secured by a thirteen-year deposit placed by the Group with VEB in the amount of RR 13,900,000 (Note 10) at the interest rate of 12.84% per annum.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

15. Borrowings (continued)

Maturity of long-term borrowings

	31 December 2020	31 December 2019
Fixed interest rate borrowings:		
2 years	16,867,579	15,023,425
3-5 years	21,662,876	26,841,560
More than 5 years	24,645,265	24,175,799
Total	**63,175,720**	**66,040,784**

For details of property, plant and equipment and biological assets pledged as collateral for the above borrowings see Note 9 nad Note 11. For details of bank deposits pledged as collateral for the above borrowings refer to Notes 10.

Shares of several companies of the Group are pledged as collateral for the bank borrowings, as follows:

	Pledged shares, %	
	31 December 2020	31 December 2019
LLC Rusagro-Primorie	100.0	100.0
LLC Rusagro-Tambov	51.0	51.0

Reconciliation of liabilities arising from financing activities

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

	Borrowings	Lease liabilities	Total liabilities from financing activities
As at 1 January 2019	**94,983,160**	**117,966**	**95,101,126**
Cash flows			
Loan drawdowns	91,687,403	-	91,687,403
Repayment of principal	(91,118,861)	(235,859)	(91,354,720)
Interest payments	(4,752,578)	(271,623)	(5,024,201)
Non-cash changes			
Foreign exchange adjustments	(266,548)	(11,671)	(278,219)
Other non-cash movements	7,342,907	5,307,779	12,650,686
As at 31 December 2019	**97,875,483**	**4,906,592**	**102,782,075**
Cash flows			
Loan drawdowns	77,932,773	-	77,932,773
Repayment of principal	(65,389,365)	(123,044)	(65,512,409)
Interest payments	(3,700,753)	(495,698)	(4,196,451)
Non-cash changes			
Foreign exchange adjustments	1,366,375	24,502	1,390,877
Other non-cash movements	6,844,682	1,487,015	8,331,697
As at 31 December 2020	**114,929,195**	**5,799,367**	**120,728,562**

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

15. Borrowings (continued)

For the purpose of conformity with the methodology of the Group's Net Debt calculation, cash flows from investing and financing activities in the Group management accounts are presented as follows:

	Year ended 31 December 2020		
	According to IFRS	Reclassifications	Management accounts
Cash flows from investing activities			
Purchases of property, plant and equipment	(12,405,295)	-	(12,405,295)
Purchases of inventories intended for construction	(1,660,923)	-	(1,660,923)
Purchases of bonds with maturity over three months	(197,523)	197,523	-
Purchases of associates	(92,712)	-	(92,712)
Purchases of loans issued	(13,829)	13,829	-
Loans repaid	1,012,854	(1,012,854)	-
Interest received	4,808,803	(4,808,803)	-
Other cash flows in investing activities*	665,272	-	665,272
Net cash used in investing activities	**(7,883,353)**	**(5,610,305)**	**(13,493,658)**
Cash flows from financing activities			
Proceeds from borrowings	77,932,773	-	77,932,773
Repayment of borrowings	(65,389,365)	-	(65,389,365)
Purchases of bonds with maturity over three months	-	(197,523)	(197,523)
Purchases of loans issued *	-	(13,829)	(13,829)
Loans repaid*	-	1,012,854	1,012,854
Interest paid	(4,196,451)	-	(4,196,451)
Interest received*	-	4,808,803	4,808,803
Proceeds from government grants	2,192,483	-	2,192,483
Lease payments	(123,044)	-	(123,044)
Other cash flows in financing activities*	(5,134,426)	-	(5,134,426)
Net cash used in financing activities	**5,281,970**	**5,610,305**	**10,892,275**

	Year ended 31 December 2019		
	According to IFRS	Reclassifications	Management accounts
Cash flows from investing activities			
Purchases of property, plant and equipment	(15,056,765)	-	(15,056,765)
Purchases of inventories intended for construction	(1,741,948)	-	(1,741,948)
Proceeds from cash withdrawals from deposits	4,623,323	(4,623,323)	-
Deposits placed with banks	(2,012,991)	2,012,991	-
Purchase of promissory note	100,000	(100,000)	-
Proceeds from sales of bonds with maturity over three months	2,314,831	(2,314,831)	-
Purchases of associates	(78,150)	-	(78,150)
Purchases of investments on third parties	(8,500,000)	-	(8,500,000)
Purchases of loans issued	(372,899)	372,899	-
Loans repaid	1,864,061	(1,864,061)	-
Interest received	4,820,116	(4,820,116)	-
Proceeds from sale of subsidiaries, net of cash disposed	478,710	-	478,710
Proceeds from sale of assets held for sale	408,839	-	408,839
Other cash flows in investing activities*	165,809	-	165,809
Net cash used in investing activities	**(12,987,064)**	**(11,336,441)**	**(24,323,505)**
Cash flows from financing activities			
Proceeds from borrowings	91,687,403	-	91,687,403
Repayment of borrowings	(91,118,861)	-	(91,118,861)
Proceeds from cash withdrawals from deposits*	-	4,623,323	4,623,323
Deposits placed with banks*	-	(2,012,991)	(2,012,991)
Purchase of promissory note	-	100,000	100,000
Proceeds from sales of bonds with maturity over three months	-	2,314,831	2,314,831
Purchases of loans issued *	-	(372,899)	(372,899)
Loans repaid*	-	1,864,061	1,864,061
Interest and other finance cost paid	(5,024,201)	-	(5,024,201)
Interest received*	-	4,820,116	4,820,116
Proceeds from government grants	2,086,446	-	2,086,446
Repayment of lease liabilities-principal	(235,859)	-	(235,859)
Other cash flows in financing activities*	(5,058,113)	-	(5,058,113)
Net cash used in financing activities	**(7,663,185)**	**11,336,441**	**3,673,256**

**See details in the consolidated statement of cash flows.*

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

15. Borrowings (continued)

Net Debt**

As part of liquidity risk management, the Group Treasury analyses its net debt position. The Group management determines the Net Debt of the Group as outstanding long-term borrowings and short-term borrowings less cash and cash equivalents, all bank deposits, bonds held for trading and banks' promissory notes. The Group management compares net debt figure with Adjusted EBITDA (Note 29).

As at 31 December 2020 and 2019 the net debt of the Group was as follows:

	31 December 2020	31 December 2019
Long-term borrowings	63,175,720	66,040,784
Short-term borrowings	51,753,475	31,834,699
Cash and cash equivalents (Note 3)	(11,866,798)	(2,170,779)
Bank deposits within long-term investments (Note 10)	(13,900,000)	(13,900,000)
Long-term bonds held for collect (Note 10)	(19,900,000)	(19,900,000)
Long-term bonds held for trading (Note 10)	(165,129)	(165,222)
Short-term bonds held for collect (Note 4)	(197,523)	-
Net debt*	**68,899,745**	**61,739,482**
including long-term Net debt	29,210,591	32,075,562
including short-term Net debt	39,689,154	29,663,920
Adjusted EBITDA* (Note 29)	**31,984,073**	**19,371,380**
Net debt/ Adjusted EBITDA*	**2,15**	**3,19**

*** not an IFRS measure.*

16. Trade and other payables

	31 December 2020	31 December 2019
Trade accounts payable	10,075,172	9,950,349
Payables for property, plant and equipment	983,481	1,112,131
Other payables	33,388	14,891
Total financial liabilities within trade and other payables	**11,092,041**	**11,077,371**
Payables to employees	1,597,491	1,755,153
Advances received	2,773,858	3,113,784
Other payables (Note 15)	552,748	1,546,306
Total trade and other payables	**16,016,138**	**17,492,614**

Financial liabilities within trade and other payables of RR 177,222 (31 December 2019: RR 84,269) are denominated in US Dollars, financial liabilities within trade and other payables of RR 646,121 (31 December 2019: RR 485,274) are denominated in Euros. All other financial liabilities within trade and other payables are denominated in Russian Roubles.

