JOINT STOCK COMPANY
“DOROGOBUZH”

Consolidated Financial Statements and Auditors’ Report for the year ended 31 December 2013

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AUDITORS’ REPORT

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Auditors' Report

To the Shareholders and Board of Directors
JSC Dorogobuzh

We have audited the accompanying consolidated financial statements of JSC Dorogobuzh (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: JSC Dorogobuzh

Registered by administration of Dorogobuzh district on 30 July 1997, Registration No. 6.

Entered in the Unified State Register of Legal Entities on 24 September 2002 by the Smolenck Inter-Regional Tax Inspectorate No. 7, Registration No. 1026700535773

Verkhnedneprovsky, Smolenskaya oblast, 215753

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

Ilya O. Belyatski

Director, (power of attorney dated 3 October 2012 No. 35/11)

ZAO KPMG

29 April 2014

Moscow, Russian Federation

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	10	4,622	4,671
Investment in equity accounted investees	11	1,982	1,860
Available-for-sale investments	12	13	34
Long-term loans receivable	8	10,723	13,433
Other non-current assets		275	297
Total non-current assets		**17,615**	**20,295**
Current assets			
Inventories	9	1,399	1,831
Short-term loans receivable	8	9,312	753
Accounts receivable	7	3,698	2,885
Trading investments	13	1,225	2,849
Cash and cash equivalents	6	568	940
Irrevocable bank deposits	6	767	1,435
Other current assets		56	37
Total current assets		**17,025**	**10,730**
TOTAL ASSETS		**34,640**	**31,025**
EQUITY			
Share capital	16	1,735	1,735
Share premium	16	94	94
Retained earnings		24,990	21,092
Share capital and reserves attributable to the Company's owners		**26,819**	**22,921**
TOTAL EQUITY		**26,819**	**22,921**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	4,909	5,455
Other long-term liabilities		102	102
Deferred tax liability	22	324	363
Total non-current liabilities		**5,335**	**5,920**
Current liabilities			
Accounts payable	14	571	844
Income tax payable		73	136
Other taxes payable		87	60
Short-term borrowings	15	655	592
Advances received		1,100	552
Total current liabilities		**2,486**	**2,184**
TOTAL LIABILITIES		**7,821**	**8,104**
TOTAL LIABILITIES AND EQUITY		**34,640**	**31,025**

Approved for issue and signed on behalf of the Board of Directors on 29 April 2014.

V.Y. Kunitskiy
President

A.V. Milenkov
Finance Director

	Note	2013	2012
Revenue	4	17,497	15,227
Cost of sales	17	(10,879)	(8,605)
Gross profit		**6,618**	**6,622**
Transportation expenses		(1,378)	(1,119)
Selling, general and administrative expenses	18	(1,167)	(1,257)
Other operating income/(expenses), net	20	179	(218)
Operating profit		**4,252**	**4,028**
Gain on disposal of investments	12,13	4	305
Finance income, net	19	1,154	1,706
Interest expense		(420)	(452)
Share of profit of equity accounted investees	11	122	187
Profit before taxation		**5,112**	**5,774**
Income tax expense	22	(1,029)	(1,112)
Net profit for the year		**4,083**	**4,662**
Other comprehensive loss on items that are or may be reclassified to profit or loss			
Available-for-sale investments:			
- Gains arising during the year	12	-	52
- Reclassification of revaluation gain on disposal to profit and loss	12	-	(248)
- Income tax recorded directly in other comprehensive income	22	-	39
Other comprehensive loss for the year		**-**	**(157)**
Total comprehensive income for the year		**4,083**	**4,505**
Net profit is attributable to:			
Owners of the Company		4,083	4,662
Profit for the year		**4,083**	**4,662**
Total comprehensive income is attributable to:			
Owners of the Company		4,083	4,505
Total comprehensive income for the year		**4,083**	**4,505**
Earnings per share, basic and diluted (expressed in Russian Roubles)	21	**4.66**	**5.33**

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

	Note	2013	2012
Cash flows from operating activities			
Profit before taxation		**5,112**	**5,774**
Adjustments for:			
Depreciation	10	531	430
Provision/(reversal of impairment) of accounts receivable		4	(2)
Provision/(reversal of provision) for inventory obsolescence	9	85	(10)
Loss on disposal of property, plant and equipment		32	2
Share of profit of equity accounted investees		(122)	(187)
Interest expense		420	452
Interest income	19	(1,722)	(1,540)
Dividend income	19	(2)	(2)
Gain on disposal of investments		(4)	(305)
Unrealised foreign exchange effect on non-operating balances		441	(41)
Operating cash flows before working capital changes		**4,775**	**4,571**
Decrease/(increase) in gross trade receivables		669	(330)
(Increase)/decrease in advances to suppliers		(120)	270
Decrease/(increase) in other receivables		160	(639)
(increase)/decrease in value-added tax receivable		(63)	100
Decrease/(increase) in inventories		347	(349)
(Increase)/decrease in other current assets		(19)	3
(Decrease)/increase in trade payables		(259)	210
(Decrease)/increase in other payables		1	32
Increase in advances from customers		548	46
Proceeds from sale of trading investments		2,329	1,303
Purchase of trading investments		(693)	(2,812)
Cash generated from operations before income taxes and interest paid		**7,675**	**2,405**
Income taxes paid		(1,131)	(1,072)
Interest paid		(420)	(440)
Net cash generated from operating activities		**6,124**	**893**
Cash flows from investing activities			
Purchase of property, plant and equipment		(512)	(627)
Acquisition of equity accounted investees	11	-	(207)
Loans provided		(9,372)	(6,327)
Proceeds from loans repaid		3,625	4,697
Interest received		261	693
Dividends received		-	1
Proceeds from sale of available-for-sale investments		24	248
Purchase of available-for-sale investments		(3)	(14)
Net change in other non-current assets		22	(17)
Net cash used in investing activities		**(5,955)**	**(1,553)**
Cash flows from financing activities			
Dividends paid to shareholders of the Company		(175)	(85)
Dividends paid to non-controlling shareholders		-	(97)
Irrevocable deposits proceeds/(made)	6	668	(314)
Proceeds from borrowings		4, 563	3,747
Repayment of borrowings		(5,722)	(3,476)
Net cash (used in)/generated from financing activities		**(666)**	**(225)**
Net decrease in cash and cash equivalents		**(497)**	**(885)**
Cash and cash equivalents at 1 January		940	1 962
Effect of exchange rate changes on cash and cash equivalents		125	(137)
Cash and cash equivalents at the end of the year	6	**568**	**940**

