PJSC Cherkizovo Group

Consolidated Financial Statements
for the year ended 31 December 2020 and
Independent Auditor's Report

Contents

		Page
STATEMENT OF MANAGEMENT RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020		1
INDEPENDENT AUDITOR'S REPORT		2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		9
CONSOLIDATED STATEMENT OF CASH FLOWS		10
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:		
1.	Nature of the business	11
2.	Significant accounting policies	12
3.	New and revised International Financial Reporting Standards	22
4.	Key sources of estimation uncertainty	24
5.	Operating segments	26
6.	Cost of sales	30
7.	Selling, general and administrative expenses	31
8.	Other operating income (expenses), net	31
9.	Interest expense, net	31
10.	Other (expenses) income, net	32
11.	Income tax benefit (expense)	32
12.	Property, plant and equipment	34
13.	Investment property	35
14.	Right-of-use assets	35
15.	Goodwill	36
16.	Intangible assets	36
17.	Biological assets	37
18.	Investments in joint ventures and associates	39
19.	Long-term deposits in banks	41
20.	Inventories	41
21.	Taxes recoverable and prepaid	42
22.	Trade receivables, net	42
23.	Cash and cash equivalents	42
24.	Shareholder's equity	42
25.	Non-controlling interests	43
26.	Borrowings	44
27.	Lease liabilities	46
28.	Tax related liabilities	46
29.	Financial instruments	46
30.	Related parties	50
31.	Acquisitions	51
32.	Commitments and contingencies	55
33.	Subsequent events	56

PJSC CHERKIZOVO GROUP

STATEMENT OF MANAGEMENT RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of PJSC Cherkizovo Group (the "Company") and its subsidiaries (the "Group") as at 31 December 2020, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by Management on 11 February 2021.

On behalf of the Management:

Sergei Mikhailov	**Ludmila Mikhailova**
Chief Executive Officer	Chief Financial Officer

AO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047,
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
deloitte.ru

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of PJSC Cherkizovo Group:

Opinion

We have audited the consolidated financial statements of PJSC Cherkizovo Group (the "Company") and its subsidiaries (collectively – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for 2020 in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Why the matter was determined a key audit matter	How the matter was addressed in the audit
Impairment assessment of Ready-to-eat ("RTE") meat processing cash-generating unit	
As at 31 December 2020 RTE meat processing cash-generating unit is represented by non-current assets of RTE meat processing segment with a carrying value of 9 922, including 215 of goodwill and 400 of indefinite life trademarks. As a result of the poor performance of the cash-generating unit ("CGU") in 2020 the Group conducted an impairment test of the CGU by determining its recoverable amount and comparing it to the carrying value of non-current assets of the CGU. The recoverable amount was determined based on a value in use calculation. Further details are provided in Note 4 to the consolidated financial statements. We focused on this area as a key audit matter because impairment assessment process and value in use calculation involves a high degree of subjectivity and judgement in selecting appropriate assumptions. In particular, the value in use of the CGU is sensitive to changes in significant assumptions, including forecasted sales prices, sales volumes, operating profit margin rates and discount rate.	We obtained an understanding of the process and tested the effectiveness of controls over the Group's impairment assessment, including the analysis of impairment indicators, determination of the recoverable amount and selection of appropriate key assumptions used in value in use calculation. We assessed the methodology of determining the recoverable amount for its compliance with the standards requirements. We performed the following audit procedures in respect to the recoverable amount calculation performed by the Group's management: • Verified that the input data used in the impairment testing model is consistent with the approved budgets and forecasts; • With the assistance of our internal valuation specialists challenged reasonableness of key assumptions used in the management's forecasts, with reference to historical data and, where applicable, external / independent sources, noting that the assumptions used fell within an acceptable independently determined range; • Tested the accuracy of the calculation and sensitivity analysis of the recoverable amount to changes in the assumptions; • Tested the appropriateness of the related disclosures provided in the consolidated financial statements. In particular, we focused on the disclosure of key unobservable inputs and the related sensitivity analysis.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Annual report, we are required to report that fact.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Srbuhi Hakobyan,
Engagement partner

11 February 2021

The Entity: PJSC Cherkizovo Group

Primary State Registration Number: 1057748318473

Certificate of registration in the Unified State Register № 1057748318473 of 22.09.2005, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 46.