17. Other taxes payable

	31 December 2020	31 December 2019
Value added tax	3,711,148	3,030,199
Social contributions	243,035	199,881
Property tax	92,776	125,180
Personal income tax	14,371	71,550
Transport tax	5,345	4,784
Other	29,524	36,440
Total	**4,096,199**	**3,468,034**

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

18. Government grants

During 2019-2020 the Group received government grants from the Tambov and Belgorod regional governments and the Federal government in form of partial compensation of the investments into acquisition
of equipment for agricultural business and sugar processing and the investments into reconstruction and modernisation of the pig-breeding farms and the slaughter house. The receipts of these grants in 2020 amounted to RR 291,966 (2019: RR 40,250). These grants are deferred and amortised on a straight-line basis over the expected lives of the related assets.

In 2019-2020 the Group obtained government grants for reimbursement of interest expenses on bank loans received for construction of the pig-breeding farms in the Far East and Tambov. The government grants related to interest expenses capitalised into the carrying value of assets, were similarly deferred and amortised on a straight-line basis over the expected lives of the related assets. The deferred government grants, related to capitalised interest expense, amounted to RR 995,874 (2019: RR 1,570,163).

The movements in deferred government grants in the consolidated statement of financial position were as follows:

	2020	2019
As at 1 January	8,306,779	7,310,975
Government grants received	1,287,840	1,610,413
Amortization of deferred income to match related depreciation (Note 23)	(642,501)	(614,609)
Write-off due to early repayment of the loan	(415,219)	-
As at 31 December	**8,536,899**	**8,306,779**

Other bank loan interests, which had been refunded by the state, were credited to the consolidated statement of profit or loss and other comprehensive income and netted with the interest expense (Note 24).

Other government grants received are included in Note 24.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

19. Sales

Disaggregation of revenue for 2020 by category under revenue recognition guidance:

	Sugar	Meat	Agriculture	Oil and Fat	Other	Elimination	Total
Type of goods and services							
Sales of goods	27,272,132	32,391,964	33,973,009	73,665,131	4,101,951	(16,021,652)	**155,382,535**
Transportation services	761,798	42,250	82,138	2,312,951	-	-	**3,199,137**
Other services	78,589	-	292,359	182,336	304,751	(468,672)	**389,363**
Total revenue from contracts with customers	**28,112,519**	**32,434,214**	**34,347,506**	**76,160,418**	**4,406,702**	**(16,490,324)**	**158,971,035**
Geographical market							
Russian Federation	22,552,664	28,303,697	27,669,655	41,833,144	3,808,468	(16,490,324)	107,677,304
Foreign countries	5,559,855	4,130,517	6,677,851	34,327,274	598,234	-	51,293,731
Total revenue from contracts with customers	**28,112,519**	**32,434,214**	**34,347,506**	**76,160,418**	**4,406,702**	**(16,490,324)**	**158,971,035**
Timing of revenue recognition							
Goods transferred at a point of time	27,272,132	32,391,964	33,973,009	73,665,131	4,101,951	(16,021,652)	**155,382,535**
Services transferred over time	840,387	42,250	374,497	2,495,287	304,751	(468,672)	**3,588,500**
Total revenue from contracts with customers	**28,112,519**	**32,434,214**	**34,347,506**	**76,160,418**	**4,406,702**	**(16,490,324)**	**158,971,035**

Disaggregation of revenue for 2019 by category under revenue recognition guidance:

	Sugar	Meat	Agriculture	Oil and Fat	Other	Elimination	Total
Type of goods and services							
Sales of goods	30,627,053	25,796,457	25,394,794	59,890,106	3,870,058	(10,712,586)	134,865,882
Transportation services	442,002	37,180	76,045	2,330,138	-	-	2,885,365
Other services	125,660	-	373,854	154,843	294,235	(527,415)	421,177
Total revenue from contracts with customers	**31,194,715**	**25,833,637**	**25,844,693**	**62,375,087**	**4,164,293**	**(11,240,001)**	**138,172,424**
Geographical market							
Russian Federation	28,490,847	24,080,031	21,382,281	37,234,826	4,119,047	(11,240,001)	104,067,031
Foreign countries	2,703,868	1,753,606	4,462,412	25,140,261	45,246	-	34,105,393
Total revenue from contracts with customers	**31,194,715**	**25,833,637**	**25,844,693**	**62,375,087**	**4,164,293**	**(11,240,001)**	**138,172,424**
Timing of revenue recognition							
Goods transferred at a point of time	30,627,053	25,796,457	25,394,794	59,890,106	3,870,058	(10,712,586)	134,865,882
Services transferred over time	567,662	37,180	449,899	2,484,981	294,235	(527,415)	3,306,542
Total revenue from contracts with customers	**31,194,715**	**25,833,637**	**25,844,693**	**62,375,087**	**4,164,293**	**(11,240,001)**	**138,172,424**

The Group derives revenue from the transfer of goods and services over time and at a point in time in the major product lines and geographical regions.

The transportation expenses related to Revenue from transportation services in amount of RR 3,199,136 were recognised within Cost of sales (2019: RR 2,885,365).

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

20. Cost of sales

	2020	2019
Raw materials and consumables used	90,449,134	68,451,434
Purchases of goods for resale	14,423,091	12,868,265
Services	12,175,874	11,083,303
Depreciation	9,441,374	7,671,869
Payroll	8,963,448	8,254,778
Other	1,614,609	2,278,815
Purchase of biological assets	1,241,577	1,226,371
Depreciation of right-of-use assets	534,025	506,137
Provision/ (reversal of provision) for net realisable value	621,090	(22,452)
Change in work in progress, finished goods and goods for resale, biological assets	(18,331,564)	(1,847,557)
Total	**121,132,658**	**110,470,963**

"Change in work in progress, finished goods and goods for resale, biological assets" line above includes changes in balances of goods produced and goods purchased for resale, changes in work in progress and changes in biological assets excluding the effect of revaluation adjustments. This line also includes change in depreciation as included in work in progress, finished goods and biological assets in the amount of RR (163,346) (2019: RR (538,543)).

Payroll costs include salaries of RR 6,841,137 (2019: RR 6,332,017) and statutory pension contributions of RR 1,571,441 (2019: RR 1,448,806).

The average number of employees employed by the Group during the year ended 31 December 2020 was 19,139 (18,881 for the year ended 31 December 2019).

21. Distribution and selling expenses

	2020	2019
Transportation and loading services	4,055,104	4,361,561
Advertising	1,742,131	1,302,768
Payroll	1,701,474	1,624,473
Other services	889,580	1,292,725
Depreciation and amortization	163,534	204,660
Materials	158,811	130,468
Fuel and energy	135,763	117,575
Depreciation of right-of-use assets	27,062	11,330
Provision/(Reversal of provision) for impairment of receivables	13,592	(7,723)
Other	664,221	568,288
Change in selling and distribution expenses attributable to goods not sold	209,569	212,654
Total	**9,760,841**	**9,818,779**

Payroll costs include salaries of RR 1,346,603 (2019: RR 1,285,856) and statutory pension contributions of RR 354,871 (2019: RR 338,617).

