OJSC RAZGULAY Group

Consolidated Financial Statements
for the year ended
31 December 2009

Contents

	Note	**2009** Million RUR	**2008** Million RUR
ASSETS			
Non-current assets			
Property, plant and equipment	14	16,486	15,240
Intangible assets	15	1,113	1,114
Investments in equity accounted investees	17	397	67
Other non-current assets	18	16,995	19,494
Total non-current assets		34,991	35,915
Current assets			
Inventories and biological assets	20	6,678	8,214
Other investments	21	1,206	848
Trade and other receivables	22	3,696	5,273
Cash and cash equivalents	23	401	2,024
Total current assets		11,982	16,359
Total assets		46,972	52,274
EQUITY AND LIABILITIES			
Equity	24		
Share capital		519	519
Additional paid-in capital		9,305	9,305
Retained earnings		3,163	4,742
Total equity attributable to equity holders of the Company		12,987	14,566
Minority interest		897	882
Total equity		13,884	15,448
Non-current liabilities			
Loans and borrowings	26	19,770	13
Finance lease liabilities	27	469	16
Deferred tax liabilities	19	850	825
Net assets attributable to participants in limited liability subsidiaries		-	15
Total non-current liabilities		21,089	869
Current liabilities			
Loans and borrowings	26	5,882	26,084
Finance lease liabilities	27	65	11
Trade and other payables	28	3,244	7,198
Provisions	29	2,809	2,664
Total current liabilities		12,000	35,957
Total liabilities		33,089	36,826
Total equity and liabilities		46,973	52,274

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 58.

	Note	2009 Million RUR	2008 Million RUR
Revenue	7	29,159	36,403
Cost of sales		(23,596)	(32,156)
Change in fair value of biological assets		1,450	1,635
Gross profit		7,014	5,882
Distribution expenses		(3,049)	(2,350)
Administrative expenses	8	(2,319)	(2,126)
Taxes, other than on income		(176)	(163)
Other (expenses)/income	9	(374)	16
Gains related to acquisitions and disposals of shares in subsidiaries	10	6	1,656
Profit from operations		1,102	2,915
Impairment losses on non-financial assets	16	-	(4,864)
Finance income	12	1,011	763
Finance costs	12	(3,252)	(3,957)
Share of profit of equity accounted investees, net of income tax		(91)	26
Loss before income tax		(1,230)	(5,117)
Income tax expense	13	(338)	(1,079)
Loss for the year		(1,568)	(6,196)
Other comprehensive income			
Foreign currency translation differences for foreign operations		8	-
Income tax on other comprehensive income		(1)	-
Other comprehensive income for the year, net of income tax		7	-
Total comprehensive income for the year		(1,561)	(6,196)
Loss attributable to:			
Owners of the Company		(1,586)	(6,216)
Minority interest		18	20
		(1,568)	(6,196)
Total comprehensive income attributable to:			
Owners of the Company		(1,579)	(6,216)
Minority interest		18	20
		(1,561)	(6,196)
Basic and diluted loss per share	25	(10.03)	(45.35)

These consolidated financial statements were approved by the Board of Directors on 29 April 2010 and were signed on its behalf by:

Potapenko I.V.

Chairman, Board of Directors
OJSC RAZGULAY Group

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 58.

Million RUR	Note	Attributable to equity holders of the Company: Share capital	Additional paid-in capital	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2008		405	2,762	10,958	14,125	1,092	15,217
Total comprehensive income for the year							
Loss for the year		-	-	(6,216)	(6,216)	20	(6,196)
Transactions with owners, recorded directly in equity							
Shares issued		114	6,477	-	6,591	-	6,591
Increase in minority interest due to business combinations		-	-	-	-	37	37
Acquisition of minority interests	6(d)	-	-	-	-	(443)	(443)
Effect of disposal of shares in subsidiaries to entities under common control	6(e)	-	31	-	31	176	207
Effect of acquisition of subsidiaries from entities under common control	6(b)	-	35	-	35	-	35
Total transactions with owners		114	6,543	-	6,657	(230)	6,427
Balance at 31 December 2008		519	9,305	4,742	14,566	882	15,448
Total comprehensive income for the year							
Loss for the year		-	-	(1,586)	(1,586)	18	(1,568)
Other comprehensive income							
Foreign currency transaction difference for foreign operations, net of tax		-	-	7	7	-	7
				(1,579)	(1,579)	18	(1,561)
Transactions with owners, recorded directly in equity							
Acquisition of minority interests	6(d)	-	-	-	-	(17)	(17)
Reclassification of minority interest in limited liability companies	6(f)	-	-	-	-	14	14
Total transactions with owners		-	-	-	-	(3)	(3)
Balance at 31 December 2009		519	9,305	3,163	12,987	897	13,884

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 58.

	2009 *Million RUR*	2008 *Million RUR*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(1,561)	(6,196)
Adjustments for:		
Depreciation	1,348	1,127
Impairment losses	-	4,864
Gain from change in fair value of biological assets	(1,450)	(1,635)
Gains related to acquisitions and disposals of shares in subsidiaries	(6)	(1,656)
Amortisation of prepaid long-term leases	36	-
Foreign exchange (gains)/losses	(232)	75
Loss on disposal of property, plant and equipment	165	25
Share of profit of equity accounted investees, net of income tax	91	(26)
Income tax expense	339	1,079
Interest income	(154)	(516)
Interest expense, net of related government grants	3,109	2,121
Share of profits attributable to minority participants in limited liability subsidiaries	(1)	14
Cash from/(used in) operating activities before changes in working capital and provisions	1,683	(724)
Decrease/(increase) in inventories	2,986	(1,294)
Decrease in trade and other receivables	1,868	11,694
Decrease in trade and other payables	(4,012)	(3,255)
Cash flows from operations before income taxes and interest paid	2,525	6,421
Income taxes paid	(170)	(227)
Interest paid	(2,949)	(1,720)
Net cash (used in)/from operating activities	(593)	4,474
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of subsidiaries	-	1,697
Proceeds from disposal of property, plant and equipment	1	53
Proceeds from disposal of minority interests	-	207
Acquisition of property, plant and equipment	(851)	(25,728)
Acquisition of investments	(64)	(77)
Acquisition of minority interests	(11)	(165)
Return of advances paid for agricultural land	636	-
Loans given to related parties	(1,200)	(848)
Loans collected from related parties	1,462	891
Loans given to third parties	(7)	-
Loans collected from third parties	63	-
Interest received	154	516
Acquisition of subsidiaries, net of cash acquired	-	(252)
Net cash from/(used in) investing activities	183	(23,706)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of share capital, net of related costs	-	6,590
Proceeds from borrowings	34,274	20,224
Repayment of borrowings	(35,486)	(8,254)
Net cash (used in)/from financing activities	(1,212)	18,560
Net decrease in cash and cash equivalents	(1,623)	(672)
Cash and cash equivalents at beginning of year	2,024	2,696
Cash and cash equivalents at end of year	401	2,024

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 58.

1 Background

(a) Organisation and operations

OJSC RAZGULAY Group (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian open joint stock, closed joint stock and limited liability companies as defined in the Civil Code of the Russian Federation and companies located abroad. The Group also includes a number of legal entities operating in Cyprus, British Virgin Islands and the Netherlands.

In 1992-2006 the Group operated as a privately-owned enterprise. The Company was listed on the Russian Trading System Stock Exchange (RTS) and on the Moscow Interbank Currency Exchange (MICEX) in March 2006.

The Company's registered office is 6/64, 2 Institutskaya, Moscow, 109428, Russia.

The Group's principal activities are the purchase, growing, processing and distribution of agricultural products, mainly sugar and grain. These products are sold in the Russian Federation and abroad.

Until July 2008, the majority of the Company's shares were owned by Mr. Igor V. Potapenko, who ultimately controlled the Group and had the power to direct transactions of the Group at his own discretion and for his own benefit. In July 2008, Mr. Igor Potapenko's ownership interest decreased to 47%. In the absence of any other party owning a significant stake in the business and, as a result of his being Chief Executive Officer of the Group and Chairman of the Board of Directors of the Company, Mr. Potapenko continues to have de facto control over the operations of the Group. Mr. Potapenko has a number of other business interests outside of the Group. Further information about related party transactions is disclosed in note 32.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that:

- financial investments classified as available-for-sale are stated at fair value;
- property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRSs;
- biological assets are measured at fair value less point-of-sale costs;
- agricultural produce is measured at fair value less point-of-sale costs at the point of harvest;

- the carrying amounts of non-monetary assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUR”), which is the Company’s functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest million.

(d) Use of judgments, estimates and assumptions

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 16 *Impairment;*
- Note 29 *Provisions;*
- *Note 30 Allowances for trade receivables*
- Note 31 *Contingencies.*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 16 *Impairment;*
- Note 29 *Provisions;*
- Note 31 *Contingencies.*

(e) Changes in accounting policies and presentation

With effect from 1 January 2009, the Group changed its accounting policies in the following areas:

- accounting for borrowing costs;
- determination and presentation of operating segments; and
- presentation of financial statements.

(i) Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23 *Borrowing Costs* (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share.

(ii) Determination and presentation of operating segments

As at 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of International Financial Reporting Standard 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with International Financial Reporting Standard IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

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. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(iii) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as at 1 January 2009. The revised standard requires a presentation of all owner changes in equity to be presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for from the date that the Group obtains control over the entities.

The assets and liabilities acquired are recognised at the carrying amounts previously recognised in the individual IFRS financial statements of the acquirees. The difference between the Group's share in the equity of the acquired company and the consideration paid is recognised as additional paid-in capital. Any cash paid for the acquisition is recognised directly in equity.

(iii) Disposals of subsidiaries to entities under common control

Disposals of subsidiaries to entities that are under the control of the shareholder that controls the Group are accounted for by recognising the difference between the consideration received and the carrying amount of the net assets of the subsidiary, including minority interests and attributable goodwill, as additional paid-in capital.

(iv) Disposals of minority interests to third parties

Any difference between the consideration received upon disposal of a minority interest to a third party, and the carrying amount of that portion of the Group's interest in the subsidiary, including attributable goodwill, is recognised in profit or loss.