	Capital and reserves attributable to the Company's owners				
	Share capital	**Share premium**	**Retained earnings**	**Revaluation reserve**	**Total equity**
Balance at 1 January 2012	**1,735**	**94**	**16,615**	**157**	**18,601**
Total comprehensive income					
Profit for the year	-	-	4,662	-	4,662
Other comprehensive income/(loss)					
Fair value gains on available-for-sale investments (Note 12)	-	-	-	52	52
Disposal of investment (Note 12)	-	-	-	(248)	(248)
Income tax recorded in other comprehensive income (Note 22)	-	-	-	39	39
Total other comprehensive loss	-	-	-	(157)	(157)
Total comprehensive income/(loss)	-	-	4,662	(157)	4,505
Dividends declared	-	-	(185)	-	(185)
Balance at 31 December 2012	**1,735**	**94**	**21,092**	**-**	**22,921**
Balance at 1 January 2013	**1,735**	**94**	**21,092**	**-**	**22,921**
Total comprehensive income					
Profit for the year	-	-	4,083	-	4,083
Total comprehensive income/(loss)	-	-	4,083	-	4,083
Dividends declared	-	-	(185)	-	(185)
Balance at 31 December 2013	**1,735**	**94**	**24,990**	**-**	**26,819**

1 Dorogobuzh Group and its Operations

These consolidated financial statements for the year ended 31 December 2013 comprise Joint Stock Company "Dorogobuzh" (the "Company" and "Dorogobuzh") and its subsidiaries (together referred to as the "Group" or "Dorogobuzh Group"). Shares of the Company are traded on the Moscow Stock Exchange.

The Group's principal activities include the manufacture, distribution and sales of chemical fertilizers and related by-products. The Group's manufacturing facilities are primarily based in the Smolensk region of Russia.

The Company's registered office is at Verkhnedneprovsky settlement, Dorogobuzh district, Smolensk region, 215753, Russian Federation.

The Group's parent company is JSC Acron (Russian Federation). The Group's ultimate parent is Subero Associates Inc (British Virgin Islands). As at 31 December 2013 and 2012 the Group was ultimately controlled by Mr. Viacheslav Kantor.

2 Basis of accounting

Basis of preparation. These consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS") under the historical cost convention except as modified by the fair value revaluation of derivatives, available-for-sale and trading investments.

Functional and presentation currency. Functional currency of the Group's consolidated financial statements is the currency of the primary economic environment in which the Group operates. Company's functional currency and presentation currency is the national currency of the Russian Federation - Russian Rouble (RUB).

Unless otherwise indicated, all financial information presented in these consolidated financial statements are presented in millions of Russian Roubles (RUB). These consolidated financial statements have been prepared based on the statutory records, with adjustments and reclassifications recorded for the fair presentation in accordance with IFRS.

Changes in presentation. The Group has changed presentation of cash flows associated with trading investments. In accordance with this change the Group re-presented the statement of cash flows for the year ended 31 December 2012 which led to decrease in Net cash generated from operating activities for RUB 1,509 and increase in Net cash used in investing activities for the same amount.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 28.6 and 10 – useful lives of property, plant and equipment;
- Note 9 – inventory obsolescence provisions;
- Note 7 – allowances for trade receivables;
- Note 23 – contingencies, commitments and operating risks.

4 Segment Information

The Group prepares its segment analysis in accordance with IFRS 8, Operating Segments. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker ("CODM") and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Management Board of the Group.

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the current segment structure of the Group whereby "Dorogobuzh" is the only operating and reportable segment, representing manufacturing and distribution of chemical fertilisers by JSC Dorogobuzh. "Other" represents certain logistic, service and management operations.

The Group's segments are strategic business units that focus on different customers. It is managed as one business unit due to its significant business and risk profile.

Segment financial information is presented and reviewed by the CODM based on the IFRS and includes revenues from sales and EBITDA.

The CODM evaluates performance of the segment based on the measure of operating profit adjusted by depreciation and amortisation, foreign exchange gain or loss, other non-cash and extraordinary items (EBITDA). Since this term is not a standard IFRS measure, the Group's definition of EBITDA may differ from that of other companies.

Information for the reportable segments for the year ended 31 December 2013:

	Dorogobuzh	**Other**	**Total**
Segment sales	17,360	857	**18,216**
Intersegment sales	(69)	(650)	**(719)**
External sales	17,291	207	**17,497**
EBITDA	4,575	36	**4,611**

Information for the reportable segments for the year ended 31 December 2012:

	Dorogobuzh	**Other**	**Total**
Segment sales	15,103	866	**15,969**
Intersegment sales	(58)	(684)	**(742)**
External sales	15,045	182	**15,227**
EBITDA	4,536	45	**4,581**

Reconciliation of EBITDA to Profit Before Tax:

	2013	**2012**
Profit Before Tax	5,112	5,774
Share of profit of equity accounted investees	(122)	(187)
Gain on disposal of investments	(4)	(305)
Interest expense	420	452
Finance income	(1,154)	(1,706)
Operating Profit	**4,252**	**4,028**
Depreciation and amortization	531	430
Foreign currency (gains)/losses	(204)	121
Loss on disposal of property, plant and equipment	32	2
Total consolidated EBITDA	**4,611**	**4,581**

Information about geographical areas:

The geographic information below analyses the Group's revenue and non-current assets. In presenting the following information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	2013	**2012**
Revenue		
Russia	5,969	5,980
Latin America	2,963	2,826
Commonwealth of Independent States	4,537	2,497
European Union	1,990	2,059
China	98	1,250
USA and Canada	502	312
Asia (excluding China)	468	303
Other regions	970	-
Total	**17,497**	**15,227**

The analysis of revenue is based on geographic location of customers.

Revenue from sales of chemical fertilisers account for 96% of total revenues (2012: 96%).

In 2013 revenues from customers which represent 10% of more of the total revenues were from related party Agronova Europe AG in the amount of RUB 5,926 (2012: RUB 5,426).

5 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, 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’s ultimate controlling party is disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2013 and 2012 are detailed below.