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

22. General and administrative expenses

	2020	2019
Payroll	4,155,047	3,507,003
Depreciation	631,466	493,939
Services of professional organisations	523,805	491,927
Taxes, excluding income tax	457,069	471,869
Rent	289,418	270,415
Security	211,219	179,017
Bank services	170,517	100,437
Depreciation of right-of-use assets	159,931	130,560
Travelling expenses	145,379	91,908
Materials	106,362	77,105
Fuel and energy	104,290	87,041
Repair and maintenance	68,517	65,005
Insurance	57,890	53,420
Communication	44,023	48,886
Statutory audit fees	3,537	2,408
Other	248,979	640,065
Total	**7,377,449**	**6,711,005**

Payroll costs above include salaries of RR 3,443,030 (2019: RR 2,832,792) and statutory pension contributions of RR 712,017 (2019: RR 674,211).

The total fees charged by the Company's statutory auditor for the statutory audit of the annual financial statements of the Company for the year ended 31 December 2020 amounted to RR 3,545 (2019: RR 2,408). The total fees charged by the Company's statutory auditor for the year ended 31 December 2019 for tax advisory services amounted to RR 607 (2019: RR 2,002).

23. Other operating income/(expenses), net

	2020	2019
Reimbursement of operating expenses (government grants)	930,630	400,266
Realised deferred day-one gain (Note 15)	993,558	1,592,001
Operating foreign exchange (loss)/gain, net	(465,210)	(32,849)
Amortization of deferred income to match related depreciation (Note 18)	642,501	614,609
Gain/ (loss) on disposal of property, plant and equipment	335,640	(110,601)
Charitable donations and social costs	(411,179)	(122,044)
Gain on other investments	560,568	129,361
Fines and penalties receivable	450,000	51
The result of early loan repayment	(131,363)	-
Provisions for other liabilities and charges	(179,796)	-
Share-based remuneration	-	12,888
Loss on sale of goods and materials, except for main products	(24,314)	(224,557)
Lost harvest write-off (Note 9)	(188,536)	(122,468)
Loss on implementation of work, services	(118,230)	(22,655)
Payroll	(53,671)	(88,541)
Loss sunflower seed write-off	-	(164,000)
Lost pigs write-off	-	(65,677)
Other shortages and losses	(146,916)	(19,397)
Gain on sale of subsidiaries, net	-	364,880
Loss on sale of non-current assets classified as held for sale, net	-	(412,111)
Other	99,335	197,530
Total	**2,293,017**	**1,926,686**

Gain on other investments in 2020 is comprised out of dividends received from LLC GK Agro-Belogorie in the amount of RR 560,568.

Gain on sale of subsidiaries in 2019 relates to sale of LLC Kolyshleyskiy Elevator for a consideration of RR 478,710.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

23. Other operating income/(expenses), net (continued)

The Group management excludes the following components of Other operating income/(expenses) from Adjusted EBITDA calculation as non-recurring items (Note 29):

Non-recurring other operating adjustment

	2020	2019
Realised deferred day-one gain (Note 15)	993,558	1,592,001
Amortization of deferred income to match related depreciation (Note 18)	642,501	614,609
Operating foreign exchange gains/(losses), net	(465,210)	(32,849)
Gain/ (loss) on disposal of property, plant and equipment	335,640	(110,601)
Charitable donations and social costs	(411,179)	(122,044)
Gain on other investments	560,568	129,361
Fines and penalties receivable	450,000	51
The result from early repayment of the loan	(131,363)	-
Loss on other provisions	(179,796)	-
Loss on sale of non-current assets classified as held for sale, net (Note 10)	-	(412,111)
Gain on sale of subsidiaries, net	-	364,880
Share-based remuneration	-	12,888
Other	18,910	163,401
Total	**1,813,629**	**2,199,586**

24. Interest expense and other financial income/ (expenses), net

Interest expense comprised of the following:

	2020	2019
Interest expense	6,448,154	6,829,598
Reimbursement of interest expense (government grants)	(1,643,159)	(1,348,358)
Interest expense, net	**4,804,995**	**5,481,240**

Other financial income/ (expenses), net comprised of the following items:

	2020	2019
Financial foreign exchange differences (loss)/ gain, net	(1,233,636)	210,577
Interest expense on leases (Note 12)	(580,276)	(590,777)
Other financial (expenses)/income, net	(30,218)	49,501
Other financial income/ (expenses), net	**(1,844,130)**	**(330,699)**

25. Goodwill

	2020	2019
Carrying amount at 1 January	**2,364,942**	**2,364,942**
Acquisitions of subsidiaries	-	-
Carrying amount at 31 December	**2,364,942**	**2,364,942**

The carrying amount of goodwill is allocated to the following CGUs:

	31 December 2020	31 December 2019
Meat CGU	538,684	538,684
Oil Samara CGU	899,401	899,401
Agriculture Center CGU	199,276	199,276
Sugar CGU	502,083	502,083
Agriculture Primorie CGU	225,498	225,498
Total	**2,364,942**	**2,364,942**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

25. Goodwill (continued)

Goodwill Impairment Test

The carrying amount of goodwill as at 31 December 2020 and 2019 was tested for impairment. The recoverable amount of the Group's cash-generating units has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Group management covering a five-year period and the expected market prices for the Group's key products for the same period according to leading industry publications. Cash flows beyond the five-year period are projected with a long-term growth rate of 3.5% per annum (31 December 2019: 3.5% per annum).

The assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	EBITDA margin*		Pre-tax discount rate	
	2020	**2019**	**2020**	**2019**
Oil Samara CGU	8.8%-13.5%	10.0%-12.6%	12.45%	11.40%
Agriculture Center CGU	31.8%-36.7%	28.7%-34.6%	9.87%	9.90%
Sugar CGU	20.5%-22.2%	16.3%-22.6%	12.08%	11.50%
Agriculture Primorie CGU	31.1%-34.5%	30.3%-35.2%	10.15%	9.90%
Meat CGU	26.0%-30.0%	23.2%-30.7%	10.15%	9.75%

** EBITDA margin is calculated as the sum of operating cash flows before income tax and changes in working capital divided by the amount of cash flow received from trade customers.*

2020 and 2019

As a result of the testing, no impairment losses were recognised for the goodwill allocated to each CGU.

26. Income tax

	2020	2019
Current income tax charge	1,755,669	577,216
Deferred tax (credit)/ charge	(1,728,898)	158,538
Income tax expense	**26,771**	**735,754**

The Group companies domiciled in Russia were subject to an income tax rate of 20% (2019: 20%) of taxable profits, except for profit on sales of agricultural produce taxable at 0% (2019: 0%) and profit obtained in Samara and Sverdlovskiy region subject to a reduced rate of 16.5% in 2018-2022.

Group entities operating in other tax jurisdictions were taxed at 0% and 12.5% (2019: 0% and 12.5%).