(v) Acquisitions and disposals of minority interests from/to entities under common control

Any difference between the consideration paid to acquire a minority interest from an entity that is under the control of the shareholder that controls the Group, and the carrying amount of that minority interest, is recognised as additional paid-in capital.

Any difference between the consideration received upon disposal of a minority interest to an entity that is under the control of the shareholder that controls the Group, and the carrying amount of that portion of the Group's interest in the subsidiary, including attributable goodwill, is recognised as additional paid-in capital.

(vi) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUR at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in other comprehensive income.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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

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

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

The Group has the following non-derivative financial assets: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold to maturity debt securities that are quoted in an active market, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group’s investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(j)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be reliably measured, investments are stated at cost less impairment losses.

(ii) Non-derivative financial liabilities

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(d) Share capital

Ordinary shares

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

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2002, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 2(e)(i)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other income” in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

The estimated useful lives for the current and comparative periods are as follows:

• buildings	5 to 57 years
• plant and equipment	2 to 13 years
• transport	2 to 15 years
• fixtures and fittings	2 to 9 years

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

(f) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) that arises on the acquisition of subsidiaries is included in intangible assets.

Acquisitions prior to 1 January 2005

In respect of acquisitions prior to 1 January 2005, goodwill represents the difference between the Company's interest in a subsidiary's net identifiable assets on the date of transition and the cost of that interest.

Acquisitions on or after 1 January 2005

For acquisitions on or after 1 January 2005, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange. Goodwill/negative goodwill arising on the acquisition of a minority interest in a subsidiary is recognised directly in equity.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit and loss as incurred.

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(h) Inventories

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

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

(i) Biological assets

Biological assets are measured at fair value less estimated point-of-sale costs, with any change therein recognised as profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. Grain crops and sugar beets are transferred to inventory at their fair value less estimated point-of-sale costs at the date of harvest.

Agricultural produce is measured at fair value less estimated point-of-sale costs at the date of harvest.

(j) Impairment

(i) Financial assets

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

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

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

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

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

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generated units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash generating unit to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

Goodwill that forms part of the carrying amount of an investment in an equity accounted investee is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an equity accounted investee is tested for impairment as a single asset when there is objective evidence that the investment in an equity accounted investee may be impaired.

(k) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(l) Provisions

(i) Tax provisions

The Group provides for tax risks including interest and penalties, when the tax becomes payable according to effective laws and regulations. Such provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities. Upon expiry of the review period the provisions are released. Tax provisions are recognised as part of income tax expense or in another relevant line of profit or loss.

(ii) Other provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Revenue

(i) Goods sold

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

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of white sugar and grain crops, transfer usually occurs when the produce is dispatched from the Group’s warehouses. Generally for such products the buyer has no right of return. For sale arrangements described in note 7 transfer occurs upon loading the goods onto the ship.

(ii) Services

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

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(n) Other expenses

(i) Lease payments

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

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

(o) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(p) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(q) Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares. Currently, the Group has no dilutive potential ordinary shares.

(r) 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 CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 2(e)(ii)).

Inter-segment pricing is determined on an arm’s length basis.

(s) 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 2009, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group’s operations. The Group plans to adopt these pronouncements when they become effective.

- Revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 (2008) *Consolidated and Separate Financial Statements*, which come into effect on 1 July 2009 (i.e. become mandatory for the Group’s 2010 consolidated financial statements). The revisions address, among others, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require recognising the effects of transactions with non-controlling interest directly in equity.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. 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.
- 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 not earlier than 1 January 2010. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values, when possible.

The majority of the Group's property, plant and equipment is of specialised nature and is rarely sold on an open market other than as part of a continuing business. The market for similar property, plant and equipment is not active in the Russian Federation and does not provide a sufficient number of sales of comparable property, plant and equipment for using a market-based approach for determining fair value.

Consequently, the fair value of property, plant and equipment was primarily determined using the depreciated replacement cost method. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

The depreciated replacement cost of assets in the Grain segment was determined by reference to the information on replacement expenditure provided by CNII "PromZernoProekt", a research and development institute specialising in construction projects related to the grain industry.

The depreciated replacement cost of assets in the Sugar segment was determined by reference to the information on replacement expenditure provided by "GiproSakharProm" and NPO "StroyInkor", research and development institutes specialising in construction projects related to the sugar industry.

(b) Biological assets and agricultural produce

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

The fair value of agricultural produce at the point of harvest is based on market prices less point-of-sale costs.

(c) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(d) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(e) Non-derivative financial liabilities

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

5 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

- *Grain:* Purchase, processing and sale of grain products.
- *Sugar:* Purchase of sugar beet and raw sugar, processing them into sugar, and selling sugar.
- *Agriculture*: Growing sugar beet and grain products, development of land bank.

In July 2009 the Group set up a new subsidiary OOO Razgulay-Market to which distribution activities of the Group will be transferred. This segment does not meet any of the quantitative thresholds for determining reportable segments in 2009.

The Group's production facilities and its markets and customers are located primarily in Russia. Operations of the Group do not include activities in economic environments with significantly differing risks and returns. Consequently, they represent one geographical segment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue and segment profit/(loss) for the year, as included in the internal management reports that are reviewed by the Group's CEO. Revenue and segment profit/(loss) are used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In addition, the CEO also reviews certain financial information related to the management operations of the Group.

Million RUR	2009						
	Grain	**Sugar**	**Agri-culture**	**Subtotal**	**Manage ment**	**Elimi-nations**	**Total**
Revenue	17,044	10,610	6,408	34,063	1,107	(4,968)	30,201
Interest income	184	4	7	195	2,089	(2,208)	76
Interest expense	(1,205)	(1,686)	(1,448)	(4,339)	(2,052)	2,208	(4,183)
Depreciation and amortization	(191)	(174)	(760)	(1,125)	(39)	-	(1,164)
Profit/(loss) for the year	(235)	386	(1,390)	(1,239)	102	(294)	(1,431)
Reportable segment assets	5,462	11,849	27,771	45,082	1,054	(7,840)	38,295
Reportable segment liabilities	6,651	17,812	9,827	34,290	2,108	(7,188)	29,210

The major differences between information provided to the CEO and the related IFRS-based revenues and expenses relate to:

- recognition of input and output value added tax as additional costs and revenue items in management information;
- non-recognition of gains from change in fair value of biological assets in management information; and
- recognition of depreciation of property, plant and equipment in management information based on statutory accounts.

(a) Reconciliation of reportable segment revenues, loss, assets and liabilities and other material items

Million RUR	**2009**
Revenues	
Total revenue for reportable segments	34,063
Elimination of inter-segment revenue	(4,706)
Elimination of value added tax from reportable segments revenue	(1,986)
Unallocated sales	1,107
Other revenue	681
Consolidated revenue	29,159

Loss	
Total loss for reportable segments	(1,239)
Effect of recognizing fair value of biological assets:	
Change in fair value of biological assets recognised for the year ended 31 December 2009	1,450
Effect of recognising fair value of biological assets for the year ended 31 December 2008	(689)
Effect of recognising fair value of biological assets for the year ended 31 December 2009	(676)
Difference in depreciation of property, plant and equipment	(182)
Eliminations	(294)
Change in provisions	(145)
Other, net	207
Consolidated loss for the year	(1,568)

Million RUR	**2009**
Assets	
Total assets for reportable segments	45,082
Effect of recognizing fair value of biological assets	774
Investments in equity accounted investees	397
Unrealised profit in inventories	1,395
Difference in property, plant and equipment net book value	3,733
Eliminated receivables and loans given to equity accounted investees	1,290
Taxes receivable	983
Eliminations	(7,840)
Unallocated assets	1,054
Other	104
Consolidated total assets	46,972
Liabilities	
Total liabilities for reportable segments	34,290
Deferred tax liabilities	850
Tax provisions	2,809
Eliminations	(7,188)
Unallocated liabilities	2,108
Other	220
Consolidated total liabilities	33,089

Other material items 2009	**Reportable segment totals**	**Unallocated items and eliminations**	**Adjustments**	**Consolidated totals**
Interest income	195	(119)	78	154
Interest expense	(4,339)	156	420	(3,763)
Depreciation and amortisation	(1,125)	(39)	(182)	(1,346)

(b) Geographical information

The Grain, Sugar and Agriculture segments are managed primarily in Russia, where substantially all of non-current assets of the Group are located. In presenting geographical information, segment revenue is based on the geographical location of customers.

Revenue	**2009**	**2008**
	Million RUR	_Million RUR_
Russia	21,153	23,700
Jordan	2,195	481
Pakistan	993	176
Iraq	889	-
Turkey	578	104
Africa	560	29
Asia	2,109	144
Europe	682	4,142
British Virgin Islands	-	7,566
	29,159	36,403

The Group recently changed the structure of its internal organisation in a manner that caused the composition of its reportable segments to change. Effective 1 January 2009, reportable segments have included the Agricultural segment. Comparable segment information for the year ended 31 December 2008 is not available and the costs of developing it would be excessive.

(c) Major customer

In 2009 no customer represented more than 10% of the Group's total revenue. In 2008, revenue from sale of grain to a fellow subsidiary of the Group, Exim Grain Trade B.V., represented approximately 11% of the Group's total revenue. Exim Grain Trade B.V. was acquired by the Group in November 2008 (note 6(b)).

6 Acquisitions and disposals of controlling and non-controlling interests in subsidiaries

(a) Acquisition of subsidiaries

(i) Transactions in 2008

During 2008 the Group acquired controlling interests in the following companies:

Entity	Date of acquisition	Segment	Interest acquired
OAO Podolsky EMZ	March 2008	Grain	51%
OAO Shipunovsky elevator	May 2008	Grain	51%
OOO Davlekanovsky KHP#1	September 2008	Grain	100%

The total consideration paid to acquire the above interests amounted to RUR 762 million.

Acquisition of OAO Podolsky EMZ and OAO Shipunovsky Elevator

As of 1 January 2008 the Group held 46% in OAO Podolsky EMZ (a flour milling plant) and 36% in OAO Shipunovsky Elevator. Consequently, the investments were previously accounted for using the equity method. The acquisition of the additional 51% interest increased the Group's interest in these companies to 97% and 87%, respectively, resulting in the Group obtaining control over these businesses.