The following turnovers and balances arise from transactions with related parties:

i Balances with related parties

Consolidated statement of financial position caption	Notes	Relationship	2013	2012
Trade and other receivables, gross	7	Parent company	-	7
		Parties under common control	45	1,398
Interest receivable	8	Parent company	63	25
		Parties under common control	2,493	1,263
Investments in equity accounted investees	11	Parties under common control	1,982	1,860
Prepayments		Parties under common control	147	205
Loans receivable	8	Parent company	3,770	-
		Parties under common control	16,204	14,132
Trade payables		Parent company	(15)	(10)
		Parties under common control	(64)	(38)
Advances from customers		Parties under common control	(547)	(235)
Trading investments (bonds)*	13	Parent company	1,010	2,048

* Investments are disclosed at fair value.

ii Transactions with related parties

Consolidated statement of comprehensive income caption	Notes	Relationship	2013	2012
Sales of chemical fertilizers, other goods and services	4	Parent company	115	115
		Parties under common control	11,038	11,055
Share profit in equity accounted investees		Parties under common control	122	187
Contribution to share capital of equity accounted investees		Parties under common control	-	(207)
Purchases of raw materials		Parent company	(75)	(85)
		Parties under common control	(1,499)	(98)
Purchase of transportation services		Parties under common control	(364)	(378)
Purchases of securities (bonds, shares)*		Parent company	161	-
Sales of securities (shares)	4	Parent company	(1,180)	-
Interest income		Parent company	80	10
		Parties under common control	1,405	1,261
Social expenditure		Parties under common control	(72)	(83)
Consolidated statement of changes in equity caption				
Dividends declared		Parent company	88	85
		Parties under common control	-	-

* Purchase transaction is disclosed at cost.

iii Key management personnel compensation

Total key management personnel compensation in the amount of RUB 141 (2012: RUB 176) was recorded in general and administrative expenses. Related state social and pension costs amounted to RUB 1 (2012: RUB 1).

6 Cash, Cash Equivalents and Irrevocable Deposits

	2013	2012
Cash on hand and bank balances denominated in RUB	295	750
Bank balances denominated in USD	247	120
Bank balances denominated in EUR	26	70
Total cash and cash equivalents	**568**	**940**
Irrevocable bank deposits in USD	767	1,435
Total	**1,335**	**2,375**

Cash and cash equivalents include term deposits of RUB 58 (2012: RUB 600).

At 31 December 2013 and 2012 the current irrevocable bank deposits included certain bank deposits of the Group which are restricted as guarantees to the banks related to credit agreement between HSBC Bank (China), Raiffeisen Bank International AG and one of the subsidiaries of JSC Acron in China.

The fair value of cash, cash equivalents and deposits are equal to their carrying amount. All bank balances and term deposits are neither past due nor impaired. Analysis of the credit quality of bank balances and term deposits is as follows:

	2013	2012
A to AAA* rated	9	1,474
BB- to BBB+* rated	1,168	816
Unrated	158	85
Total	**1,335**	**2,375**

* Based on the credit ratings of Fitch Ratings, an independent rating agency.

7 Accounts Receivable

	2013	2012
Trade accounts receivable	120	789
Interest receivable	2,668	1,394
Impairment provision	(45)	(44)
Total financial assets	**2,743**	**2,139**
Advances to suppliers	279	159
Value-added tax recoverable	651	588
Other taxes receivable	29	-
Impairment provision	(4)	(1)
Total accounts receivable	**3,698**	**2,885**

The fair value of financial assets within accounts receivable does not differ significantly from their carrying amounts.

As of 31 December 2013 trade and other accounts receivable of RUB 45 (2012: RUB 44) were individually impaired and an impairment provision was recognized. The individually impaired receivables mainly relate to customers that are in difficult financial position.

The aging of trade accounts receivable as at reporting date is as follows:

	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	62	-	156	-
Past due less than 3 months	6	-	587	-
Past due from 3 to 9 months	7	(1)	2	(1)
Past due from 9 to 12 months	5	(5)	4	(4)
Past due over 12 months	40	(39)	40	(39)
Total	**120**	**(45)**	**789**	**(44)**

The movements in the provision for impairment of trade and other accounts receivable are as follows:

	2013	**2012**
	Trade receivables	**Trade receivables**
Provision for impairment at 1 January	**(44)**	**(46)**
Provision for impairment	(1)	(3)
Provision used	-	-
Provision reversed	-	5
Provision for impairment at 31 December	**(45)**	**(44)**

The Group does not hold any collateral as security for trade and other accounts receivable.

Except for trade accounts receivable and advances to suppliers other classes within accounts receivable do not contain impaired assets.

Included in interest receivable RUB 2,556 (2012: RUB 1,288) is interest on loans issued to parties under common control. Based on management assessment the risk of default associated with these receivables is considered low due to all notes receivable are issued to parties under common control of Acron Group that has a long standing credit history of in Russia and worldwide.

8 Loans Receivable

	2013	**2012**
Short-term loans receivable		
Loans issued to related parties with interest rate from 8.25% to 8.8% (Note 5)	9,310	699
Loans issued to third parties with interest rate from 8.25% to 8.8%	2	54
	9,312	**753**
Long-term loans receivable		
Loans issued to related parties with interest rate from 8.5% to 9.0% (Note 5)	10,664	13,433
Loans issued to third parties with interest rate from 8.5% to 9.0%	59	-
	10,723	**13,433**

At 31 December 2013 and 2012 all of the loans receivable were unsecured.

The major part of loans receivable in amount of RUB 19,974 (2012: RUB 14,132) is issued to parties under common control of Acron Group (Note 5). Based on management assessment the risk of default associated with these receivables is considered low as the parent company has long standing credit history in Russia and worldwide.

In 2013 the Group accrued interest income on loans receivable of RUB 1,491 (2012: RUB 1,271).

9 Inventories

	2013	**2012**
Raw materials and spare parts	1,144	1,428
Work in progress	87	95
Finished products	168	308
	1,399	**1,831**

Raw materials are shown net of obsolescence provision of RUB 112 (2012: RUB 27). No inventory was pledged as security at 31 December 2013 and 2012.

10 Property, Plant and Equipment

	Buildings and constructions	Plant and equipment	Transport	Other	Assets under construction	Total
Cost						
Balance at 1 January 2013	**5,707**	**5,927**	**802**	**44**	**909**	**13,389**
Additions	-	-	-	-	514	**514**
Transfers	108	510	27	5	(650)	**-**
Disposals	(91)	(56)	(12)	(3)	-	**(162)**
Balance at 31 December 2013	**5,724**	**6,381**	**817**	**46**	**773**	**13,741**
Accumulated Depreciation						
Balance at 1 January 2013	**4,051**	**4,420**	**223**	**24**	**-**	**8,718**
Depreciation charge	113	358	56	4	-	**531**
Disposals	(75)	(41)	(11)	(3)	-	**(130)**
Balance at 31 December 2013	**4,089**	**4,737**	**268**	**25**	**-**	**9,119**
Net Book Value						
Balance at 1 January 2013	**1,656**	**1,507**	**579**	**20**	**909**	**4,671**
Balance at 31 December 2013	**1,635**	**1,644**	**549**	**21**	**773**	**4,622**

Included in the 2013 additions to assets under constructions is approximately RUB 2 of capitalized borrowing costs in accordance with IAS 23, Borrowing costs at the average borrowing rate of 4.02% (2012: RUB 16 at 6.14%).