Address: 1, Cherkizovskaya street, Topkanovo village, Kashira, Moscow region, Russian Federation, 142931

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

(in millions of Russian rubles, unless otherwise indicated)

	Notes	2020	2019 (restated)*
Revenue	5	128 803	120 109
Net change in fair value of biological assets	17	1 164	(1 379)
Net revaluation of harvested crops in stock	17	2 465	29
Cost of sales	6	(97 368)	(92 375)
Gross profit		**35 064**	**26 384**
Selling, general and administrative expenses	7	(16 951)	(15 962)
Other operating income (expenses), net	8	412	(110)
Share of income (loss) of joint ventures and associates	18	176	(123)
Operating profit		**18 701**	**10 189**
Interest income		180	243
Interest expense, net	9	(4 023)	(4 484)
Gain on revaluation of rights to claim debt	31	702	-
Other (expenses) income, net	10	(699)	749
Profit before income tax		**14 861**	**6 697**
Income tax benefit (expense)	11	284	(46)
Profit for the year and total comprehensive income		**15 145**	**6 651**
Profit and total comprehensive income attributable to:			
Cherkizovo Group		15 177	6 751
Non-controlling interests		(32)	(100)
Earnings per share			
Weighted average number of shares outstanding – basic and diluted		41 047 014	41 047 014
Profit attributable to Cherkizovo Group per share – basic and diluted (in Russian rubles)		369.75	164.46

*Comparative information for the year ended 31 December 2019 was retrospectively restated in order to reflect the change in accounting policy in relation to the presentation of general and administrative expenses incurred in production sites and related to production (Note 2).

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

Consolidated statement of financial position

As at 31 December 2020

(in millions of Russian rubles, unless otherwise indicated)

	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	12	87 173	82 622
Investment property	13	660	664
Right-of-use assets	14	2 585	1 567
Goodwill	15	1 628	1 628
Intangible assets	16	2 405	2 335
Non-current biological assets	17	2 326	2 007
Investments in joint ventures and associates	18	4 275	3 789
Long-term deposits in banks	19	641	641
Deferred tax assets	11	1 693	1 214
Rights to claim debt	31	5 381	4 685
Other non-current assets		899	1 239
Total non-current assets		**109 666**	**102 391**
Current assets			
Biological assets	17	18 498	16 287
Inventories	20	20 742	13 223
Taxes recoverable and prepaid	21	2 657	2 396
Trade receivables, net	22	5 745	5 476
Advances paid, net		1 193	844
Other receivables, net		414	199
Cash and cash equivalents	23	6 718	3 304
Other current assets		636	328
Total current assets		**56 603**	**42 057**
TOTAL ASSETS		**166 269**	**144 448**

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

Consolidated statement of financial position continued

As at 31 December 2020

(in millions of Russian rubles, unless otherwise indicated)

	Notes	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	24	-	-
Treasury shares	24	-	(3 724)
Additional paid-in capital		2 252	5 622
Retained earnings		69 181	58 507
Total shareholder's equity		**71 433**	**60 405**
Non-controlling interests	25	469	879
Total equity		**71 902**	**61 284**
Non-current liabilities			
Long-term borrowings	26	41 856	43 182
Long-term lease liabilities	27	1 630	759
Deferred tax liability	11	1 056	1 023
Total non-current liabilities		**44 542**	**44 964**
Current liabilities			
Short-term borrowings	26	27 173	20 790
Short-term lease liabilities	27	691	420
Trade payables		16 203	11 560
Advances received		631	893
Payables for non-current assets		1 257	656
Tax related liabilities	28	1 317	1 327
Payroll related liabilities		2 001	2 317
Other payables and accruals		552	237
Total current liabilities		**49 825**	**38 200**
Total liabilities		**94 367**	**83 164**
TOTAL EQUITY AND LIABILITIES		**166 269**	**144 448**