Determination of the fair values and purchase price allocation for both acquisitions was performed in 2008 by an independent appraiser, OOO Balt-Audit-Expert.

Acquisition of OOO Davlekanovsky KHP#1

In September 2008 the Group acquired the business of OAO Bashkirskiye Melnitsy for RUR 506 million by acquiring all of its property, plant and equipment and taking over most of the employment contracts. The property complex and employment contracts have been transferred to a newly formed subsidiary, OOO Davlekanovsky KHP#1.

In 2008 the purchase price was allocated to the fair values of the identifiable assets and liabilities on a provisional basis.

In 2009 the Group adjusted the allocation of the purchase price to the fair values of identifiable assets and liabilities. Adjustments necessary to recognise the fair values of these assets have been recognised as a prior period adjustment. Accordingly, comparative values of property plant and equipment and deferred tax liabilities as at 31 December 2008 have increased by RUR 102 million.

Fair values and the purchase price allocation were determined in 2009 by an independent appraiser, OOO DASK-Consulting.

The fair value of property, plant and equipment was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

The depreciated replacement cost was estimated based on internal sources and analysis of the Russian for similar property, plant and equipment. Various market data were collected from published information, catalogues, statistical data, etc., and industry experts and suppliers of property, plant and equipment were contacted both in the Russian Federation.

In addition to the determination of the depreciated replacement cost, cash flow testing was conducted in order to assess the reasonableness of those values, which resulted no change to the depreciated replacement cost.

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

- A pre-tax nominal discount rates of approximately 28% were applied for 2008 and 25% for subsequent periods;
- Revenue from existing assets was assumed to increase annually by 587%, 75%, and 26% in 2010, 2011 and 2012, respectively, and to increase by 7% in the first post-forecast period. Terminal growth rate is assumed 5%. Revenue increase reflects resumption of production activity in 2009 and capacity load increase up to 70% by 2012 in a consequence of return of the enterprise's market share.
- EBITDA margin was assumed to increase by 21%, 22%, and 22% in 2010, 2011 and 2012, respectively, and to increase by 22% in the first post-forecast period.

Effect of acquisition of subsidiaries

The acquisition of the subsidiaries had the following effect on the Group's assets and liabilities at the date of acquisition:

	2008
	Million RUR
Non-current assets	1,205
Current assets	115
Non-current liabilities	(183)
Current liabilities	(86)
Net identifiable assets acquired	1,051
Minority interest	(37)
Group's share of net identifiable assets acquired	1,014
Goodwill on acquisition	24
Derecognised investment in equity accounted investees	(72)
Excess of the fair value of the net identifiable assets over the consideration paid	(37)
Total consideration	929
Consideration settled in previous periods	167
Consideration settled in current period	762
	929

It has not been practicable to determine the carrying amounts of assets, liabilities and contingent liabilities of OOO Davlekanovsky KHP#1 on an IFRS basis immediately prior to the date of acquisition and the Group's revenue and profit for the year had the acquisition of that subsidiary occurred on 1 January 2008, respectively, because the subsidiary's financial statements were prepared in accordance with Russian Accounting Principles, which are significantly different from IFRSs.

(b) Acquisition of subsidiaries in transactions under common control

In 2008 the Group acquired the following subsidiaries from entities controlled by the shareholder that controls the Group:

Entity	Month of acquisition	Segment	Interest acquired
OOO Torgoviy dom Gerkules	August 2008	Grain	100%
OOO Bashkirskaya zernovaya kompaniya	September 2008	Grain	100%
OOO Voronezhskaya zernovaya kompaniya	September 2008	Grain	100%
OOO Zapadno-Sibirskaya zernovaya kompaniya	September 2008	Grain	100%
OOO Kurskaya zernovaya kompaniya	September 2008	Grain	100%
OOO Razgulay Kuban	September 2008	Grain	100%
OOO Stavropolskoe zerno	September 2008	Grain	100%
OOO Tambovskaya zernovaya kompaniya	September 2008	Grain	100%
OOO Torgoviy dom Kubanris	September 2008	Grain	100%
OOO Uzhno-Donskoe zerno	September 2008	Grain	100%
Exim Grain Trade B.V.	November 2008	Grain	100%

The total consideration paid to acquire the above interests amounted to RUR 85 million.

The acquisition of subsidiaries from entities under common control had the following effect on the Group's assets and liabilities at the date of acquisition:

	2008 *Million RUR*
Non-current assets	5
Current assets	11,935
Non-current liabilities	(1)
Current liabilities	(11,819)
Net assets acquired	120
Consideration paid	(85)
Net increase in equity charged to additional paid-in capital	35

(c) Disposal of subsidiaries

(i) Transactions in 2008

In June 2008 the Group disposed of its interest in ZAO Nurlatsky Elevator, ZAO Nurlatsky Sakhar, OOO Russkaya bakaleynaya kompaniya and OOO Aksubaevo-Agroinvest for a total consideration of RUR 1,697 million. The above subsidiaries contributed RUR 1,218 million of profit to the Group's loss before tax for the year, including the net gain on disposal of RUR 1,282 million.

(ii) Effect of disposal of subsidiaries

The disposal of the subsidiaries had the following effects on the Group's assets and liabilities at the dates of disposal:

	2008
	Million RUR
Non-current assets	568
Current assets	479
Non-current liabilities	(58)
Current liabilities	(574)
Net assets disposed of	415
Goodwill derecognised	-
Consideration received	(1,697)
Gain on disposal	(1,282)
Loss on disposal	-
Gains from disposal of subsidiaries recognised in income (note 10)	(1,282)

(d) Acquisition of minority interests in subsidiaries

Acquisitions in 2009:

	Share of subsidiary controlled prior to the acquisition	**Share acquired**	**Date**	**Conside-ration paid**	**Carrying amount of minority interest acquired**	**Negative goodwill**
					In million RUR	
Acquisition of minority shares in open joint stock companies						
OAO Shipunovsky Elevator	87%	8%	Apr 2009	11	15	(4)
OAO Slavyansky KHP	85%	0.7%	Sep 2009	-	1	(1)
OAO Podolsky EMZ	97%	0.1%	Dec 2009	-	-	-
				11	16	(5)
Acquisition of minority shares in limited liability companies						
OOO Anastasievskoe	97%	0.1%	Sep 2009	-	1	(1)
				-	1	(1)
				11	17	(6)

Acquisition of minority shares in open and closed joint stock companies of RUR 16 million has been recognised as a decrease in equity. Acquisition of minority shares in limited liability companies of RUR 1 million has been recognised as an increase in net assets attributable to participants in limited liability subsidiaries.

Acquisitions in 2008:

	Share of subsidiary controlled prior to the acquisition	Share acquired	Date	Conside-ration paid	Carrying amount of minority interest acquired	Negative goodwill
				In million RUR		
Acquisition of minority shares in open joint stock companies and closed joint stock companies						
ZAO Karachaevo-Cherkessky Mukomol	75%	25%	Mar 2008	103	279	(176)
OAO Svetlogradsky Elevator	56%	40%	Apr 2008	47	100	(53)
OAO Svetlogradsky Elevator	96%	0.8%	Nov 2008	3	3	-
OAO Khlebnaya Baza 63	52%	26%	Sep 2008	8	35	(27)
OAO Dubovskkhleboproduct	75%	13%	Sep 2008	1	26	(25)
				162	443	(281)
Acquisition of minority shares in limited liability companies						
OOO Anastasievskoe	85%	12%	Aug 2008	3	41	(38)
OOO Chishmy-agroinvest	84%	16%	Nov 2008	-	18	(18)
				3	59	(56)
				165	502	(337)

(e) Disposal of minority interest in subsidiaries to entities under common control

In March 2008 the Group disposed of 25% of its interest in ZAO Bugulminsky KHP#2 for a total consideration of RUR 97 million, decreasing its ownership from 100% to 75%. The carrying amount of the minority interest at the date of disposal was RUR 86 million. The gain on disposal of the minority interest of RUR 11 million was recognised in additional paid-in capital.

In March 2008 the Group disposed of 25% of its interest in ZAO Bugulminsky Elevator for a total consideration of RUR 110 million, decreasing its ownership from 100% to 75%. The carrying amount of the minority interest at the date of disposal was RUR 90 million. The gain on disposal of the minority interest of RUR 20 million was recognised in additional paid-in capital.

(f) Reclassification of minority interest in limited liability companies

In November 2009 OOO Anastasievskoe changed its legal form from limited liability company to closed joint stock company. Net assets attributable to participants in the limited liability company in the amount of RUR 14 million as at 31 December 2008 were transferred to minority interest.

7 Revenue

	2009	2008
	Million RUR	*Million RUR*
Revenue from sales	27,715	35,319
Revenue from processing and storage services and other revenues	1,444	1,084
	29,159	36,403

During 2008 the Group entered into a series of speculative transactions with unrelated parties to purchase and sell exported grain crops under free on board terms. All transactions were conducted by subsidiaries of the Group registered outside the territory of the Russian Federation. Revenue and gross profit from the sale of crops under the above transactions in 2008 amounted to RUR 7,208 million and RUR 593 million, respectively.

8 Administrative expenses

	2009	**2008**
	Million RUR	_Million RUR_
Wages and salaries	1,270	1,269
Bank charges	123	138
Legal and consulting services	28	57
Other administrative expenses	898	662
	2,319	2,126

9 Other expenses/(income)

	2009	**2008**
	Million RUR	_Million RUR_
Loss on disposal of property, plant and equipment	163	25
Other expenses/(income), net	211	(41)
	374	(16)

10 Gains and losses related to acquisitions and disposals of shares in subsidiaries

	2009	**2008**
	Million RUR	_Million RUR_
Gains on disposal of subsidiaries (note 6(c))	-	1,282
Negative goodwill on acquisition of subsidiaries (note 6(a))	-	37
Negative goodwill on acquisition of minority shares in subsidiaries (note 6(d))	6	337
	6	1,656

11 Total personnel costs

Personnel costs included in cost of sales, administrative expenses and distribution expenses amounted to RUR 3,066 million (2008: RUR 2,921 million).