The current income tax charge represents a tax accrual based on statutory taxable profits. A reconciliation between the expected and the actual taxation charge is as follows:

	2020	2019
Profit before tax:	24,323,498	10,444,263
- taxable at 0%	25,640,390	4,111,548
- taxable at 12.5%	1,575,368	2,388,126
- taxable at 16.5%	-	331,659
- taxable at 20%	(2,892,260)	3,612,930
Theoretical tax (credit)/charge calculated at the applicable tax rate of 20%, 16.5% and 12.5% (2019: 20%, 16.5% and 12.5%)	(381,531)	1,075,825
- non-taxable income	(533,881)	(471,897)
- non-deductible expenses	322,321	322,053
- share based remuneration	-	(4,940)
Deferred tax charge/(credit) in respect of withholding income tax on dividends to be distributed	-	(119,034)
Withholding income tax on dividends distributed	599,940	26,350
Adjustments of income tax in respect of prior years and tax penalties	16,611	(12,871)
Other	3,311	(79,732)
Income tax expense	**26,771**	**735,754**

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Income tax (continued)

Differences between IFRS as adopted by the EU and local statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred taxes are attributable to the following:

	1 January 2020	Deferred tax assets/ (liabilities) acquisition/ disposal	Deferred tax credited/ (charged) to other comprehensive income	Deferred tax credited/ (charged) to profit or loss	31 December 2020
Tax effects of deductible/ (taxable) temporary differences:					
Property, plant and equipment	(1,188,904)	-	-	(245,537)	(1,434,441)
Impairment of receivables	(465,199)	-	-	(80,509)	(545,708)
Payables	(180,134)	-	-	368,223	188,089
Financial assets	210,604	-	(7,070)	275,111	478,645
Inventory and biological assets	268,649	-	-	584,348	852,997
Borrowings	(2,826,526)	-	-	525,465	(2,301,061)
Loss carried forward	5,020,048	(734)	-	166,642	5,185,956
Lease liability	298,317	-	-	63,170	361,487
Right-of-use assets	(288,440)	-	-	(91,622)	(380,062)
Other	509,591	19	-	163,607	673,217
Net deferred tax asset/(liability)	**1,358,006**	**(715)**	**(7,070)**	**1,728,898**	**3,079,119**
Recognised deferred tax asset	1,852,983				3,566,168
Recognised deferred tax liability	(494,977)				(487,049)

	1 January 2019	Deferred tax assets/ (liabilities) acquisition/ disposal	Deferred tax credited/ (charged) to other comprehensive income	Deferred tax credited/ (charged) to profit or loss	31 December 2019
Tax effects of deductible/ (taxable) temporary differences:					
Property, plant and equipment	(1,023,608)	9,592	-	(174,888)	(1,188,904)
Impairment of receivables	(204,525)	-	-	(260,674)	(465,199)
Payables	(438,347)	-	-	258,213	(180,134)
Financial assets	595,710	-	-	(385,106)	210,604
Inventory and biological assets	1,133,151	-	-	(864,502)	268,649
Borrowings	(3,221,993)	-	-	395,467	(2,826,526)
Loss carried forward	4,541,472	(30)	-	478,606	5,020,048
Lease liability	235,113	-	-	63,204	298,317
Right-of-use assets	(235,113)	-	-	(53,327)	(288,440)
Withholding income tax on dividends to be distributed	(119,034)	-	-	119,034	-
Other	244,716	(560)	-	265,435	509,591
Net deferred tax asset/(liability)	**1,507,542**	**9,002**	**-**	**(158,538)**	**1,358,006**
Recognised deferred tax asset	1,866,593				1,852,983
Recognised deferred tax liability	(359,051)				(494,977)

Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilised. The 10-year expiry period for tax loss carry-forwards no longer applies. The amendments also set limitation on utilisation of tax loss carry forwards that will apply during the period from 2017 to 2020. The amount of losses that can be utilised each year during that period is limited to 50% of annual taxable profit.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Income tax (continued)

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

	31 December 2020	31 December 2019
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	2,576,008	1,528,366
- Deferred tax asset to be recovered within 12 months	990,160	324,617
	3,566,168	**1,852,983**
Deferred tax liabilities:		
- Deferred tax liability to be settled after more than 12 months	(275,985)	(266,949)
- Deferred tax liability to be settled within 12 months	(211,064)	(228,028)
	(487,049)	**(494,977)**
Total net deferred tax asset	**3,079,119**	**1,358,006**

Temporary differences associated with undistributed earnings of subsidiaries totalled RR 105,199,322 (2019: RR 91,763,699). No deferred tax liability was recognised as the Group is able to control the timing of reversal of those temporary differences and it is probable that they will not reverse in the foreseeable future.

In August 2013 the Board of Directors approved a new dividend policy with payout ratio of at least 25% of net income. As the dividends will be distributed from net income of the reporting periods, they will be subject to current withholding income tax at the applicable rate.

Refer to Note 31 "Contingencies" for description of tax risks and uncertainties.

27. Related party transactions

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

The Company is controlled by GRANADA CAPITAL CY LIMITED, incorporated in Cyprus, which owns 70.7% of the Company's shares. The parent entity which prepares consolidated financial statements of the largest and smallest body of undertakings of which the Company forms part as a subsidiary undertaking, is GRANADA CAPITAL CY LIMITED, which is incorporated in Cyprus with registered office at 205 Archiepiskopou Makariou, Victory House, Flat/Office 211 A, CY-3030, Limassol, Cyprus.

As at 31 December 2020 and 2019, the ultimate controlling party of the Company is Mr. Vadim Moshkovich (the "Owner"), who ultimately controls 70.7% of the total issued shares.

Key management personnel

Share option incentive scheme

In 2014 the Group initiated a share option incentive scheme for its top-management. Under this scheme the employees were granted GDRs of the Company provided they remained in their position up to a specific date in the future. The amount of GDRs granted were dependent on the average market prices of GDRs for the period preceding this date.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

27. Related party transactions (continued)

In 2017 the Group initiated another share option incentive scheme for its top-management. Under the scheme the employees were granted GDRs of the Company provided they remained in their position up to a specific date in the future. The amount of GDRs granted were dependent on the average market prices of GDRs for the period preceding this date. No expenses or gains were recognized under this scheme for the year ended 31 December 2020. Expenses recognized under this scheme for the year ended 31 December 2019 amounted to RR 26,636 and gain resulting from the reduction of number of employees for the year ended 31 December 2019 amounted to RR 39,524 are included in “Other non-operating income/ (expenses)” line in the consolidated statement of profit or loss and other comprehensive income (Note 23).

In 2020 31,000 GDRs amounting to RR 0 (2019: no GDRs) of the Company were transferred to the employees under the share option incentive schemes.

As at 31 December 2020, the share-based payment reserve accumulated in equity as a result of the share-based payment transactions amounted to RR 1,313,691 (2019: RR 1,313,691).

Other remuneration to key management personnel

Remuneration to 12 (2019: 12) representatives of key management personnel, included in payroll costs, comprised short-term remuneration such as salaries, discretionary bonuses and other short-term benefits totalling RR 1,211,653 including RR 104,895 payable to the State Pension Fund (2019: RR 730,539 and RR 62,392 respectively).

The Company Directors’ remuneration

Included in the share-based compensation and other remuneration to Company Directors disclosed above, are the Company Directors' fees, salaries and other short-term benefits totalling RR 803,673 including RR 68,761 payable to the State Pension Fund (2019: RR 524,603 and RR 43,989 respectively) for the year ended 31 December 2020.

Dividends paid to the Company Directors

During the year ended 31 December 2020 the dividends paid to the Company Directors amounted to RR 383,216 (2019: RR 379,612).

Loan agreements with the Key management personnel

Balances and transactions under loan agreements with Key management personnel consist of the following:

Transactions	31 December 2020	31 December 2019
Operating foreign exchange differences gain/ (loss), net	-	(590)

Balances	31 December 2020	31 December 2019
Trade accounts payable to related parties	45	45
Other payables to related parties	-	9,865

Entities controlled by the Owner

Dividends paid to entities controlled by the Owner

During the year ended 31 December 2020 the dividends paid to entities controlled by the Owner amounted RR 3,691,102 (2019: RR 3,688,573).

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

27. Related party transactions (continued)

Balances and transactions with entities controlled by the Owner are presented in the table below:

	31 December 2020	31 December 2019
Transactions		
Sales of goods and services	198	198
Purchases of services	3,060	2,603
Charitable donations and social costs	208,762	18,400
Repayment of lease liabilities	156,047	117,301
Proceeds from loans	-	5,500,521
Short-term loans repaid	4,066,495	1,932,870
Interest expenses	5,898	44,376
Interest paid	13,249	38,938

	31 December 2020	31 December 2019
Balances		
Trade receivables from related parties, gross	24	24
Other receivables from related parties, gross	402	546
Prepayments to related parties, gross	76,209	68,325
Loan received from related parties	-	(3,472,349)
Lease liabilities	(1,288,163)	(901,621)
Advances received from related party	-	(2)

Lease liabilities relate to the rent of Moscow office premises from a related party for an expected lease period of 20 years. Liability at 31 December 2020 and 31 December 2019 is accounted for in accordance with IFRS 16.