	Buildings and constructions	Plant and equipment	Transport	Other	Assets under construction	Total
Cost						
Balance at 1 January 2012	**5,708**	**5,352**	**784**	**40**	**1,016**	**12,900**
Additions	-	-	-	-	643	**643**
Transfers	21	702	23	4	(750)	**-**
Disposals	(22)	(127)	(5)	-	-	**(154)**
Balance at 31 December 2012	**5,707**	**5,927**	**802**	**44**	**909**	**13,389**
Accumulated Depreciation						
Balance at 1 January 2012	**3,961**	**4,285**	**173**	**21**	**-**	**8,440**
Depreciation charge	110	262	55	3	-	**430**
Disposals	(20)	(127)	(5)	-	-	**(152)**
Balance at 31 December 2012	**4,051**	**4,420**	**223**	**24**	**-**	**8,718**
Net Book Value						
Balance at 1 January 2012	**1,747**	**1,067**	**611**	**19**	**1,016**	**4,460**
Balance at 31 December 2012	**1,656**	**1,507**	**579**	**20**	**909**	**4,671**

Non-current assets impairment test. In 2013 and 2012 there were no impairment indicators, therefore no impairment testing was performed for non-current assets.

At 31 December 2013 and 2012 no property, plant and equipment was pledged as security.

11 Investment in Equity accounted investees

	2013	2012
Balance at 1 January	**1,860**	**1,466**
Share of profit	122	187
Increase of share capital	-	207
Balance at 31 December	**1,982**	**1,860**

At 31 December 2013 and 2012, the Group's interest in the associate and its summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

2013

Name	Total assets	Total liabilities	Revenue	Profit	% interest held	Country of incorporation
LLC Balttrans	4,670	1,912	2,232	349	35%	Russia

2012

Name	Total assets	Total liabilities	Revenue	Profit	% interest held	Country of incorporation
LLC Balttrans	3,858	1,719	2,403	536	35%	Russia

12 Available-for-Sale Investments

	2013	2012
Balance at 1 January	34	216
Additions	3	14
Fair value gain recognized directly in other comprehensive income	-	52
Disposals	(24)	(248)
Balance at 31 December	**13**	**34**

13 Trading Investments

	2013	2012
Eurobonds	1,124	2,344
US bonds	98	30
Corporate bonds	3	3
Promissory notes	-	472
Total trading investments	**1,225**	**2,849**

Trading investments are carried at fair value which also reflects any credit risk related write-downs. As trading investments are carried at their fair values based on observable market data using bid prices from Moscow exchange, the Group does not analyse or monitor impairment indicators.

The total gain on trading investments recognised in the statement of comprehensive income was RUB 21 (2012: RUB 57 gain).

Analysis by credit quality of trading securities outstanding at 31 December 2013 and 2012 is as follows:

2013	US and Eurobonds	Corporate bonds	Promissory notes	Total
- B1 rated	1,061	-	-	1,061
- B2 rated	31	-	-	31
- B3 rated	12	-	-	12
- BBB rated	98	-	-	98
- B rated	-	-	-	-
- C rated	20	-	-	20
- Unrated	-	3	-	3
Total	**1,222**	**3**	**-**	**1,225**

2012	US and Eurobonds	Corporate bonds	Promissory notes	Total
- B1 rated	2,072	-	-	2,072
- B2 rated	28	-	-	28
- B3 rated	38	-	-	38
- BBB rated	152	-	472	624
- B rated	73	-	-	73
- C rated	11	-	-	11
- Unrated	-	3	-	3
Total	**2,374**	**3**	**472**	**2,849**

None of the securities are past due or impaired as of 31 December 2013 and 2012.

14 Accounts Payable

	2013	2012
Trade accounts payable	362	621
Dividends payable	7	6
Total financial payables	**369**	**627**
Payables to employees	193	205
Accrued liabilities and other creditors	9	12
Total accounts payable and accrued expenses	**571**	**844**

15 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	2013	2012
Credit lines	655	2,126
Term loans	4,909	3,921
	5,564	**6,047**

At 31 December 2013 and 2012 all of the Group’s borrowings are mature as follows:

	2013	2012
Borrowings due:		
- within 1 year	655	592
- between 1 and 5 years	4,909	5,455
	5,564	**6,047**

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

At 31 December 2013 unused credit lines available under the long-term loan facilities were nil (2012: RUB 5,467). The terms and conditions of unused credit lines are consistent with other borrowings.

The details of the significant short-term loan balances are summarized below:

Short-term borrowings	**2013**	**2012**
USD		
Loans with fixed interest rates of 5.2% to 6.75% per annum	655	-
Loan with floating interest rate of 1M LIBOR +3.8% to +5.5% per annum	-	592
Total short-term borrowings	**655**	**592**

The details of the significant long-term loan balances are summarized below:

Long-term borrowings	**2013**	**2012**
USD		
Loans with fixed interest rate of 5.73% to 6.75% per annum	-	607
Loans with floating interest rates of 1M LIBOR +3.8% to +5.5 per annum	4,909	3,329
Loans with floating interest rates of 12M LIBOR +5.25% per annum	-	1,519
Total long-term borrowings	**4,909**	**5,455**

Significant loan agreements contain certain covenants including those which require the Group and Group entities to maintain a minimum level of net assets, equity/total assets ratio, debt/EBITDA ratio and EBITDA/ interest expense ratio. The loan agreements provide for the borrower's obligation to maintain the required level of inflows through the accounts opened with the lending banks and stipulate acceleration clauses in case of the borrower’s failure to fulfil or appropriately fulfil its obligations to the bank. The loan agreements also contain a number of covenants and acceleration clause in case of the borrower’s failure to fulfil its obligations under the loan agreements which include restrictions on material transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the borrowings.