12 Finance income and finance costs

	2009 Million RUR	2008 Million RUR
Finance income		
Interest income	154	516
Gain from redemption of own bonds	626	247
Foreign exchange gain, net	231	-
	1,011	763
Finance costs		
Interest expense	(3,748)	(2,515)
Government grants compensating the Group's cost of financing agricultural activities	655	394
Impairment loss on trade receivables	(143)	(1,742)
Foreign exchange loss, net	-	(75)
Finance lease expense	(16)	(5)
Share of profits attributable to minority participants in limited liability subsidiaries	-	(14)
	(3,252)	(3,957)
	(2,241)	(3,194)

In 2009 the Group recognised government grants of RUR 655 million (2008: RUR 394 million) compensating the Group for interest expense incurred by certain of the Group's subsidiaries.

The grants are available to certain entities engaged in agricultural activities. They aim to compensate 80% of the interest expense incurred by entities over the reporting period. The compensation shall not, however, exceed 80% of the Russian Federation Central Bank official discount rate which varied from 8.75% to 13.0% in 2009 (2008: from 10.0% to 13.0%). The decision regarding compensation depends, among other things, on the availability of resources from the relevant state budget when an application for the grant is made. Accordingly, the Group recognises such grants when the decision about compensation is made.

13 Income tax expense

	2009 Million RUR	2008 Million RUR
Current tax expense	(312)	(1,369)
Deferred tax (expense)/benefit:		
Origination and reversal of temporary differences	(26)	435
Change in tax rate	-	(145)
	(26)	290
	(338)	(1,079)

The applicable tax rate for the Company and its Russian subsidiaries is the income tax rate of 20% (2008: 24%). With effect from 1 January 2009, the income tax rate for Russian companies was reduced to 20%. This rate has been used in the calculation of deferred tax assets and liabilities of Russian subsidiaries as at 31 December 2008. For the entities located in Cyprus, the applicable tax rate is the corporate income tax rate of 10% (2008: 10%). For the entity located in the Netherlands the effective income tax rate applied is 25.5% (2008: 23.5%). Income earned by entities incorporated in the British Virgin Islands is not currently subject to income tax.

Subsidiaries qualifying for the status of agricultural producers are taxed at 0% until 2013, at 18% from 2013 until 2015 and at 20% from 2016 onwards.

Reconciliation of effective tax rate:

	2009		**2008**	
	Million RUR	_%_	_Million RUR_	_%_
Loss before income tax	(1,230)	100	(5,117)	100
Income tax benefit at applicable tax rate	246	(20)	1,228	(24)
Items taxed in lower tax jurisdictions	(138)	11	(375)	7
Change in tax rate	-	-	(145)	3
Income of agricultural subsidiaries taxed at 0%	(205)	17	(54)	1
Provision for income tax and related penalties (note 29)	(145)	12	(244)	5
Non-deductible items	(96)	8	(1,489)	29
	(338)	27	(1,079)	21

14 Property, plant and equipment

Million RUR	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
Cost/ Deemed cost						
Balance at 1 January 2008	9,279	5,594	386	119	675	16,053
Acquisitions through business combinations (note 6(a))	758	211	5	2	2	978
Additions	2,547	1,767	81	17	274	4,868
Disposals	(38)	(31)	(11)	(1)	(13)	(94)
Disposals as part of sale of subsidiaries	(344)	(267)	(5)	(4)	(67)	(687)
Transfers	77	100	6	7	(190)	-
Balance at 31 December 2008	12,279	7,374	462	140	681	20,936
Additions	1,551	1,221	61	16	201	3,050
Disposals	(31)	(60)	(9)	(3)	(134)	(237)
Transfers	127	283	(82)	21	(349)	-
Balance at 31 December 2009	13,926	8,818	432	174	399	23,749
Depreciation and impairment losses						
Balance at 1 January 2008	(1,733)	(1,906)	(120)	(34)	-	(3,793)
Impairment losses (note 16)	(398)	(437)	(23)	-	(53)	(911)
Depreciation charge	(398)	(665)	(50)	(14)	-	(1,127)
Disposals	8	6	2	-	-	16
Disposals as part of sale of subsidiaries	66	51	1	1	-	119
Balance at 31 December 2008	(2,455)	(2,951)	(190)	(47)	(53)	(5,696)
Reclassification of impairment loss (note 16 (f))	(240)	(73)	13	-	7	(293)
Depreciation charge	(389)	(900)	(36)	(21)	-	(1,346)
Disposals	12	52	4	1	2	71
At 31 December 2009	(3,072)	(3,872)	(209)	(67)	(44)	(7,264)
Net book value						
At 1 January 2008	7,546	3,688	266	85	675	12,260
At 31 December 2008	9,824	4,423	272	93	628	15,240
At 31 December 2009	10,854	4,947	223	107	355	16,485

(a) Security

Certain items of property, plant and equipment have been pledged to secure bank loans - refer note 26.

(b) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2009 the net book value of leased plant and machinery was RUR 444 million (2008: RUR 46 million). The leased equipment secures lease obligations.

15 Intangible assets

Million RUR	Goodwill	Land lease rights	Other intangible assets	Total
On 1 January 2008	782	153	1	936
Acquisition through business combinations	24	152	2	178
On 31 December 2008	806	305	3	1,114
Amortization charge	-	-	(1)	(1)
On 31 December 2009	806	305	2	1,113

16 Impairment

For the purposes of impairment testing, the goodwill has been allocated to the sugar and grain business segments, which included respective Group entities whose acquisition resulted in recognition of the goodwill. These units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

For the purpose of impairment testing all other non-financial assets of the Group have been allocated to five cash generating units representing agriculture, sugar production, flour production, cereals production and grain trading. The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external sources and internal sources.

(a) Agricultural activities

The following key assumptions were used in determining the recoverable amount of the non-current assets attributable to the cash-generating unit:

- Cash flows were projected based on actual operating results for 2009 and the six-year business plan for 2010 - 2015.
- The total projected area of cultivated land is assumed to increase from 284 thousand hectares in 2010 to 336 thousand hectares from 2011 to 2015, the increase being attributable to land plots prepaid as at 31 December 2009.
- The yield per hectare is assumed to increase from 2010 to 2015 from 33.08 tons to 41.63 tons for sugar beets and from 3.61 tons to 4.54 tons for winter wheat. The yield of rice per hectare is assumed stable at 5.66 tons in 2010 – 2015.
- Average sales price of agricultural produce has been assumed at 1,902 RUR per ton in 2010 and at 1,869 RUR per ton in 2011 – 2015 for sugar beets, at 4,716 RUR per ton in 2010 – 2015 for winter wheat and at 11,959 RUR per ton in 2010 – 2015 for rice.
- Variable costs per hectare have been assumed to decrease on average by 12% in 2010 mainly due to a decrease in mineral fertilizers prices, and to be stable from 2011 to 2015.
- Zero growth of net cash flows is assumed in the post-forecast period (2008: 2%).
- A real post-tax discount rate of 13.5% (2008: 20%) was applied in determining the recoverable amount of the cash-generating unit.

The cash flow testing conducted on the above assumptions resulted in no impairment.

The above estimates are particularly sensitive in the following areas:

- An increase of two percentage points in the discount rate used would have resulted in impairment loss of RUR 2,768 million.
- An assumption of variable costs per hectare in 2010 – 2015 being stable at the level of 2009 would have resulted in an impairment loss of RUR 1,890 million.

Investment in equity accounted investee ZAO Donskaya Agrarnaya Gruppa has been excluded from the impairment testing of agricultural cash generating unit,

(b) Sugar production

The following key assumptions were used in determining the recoverable amount of the non-current assets attributable to the cash-generating unit:

- Cash flows were projected based on actual operating results for 2009 and the six-year business plan for 2010-2015.
- The Group assumed a growth in sugar production by 40% by -2015.
- The sales price of sugar was projected to be RUR 24,853 for 2010 and to remain unchanged at RUR 24,304 per ton during 2011 to 2015.
- Variable costs of sugar production, per ton of output, were projected to grow by 5% in 2011, by 3% in 2012 and by 4% per year in 2013, 2014 and 2015. Fixed costs of sugar production were assumed to grow by 1% per year in 2011 – 2015.
- Zero growth of net cash flows is assumed in the post-forecast period (2008: 1%).
- A real post-tax discount rate of 13.5% (2008: 20.0%) was applied in determining the recoverable amount of the cash-generating unit.

The cash flow testing conducted on the above assumptions resulted in no impairment.

The above estimates are not sensitive in the following areas:

- An increase of two percentage points in the discount rate used would result in no impairment.
- A reduction in the annual growth in quantity of produced sugar in 2010 from 29% to 10% would have resulted in no impairment.

(c) Flour production

The following key assumptions were used in determining the recoverable amount of the non-current assets attributable to the cash-generating unit:

- Cash flows were projected based on actual operating results for 2009 and the six-year business plan for 2010 – 2015.
- Sales of wheat flour have been assumed at 187 thousand tons in 2010, and an annual growth of 11% in 2011 and 10% in 2012 – 2015 is projected.
- The sales price of wheat flour was assumed to be stable at RUR 8,281 per ton from 2010 to 2015. Variable costs of wheat flour production were assumed to be stable at RUR 7,475 per ton from 2010 to 2015.
- Zero growth of net cash flows is assumed in the post-forecast period (2008: 1%).
- A real post-tax discount rate of 13.5% (2008: 20.0%) was applied in determining the recoverable amount of the cash-generating unit.

The cash flow testing conducted on the above assumptions resulted in no impairment.

The above estimates are sensitive in the following areas:

- An increase of two percentage points in the discount rate used would have resulted in an impairment loss of RUR 243 million.
- A reduction in the annual growth of wheat flour sales in 2011 - 2015 from 10% to 5% would have resulted in an impairment loss of RUR 207 million.