Loans received from related parties during the year ended 31 December 2019 (nominated in euro with an interest rate of 0.8%) were fully repaid during the year ended 31 December 2020.

Associates

Balances and transactions with associates are presented in the table below:

	31 December 2020	31 December 2019
Transactions		
Purchases of services	370	712
Purchases of goods	-	2

	31 December 2020	31 December 2019
Balances		
Other receivables from related parties, gross	51,513	51,639
Trade receivables from related parties, gross	49	49
Provision for impairment of trade receivables from related parties	(49)	(49)
Trade and other payables	(63)	(189)

28. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding the effect of GDRs purchased by the Company and held as treasury shares.

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

	2020	2019
Profit for the year attributable to the Company's equity holders	24,359,786	9,808,204
Weighted average number of ordinary shares in issue	26,905,237	26,900,070
Basic and diluted earnings per share (RR per share)	**905.39**	**364.62**

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

29. Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is a person or a group of persons who allocates resources and assesses the performance of the Group. The functions of CODM are performed by the Board of Directors of ROS AGRO PLC.

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

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

- Sugar – processing of raw sugar and production of sugar from sugar-beet;
- Meat – cultivation of pigs and meat processing;
- Agriculture – agricultural production (cultivation of sugar-beet, grain and other agricultural crops);
- Oil and Fat – vegetable oil extraction and processing.

Certain of the Group's businesses are not included within the reportable operating segments, as they are not included in the reports provided to the CODM. The results of these operations are included in "Other" caption. The Company, OJSC Rusagro Group and LLC Group of Companies Rusagro that represent the Group's head office and investment holding functions and earn revenue considered incidental to the Group's activities are included in "Other" caption.

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because of the differences in the production processes, the nature of products produced and required marketing strategies.

Segment financial information reviewed by the CODM includes:

- Quarterly reports containing information about income and expenses by business units (segments) based on IFRS numbers, that may be adjusted to present the segments results as if the segments operated as independent business units and not as the division within the Group;
- Quarterly reports with a breakdown of separate material lines of IFRS consolidated statement of financial positions and IFRS consolidated statement of cash flows by segment;
- In addition to the main financial indicators, operating data (such as yield, production volumes, cost per unit, staff costs) and revenue data (volumes per type of product, market share) are also reviewed by the CODM on a quarterly basis.

Measurement of operating segment profit or loss, assets and liabilities

The CODM assesses the performance of the operating segments based on the Adjusted EBITDA figure for the period. Adjusted EBITDA figure is not an IFRS measure. Adjusted EBITDA is reconciled to IFRS operating profit in this Note.

In 2020 the Group updated its EBITDA calculation within Other operating income/(expenses) outlining non-recurring items in order to reflect more precisely the operating activities of the Company. Adjusted EBITDA is defined as operating profit before taking into account:

- depreciation and amortisation;
- non-recurring other operating adjustment (Note 23);
- the difference between the gain on revaluation of biological assets and agricultural produce recognised in the year and the gain on initial recognition of agricultural produce attributable to realised agricultural produce for the year and revaluation of biological assets attributable to realised biological assets and included in cost of sales;

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

29. Segment information (continued)

- share-based remuneration;
- provision/ (reversal of provision) for net realisable value of agricultural products in stocks
- provision for impairment of loans issued

Transactions between operating segments are accounted for based on financial information of individual segments that represent separate legal entities.

Analysis of revenues by products and services

Each business segment except for the "Agriculture" and "Other" segments is engaged in the production and sales of similar or related products (see above in this note). The "Agriculture" segment in addition to its main activity of growing and harvesting agricultural crops, is engaged in the cultivation of dairy cattle livestock. Related revenue from sales of milk and other livestock products was RR 205,997 (2019: RR 192,556). The "Other" segment is engaged in the production of milk products, including dry milk textures and cheese products. Related revenue from milk products was RR 3,787,225 (2019: RR 3,869,750).

For the amount of revenue from services, which comprise mainly processing of sugar beet for third party agricultural enterprises, see Note 19.

Geographical areas of operations

All the Group's assets are located in the Russian Federation. Distribution of the Group's sales between countries on the basis of the customers' country of domicile was as follows:

	2020	2019
Russian Federation	107,677,304	104,067,031
Foreign countries	51,293,731	34,105,393
Total	**158,971,035**	**138,172,424**

Among key customers from foreign countries are China, Turkey, Japan, Switzerland and CIS countries.

Major customers

The Group has no customer or group of customers under common control who would account for more than 10% of the Group's consolidated revenue.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

29. Segment information (continued)

Information about reportable segment adjusted EBITDA, assets and liabilities

Segment information for the reportable segments' assets and liabilities as at 31 December 2020 and 2019 is set out below:

2020	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Assets	58,114,485	77,953,893	59,110,299	50,882,856	177,454,395	(147,367,341)	276,148,587
Liabilities	41,201,441	51,419,029	34,167,859	48,659,063	60,772,647	(86,105,850)	150,114,189
Additions to non-current assets*	1,309,376	14,356,807	3,783,597	1,768,560	655,255	-	21,873,595

2019	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Assets	50,574,705	68,899,492	50,415,931	29,740,476	169,902,435	(130,038,146)	239,494,893
Liabilities	34,304,378	49,218,291	32,296,065	27,888,730	60,832,637	(71,871,776)	132,668,325
Additions to non-current assets*	3,926,940	16,331,974	2,651,012	1,057,679	84,729	-	24,052,334

**Additions to non-current assets exclude additions to financial instruments, assets held for sale and goodwill and restricted cash.*

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

29. Segment information (continued)

Segment information for the reportable segments' adjusted EBITDA for the years ended 31 December 2020 and 2019 is set out below:

2020	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Sales (Note 19)	28,112,519	32,434,214	34,347,506	76,160,418	4,406,702	(16,490,324)	158,971,035
Net gain/ (loss) on revaluation of biological assets and agricultural produce (Note 9)	-	(681,302)	3,582,520	-	-	2,989,229	5,890,447
Cost of sales (Note 20)	(21,238,160)	(27,375,635)	(19,059,850)	(61,382,829)	(3,854,140)	11,777,956	(121,132,658)
incl. Depreciation and amortisation	(2,605,853)	(3,716,132)	(2,861,216)	(536,301)	(17,164)	(75,387)	(9,812,053)
Net gain from trading derivatives	10,552	-	-	-	-	-	10,552
Gross profit	**6,884,911**	**4,377,277**	**18,870,176**	**14,777,589**	**552,562**	**(1,723,139)**	**43,739,376**
Distribution and Selling, General and administrative expenses (Notes 21, 22)	(3,399,788)	(2,713,324)	(3,732,770)	(6,313,621)	(2,121,408)	1,142,621	(17,138,290)
incl. Depreciation and amortisation	(83,738)	(218,146)	(386,864)	(181,013)	(187,619)	75,387	(981,993)
Other operating income/(expenses), net (Note 23)	602,466	653,934	459,868	(256,767)	15,305,841	(14,472,325)	2,293,017
incl. Reimbursement of operating costs (government grants)	179,564	104,836	299,020	347,210	-	-	930,630
Incl. Non-recurring other operating adjustment) (Note 23)	425,102	459,983	71,372	(463,483)	15,257,311	(13,936,656)	1,813,629
Provision for impairment of loans issued	-	-	-	-	(5,070,598)	-	(5,070,598)
Operating profit	**4,087,589**	**2,317,887**	**15,597,274**	**8,207,201**	**8,666,397**	**(15,052,843)**	**23,823,505**
Adjustments:							
Depreciation included in Operating Profit	2,689,591	3,934,278	3,248,080	717,314	204,783	-	10,794,046
Non-recurring other operating adjustment (Note 23)	(425,102)	(459,983)	(71,372)	463,483	(15,257,311)	13,936,656	(1,813,629)
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	681,302	(3,582,520)	-	-	(2,989,229)	(5,890,447)
Provision for impairment of loans issued	-	-	-	-	5,070,598	-	5,070,598
Adjusted EBITDA*	**6,352,078**	**6,473,484**	**15,191,462**	**9,387,998**	**(1,315,533)**	**(4,105,416)**	**31,984,073**