16 Share Capital

The share capital of the Company has two classes of shares, Class A preferred and ordinary. The nominal value for both classes of share capital is 0.25 rouble per share. The total authorised number of ordinary shares is 721,182,860 shares (2012: 721,182,860). The total authorised number of preferred shares is 154,256,400 shares (2012: 154,256,400). All authorised shares have been issued and fully paid.

Total number of outstanding shares comprises (par value is expressed in roubles per share):

	Ordinary shares			Preferred shares	
	Number of shares authorised issued and paid	Share Capital	Share premium	Number of shares authorised issued and paid	Share Capital
At 31 December 2012	**721,182,860**	**1,380**	**94**	**154,256,400**	**355**
At 31 December 2013	**721,182,860**	**1,380**	**94**	**154,256,400**	**355**

Preferred shares carry no voting rights except for resolutions regarding liquidation or reorganisation of the Company, changes to dividend levels of preferred shares or issue of additional preferred shares. Such resolutions require approval by two thirds of preferred shareholders. The preferred shares have no rights of redemption or conversion.

Preferred shares are entitled to a minimum annual dividend of 10% of the Company’s net profit calculated based on statutory financial statements prepared in accordance with Russian Accounting Standards and give a right to participate in annual shareholders meeting if dividends are not paid in full. Furthermore, if dividends per each ordinary share for a year exceed the amount of dividends to be paid per each preferred share the amount of dividends per preferred share must be increased to the amount of dividends paid per ordinary share. Preferred shares have priority over ordinary shares in the event of liquidation. Preferred shares are non-cumulative.

The share capital is shown in the amount of the historical contribution adjusted for inflation from the date of privatisation to 31 December 2002.

In 2013 dividends were declared in respect of 2012 financial year only for preferred shares in amount of 1.2 roubles per preferred share. In 2012 dividends were declared in respect of 2011 financial year only for preferred shares in amount of 1.2 roubles per preferred share.

17 Cost of Sales

	2013	**2012**
Natural gas	3,423	2,660
Materials and components used	3 458	2,415
Repairs and maintenance	1,016	1,188
Staff costs	1,279	1,139
Fuel and energy	837	691
Depreciation and amortization	531	430
Production overheads	187	156
Change in inventories of finished goods and work in progress	148	(74)
	10,879	**8,605**

18 Selling, General and Administrative Expenses

	2013	**2012**
Staff costs	632	695
Provision for bad debt	6	3
Business trips expenses	25	29
Audit, legal and consulting services	13	13
Taxes other than income tax	69	74
Bank services	77	83
Insurance	21	27
Buildings maintenance and rent	75	67
Security	112	105
Telecommunication costs	22	21
Representation expenses	10	12
Other expenses	105	128
	1,167	**1,257**

19 Finance Income, net

	2013	2012
Interest income	1,722	1,540
Commissions	(35)	-
Dividend income	2	2
Gain/(loss) on sale of foreign currency	17	(9)
Foreign exchange (loss)/gain	(552)	173
	1,154	**1,706**

20 Other Operating Income/(Expenses), net

	2013	2012
Foreign exchange gain/(loss)	204	(121)
Loss on disposal of property, plant and equipment	(32)	(2)
Other income/(expense)	7	(95)
	179	**(218)**

21 Earnings per Share

Earnings per share are calculated by dividing the net income attributable to the equity holders of the Company by the weighted average number of ordinary shares and participating preferred shares outstanding during the period.

	2013	2012
Weighted average number of ordinary shares outstanding	721,182,860	721,182,860
Weighted average number of participating preferred shares outstanding	154,256,400	154,256,400
Total weighted average number of participating shares outstanding	**875,439,260**	**875,439,260**
Profit for the year	4,083	4,662
Basic and diluted earnings per share (expressed in Russian Roubles) attributable to the equity holders of the Company	**4.66**	**5.33**

22 Income Tax

	2013	2012
Income tax expense – current	1,068	1,138
Deferred tax charge – origination and reversal of temporary differences	(39)	(26)
Income tax charge	**1,029**	**1,112**

Profit before taxation for financial reporting purposes is reconciled to tax charge as follows:

	2013		2012	
Profit before taxation	**5,112**	**100%**	**5,774**	**100%**
Theoretical tax charge at statutory rate of 20% thereon (2012: 20%)	1,022	20%	1,155	20%
Tax effect of non deductable expenses and non taxable income:				
Non taxable profit	(38)	(1%)	(97)	(2%)
Tax effect of items which are not deductible for taxation purposes	45	1%	54	1%
Income tax charge	**1,029**	**20%**	**1,112**	**19%**

In the context of the Group's current structure tax losses and current tax assets of different group enties may not be offset against current tax liabilities and taxable profits of other group enties and, accordingly, taxes may be accrued even when there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity. Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded for major Russian subsidiaries at rate of 20% (2012: 20%).

	1 January 2013	Charged/ (credited) to profit or loss	31 December 2013
Tax effects of taxable temporary differences:			
Property, plant and equipment	293	(4)	289
Investments	65	24	89
Inventories	26	(30)	(4)
Deferred tax liability	**384**	**(10)**	**374**
Offset	(21)		(50)
Recognised deferred tax liability	**363**		**-**
Tax effects of deductable taxable temporary differences:			
Accounts receivable	-	(10)	(10)
Accounts payable	-	(20)	(20)
Other liabilities	(21)	1	(20)
Deferred tax asset	**(21)**	**(29)**	**(50)**
Offset	21		50
Recognised deferred tax asset	**-**	**(29)**	**-**
Recognised net deferred tax liability	**363**	**(39)**	**324**

	1 January 2012	Charged/ (credited) to profit or loss	Charged to OCI	31 December 2012
Tax effects of taxable temporary differences:				
Property, plant and equipment	271	22	-	293
Investments	179	(75)	(39)	65
Inventories	22	4	-	26
Deferred tax liability	**472**	**(49)**	**(39)**	**384**
Offset	(44)	-	-	(21)
Recognised deferred tax liability	**428**	**(49)**	**(39)**	**363**
Tax effects of deductable taxable temporary differences:				
Accounts receivable	(11)	11	-	-
Accounts payable	(12)	12	-	-
Other liabilities	(21)	-	-	(21)
Deferred tax asset	**(44)**	**23**	**-**	**(21)**
Offset	44	-	-	21
Recognised deferred tax asset	**-**	**23**	**-**	**-**
Recognised net deferred tax liability	**428**	**(26)**	**(39)**	**363**

Substantially all deferred assets and liabilities presented in the statement of financial position are expected to be realised after more than 12 months from the reporting date.