(d) Cereals production

The following key assumptions were used in determining the recoverable amount of the non-current assets attributable to the cash-generating unit:

- Cash flows were projected based on actual operating results for 2009 and the six-year business plan for 2010 - 2015.
- Sales in tons were assumed to fall by 6% in 2010 and to increase by 2% in 2011 and by 1% per year in 2012 to 2015.
- The sales prices of rice groats, buckwheat and oats were assumed to be stable in 2010 to 2015 at RUR 24,499, RUR 13,924 and RUR 9,685 per ton, respectively.
- Variable costs were assumed at approximately RUR 15,700 per ton from 2010 to 2015.
- Zero growth of net cash flows is assumed in the post-forecast period (2008: 1%).
- A real post-tax discount rate of 13.5% (2008: 20%) was applied in determining the recoverable amount of the cash-generating unit.

The cash flow testing conducted on the above assumptions resulted in no impairment.

The above estimates are sensitive in the following areas:

- An increase of two percentage points in the discount rate used would have resulted in the recoverable amount equal to the carrying amount of non-current assets.
- An assumption of stable sales in tons in 2011 to 2015 would have resulted in no impairment.

(e) Grain trading

The following key assumptions were used in determining the recoverable amount of the non-current assets attributable to the cash-generating unit:

- Cash flows were projected based on actual operating results for 2009 and the six-year business plan for 2010-2015.
- Sale prices of grain were assumed to be stable at approximately 5,600 RUR per ton for export market; domestic sale prices have been assumed RUR 5,800 per ton in 2010 and RUR 6,450 per ton in 2011 to 2015.
- Distribution expenses were assumed stable at RUR 1,386 per ton for export sales and RUR 1,240 per ton for domestic sales from 2010 to 2015.
- Zero growth of net cash flows has been determined for post-forecast period (2008: 2%).
- A real post-tax discount rate of 13.5% (2008: 20%) was applied in determining the recoverable amount of the cash-generating unit.

The cash flow testing conducted on the above assumptions resulted in no impairment.

The above estimates are not sensitive in the following areas:

- An increase of two percentage points in the discount rate used would have resulted in no impairment.

- A reduction in price for export sales by 8% in 2010 - 2015 would have resulted in no impairment.

(f) Impairment loss recognised as at 31 December 2008

As at 31 December 2008 the Group recognised an impairment loss of RUR 4,864 million for its agriculture cash-generating unit, allocated to property, plant and equipment and other non-current assets in the amount of RUR 911 million and RUR 3,953 million, respectively.

As at 31 December 2009 the Group transferred a portion of the impairment loss amounting to RUR 293 million from other non-current assets to property, plant and equipment due to the transfer of certain other non-current assets to property, plant and equipment.

17 Investments in equity accounted investees

The Group's share of profit in its equity accounted investees for the year was RUR 91 million (2008: loss of RUR 26 million).

In 2009 and 2008 the Group did not receive dividends from any of its investments in equity accounted investees.

The following is summarised financial information for equity accounted investees:

	2009 _Million RUR_	2008 _Million RUR_
Total assets	3,740	658
Total liabilities	(3,191)	(381)
Revenue	1,298	459
Loss/(profit) for the year	91	(16)

18 Other non-current assets

	2009 _Million RUR_	2008 _Million RUR_
Advances to third parties for the acquisition of agricultural land, net of impairment losses	14,987	18,844
Prepaid long-term leases of agricultural land	1,793	-
VAT on finance leases	71	-
Prepayment made to related party to acquire shares in equity accounted investee	-	357
Equity securities available- for- sale	63	83
Non-current loans issued to related parties, RUR denominated, 10% per annum, maturing in 2010	-	56
Other non-current assets	81	154
	16,995	19,494

The Group depreciates prepaid long-term leases of land over the term of the lease agreements.

19 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
Million RUR	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Property, plant and equipment		-	(893)	(922)	(893)	(922)
Other current assets/(liabilities), net	32	41	-	-	32	41
Tax loss carry-forwards	11	56	-	-	11	56
Tax assets/(liabilities)	43	97	(893)	(922)	(850)	(825)
Set off of tax	(43)	(97)	43	97	-	-
Net tax liabilities	-	-	(850)	(825)	(850)	(825)

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2009	2008
	Million RUR	*Million RUR*
Deductible temporary differences	632	823
Tax loss carry-forwards	147	210
	779	1,033

Deductible temporary differences do not expire under current tax legislation. Tax losses expire in 2016 and 2017. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

(c) Unrecognised deferred tax liability

A temporary difference of RUR 3,441 million (2008: RUR 3,913 million) relating to investments in subsidiaries has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

(d) Movement in temporary differences during the year

Million RUR	1 January 2009	Recognised in income	31 December 2009
Property, plant and equipment	(922)	29	(893)
Other current assets/(liabilities), net	41	(9)	32
Tax loss carry-forwards	56	(45)	11
Net tax liabilities	(825)	(25)	(850)

Million RUR	**1 January 2008**	**Recognised in income**	**Acquisi-tion of subsi-diaries**	**Disposal of subsidiaries**	**31 December 2008**
Property, plant and equipment	(1,059)	250	(182)	69	(922)
Other current assets/(liabilities), net	22	25	-	(6)	41
Tax loss carry-forwards	42	15	-	(1)	56
Net tax liabilities	(995)	290	(182)	62	(825)

20 Inventories and biological assets

	2009 _Million RUR_	**2008** _Million RUR_
Goods for resale		
Grain crops	1,517	2,514
White sugar	3,069	3,369
Biological assets		
Grain crops	614	645
Sugar beets	523	658
Raw materials and consumables	955	1,028
	6,678	8,214

The value of inventory pledged to secure loans is disclosed in note 26.

At 31 December 2009 the Group wrote down raw materials in the amount of RUR 59 million (2008: RUR 54 million).

Biological assets

In 2009 the Group cultivated sugar beet, wheat, barley, sunflower, rice, soya and other crops. During 2009 the Group harvested approximately 1,384 thousand tons of sugar beet (2008: 1,342 thousand tons), 334 thousand tons of wheat (2008: 229 thousand tons), 78 thousand tons of barley (2008: 126 thousand tons), 119 thousand tons of rice (2008: 91 thousand tons).

Changes in biological assets balances during 2009 and 2008 are disclosed below:

	2009 _Million RUR_	***2008*** _Million RUR_
Balance as of 1 January	1,303	624
Increase due to acquisitions	-	19
Additions due to growing	4,402	2,955
Changes in fair value	1,450	1,635
Harvested assets transferred to inventory	(6,018)	(3,930)
Balance as of 31 December	1,137	1,303

As at 31 December 2009 the Group had planted 98,020 hectares of winter wheat (2008: 110,000 hectares), prepared 46,529 hectares for planting sugar beet (2008: 46,963 hectares) and 18,092 hectares of rice (2008: 18,439 hectares).

The Group is exposed to a number of risks related to its crops:

Regulatory and environmental risks

The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems are in place to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of grain and sugar products. Whenever possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with expected demand.

Climate and other risks

The Group's crops are exposed to the risk of damage from climatic changes and diseases. The Group has extensive processes in place aimed at monitoring and mitigating those risks. The Group also insures itself against failure of crops (note 30(a)).

21 Other investments

Other investments comprise promissory notes with a carrying value of RUR 607 million and unsecured RUR denominated loans issued by the Group to equity accounted investees and fellow subsidiaries at a fixed interest rate that varies from 1% to 16% per annum. The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 30.

22 Trade and other receivables

	2009	**2008**
	Million RUR	_Million RUR_
Trade receivables	2,938	4,049
Taxes receivable	983	1,491
Receivables from equity accounted investees	687	352
Advances paid	536	468
Deferred expenses	150	109
Trade receivables from related parties	40	72
Advances paid to related parties	1	25
Other receivables from related parties	31	88
Other receivables	329	489
Provision for doubtful accounts	(1,999)	(1,870)
	3,696	5,273

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 30.

At 31 December 2009 provision for doubtful accounts is attributable to trade receivables in amount of RUR 1,807 million (2008: RUR 1,786 million), advances paid of RUR 84 million (2008: RUR 49 million) and other receivables of RUR 108 million (2008: RUR 35 million).

23 Cash and cash equivalents

At 31 December 2008 cash and cash equivalents included a short-term RUR-denominated bank deposit with a Russian bank in the amount of RUR 278 million. The deposit was withdrawn in full in January 2009.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 30.

24 Equity

(a) Share capital

On 1 January 2008 the authorised capital of the Company comprised 120,000,000 ordinary shares with a par value of RUR 3 each, fully issued and paid.

In July 2008 the authorised capital of the Company was increased from 120,000,000 to 190,000,000 ordinary shares with a par value of 3 RUR per share each.

In July 2008 the Group sold 38,093,157 newly issued ordinary shares for USD 7.75 per share. The difference between the nominal value of the shares issued of RUR 114 million and the consideration received of RUR 6,859 million reduced by the amount of expenses incurred on issue of RUR 268 million was credited to additional paid-in capital - refer consolidated statement of changes in equity.

The holders of shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Company's shareholders.

All ordinary shares rank equally with regard to the Company's residual assets.

(b) Dividends

In accordance with the Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2009 the Company's distributable reserves amounted to RUR 68 million (31 December 2008: RUR 13 million).

(c) Transactions with the controlling shareholder

In year 2008 the Group entered in a number of transactions to acquire and to dispose of shares with entities controlled by the shareholder that controls the Group (see notes 6(b) and 6(e)).

25 Loss per share

The calculation of (loss)/earnings per share is based upon the (loss)/profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares outstanding during the year, calculated as shown below. The Company has no dilutive potential ordinary shares.

In thousands of shares	2009	2008
Issued shares at 1 January	158,093	120,000
Effect of shares issued in July 2008	-	17,069
Effect of shares resold in September 2007	-	-
Effect of shares issued in November 2007	-	-
Weighted average number of shares for the year ended 31 December	158,093	137,069

26 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 30.