** Non-IFRS measure*

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

29 Segment information (continued)

2019	Sugar	Meat	Agriculture	Oil and Fat	Other	Eliminations	Total
Sales (Note 19)	31,194,715	25,833,637	25,844,693	62,375,087	4,164,293	(11,240,001)	138,172,424
Net gain/ (loss) on revaluation of biological assets and agricultural produce (Note 9)	-	(852,455)	(1,559,526)	-	-	(1,699,966)	(4,111,947)
Cost of sales (Note 20)	(25,758,275)	(21,717,486)	(18,583,596)	(53,461,301)	(3,640,734)	12,690,429	(110,470,963)
incl. Depreciation and amortisation	(1,925,029)	(2,696,297)	(2,462,063)	(472,629)	(12,507)	(70,938)	(7,639,463)
Net (loss) from trading derivatives	(7,342)	-	-	-	(6)	-	(7,348)
Gross profit	**5,429,098**	**3,263,696**	**5,701,571**	**8,913,786**	**523,553**	**(249,538)**	**23,582,166**
Distribution and Selling, General and administrative expenses (Notes 21, 22)	(3,516,890)	(2,135,635)	(4,168,971)	(6,011,841)	(1,606,311)	909,864	(16,529,784)
incl. Depreciation and amortisation	(74,134)	(183,169)	(437,344)	(141,980)	(74,800)	70,938	(840,489)
Other operating income/(expenses), net (Note 23)	544,406	326,251	(95,492)	(452,519)	14,973,889	(13,369,849)	1,926,686
incl. Reimbursement of operating costs (government grants)	71,290	56,562	130,623	141,791	-	-	400,266
incl. Non-recurring other operating adjustment) (Note 23)	467,932	366,207	(17,158)	(321,376)	15,073,831	(13,369,849)	2,199,587
Operating profit	**2,456,614**	**1,454,312**	**1,437,108**	**2,449,426**	**13,891,131**	**(12,709,523)**	**8,979,068**
Adjustments:							
Depreciation included in Operating Profit	1,999,163	2,879,466	2,899,407	614,609	87,307	-	8,479,952
Non-recurring other operating adjustment (Note 23)	(467,932)	(366,207)	17,158	321,376	(15,073,831)	13,369,849	(2,199,587)
Net gain/ (loss) on revaluation of biological assets and agricultural produce	-	852,455	1,559,526	-	-	1,699,966	4,111,947
Adjusted EBITDA*	**3,987,845**	**4,820,026**	**5,913,199**	**3,385,411**	**(1,095,393)**	**2,360,292**	**19,371,380**

** Non-IFRS measure*

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

30. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risk, foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures except for raw sugar commodity price risk management as described below.

Operating risk management is carried out on the level of the finance function of the Group's business segments with overall monitoring and control by management of the Group. The management is implementing principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of non-derivative financial instruments, and investing excess liquidity.

Credit risk

The credit risk represents the risk of losses for the Group owing to default of counterparties on obligations to transfer to the Group cash and cash equivalents and other financial assets.

Activities of the Group that give rise to credit risk include granting loans, making sales to customers on credit terms, placing deposits with banks and performing other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk at the reporting date without taking account of any collateral held is as follows:

	31 December 2020	**31 December 2019**
Long-term financial assets		
Bonds held to collect (Note 10)	19,900,000	19,900,000
Bank deposits (Note 10)	14,070,635	14,071,101
Investments in third parties (Note 10)	8,556,556	8,500,000
Bonds held for trading (Note 10)	165,129	165,222
Total long-term financial assets	**42,692,320**	**42,636,323**
Short-term financial assets		
Loans issued (Note 4)	19,137,343	23,168,244
Financial assets within trade and other receivables (Note 5)	8,829,801	7,124,916
Cash and cash equivalents (Note 3)	11,866,798	2,170,779
Interest receivable on long-term bonds held to collect (Note 4)	218,057	283,541
Short-term restricted cash	143,637	39
Other short-term investments (Note 4)	22,692	-
Bonds held to collect (Note 4)	197,523	-
Interest receivable on bonds held for trading (Note 4)	7,908	4,767
Total short-term financial assets	**40,423,759**	**32,752,286**
Total	**83,116,079**	**75,388,609**

As at 31 December 2020 the Group has collateral against RR 46,887 of its trade receivables (31 December 2019: RR 50,751). The Group has geographical concentration of credit risk in the Russian market since the majority of the Group's customers conduct their business in Russian Federation.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

30. Financial risk management (continued)

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

Master scale credit risk grade	Corresponding internal ratings	Corresponding ratings of external international rating agencies	Corresponding PD interval
Excellent	1 – 6	AAA to BB+	0.01% - 0.05%
Good	7 – 14	BB to B+	0.06% - 1%
Satisfactory	15 – 21	B, B-	1% - 5%
Special monitoring	22 – 25	CCC+ to CC-	6% - 99.9%
Default	26 – 30	C, D-I, D-II	100%

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

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

The IRB system is designed internally, and ratings are estimated by management. Various credit-risk estimation techniques are used by the Group depending on the class of the asset. There are three commonly used types of such systems:

- *Model-based* – In this system, credit risk ratings are assigned by internally developed statistical models with the limited involvement of credit officers. Statistical models include qualitative and quantitative information that shows the best predictive power based on historical data on defaults.
- *Expert judgement-based* – In this system, credit risk ratings are assigned subjectively by experienced credit officers based on internally developed methodology and different qualitative and quantitative factors. This approach is based on expert methodology and judgements rather than on sophisticated statistical models.
- *Hybrid* – This rating system is a combination of the two systems above. It is developed by using historical data combined with expert input.

The Group applies IRB systems for measuring credit risk for the following financial assets: cash and cash equivalents, bank deposits, bonds held for trading.

The table below discloses the credit quality of cash and cash equivalents balances and bank deposits based on credit risk grades at 31 December 2020.

	Cash and cash equivalents	Bank deposits	Total
- Excellent	11,808,294	14,070,635	25,878,929
- Good	57,939	-	57,939
- Satisfactory	-	-	-
- Special monitoring	-	-	-
Total cash and cash equivalents, excluding cash on hand	**11,866,233**	**14,070,635**	**25,936,868**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

30. Financial risk management (continued)

The table below discloses the credit quality of cash and cash equivalents balances and bank deposits based on credit risk grades at 31 December 2019.