23 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 31 December 2013 the Group had no outstanding capital commitments in relation to property, plant and equipment (2012: RUB 316).

ii Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims.

iii Operating environment of the Group

The Group operates mainly in the Russian Federation. Accordingly, the Group is exposed to the economic and financial markets of the Russian Federation, which display characteristics of an emerging market. Legal, tax and regulatory systems continue to develop, but are associated with varying interpretations and requirements, which are also subject to frequent changes, which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect

management's what influence the business environment in the Russian Federation on the operations and financial position. The future business environment may differ from management's assessment.

iv Taxation contingencies in the Russian Federation

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

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

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transactions on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Accordingly, at 31 December 2013 no provision for potential tax liabilities had been recorded (2012: no provision).

Management estimates that the Group has no possible obligations from exposure to other than remote tax risks.

v Environmental matters

The environmental regulation in the Russian Federation continues to evolve. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

24 Financial and Capital Risk Management

24.1 Financial risk management

Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets and (c) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2013:

	2013			
	Loans and receivables	**Available-for-sale assets**	**Trading investments**	**Total**
ASSETS				
Cash, cash equivalents and restricted Cash, cash equivalents and* Irrevocable bank deposits *(Note 6)				
- Cash on hand and bank balances	568	-	-	**568**
- Irrevocable bank deposits	767	-	-	**767**
Trade and other receivables (Note 7)				
- Trade receivables	75	-	-	**75**
- Interest receivable	2,668	-	-	**2 668**
Loans receivable (Note 8)				
- Short term loans receivable	9,312	-	-	**9 312**
- Long term loans receivable	10,723	-	-	**10 723**
Trading investments (Note 13)	-	-	1,225	**1,225**
Available-for-sale investments (Note 12)				
- Corporate shares and bonds	-	13	-	**13**
Total financial assets	**24,113**	**13**	**1,225**	**25,351**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2012:

	2012			
	Loans and receivables	**Available-for-sale assets**	**Trading investments**	**Total**
ASSETS				
Cash, cash equivalents and* Irrevocable bank deposits *(Note 6)				
- Cash on hand and bank balances	940	-	-	**940**
- Irrevocable bank deposits	1,435	-	-	**1,435**
Trade and other receivables (Note 7)				
- Trade receivables	745	-	-	**745**
- Interest receivable	1,394	-	-	**1,394**
Loans receivable (Note 8)				
- Short term loans receivable	753	-	-	**753**
- Long term loans receivable	13,433	-	-	**13,433**
Trading investments (Note 13)	-	-	2,849	**2,849**
Available-for-sale investments (Note 12)				
- Corporate shares and bonds	-	34	-	**34**
Total financial assets	**18,700**	**34**	**2,849**	**21,583**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Market risk

(i) Foreign currency risk

Foreign currency risk is the risk of losses resulting from adverse movements in different currency exchange rates against the entity's functional currency. Foreign currency risk arises from the international operations of the Group, future commercial transactions in foreign currencies, including repayment of foreign currency denominated borrowings and recognition of assets and liabilities denominated in a currency which is not a functional currency of the entity.

The objective of the Group's foreign exchange risk management activities is to minimise the volatility of the Group's financial results by matching the same foreign currency denominated assets and liabilities.

Group's policies for attracting foreign exchange denominated borrowings depend on current and forward rates of foreign currencies to Russian rouble. Credit lines denominated in various currencies allow the Group to be flexible in reaction to foreign currency rate shocks and minimise foreign currency exposure.

The tables below summarise the Group's exposure to foreign currency exchange rate risk at the reporting date:

At 31 December 2013	**USD**	**EUR**
Financial assets:		
Cash, cash equivalents and irrevocable deposits	1,014	26
Accounts receivable	6	-
	1,020	**26**
Financial liabilities:		
Accounts payable and other liabilities	(3)	(21)
Borrowings and notes payable	(5,564)	-
	(5,567)	**(21)**
Net position	**(4,547)**	**5**

At 31 December 2012	**USD**	**EUR**
Financial assets:		
Cash, cash equivalents and irrevocable deposits	1,555	70
Accounts receivable	233	-
	1,788	70
Financial liabilities:		
Accounts payable and other liabilities	(3)	(26)
Borrowings and notes payable	(6,047)	-
	(6,050)	(26)
Net position	**(4,262)**	**44**

The Group relies on export sales to generate foreign currency earnings. As the Group sells outside the Russian Federation a significant portion of its production, it is exposed to foreign currency risk arising primarily on volatility of USD, in which major export sales are denominated.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange risk exposure and primarily arises from USD denominated trade receivables, cash and cash equivalents, borrowings and accounts payable.

	2013	**2012**
Impact on post-tax profit and on equity of:		
USD strengthening by 10%	(363)	(341)
USD weakening by 10%	363	341

Since the Group does not hold any foreign currency denominated equity securities and other financial instruments revalued through equity, the effect of a change in the exchange rate on equity would be the same as that on the post-tax profit.

(ii) Interest rate risk

Interest rate risk arises from movements in interest rates which could affect the Group's financial results or the value of the Group's equity. A change in interest rates may cause variations in interest income and expense. The primary objective of the Group's interest rate management is to protect the net interest result. Interest risk management is carried out by the corporate finance and corporate treasury functions of the Group.

All entities of the Group obtain any required financing through the corporate treasury function of the Group in the form of loans. Generally, the same concept is adopted for deposits of cash generated by the units.

Monitoring of current market interest rates and analysis of the Group's interest-bearing position is performed by the corporate treasury and corporate finance functions as a part of interest rate risk management procedures. Monitoring is performed taking into consideration refinancing, renewal of existing positions and alternative financing.

The Group interest rate risk arises from long-term credit facilities. Long-term credit facilities at variable rates expose the Group's cash flow to an interest rate risk. At 31 December 2013 and 2012 borrowings at variable rates amounted to RUB 4,909 and RUB 5,440 respectively (Note 15).

At 31 December 2013, if interest rates at that date had been 5% higher with all other variables held constant, profit for the year would have been RUB 331 (2012: RUB 122) lower, mainly as a result of higher interest expense on variable interest liabilities.

The effect of a change for the year in the interest rate on equity would be the same as that on post-tax profit.

(iii) Price risk

From time to time the Group makes investments in entities with high upside market potential. Investments are assessed by corporate treasury department and accepted provided that internal rate of return for investment exceeds current weighted average cost of capital.