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

Consolidated statement of changes in equity

For the year ended 31 December 2020

(in millions of Russian rubles, unless otherwise indicated)

	Share capital		Treasury shares						
	Amount	**Number of shares**	**Amount**	**Number of shares**	**Additional paid-in capital**	**Retained earnings**	**Total shareholder's equity**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2019	**-**	**43 963 773**	**(3 724)**	**(2 916 759)**	**5 611**	**57 932**	**59 819**	**990**	**60 809**
Profit for the year and total comprehensive income	-	-	-	-	-	6 751	**6 751**	(100)	**6 651**
Purchase of non-controlling interests	-	-	-	-	11	-	**11**	(11)	**-**
Dividends (Note 24)	-	-	-	-	-	(6 176)	**(6 176)**	-	**(6 176)**
Balances at 31 December 2019	**-**	**43 963 773**	**(3 724)**	**(2 916 759)**	**5 622**	**58 507**	**60 405**	**879**	**61 284**
Profit for the year and total comprehensive income	-	-	-	-	-	15 177	**15 177**	(32)	**15 145**
Purchase of non-controlling interests	-	-	-	-	354	-	**354**	(378)	**(24)**
Cancellation of treasury shares (Note 24)	-	(2 916 759)	3 724	2 916 759	(3 724)	-	-	-	-
Dividends (Note 24)	-	-	-	-	-	(4 503)	**(4 503)**	-	**(4 503)**
Balances at 31 December 2020	**-**	**41 047 014**	**-**	**-**	**2 252**	**69 181**	**71 433**	**469**	**71 902**

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

Consolidated statement of cash flows

For the year ended 31 December 2020

(in millions of Russian rubles, unless otherwise indicated)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**14 861**	**6 697**
Adjustments for:		
Depreciation and amortisation	8 235	7 818
Changes in allowance for expected credit losses	74	129
Foreign exchange loss (gain), net	740	(676)
Interest income	(180)	(243)
Interest expense, net	4 023	4 484
Net change in fair value of biological assets	(1 164)	1 379
Net revaluation of harvested crops in stock	(2 465)	(29)
Loss on disposal of property, plant and equipment, net	130	164
Loss on disposal of non-current biological assets, net	200	60
Share of (income) loss of joint ventures and associates	(176)	123
Gain on revaluation of rights to claim debt	(702)	-
Other adjustments, net	(58)	(82)
Operating cash flows before working capital and other changes	**23 518**	**19 824**
Increase in inventories	(4 476)	(465)
Increase in biological assets	(1 538)	(1 096)
(Increase) decrease in trade receivables	(41)	108
(Increase) decrease in advances paid	(158)	45
Increase in other receivables and other current assets	(799)	(66)
(Increase) decrease in other non-current assets	(60)	8
Increase in trade payables	4 265	1 175
Decrease in tax related liabilities (other than income tax)	(35)	(19)
Decrease in other current payables	(490)	(258)
Operating cash flows before interest and income tax	**20 186**	**19 256**
Interest received	177	232
Interest paid	(4 343)	(4 254)
Government grants for compensation of interest expense received	533	1 282
Income tax refund (paid)	217	(460)
Net cash from operating activities	**16 770**	**16 056**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9 576)	(8 092)
Purchase of non-current biological assets	(1 349)	(1 307)
Purchase of intangible assets	(521)	(504)
Proceeds from sale of property, plant and equipment	323	350
Proceeds from disposal of non-current biological assets	1 029	834
Acquisitions of subsidiaries, net of cash acquired	(2 743)	(1 658)
Proceeds from sale of rights to claim debt	500	-
Investments in joint ventures and acquisitions of associates	(100)	(788)
Placing of deposits and notes receivable and issuance of loans	(480)	(161)
Repayment of loans issued and notes receivable and redemption of deposits	321	369
Net cash used in investing activities	**(12 596)**	**(10 957)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	22 984	26 295
Repayment of long-term loans	(35 006)	(21 870)
Proceeds from short-term loans	63 470	35 367
Repayment of short-term loans	(47 320)	(44 604)
Repayment of lease obligations	(361)	(420)
Dividends paid	(4 503)	(6 176)
Purchase of non-controlling interests	(24)	-
Net cash used in financing activities	**(760)**	**(11 408)**
Net increase (decrease) in cash and cash equivalents	**3 414**	**(6 309)**
Cash and cash equivalents at the beginning of the year	**3 304**	**9 613**
Cash and cash equivalents at the end of the year	**6 718**	**3 304**