	Cash and cash equivalents	Bank deposits	Total
- Excellent	2,096,761	14,071,101	16,167,862
- Good	73,567	-	73,567
- Satisfactory	-	-	-
- Special monitoring	-	-	-
Total cash and cash equivalents, excluding cash on hand	**2,170,328**	**14,071,101**	**16,241,429**

The credit quality of cash and cash equivalents, bank deposits and restricted cash balances may be summarised as:

		31 December 2020		31 December 2019	
	Rating agency	Rating	Balance	Rating	Balance
Vnesheconombank	S&P	bbb	14,070,658	bbb	14,071,116
Alfa Bank	Fitch Ratings	bb+	10,243,340	bb+	1,721,877
Credit Suisse	Fitch Ratings	a-	1,575	a-	134,748
Sberbank	Fitch Ratings	bbb	670,168	bbb	9,379
Bank GPB	S&P	bb+	149	bb+	4,868
Rosbank	Fitch Ratings	bbb	2,275	bbb	243
Bank NCC	Fitch Ratings	bbb	1,002,633	bbb-	143
Rosselkhozbank	Moody's	Ba1	38,392	Ba1	90
Other	-		51,315	-	298,965
Total cash at bank, bank deposits (Note 3,10) and restricted cash			**26,080,505**		**16,241,429**

Expected credit loss measurement. *Expected credit loss* is a probability-weighted estimate of the present value of future cash shortfalls. An expected credit loss measurement is unbiased and is determined by evaluating a range of possible outcomes. Expected credit loss measurement is based on four components used by the Group: Probability of Default, Exposure at Default, Loss Given Default and Discount Rate.

Exposure at Default is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities.

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

Forward-looking information incorporated in the ECL models. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year.

The results of backtesting the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

30. Financial risk management (continued)

The Group did not recognise any expected credit loss allowance in respect of loans issued because of significant excess of its collateral value over the gross carrying value of these loans.

Neither past due nor impaired trade receivables relate to the customers who have a long-standing relationship with the Group and a sound trading history.

Concentrations of trade receivables by type of customer are as follows:

	31 December 2020	31 December 2019
Distribution and retail outlets	5,095,469	4,232,423
Manufacturers (candy, juice and other)	3,213,548	2,644,722
Other not categorised	123,094	59,153
Total trade receivables	**8,432,111**	**6,936,298**

The majority of the customers do not have independent ratings. To minimize the risk of default on payment of amounts due by counterparties for supplied goods or rendered services the Group regularly revises the maximum amount of credit and grace periods for each significant customer.

Financial assets that are impaired as at the reporting date

The table below shows the analysis of impaired financial assets:

	31 December 2020		31 December 2019	
	Nominal value	Impairment	Nominal Value	Impairment
Impaired receivables (Note 5):				
- trade receivables	1,141,874	(76,845)	310,484	(239,248)
- other receivables	81,184	(71,477)	115,166	(112,014)
Total	**1,223,058**	**(148,322)**	**425,650**	**(351,262)**

Financial assets are impaired when there is evidence that the Group will not receive the full amount due or receive the full amount later than contracted. Factors to consider include whether the receivable is past due, the age of the receivable and past experience with the counterparty.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Group Treasury analyses the net debt position as disclosed in Note 15.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date:

	Carrying	Contractual undiscounted cash flows				
At 31 December 2020	**value**	**Total**	**2021**	**2022**	**2023-2025**	**After 2025**
Borrowings and loans (Note 15)						
- principal amount	113,357,741	139,770,853	50,404,705	16,133,646	20,723,547	52,508,955
- interest	1,571,454	28,810,356	3,798,805	2,589,672	5,954,667	16,467,212
Lease liabilities (Note 12)	5,799,367	11,329,467	976,982	917,680	2,380,704	7,054,101
Financial liabilities within trade and other payables (Note 16)	11,092,041	11,092,041	11,092,041	-	-	-
Total	**131,820,603**	**191,002,717**	**66,272,533**	**19,640,998**	**29,058,918**	**76,030,268**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

30. Financial risk management (continued)

At 31 December 2019	Carrying value	Contractual undiscounted cash flows				
		Total	2020	2021	2022-2024	After 2024
Borrowings and loans (Note 15)						
- principal amount	96,860,147	125,877,650	30,599,207	14,251,035	26,056,690	54,970,718
- interest	1,015,336	32,244,187	4,207,675	3,352,229	6,558,695	18,125,588
Lease liabilities (Note 12)	4,906,592	10,463,012	925,378	890,369	2,308,723	6,338,542
Financial liabilities within trade and other payables (Note 16)	11,077,371	11,077,371	11,077,371	-	-	-
Total	**113,859,446**	**179,662,220**	**46,809,631**	**18,493,633**	**34,924,108**	**79,434,848**

The exchange rates used for calculating payments for bank borrowings denominated in currencies other than Russian Roubles:

	31 December 2020	31 December 2019
US Dollar	73.8757	61.9057
Euro	90.6824	69.3406

In addition, the Group has commitments as disclosed in Note 32.

Market risk

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

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain most of its borrowings in fixed rate instruments. The

Group does not have formal policies and procedures in place for management of fair value interest rate risk.

Interest rates under most of the Group's borrowings are fixed. However, the terms of the contracts stipulate the right of the creditor for a unilateral change of the interest rate (both increase and decrease), which can be based, among other triggers, on a decision of the CBRF to change the refinancing rate.

Bank deposits and loans issued bear fixed interest rate and therefore are not exposed to cash flow interest rate risk.

The Group analyses its interest rate exposure on a continuous basis. Various scenarios are considered taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each scenario, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

During the year ended 31 December 2020 and 31 December 2019 the Group was not exposed to the cash flow interest rate risk as all of the Group's borrowings had fixed rates.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

30. Financial risk management (continued)

Foreign exchange risk

As at 31 December 2020 and 2019, foreign exchange risk arises on cash in banks, short-term investments, trade and other receivables, borrowings and trade and other payables denominated in foreign currency (Notes 3, 4, 5, 15 and 16).

At 31 December 2020, if the Russian Rouble had weakened/strengthened by 30% (31 December 2019: 30%) against the US dollar with all other variables held constant, the Group's profit before taxation and equity would have been RR 562,822 (2019: RR 234,520) higher/lower.

At 31 December 2020 if the Russian Rouble had weakened/strengthened by 30% (31 December 2019: 30%) against the Euro with all other variables held constant, the Group's profit before taxation and equity would have been RR 170,149 (2019: RR 2,484,130) lower/higher.

Purchase price risk

The Group trades derivatives on ICE Futures US through an agent. Through derivatives, management aims to offset its long position in inventory in order to minimise effects of price fluctuations on the results of the Group. The gains less losses on trading derivatives of RR 10,552 (2019: RR (7,348)) are presented as a separate line within the consolidated statement of profit or loss and other comprehensive income.

The Group is exposed to debt securities price risk arising on investments held by the Group and classified in the consolidated statement of financial position at fair value through other comprehensive income (Note 10). The Group does not manage its price risk arising from investments in equity securities.

Sales price risk

Changes in white sugar prices from January until August are closely related to changes in world raw sugar prices that is implicitly managed through the raw sugar derivatives (see above). The storage facilities of own sugar plants permit to build up stocks of white sugar to defer sales to more favourable price periods.

The Group is exposed to financial risks arising from changes in milk, meat and crops prices (Note 9).