	2009 _Million RUR_	**2008** _Million RUR_
Non-current		
Secured bank loans	19,764	-
Unsecured non-bank loans	6	13
	19,770	13
Current		
Secured bank loans	3,888	10,545
Unsecured bank loans	-	340
Unsecured non-bank loans	5	2
RUR denominated bonds:		
- OOO Razgulay-Finans, issue 2	220	1,853
- OOO Razgulay-Finans, issue 3	712	2,310
- OOO Razgulay-Finans, issue 4	1,057	2,604
- OOO Razgulay-Finans, issue 5	-	2,049
- OJSC Group RAZGULAY, issue BO-2	-	1,804
- OJSC Group RAZGULAY, issue BO-4	-	452
- OJSC Group RAZGULAY, issue BO-5	-	452
- OJSC Group RAZGULAY, issue BO-6	-	451
- OJSC Group RAZGULAY, issue BO-7	-	1,867
- OJSC Group RAZGULAY, issue BO-11	-	888
- OJSC Group RAZGULAY, issue BO-14	-	467
	5,882	26,084
	25,652	26,097

Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and the maximum amount of the Group's debt. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

At 31 December 2009 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans or bonds.

With respect to loans amounting to RUR 1,134 million at 31 December 2008, the Group had breached certain financial covenants. As a result, the lender could have requested repayment on demand and, therefore, the Group classified the loan as a current liability at 31 December 2008.

(a) Security

Bank loans are secured by the following:

- property, plant and equipment with a carrying amount of RUR 1,184 million (2008: RUR 6,098 million);
- inventory with a carrying amount of RUR 1,122 million (2008: zero);
- promissory notes with a carring amount of RUR 777 million (2008: zero);

- shares in the following subsidiaries and equity accounted investees:

Subsidiaries	Shares pledged at 31 December, in %	
	2009	**2008**
Agrofirma Poltavskaya, ZAO	100	100
Agroinvest,OOO	-	100
Anastasievskoe,ZAO	-	100
Belgorodagroinvest, OOO	-	100
Bugulminsky elevator, ZAO	75	-
Bugulminsky KHP#2, ZAO	-	75
Druzhba, ZAO	-	100
Dubovskkhleboproduct, OAO	75	75
Elevator Rudny Klad, OAO	56	-
Erkenagroinvest, OOO	-	100
Gerkules, OAO	86	86
Izobilie, OOO	-	100
Karachaevo-Cherkessky Mukomol, ZAO	-	100
Karachaevo-Cherkessky Sakharny zavod, OAO	-	90
Khlebnaya baza 63, OAO	52	-
Kineshemsky mukomolny kombinat, OAO	-	90
Kolomensky KHP,ZAO	100	-
Kondopozhsky KHP, OAO	-	95
Krivetsagro, OOO	-	100
Kshenagro, OOO	-	100
Kshensky Sakharny Kombinat, ZAO	-	100
Lgovagroinvest, OOO	-	100
Lgovsky KHP, ZAO	100	-
Lgovsky MKK, OAO	99	99
Otradaagroinvest, OOO	-	100
Podolsky EMZ, OAO	97	97
Poltavsky KHP, OAO	-	90
Pristen-Sakhar, ZAO	100	100
Razgulay Group, OJSC	17	-
Russko-Polyanskiy Elevator, OAO	-	85
Rzhavskoye HPP, OAO	97	97
Sakharny Kombinat Alexeevsky, ZAO	100	100
Sakharny Kombinat Bolshevik, ZAO	-	100
Sakharny Kombinat Kurganinsky, ZAO	100	100
Sakharny Kombinat Lgovsky, OAO	-	100
Sakharny Kombinat Otradinsky, ZAO	-	100
Sakharny Kombinat Tikhoretsky, ZAO	-	100
Shipunovsky Elevator, OAO	87	-
Slavyansky KHP	-	85
Starodubsky elevator, OAO	-	100
Svetlogradsky elevator, OAO	97	-
Tikhoretskagroinvest, OOO	-	100
Tsimlyanskkhleboprodukt, OAO	100	100
Tsimlyanskoye, OOO	-	100
Zelenokumsky elevator,OAO	50	-

Equity accounted investees	2009	2008
Angelinsky Elevator, OAO	25	-
Selkhoztekhnika, ZAO	24	-
Rassvet, ZAO	22	-
Plemennoiy zavod Progress, OAO	25	-

As at 31 December 2009 the Group committed to pledge additional property, plant and equipment and shares in subsidiaries to secure bank loans in the total amount of RUR 14,190 million. At the date that these consolidated financial statements were approved for issue, the pledge agreements had not been signed.

Terms and debt repayment schedule

				2009		2008	
Million RUR	**Currency**	**Nominal Interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loans	RUR	12.0%-16.0%	2012-2016	18,910	18,910	-	-
Secured bank loans	RUR	11.0%-20.0%	2009-2013	2,837	2,837	8,695	8,695
Secured bank loans	USD	2.31%-14.5%	2010	1,905	1,905	1,850	1,850
Unsecured bank loans	USD	1.45%-3.4%	2009	-	-	340	340
Unsecured non-bank loans	RUR	0.0%-1.0%	2010-2014	11	11	15	15
Unsecured bond issues	RUR	17.0%	2010	1,965	1,989	14,837	15,197
				25,628	25,652	25,737	26,097

27 Finance lease liabilities

The Group's exposure to currency and liquidity risk related to finance lease liabilities is disclosed in note 30.

Finance lease liabilities are payable as follows:

	2009			2008		
Million RUR	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	86	23	63	23	7	11
Between one and five years	272	57	215	15	4	16
More than five years	308	52	256	-	-	-
	666	132	534	38	11	27

28 Trade and other payables

	2009	2008
	Million RUR	*Million RUR*
Trade payables	1,402	2,433
Advances received	497	3,638
Taxes payable other than income tax	325	221
Payables to equity accounted investees	228	360
Payables to employees	146	94
Income tax payable	70	55
Trade payables to related parties	12	147
Other payables to related parties	11	46
Advances received from related parties	-	32
Other payables and accrued expenses	553	172
	3,244	7,198

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

29 Provisions

Provisions as at 31 December 2009 of RUR 2,809 million (31 December 2008: RUR 2,664 million) include provisions for income and other taxes, penalties and late-payment interest in respect of the following exposures:

Disposal of interests in subsidiaries

In 2007 and 2008 the Group disposed of its interest in certain subsidiaries – refer note 6(e). If the way in which these disposals were structured were successfully challenged by the Russian tax authorities, it could result in the assessment of additional income tax, penalties and late-payment interest in the total amount of approximately RUR 1,105 million (31 December 2008: RUR 1,175 million). These amounts were provided in full as at 31 December 2009 and 2008.

Grain trading operations

During 2007 and 2008 certain of the Group's subsidiaries entered into various transactions to purchase and sell grain in the process of being exported from the Russian Federation both at the date of purchase and the date of sale. As a result of these transactions a gain of RUR 2,954 million was recognised by the Group in 2007 and 2008. Because the subsidiaries are incorporated in a jurisdiction that has no income tax, no tax liability was recognised in respect of these gains. The Russian tax authorities may challenge the way in which such transactions were structured and, in particular, assert that the subsidiaries involved have a permanent establishment in the Russian Federation. If such challenge were successful, it could result in the assessment of additional income tax, penalties and late-payment interest for 2007 and 2008 of approximately RUR 1,143 million as at 31 December 2009 (31 December 2008: RUR 1,053 million). These amounts were provided in full as at 31 December 2009 and 2008.

Other transactions

In 2007 and 2008, the Group entered into various other transactions which resulted in tax exposures relating to income and social security taxes. The Russian tax authorities may challenge the way such transactions were structured. If such challenge were successful, it could result in the assessment of additional income and uniform social taxes, penalties and late-payment interest amounting to approximately RUR 561 million as at 31 December 2009 (31 December 2008: RUR 436 million). These amounts were provided in full as at 31 December 2009 and 2008.

30 Financial instruments and risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk.

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

Risk management framework

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

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

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

(b) Credit risk

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

(i) Trade and other receivables

Trade receivables relate mainly to the Group's wholesale customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base has less of an influence on credit risk. Approximately 17% (2008: 28%) of the Group's revenue is attributable to sales transactions with three top customers. Approximately 73% of the Group's sales are in Russia, and the rest are exported to a variety of countries.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes a review of customers' financial statements and background of customers' management. Purchase limits are established for each customer on individual basis; compliance with these limits is reviewed regularly by management of the Grain, Sugar and Agriculture segments.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including geographic location, aging profile, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

(ii) Guarantees

The Group's policy is to provide financial guarantees only to the Group subsidiaries and fellow subsidiaries.

Exposure to credit risk

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

	Carrying amount	
Million RUR	**2009**	**2008**
Loans and receivables	3,230	4,081
Cash and cash equivalents	401	2,024
	3,631	6,105

At 31 December 2009 there was a significant concentration of credit risk in respect of amounts receivable from related parties. The total amount receivable from related parties was RUR 63 million (2008: RUR 920 million).

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region where customers are registered was:

	Carrying amount	
Million RUR	**2009**	**2008**
Russia	2,055	2,278
British Virgin Islands	1,540	1,540
Kazakhstan	31	-
Turkey	20	-
Netherlands	16	-
Jordan	1	253
Belarus	1	-
Bangladesh	-	204
Pakistan	-	184
Livan	-	14
	3,664	4,473

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
Million RUR	**2009**	**2009**	**2008**	**2008**
Not past due	1,226	(1)	3,284	(1,549)
Past due 0-30 days	69	(7)	198	(3)
Past due 31- 180 days	314	(59)	818	(92)
Past due 181 -365 days	214	(17)	47	(34)
More than one year	1,841	(1,723)	126	(108)
	3,664	(1,807)	4,473	(1,786)

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2009	**2008**
	Million RUR	_Million RUR_
Balance at 1 January	1,870	148
Impairment loss recognised	129	1,722
Balance at 31 December	1,999	1,870

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables arising from non-speculative transactions (see note 7) that are not past due or past due by up to 60 days.

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable and is written off against the financial asset directly.