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

(in millions of Russian rubles, unless otherwise indicated)

1. Nature of the business

General information

PJSC Cherkizovo Group (the "Company") is a public joint stock company incorporated in Russia. The registered office of the Company is 1, Cherkizovskaya st., Topkanovo village, Kashira, Moscow region, 142931, Russia.

The ultimate controlling party of PJSC Cherkizovo Group is Mikhailov family members who jointly control the Company.

At 31 December 2020 and 2019 the Group included the following principal companies:

Name of company	Legal form	Nature of business	% 31.12.2020	% 31.12.2019
JSC Cherkizovsky Meat Processing Plant (JSC CMPP)	Joint Stock Company	Meat processing plant	95%	95%
LLC PKO Otechestvennyi Product	Limited Liability Company	Meat processing plant	95%	95%
JSC Cherkizovo-Kashira	Joint Stock Company	Meat processing plant	95%	95%
JSC Petelinskaya	Joint Stock Company	Raising chicken	90%	88%
JSC Vasiljevskaya	Joint Stock Company	Raising chicken	100%	100%
JSC Kurinoe Tsarstvo	Joint Stock Company	Raising chicken	100%	100%
JSC Kurinoe Tsarstvo Bryansk*	Joint Stock Company	Raising chicken	-	100%
LLC Lisko Broiler*	Limited Liability Company	Raising chicken	-	100%
JSC Altaisky Broiler	Joint Stock Company	Raising chicken	100%	100%
LLC Cherkizovo Trade House	Limited Liability Company	Trading company	100%	88%
LLC Cherkizovo-Pork	Limited Liability Company	Pig breeding	100%	100%
LLC Cherkizovo-Grain Production	Limited Liability Company	Grain crops cultivation	100%	100%

* In August 2020 JSC Kurinoe Tsarstvo Bryansk, LLC Lisko Broiler were merged with JSC Kurinoe Tsarstvo.

The business of the Group

Cherkizovo is the largest protein producer in Russia. Our vertically integrated business model covers all stages of meat production. The company controls about 300,000 hectares of land farming grains and soy, is entirely self-sufficient in animal feed production, owns chicken and pork breeding operations coupled with slaughter and meat-processing plants. Petelinka, Kurinoe Tsarstvo, and Cherkizovo branded products are catered to domestic consumers and distributed via retail nationwide. We also serve foodservice and export clients.

Significant joint ventures and associates include turkey operations manufacturing Pava-Pava branded products, a joint venture with Grupo Fuertes, a leading Spanish agriculture and food company, and associated company Samson – Food products, a pork processing company.

Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to changes in oil and gas prices on the world market. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Russian Ruble against major currencies.

Starting from 2014, several sets of sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group is difficult to determine at this stage.