The Group does not enter into any transactions with financial instruments whose value is exposed to the value of any commodities traded on a public market.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, cash and bank deposits and loans receivable. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables.

The maximum exposure to credit risk of RUB 24,113 (2012: RUB 18,700) resulting from financial assets is equal to the carrying amount of the Group's financial assets, including loans receivable, cash and cash equivalents, debt securities. The amount does not include equity investments.

As of 31 December 2013 loans receivable in the amount RUB 19,518 (or 97% of total loans receivable) were given to JSC Acron and its subsidiary (2012: RUB 13,283 or 94%). The Group has no significant concentrations of credit risk for other financial assets.

Cash and cash equivalents. Cash and short-term deposits are placed in major multinational and Russian banks with independent credit ratings. All bank balances and term deposits are neither past due nor impaired. See analysis by credit quality of bank balances and term deposits in Note 6.

Trade receivables and loans receivable. Trade receivables and loans receivable are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of receivables is to sustain the growth and profitability of the Group by optimising asset utilisation whilst maintaining risk at an acceptable level.

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of customers or borrowers. The credit quality of each new customer is analysed before the Group provides it with the standard terms of goods supply and payments. The credit quality of new borrowers is analysed before the Group provides it with the loan. The credit quality of customers and borrowers is assessed taking into account their financial position, past experience and other factors. Customers which do not meet the credit quality requirements are supplied on a prepayment basis only.

Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to counterparties with aggregated balances in excess of 10% of the Group's gross accounts receivable balances. At 31 December 2013 the Group had no counterparties with aggregated receivables balances in excess of 10% of the Group's gross accounts receivable balances. At 31 December 2012 the Group had only one counterparty - Agronova Europe AG with aggregated receivables balances of RUB 234 or 30% of the gross amount of trade and other receivables.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 7).

(c) Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, such as settlements of financial debt and payments to suppliers. The Group's approach to liquidity risk management is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

The Group seeks to maintain a stable funding base primarily consisting of borrowings, trade and other payables and debt securities. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group's liquidity portfolio comprises cash and cash equivalents (Note 6), trading investments (Note 13) and available-for-sale investments (Note 12). Management estimates that the liquidity portfolio comprising cash, bank deposits, trading, and available-for-sale investments can be realised in cash within a day in order to meet unforeseen liquidity requirements.

Weekly liquidity planning is performed by the corporate treasury function and reported to the management of the Group. Beyond cash management, the Group mitigates liquidity risk by keeping committed credit lines available. The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the time remaining from the reporting date to the contractual maturity date.

	Carrying amount	On demand and less than 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Total
As of 31 December 2013						
Term loans *	4,909	46	140	5,093	-	**5,279**
Credit lines *	655	662	-	-	-	**662**
Trade payables	362	362	-	-	-	**362**
Total	**5,926**	**1,070**	**140**	**5,093**	**-**	**6,303**

	Carrying amount	On demand and less than 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Total
As of 31 December 2012						
Term loans *	3,921	75	699	954	2,597	**4,325**
Credit lines *	2,126	32	98	1,614	611	**2,355**
Trade payables	621	621	-	-	-	**621**
Total	**6,668**	**728**	**797**	**2,568**	**3,208**	**7,301**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as of 31 December 2013 and 31 December 2012, respectively.

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group. Such cash balances are represented by current cash balances on bank accounts and bank deposits. Group's policy for financing its working capital is aimed at maximum reliance on own operating cash flows, availability of short-term bank and other external financing to maintain sufficient liquidity.

As of 31 December 2013 unused credit lines available under long-term loan facilities were nil (2012: RUB 5,467).

24.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, to have available the necessary financial resources for investing activities and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital under management. The Group considers total capital under management to be equity as shown in the IFRS consolidated statement of financial position. This is considered more appropriate than alternative methods available, such as the value of equity shown in the Company's statutory financial (accounting) reports. In 2013, the Group's strategy, which remained unchanged since 2011, was to maintain the gearing ratio at the level not exceeding 150%.

The gearing ratio as of 31 December 2013 and 31 December 2012 is shown in the table below:

	2013	2012
Short-term borrowings	655	592
Long-term borrowings	4,909	5,455
Total debt	**5,564**	**6,047**
Shareholders' equity	**26,819**	**22,921**
Gearing ratio, %	**20.75%**	**26.4%**

The Group also maintains an optimal capital structure by tracing certain capital requirements based on the minimum level of EBITDA/net interest expense ratio.

The Group's capital management includes compliance with the externally imposed minimum capital requirements arising from the Group's borrowings (Note 15) and imposed by the statutory legislation of the Russian Federation.

25 Fair Value of Financial Instruments

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 quoted in an active market price of the financial instrument.

Financial instruments carried at fair value. Trading, Available-for-sale investments and derivatives are carried in the consolidated statement of financial position at their fair value.

The Group discloses the value of financial instruments that are measured in the consolidated statement of financial position at fair value by three levels in accordance with IFRS 7.

The level in the fair value hierarchy into which the fair values are categorised as one of the three categories:

Level 1: quoted price in an active market;
Level 2: valuation technique with inputs observable in markets;
Level 3: valuation technique with significant non-observable inputs.

All available-for-sale and trading financial instruments of the Group were included in level 1 category in the amount of RUB 1,238 (2012: RUB 2,883).

There are no other financial instruments which fair value was determined based on inputs other than level 1 category.

Cash and cash equivalents are carried at amortized cost which approximates current fair value.

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. Carrying amounts of trade receivables and loans receivable approximate fair values.

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair value of payables and borrowings do not differ significantly from their carrying amounts.

26 Subsequent Events

In February 2014 the Company, jointly with JSC Acron and its subsidiaries concluded put/call option agreements for 19.9% shares in JSC VPC, which is a subsidiary of JSC Acron. As part of above transaction a third party bank co-financed the Acron group’s project to develop the Talitsky area of Verkhnekamsk potassium and magnesium salts in the Perm region by acquiring abovementioned shares from Acron group.

On 22 April 2014 the Board of Directors recommended the Annual General Meeting to aprove dividends in respect of 2013 financial year solely for preferred shares in amount of 1.2 roubles per preferred share.

27 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 28 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

a. Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7);
b. IFRS 10 Consolidated Financial Statements (2011);
c. IFRS 11 Joint Arrangements;
d. IFRS 12 Disclosure of Interests in Other Entities;
e. IFRS 13 Fair Value Measurement;
f. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1);
g. IAS 19 Employee Benefits (2011).

The nature and effects of the changes are explained below.