Fair value estimation

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

30. Financial risk management (continued)

Financial instruments by measurement categories and fair values as at 31 December 2020

	Amortised cost	At fair value through other comprehen-sive income	At fair value through profit or loss	Total carrying amount	Fair value
Financial assets					
Cash and cash equivalents (Note 3)	11,866,798	-	-	11,866,798	11,866,798
Short-term restricted cash	143,637	-	-	143,637	143,637
Short-term loans issued (Note 4)	19,137,343	-	-	19,137,343	19,214,704
Interest receivable on bonds held to collect (Note 4)	218,057	-	-	218,057	135,320
Interest receivable on bonds held for trading (Note 4)	-	-	7,908	7,908	7,908
Bonds held to collect (Note 4)	197,523	-	-	197,523	197,523
Other short-term investments (Note 4)	-	-	22,692	22,692	22,692
Financial assets within trade and other receivables (Note 5)	8,829,801	-	-	8,829,801	8,829,801
Total short-term financial assets	**40,393,159**	**-**	**30,600**	**40,423,759**	**40,418,383**
Bonds held for trading (Note 10)	-	-	165,129	165,129	165,129
Investments in third parties (Note 10)	-	8,556,556	-	8,556,556	8,556,556
Bonds held to collect (Note 10)	19,900,000	-	-	19,900,000	19,900,000
Bank deposits (Note 10)	14,070,635	-	-	14,070,635	13,961,012
Total long-term financial assets	**33,970,635**	**8,556,556**	**165,129**	**42,692,320**	**42,582,697**
Total financial assets	**74,363,794**	**8,556,556**	**195,729**	**83,116,079**	**83,001,080**
Financial liabilities					
Short-term borrowings (Note 15)	51,753,475	-	-	51,753,475	51,753,475
Financial liabilities within trade and other payables (Note 16)	11,092,041	-	-	11,092,041	11,092,041
Total short-term financial liabilities	**62,845,516**	**-**	**-**	**62,845,516**	**62,845,516**
Long-term borrowings (Note 15)	63,175,720	-	-	63,175,720	63,175,720
Total long-term financial liabilities	**63,175,720**	**-**	**-**	**63,175,720**	**63,175,720**
Total financial liabilities	**126,021,236**	**-**	**-**	**126,021,236**	**126,021,236**

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

30. Financial risk management (continued)

Financial instruments by measurement categories and fair values as at 31 December 2019

	Amortised cost	At fair value through other comprehen-sive income	At fair value through profit or loss	Total carrying amount	Fair value
Financial assets					
Cash and cash equivalents (Note 3)	2,170,779	-	-	2,170,779	2,170,779
Short-term restricted cash	39	-	-	39	39
Short-term loans issued (Note 4)	23,168,244	-	-	23,168,244	23,168,244
Interest receivable on bonds held to collect (Note 4)	283,541	-	-	283,541	283,541
Interest receivable on bonds held for trading (Note 4)	-	-	4,767	4,767	4,767
Financial assets within trade and other receivables (Note 5)	7,124,916	-	-	7,124,916	7,124,916
Total short-term financial assets	**32,747,519**		4,767	**32,752,286**	**32,752,286**
Bonds held for trading (Note 10)	-	-	165,222	165,222	165,222
Investments in third parties (Note 10)	-	8,500,000	-	8,500,000	8,500,000
Bonds held to collect (Note 10)	19,900,000	-	-	19,900,000	19,900,000
Bank deposits (Note 10)	14,071,101	-	-	14,071,101	14,071,101
Total long-term financial assets	**33,971,101**	**8,500,000**	**165,222**	**42,636,323**	**42,636,323**
Total financial assets	**66,718,620**	**8,500,000**	**169,989**	**75,388,609**	**75,388,609**
Financial liabilities					
Short-term borrowings (Note 15)	31,834,699	-	-	31,834,699	31,834,699
Financial liabilities within trade and other payables (Note 16)	11,077,371	-	-	11,077,371	11,077,371
Total short-term financial liabilities	**42,912,070**	**-**	**-**	**42,912,070**	**42,912,070**
Long-term borrowings (Note 15)	66,040,784	-	-	66,040,784	66,040,784
Total long-term financial liabilities	**66,040,784**	**-**	**-**	**66,040,784**	**66,040,784**
Total financial liabilities	**108,952,854**	**-**	**-**	**108,952,854**	**108,952,854**

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies bonds held to collect, loans issued, long-term borrowings to Level 2 of the the fair value hierarchy. Other financial instruments except bonds held for trading are classified to level 3 of the the fair value hierarchy.

Fair value of bonds held-for trading is derived from open active markets and is within level 1 of the fair value hierarchy.

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value is based on discounting of cash flows using 9.9-20.3% (2019: 9.4-20.5%) discount rate.

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs in relation to the investment at fair value through other comprehensive income (Note 10) are as follows at 31 December 2020:

	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment at FV through OCI				
	EBITDA Margin	16 – 22%	± 1%	± 523,765
	Terminal growth rate	1.8%	± 0.5%	± 161,302
	WACC	12.0%	± 0.5%	± 274,518

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

30. Financial risk management (continued)

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs in relation to the investment at fair value through other comprehensive income (Note 10) are as follows at 31 December 2019:

	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Investment at FV through OCI				
	EBITDA Margin	22 – 26%	± 1%	± 471,567
	Terminal growth rate	2%	± 0.5%	± 199,583
	WACC	13.1%	± 0.5%	± 306,451

Sensitivity of fair value to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not be significant. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

There were no changes in the valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2020 (2019: none).

Capital management

The primary objective of the Group's capital management is to maximize participants' return while sustaining a reasonable level of financial risks. The Group does not have a quantified target level of participants' return or capital ratios. To fulfil capital management objectives while providing for external financing of regular business operations and investment projects, the Group management compares expected return of these operations and projects with the costs of debt and maintains prudent financial risk management as described above.

The Group companies complied with all externally imposed capital requirements throughout 2020 and 2019.

31. Contingencies

Tax legislation

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. Transfer pricing legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis. Management has implemented internal controls to be in compliance with current transfer pricing legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Group's operations.

ROS AGRO PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(*IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)*

31. Contingencies (continued)

Starting from 2015 new rules were put in place establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency means that such legal entity's worldwide income will be taxed in Russia.

The tax liabilities of the Group were determined on the assumption that the foreign companies of the Group were not subject to applicable Russian taxes, because they did not have a permanent establishment in Russia and were not Russian profit tax residents by way of application of the new tax residency rules. However, the Russian tax authorities may challenge this interpretation of relevant legislation in regard to the foreign companies of the Group. The impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group's Management believes that its interpretation of the relevant legislation is appropriate, and the Group's tax and customs positions will be sustained. Accordingly, at 31 December 2020 no provision for potential tax liabilities had been recorded (2019: no provision). Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

Social obligations

Some production companies of the Group have collective agreements signed with the employees. Based on these contracts the companies make social payments to the employees. The amounts payable are determined in each case separately and depend primarily on performance of the company. These payments do not satisfy the liability recognition criteria listed in IAS 19, "Employee Benefits". Therefore, no liability for social obligations was recognised in these consolidated financial statements.

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims.

There are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.

Operating environment of the Group

The uncertainties related to the operating environment of the Group are described in Note 1.

32. Commitments

Contractual capital expenditure commitments

As at 31 December 2020 the Group had outstanding contractual commitments in respect of purchases or construction of property, plant and equipment in the amount of RR 6,974,843 (31 December 2019 RR: 7,475,004).

33. Subsequent events

Dividends. Subsequent to the year ended 31 December 2020, the Board of Directors recommends the payment of additional dividends out of the profits for the year 2020 to the amount of RR 10,284,710. Given that the Company has already paid interim dividends for 2020 to the amount of RR 1,922,033, the total dividend out of the profits for 2020 would amount to RR 12,206,743. The dividend per share will be fixed at the dividend record date set on 16 April 2021. The proposed dividend is subject to approval by the shareholders at the Annual General Meeting. These consolidated financial statements do not reflect the dividends that have not been approved on the reporting date.

In March 2021 the Group has won a public auction for acquisition of the key production assets of oil extraction plant OJSC Atkarskiy MEZ by making a bid of RR 11,534,004 thousand. These assets are currently rented by the Group.