1. Nature of the business continued

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The Group's facilities remained operational during the pandemic, while management of the Group introduced a number of measures to safeguard continuity and security of its operations and employees. These measures among others included elevated hygiene and disinfection measures, limitation of access to the production sites, re-allocation of some production among plants and hiring of additional personnel to minimize risks of possible disruption. All these safeguards as well as other steps taken by management allowed the Group to avoid significant business disruptions. Going forward the significance of the effect of COVID-19 on the Group's business will largely depend on the duration and the incidence of the pandemic effects on the world and Russian economy.

2. Significant accounting policies

Statement of compliance

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

Basis of preparation

The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. Accounting policies and financial reporting procedures in these jurisdictions may differ substantially from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group's statutory basis accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The consolidated financial statements have been prepared under the historical cost convention, except for biological assets measured at fair value less estimated point-of-sale costs, assets and liabilities of subsidiaries acquired and recorded in accordance with IFRS 3 *"Business combinations"* ("IFRS 3") and certain financial assets measured at fair value in accordance with IFRS 9 "Financial instruments" ("IFRS 9").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and presentation currency

The functional currency of the Company, and each of its subsidiaries, is the Russian rouble. These consolidated financial statements are also presented in Russian roubles which is the presentation currency used by the Group.

2. Significant accounting policies continued

Foreign currency transactions

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Going concern

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business.

The Group continues to monitor its existing liquidity needs on an on-going basis. Management believes that the Group will have sufficient operating cash flows and borrowing capacity to continue as a going concern in the foreseeable future.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. Significant accounting policies continued

Business combinations

Acquisitions of businesses are accounted for using the acquisition method, including acquisitions from entities under common control. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred. For acquisitions of entities under common control, if the consideration transferred in a business combination significantly differs from the fair value of the business acquired, the Group recognizes the difference as a capital contribution if the fair value of the business acquired is higher than consideration or a distribution if lower.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except for:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit and loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy on Business combinations above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. Significant accounting policies continued

Investments in joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An entity is considered an associate if the Group has significant influence over its financial and operating activities. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group reports its interests in joint ventures and associates using the equity method of accounting, whereby an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture or associate of the Group, profits and losses resulting from the transactions with the joint venture or associate are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture or associate that are not related to the Group.

Property, plant and equipment

Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property, plant and equipment are recognized net in other income in profit or loss.

Repairs and maintenance

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that 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 derecognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives for the current and comparative periods are as follows:

Land	indefinite life
Buildings, infrastructure and lease hold improvements	10-40 years
Machinery and equipment	3-22 years
Vehicles	3-10 years
Other	3-10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date, with the effect of any changes in accounting estimate recognized on a prospective basis.

Notes to the consolidated financial statements

For the year ended 31 December 2020

(in millions of Russian rubles, unless otherwise indicated)

2. Significant accounting policies continued

Investment property

Investment properties represent buildings and land held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost, including transaction costs, less accumulated depreciation and impairment losses. Land is not depreciated.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives (10-40 years) of each building.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets represent acquired trademarks and computer software. All trademarks have been determined to have an indefinite life.

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Impairment of tangible and intangible assets other than goodwill

The carrying amounts of the Group's non-current assets are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets 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"). The goodwill acquired in a business combination acquisition, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss. Impairment losses recognized 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs included 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2. Significant accounting policies continued

Biological assets and agricultural produce

Biological assets of the Group consist of livestock (pigs and chicken) and unharvested crops (grain crops and other plantations).

The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any changes recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

The difference between fair value less costs to sell and total production costs is allocated to biological assets held in stock as of each reporting date as a fair value adjustment. The change in this adjustment from one period to another is recognized as “Net change in fair value of biological assets” in profit or loss.

Agricultural produce harvested from biological assets is recognised in inventory and measured at its fair value less costs to sell at the point of harvest. A gain or loss arising on initial recognition of harvested crops at fair value less costs to sell is recognized as “Net revaluation of harvested crops in stock” in profit or loss and for items sold is presented on net basis as a reduction of the line “Cost of sales”. A gain or loss arising on initial recognition of other agricultural produce is recognized as “Net change in fair value of biological assets” and for items sold is presented on net basis as a reduction of the line “Cost of sales”.