Presentation of items of OCI

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

28 Summary of Significant Accounting Policies

28.1 Group accounting

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence of possibility when the Group has existing rights that give it the current ability to direct the relevant activities of other entity, i.e. the activities that significantly affect the other entity’s returns, is considered when assessing whether the Group controls another entity. The Group can have power over other entity even if other entities have existing rights that give them the current ability to participate in the direction of the relevant activities. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries except for those acquired as the result of the business combinations 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 that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

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

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

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries as the result of business combinations under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity’s carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary’s IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity’s original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

Investments in 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 by the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group’s share of the post-acquisition profits or losses of associates is recorded in profit or loss for the year as share of result of associates.

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

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

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, 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 recycled 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.

28.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Bank overdrafts are shown within borrowings in the current liabilities statement of financial position. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

28.3 Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the original effective rate of interest. The amount of the provision is recognised in the consolidated statement of comprehensive income. The primary factors that the Group considers whether a receivable is impaired is its overdue status. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

28.4 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 goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

28.5 Inventories

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

28.6 Property, plant and equipment

Property, plant and equipment are recorded at cost, restated where applicable to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required.

At each reporting date management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the consolidated statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the assets recoverable amount. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit or loss.

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated to allocate cost of property, plant and equipment to their residual values on a straight-line basis. The depreciation periods, which approximate the estimated useful economic lives of the respective assets, are as follows:

	Number of years
Buildings	40 to 50
Plant and machinery	10 to 20
Other equipment and motor vehicles	5 to 20

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 assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and the estimated period during which these assets will bring economic benefit to the Group.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised and the assets replaced are retired. Gains and losses arising from the retirement or disposal of property, plant and equipment are included in profit and loss.

Borrowing costs on specific or general funds borrowed to finance the construction of qualifying asset are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

28.7 Intangible assets

The entire Group’s intangible assets have definite useful lives and primarily include capitalised computer software, patents, acquired trademarks and licences. They 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, but not exceeding 20 years.

28.8 Borrowings

Borrowings are stated at amortised cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

Capitalisation of borrowing costs. 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.

28.9 Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with the legislation of the countries, where most significant subsidiaries of the Group are located, enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss except if it is recognised in other comprehensive income or directly in equity because it relates

to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current income 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. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, 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 and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary’s dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. 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.

28.10 Foreign currency translation

For the Company and its subsidiaries monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the Central Bank at the respective ends of the reporting periods. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity’s functional currency at year-end official exchange rates of the Central Bank are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Foreign exchange gains and losses on operating items are presented within other operating expenses, foreign exchange gain and losses on finance items are presented within net finance income.

At 31 December 2013 the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 32.7292 (2012: USD 1 = RUB 30.3727). Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies.

28.11 Provisions for liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. 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.

Provisions are evaluated and re-estimated annually, and are included in the consolidated financial statements at their expected net present values using discount rates appropriate to the Company or its subsidiaries in applicable economic environment at each end of the reporting period.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reassessed annually and changes in provisions resulting from the passage of time are reflected in the consolidated statement of comprehensive income each year within interest expense. Other changes in provisions related to a change in the expected repayment plan, in the estimated amount of the obligation or in the discount rates, are treated as a change in an accounting estimate in the period of the change and reflected in the consolidated statement of comprehensive income.

28.12 Shareholders’ equity

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium. Preference shares are non-cumulative and presented as part of share capital in the notes.

Treasury shares. Where any Group company purchases the Company’s equity share capital, 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 shares are cancelled, reissued or disposed of. Where such shares 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.

Dividends. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared and approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

28.13 Revenue recognition

Revenues from sales of chemical fertilisers and related by-products are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

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

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales are shown net of VAT, custom duties and discounts, and after eliminating sales within the Group. Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

28.14 Mutual cancellations

A portion of sales and purchases are settled by mutual settlements or non-cash settlements. These transactions are generally in the form of direct settlements through cancellation of mutual trade receivables and payables balances within the operational contracts. Non-cash settlements include promissory notes or bills of exchange, which are negotiable debt obligations. Sales and purchases that are expected to be settled by mutual settlements or other non-cash settlements are recognised based on the estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to various market information. Non-cash transactions have been excluded from the consolidated statements of cash flows, so investing activities, financing activities and the total of operating activities represent actual cash transactions.

The Group also accepts bills of exchange from its customers (both issued by customers and third parties) as a settlement of receivables. A provision for impairment of bills of exchange is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

28.15 Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group and are included within labour costs in operating expenses.

Social costs. The Group incurs significant costs on social activities. These costs include the provision of health services, kindergartens, and the subsidy of worker holidays. These amounts represent an implicit cost of employing principally production workers and other staff and, accordingly, have been charged to operating expenses.

Pension costs. In the normal course of business the Group contributes to state pension schemes on behalf of its employees. Mandatory contributions to the governmental pension scheme are accrued in the year in which the associated services are rendered by the employees of the Group.

28.16 Financial assets and liabilities

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Trading investments. Trading investments are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading investments if it has an intention to sell them within a short period after purchase, i.e. within 12 months.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Initial recognition of financial instruments. Financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

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

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all 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.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

28.17 Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year. Preference shares are not redeemable and are considered to be participating shares. Preference shares participate in the calculation because dividends attributable to preference shares cannot be less then dividends on ordinary shares.

28.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segments which external and inter-segment sales, assets, profit and loss are 10% or more from appropriate operational segments measure are reported separately.

29 New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2013, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

- IFRS 9 Financial Instruments is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase was issued in November 2013 and relates to general hedge accounting. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. The IASB has issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the disclosure of information about the recoverable amount of impaired assets will be required only when the recoverable amount is based on fair value less costs of disposal. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. Early application is permitted, which means that the amendments can be adopted at the same time as IFRS 13.

- IFRIC 21 Levies provides guidance on accounting for levies in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. Levies do not arise from executory contracts or other contractual arrangements. However, outflows within the scope of IAS 12 Income taxes, fines and penalties, and liabilities arising from emission trading schemes are explicitly excluded from the scope. The interpretation confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. An entity does not recognise a liability at an earlier date, even if it has no realistic opportunity to avoid the triggering event. The interpretation is effective for annual periods commencing on or after 1 January 2014. The interpretation is applied on a retrospective basis. Early adoption is permitted.

- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted.

- Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning on or after 1 July 2014. Entities are permitted to apply them earlier.

The Group has not yet analysed the likely impact of the improvements on its financial position or performance.