As at 31 December 2008 and 2009 the Group recognised a provision for impairment of RUR 1,541 million in respect of a receivable from a customer who further supplies wheat to Egypt and other international markets. The customer failed to meet its obligations when due because of its inability to resell the wheat at the intended prices to final customers. The Group believes that it is questionable if legal action will succeed because of the delay caused by the legal routine in the jurisdictions involved, inability to control the product supplied and absence of any security over the receivable. The Group is in the process of negotiating alternative credit terms with the customer which, under different scenarios, vary from 1 to 3 years; however, the outcome of the negotiations cannot be reliably estimated. Therefore, management decided to recognise an impairment loss on the total balance of the receivable in 2008.

At 31 December 2009, the Group believes that no impairment allowance is necessary in respect of its cash or cash equivalents.

(c) Liquidity risk

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

For the long-term perspective the Group analyzes five-year forecasts covering financial, operating and investing activities.

For the medium- and short-term periods, management considers the availability of different market instruments.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of one year, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group monitors short- and medium-term maturities of its credit portfolio. It also considers replacement of existing instruments with more favourable facilities.

The Group has credit lines with a number of banks to ensure sufficient liquidity levels are available on demand. At 31 December 2009 total unused credit facilities amounted to RUR 250 million (31 December 2008: RUR 570 million). Refer to note 35 for details of the new loans and borrowings which became available to the Group subsequent to the balance sheet date.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements; loans whose covenants have been breached (see note 26) are shown as repayable on demand:

2009	**Average interest rate**						
Million RUR	**Contractual %**	**Effective %**	**0-12 months**	**1-2 years**	**2-3 years**	**Over 3 years**	**Total**
Non-derivative financial liabilities							
Secured bank loans - RUR, fixed	12.0-20.0	12.0-20.0	1,984	829	25	18,910	21,748
Secured bank loans - USD, fixed	13.0-14.5	13.0-14.5	1,360	-	-	-	1,360
Secured bank loans - USD, variable	2.3-3.8	2.3-3.8	544	-	-	-	544
Trade and other payables			3,244	-	-	-	3,244
Unsecured bond issues - RUR, fixed	17.0	12.2-13.8	1,989	-	-	-	1,989
Finance lease - RUR, fixed	4.0	4.0	65	59	56	354	534
Unsecured non-bank loans	0.0	0.0	5	-	-	6	11
			9,191	888	81	19,270	29,430

2008	**Average interest rate**						
Million RUR	**Contractual %**	**Effective %**	**0-12 months**	**1-2 years**	**2-3 years**	**Over 3 years**	**Total**
Non-derivative financial liabilities							
Secured bank loans - RUR, fixed	11.0-18.0	11.0-18.0	8,695	-	-	-	8,695
Secured bank loans - USD, fixed	10.0-15.0	10.0-15.0	1,850	-	-	-	1,850
Unsecured bank loan - USD, fixed	1.45 – 3.4	1.45 – 3.4	340	-	-	-	340
Trade and other payables			7,198	-	-	-	7,198
Unsecured bond issues - RUR, fixed	11.0-17.0	11.7-12.5	6,768	-	-	-	6,768
Unsecured bond issues - RUR, fixed	11.0-17.0	14.5-15.0	8,429	-	-	-	8,429
Finance lease - RUR, fixed	33.0	33.0	11	9	7	-	27
Unsecured non-bank loans	0.01	1.0	2	-	-	13	15
			33,293	9	7	13	33,322

(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales of grain, purchases of cane sugar and borrowings that are denominated in a currency other than the Russian Rouble (RUR). The currency in which these transactions primarily are denominated is U.S. Dollar (USD). The Group does not use derivatives to hedge currency risk.

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

The Group's exposure to foreign currency risk was as follows based on notional amounts:

Million RUR	**USD-denominated 2009**	**USD-denominated 2008**
Trade and other receivables	1,593	2,351
Cash and cash equivalents	9	-
Trade and other payables	(51)	(10)
Loans and borrowings	(1,905)	(2,190)
	(354)	151

The following significant exchange rates applied during the year:

In RUR	**Average rate**		**Reporting date spot rate**	
	2009	**2008**	**2009**	**2008**
USD 1	31.7231	24.8553	30.2442	29.3804

Sensitivity analysis

A 20% strengthening of the RUR against the USD at 31 December 2009 would have increased equity and decreased loss for the year ended 31 December 2009 by RUR 71 million. A 20% strengthening of the RUR against the USD at 31 December 2008 would have decreased equity and profit for the year ended 31 December 2008 by RUR 32 million.

A 20% weakening of the RUR against the above currencies at 31 December 2009 and 31 December 2008 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009 and 2008.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Interest rates for interest bearing assets are disclosed in note 21.

Profile

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

	Carrying amount	
Million RUR	**2009**	**2008**
Fixed rate instruments		
Financial assets	1,206	848
Financial liabilities	(25,642)	(26,124)
	(24,436)	(25,276)
Variable rate instruments		
Financial liabilities	(544)	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(e) Fair values versus carrying amounts

At 31 December 2009 and 31 December 2008, the carrying values of the Group's financial assets and liabilities approximated their fair values, except for the carrying values of financial liabilities measured at amortised cost. The basis for determining fair values is disclosed in note 4. Inputs for the valuation of available-for-sale financial assets are not based on observable market data.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Million RUR	**Carrying Amount 2009**	**Fair value 2009**	**Carrying amount 2008**	**Fair value 2008**
Loans and receivables	3,230	3,237	4,081	4,081
Available-for-sale financial assets	63	63	83	83
Cash and cash equivalents	401	401	2,024	2,024
Trade and other payables	(3,244)	(3,244)	(7,198)	(7,198)
Financial liabilities measured at amortised cost	(1,989)	(1,965)	(15,197)	(14,657)
	(1,539)	(1,508)	(16,282)	(15,667)

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital.

There were no changes in the Group's approach to capital management during the year.

Neither the Company not any of its subsidiaries is subject to any externally imposed capital requirements.

31 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available.

In 2009 the Group had insurance coverage for its property, plant and equipment and inventories for a total amount of RUR 7,492 million and RUR 775 million, respectively (2008: RUR 6,636 million and RUR 1,133 million, respectively).

The Group does not have full insurance coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

The Group is involved in various other claims and legal proceedings arising in the normal course of business. Management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group's operating results or financial condition.

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, 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 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 position in their interpretation and enforcement of tax legislation.

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

Acquisition of machinery and equipment

In 2007 and 2008, the Group entered into transactions to acquire certain items of machinery and equipment for a total consideration of RUR 3,416 million. If the structure of these transactions were successfully challenged by the Russian tax or other authorities, such challenge could have very significant operational and financial consequences for the Group, including forfeiture of the machinery and equipment involved, assessment of additional customs duties and value added tax, penalties of up to two times the customs value of the equipment and fines.

Management has not provided any amounts in respect of such obligations in these consolidated financial statements as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

Acquisition of shares in subsidiaries

In 2008 the Group entered into structured transactions to acquire shares in certain subsidiaries for a total consideration of RUR 577 million, respectively. If the structure of these transactions were successfully challenged by the tax or other authorities, such challenge could potentially have significant operational and financial consequences for the Group. Management has not provided any amounts in respect of these obligations in these consolidated financial statements as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

Trading operations

In 2007 and 2008 several of the Group's subsidiaries entered into various transactions to purchase and sell grain crops in the process of being exported from the Russian Federation both at the date of purchase and the date of sale.

In addition to the exposure to assessment of the additional income taxes (note 29), the Group is also exposed to the risk of value added tax of approximately RUR 2,324 million (including penalties) being assessed on the Group as a consequence of the way the transactions were structured because the Tax Code does not contain specific rules for the taxation of transactions of this type. Management has not provided any amounts in respect of these obligations in these consolidated financial statements as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

Tax compliance of the Group's suppliers

The Group entered into transactions with various suppliers in which it did not hold any direct or indirect equity interest. These entities are fully responsible for their own tax and accounting compliance. However, due to existing tax authorities' practice, if these entities' tax compliance is challenged by the tax authorities as not being in full conformity with applicable tax legislation, this may result in additional tax risks for the Group. Should these suppliers be successfully challenged, the Group may become liable to additional tax payments, although management of these entities is primarily responsible for the correctness and timeliness of the entities' tax payments. Management of the Group believes that it is not practicable to estimate the financial effect of potential tax liabilities which ultimately could be imposed on the Group due to transactions with such suppliers. However, if such liabilities were imposed, the amounts involved, including penalties and interest, could be material.

Transfer pricing

The Group structured some its operations through transfer-pricing arrangements, including arrangements between Group entities and arrangements of Group entities with related parties, thereby decreasing its overall tax liability. In management's opinion, the Group is in substantial compliance with the tax laws of the Russian Federation and other countries where foreign Group companies are registered. However, relevant tax authorities could take different positions with regard to interpretative issues or court practice could develop adversely to positions taken by the Group and the effect could be significant.

(d) Bankruptcy law

The bankruptcy law in Russia is relatively new, often unclear and subject to interpretations. Application of bankruptcy procedures in practice is often contradictory, and the legality of such procedures is often challenged by different groups of stakeholders even after all bankruptcy procedures have been completed.

A significant part of the assets of the Group was acquired as a result of bankruptcy procedures. The carrying amount of the assets of such subsidiaries as at 31 December 2009 amounted to RUR 10,970 million (31 December 2008: RUR 11,019 million). This fact creates uncertainty with respect to the title to such assets, which potentially may be subject to challenge by former legal owners of these assets or their stakeholders. The effect of such potential challenge, if successful, could be material and accordingly impact the consolidated financial statements of the Group. However, management believes that the likelihood of such challenge being successful is less than probable.

32 Related party transactions

(a) Control relationships

Management considers that the Group's ultimate controlling party is Mr. Igor Potapenko, who also acts as Chairman of the Board of Directors and Chief Executive Officer.

No publicly available financial statements are produced by the Company's ultimate controlling party or any other intermediate controlling party.

(b) Transactions with management and close family members

Key management (Chairman of the Board of Directors, General Director, Deputy General Director and Finance Director of the Company, Directors of sugar, grain and agricultural business segments) received RUR 61 million of remuneration during the year (2008: RUR 43 million), which is included in personnel costs (see note 11).

(c) Transactions with other related parties

(i) Transactions with shares

In 2008 the Group acquired controlling interests from fellow subsidiaries controlled by the controlling shareholder of the Group. The details of the transactions are disclosed in note 24(c).

In 2008 the Group disposed of non-controlling interests in ZAO Bugulminsky KHP#2 and ZAO Bugulminsky Elevator to entities controlled by the shareholder that controls the Company (see note 6(e)).

(ii) Revenues

Million RUR	**Transaction 2009**	**Outstanding balance 2009**	**Transaction 2008**	**Outstanding balance 2008**
Sale of goods to				
- Fellow subsidiaries	89	39	4,179	72
- Equity accounted investees	826	704	333	352
	915	743	4,512	424

All outstanding balances with related parties are to be settled in cash within 1 year of the balance sheet date. None of the balances are secured.

(iii) Expenses

Million RUR	Transaction 2009	Outstanding balance 2009	Transaction 2008	Outstanding balance 2008
Purchases of goods from fellow subsidiaries and equity accounted investees	(115)	(12)	(2,630)	(147)
Purchases from equity accounted investees	(815)	(228)	(405)	(360)
	(930)	(240)	(3,035)	(507)

All outstanding balances with related parties are to be settled in cash within 1 year of the balance sheet date. None of the balances are secured.

(iv) Loans

Million RUR	Amount loaned 2009	Outstanding balance 2009	Amount loaned 2008	Outstanding balance 2008
Loans given to fellow subsidiaries	24	24	848	848
Loans given to equity accounted investees	576	576	-	-
Loans received from related parties	(5)	(5)	-	-
	595	595	848	848

Loans given to equity accounted investees and fellow subsidiaries are unsecured, bear interest at rates that vary from 1% to 16% per annum and mature in 2010.

As of 31 December 2009 the Group had a guarantee amounting to RUR 2,631 million issued to a bank for a fellow subsidiary who had loan payable to the bank. The respective loan was repaid in full in 2009 prior to its original maturity.

(d) Pricing policies

Normally, when goods are transferred between related parties prior to the sale of the same goods to an independent party, the transfer price is determined based on the ultimate sales price, reduced by a margin sufficient to cover costs and allow the related party to make an appropriate profit. Certain non-trading transactions may not be based on market prices.

33 Significant subsidiaries

	Country of incorporation	Effective ownership, in % 2009	2008
**Holding companies**			
Razgulay-Finans, OOO	Russia	100	100
Purpose Ventures Incorporated	British Virgin Islands	-	100
Razguliay UkrRos Group Limited	Cyprus	100	100
Secure Global Solutions	British Virgin Islands	100	100
AgroServicGrup, OOO	Russia	100	100
Razguliay Capital Limited	Cyprus	100	100
Razgulay-Market, OOO	Russia	100	-
Invest-Alliance, OOO	Russia	100	100

		Effective ownership, in %	
	Country of incorporation	2009	2008
Kingfisher Global Business Limited	Cyprus	100	100
Razguliay-Agro, OOO	Russia	100	100
Grain segment			
Zernovaya kompaniya Razguliay, ZAO	Russia	100	100
Azovskaya zernovaya kompaniya, OOO	Russia	100	100
Bugulminsky elevator, ZAO	Russia	75	75
Bugulminsky KHP#2, ZAO	Russia	75	75
Davlekanovsky KHP#1, OOO (note 6(a))	Russia	100	100
Dubovskkhleboproduct, OAO	Russia	88	88
Elevator Rudny Klad, OAO	Russia	56	56
Exim Grain Trade B.V. (note 6(b))	Netherlands	100	100
Gerkules, OAO	Russia	88	88
Karachaevo-Cherkessky Mukomol, ZAO	Russia	100	100
Khlebnaya baza 63, OAO	Russia	77	77
Kineshemsky mukomolny kombinat, OAO	Russia	90	90
Kolomensky KHP,ZAO	Russia	100	100
Kondopozhsky KHP, OAO	Russia	95	95
Kuban-Ris, OOO	Russia	50	50
Lgovsky KHP, ZAO	Russia	100	100
Ostadar Trading Limited	British Virgin Islands	-	100
Podolsky EMZ, OAO (note 6(a))	Russia	97	97
Poltavsky KHP, OAO	Russia	90	90
Razguliay-Krupa, OOO	Russia	100	100
Razguliay-Muka, OOO	Russia	100	100
Rusagroservis, OOO	Russia	100	100
Russko-Polyanskiy elevator, OAO	Russia	85	85
Rzhavskoye HPP, OAO	Russia	97	97
Shipunovsky Elevator, OAO (note 6(a))	Russia	95	87
Slavyanskaya Khlebnaya Kompania, OOO	Russia	100	100
Slavyansky KHP, OAO	Russia	86	85
Starodubsky elevator, OAO	Russia	100	100
Svetlogradsky elevator, OAO	Russia	96	96
Torgovy Dom Razgulay-Zerno, OOO	Russia	100	100
Tsimlyanskkhleboprodukt, OAO	Russia	100	100
Ultimate Global Investment Limited	British Virgin Islands	100	100
Zelenokumsky elevator,OAO	Russia	50	50
Bashkirskaya zernovaya kompaniya, OOO	Russia	100	100
Voronezhskaya zernovaya kompaniya, OOO	Russia	100	100
Zapadno-Sibirskaya zernovaya kompaniya, OOO	Russia	100	100
Kurskaya zernovaya kompaniya, OOO	Russia	100	100
Razguliay-Kuban, OOO	Russia	100	100
Stavropolskoye zerno, OOO	Russia	100	100
Tambovskaya zernovaya kompaniya, OOO	Russia	100	100
Torgovyi Dom Gerkules, OOO	Russia	100	100
Torgovyi Dom Kubanris, OOO	Russia	100	100
Yuzhno-Donskoe zerno, OOO	Russia	100	100

	Country of incorporation	Effective ownership, in % 2009	2008
Sugar segment			
Sakharnaya kompaniya Razguliay, ZAO	Russia	100	100
Burge, OOO	Russia	100	-
Chishminsky sakharny zavod, OAO	Russia	84	84
Karachaevo-Cherkessky sakharny zavod, OAO	Russia	90	90
Krivets-Sakhar, OAO	Russia	97	97
Kshensky sakharny kombinat, ZAO	Russia	100	100
Lgovsky MKK, OAO	Russia	99	99
Pristen-Sakhar, ZAO	Russia	100	100
Sakharny kombinat Alexeevsky, ZAO	Russia	100	100
Sakharny kombinat Bolshevik, ZAO	Russia	100	100
Sakharny kombinat Kurganinsky, ZAO	Russia	100	100
Sakharny kombinat Lgovsky, OAO	Russia	100	100
Sakharny kombinat Otradinsky, ZAO	Russia	100	100
Sakharny kombinat Tikhoretsky, ZAO	Russia	100	100
Torgovy Dom RSK, OOO	Russia	100	100
Agricultural segment			
Blagovar-agroinvest, OOO	Russia	100	100
Druzhba, ZAO	Russia	-	100
AkBulak-agroivest, OOO	Russia	100	-
Dubovsk-agroinvest, OOO	Russia	100	-
Rostan, ZAO	Russia	100	-
Shentala-agroinvest, OOO	Russia	100	-
Svetly-agroinvest, OOO	Russia	100	100
St.Buzdyak-agroinvest, OOO	Russia	100	100
Shipunovo-agroinvest, OOO	Russia	100	100
Tsimlyanskoe, OOO	Russia	100	100
Kavkaz, OAO	Russia	75	75
Agrofirma Poltavskaya, ZAO	Russia	100	100
Graivoron-agroivest, OOO	Russia	100	100
Anastasievskoe, ZAO	Russia	97	97
Alekseevka-agroinvest, OOO	Russia	100	100
Izobilie, OOO	Russia	100	100
Kshenagro, OOO	Russia	100	100
Krivets-Agro, OOO	Russia	100	100
Kurganinskagroinvest, OOO	Russia	100	100
Lgovagroinvest, OOO	Russia	100	100
Nurlatagroinvest, OOO	Russia	100	100
Otradaagroinvest, OOO	Russia	100	100
Chelnovershinyagroinvest, OOO	Russia	100	100
Chishmy-agroinvest, OOO	Russia	100	100
Erkenagroinvest, OOO	Russia	100	100
Ilara, OOO	Russia	100	100
Tikhoretskagroinvest, OOO	Russia	100	100
Pochaevo-Agro, OOO	Russia	100	100

All ownership interests in the above table are rounded to whole percentages.

34 Earnings before interest, tax, depreciation and amortisation

	2009	**2008**
	Million RUR	_Million RUR_
Loss for the year	(1,568)	(6,196)
Adjustments for:		
Income tax expense	338	1,079
Depreciation and amortisation	1,347	1,127
Impairment losses related to property, plant and equipment and advances for the purchase of land (note 16)	126	4,864
Interest income and expense, net	2,939	1,605
Foreign exchange (loss)/gain	(231)	75
	2,951	2,554

35 Events subsequent to the balance sheet date

Acquisition of subsidiaries

In March 2010 the Group acquired an additional 75% interest in ZAO Donskaya Agrarnaya Gruppa, an entity under common control. The consideration for the acquisition is contingent on the fair values of the acquiree's assets and liabilities which are being determined by an independent appraiser. As at the date when these consolidated financial statements were authorised for issue, the fair values have not yet been determined.

Bonds

In March and April 2010 the Group placed three new issues of traded discounted bonds (BO-8, BO-12, BO-15) with a total nominal value of RUR 3,500 million, maturing in October and December 2010. Total cash collected from issue of those bonds was RUR 2 801 million.

Also in March and April 2010, a 100%-owned subsidiary of the Group, OOO Razgulay Finance, redeemed its bonds (issues 02, 03 and 04) claimed for redemption per irrevocable public offers and also under certain sales agreements. All such bonds claimed for redemption have been settled. At the date when these consolidated financial statements were authorised for issue, holders of those bond issues with a total carrying value of RUR 342 million have not yet claimed for their redemption.

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Independent Auditors' Report

Board of Directors

OJSC RAZGULAY Group

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OJSC RAZGULAY Group (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 principles 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 provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG
29 April 2010