Based on the above policy, the principal groups of biological assets and agricultural produce are stated as follows:

Biological assets

(i) Broilers

Broilers comprise poultry held for chicken meat production. The fair value of broilers is determined by reference to the cash flows that will be obtained from sales of finished chickens, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(ii) Breeders (laying hens and replacement flock)

Breeders comprise poultry held for regeneration of broilers. The fair value of breeders is determined by reference to the cash flows that will be obtained from sales of hatchery eggs, with an allowance for costs to be incurred and risks to be faced during the remaining productive period.

(iii) Market hogs

Market hogs comprise of pigs held for pork meat production. The fair value of broilers is determined by reference to the cash flows that will be obtained from sales of finished pigs, with an allowance for costs to be incurred and risks to be faced during the remaining transformation process.

(iv) Sows

Sows comprise pigs held for regeneration of market hogs population. The fair value of sows is determined by reference to the cash flows that will be obtained from sales of weaned piglets, with an allowance for costs to be incurred and risks to be faced during the remaining productive period.

(v) Unharvested crops (wheat, corn, sunflower, barley, pea and others)

At the year-end unharvested crops are carried at the accumulated costs incurred, which approximate the fair value since little biological transformation has taken place due to the seasonal nature of the crops. Subsequent to the year-end unharvested crops in fields are measured at fair value, which is determined by reference to the cash flows that will be obtained from sales of harvested crops, with an allowance for costs to be incurred at the point of sale and risks to be faced during the remaining transformation process.

Agricultural produce

(i) Dressed chicken and pork

The fair value of dressed chicken and pork is determined by reference to market prices at the point of harvest.

(ii) Crops

The fair value of crops is determined by reference to market prices at the point of harvest.

The Group’s biological assets are classified into bearer and consumable biological assets depending upon the function of a particular group of biological assets in the Group’s production process. Consumable biological assets are those that are to be harvested as agricultural produce, and include broilers, market hogs and unharvested crops. Bearer biological assets include chicken breeders and sows.

2. Significant accounting policies continued

Revenue recognition

The Group derives its revenue from four main sources: sale of processed meat, chicken, pork, grain crops and feed. Disaggregation of revenue is consistent with the revenue information that is disclosed for each reportable segment. Revenue is recognised when control of the products has transferred, being when the products are shipped or when the goods are delivered to the customer, it has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

In accordance with the Group's standard sales terms, control is transferred upon shipment. However, on contracts with certain large retail chains, control transfers upon delivery that occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sales are recognised at the fair value of the consideration received or receivable, net of VAT, discounts and returns. No element of financing is deemed present as the sales are typically made with a credit term of less than 30 days, which is consistent with market practice.

The Group grants discounts to customers primarily based on the volume of goods purchased. Discounts are based on monthly, quarterly, or annual target sales. Discounts are offered in the ready-to-eat segment, in pork segment and in the chicken segment. The discounts are graduated to increase when actual sales exceed target sales.

The Group offers product guarantees to its customers, providing them with an option to return damaged and non-conforming goods and goods of initial improper quality. The period that goods may be returned is typically limited to the expiration period for the goods shipped and is not exceeding one month from the date of shipment. Returns are accounted for as deductions to sales in the period to which sales relate. Accumulated historical experience of the Group indicates that the share of goods returned is insignificant and that the most returns relate to chilled chicken and pork meat with a return period of less than 10 days.

Therefore, the Group does not recognise any liability related to customers' right to return products within the return period and does not recognise an asset related to the right to recover the product from the customer where the customer is expected to exercise his/her right of return.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

In accordance with Russian legislation, enterprises engaged in agricultural activities receive certain government grants. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The largest of such government grants relate to the reimbursement of interest expense on qualifying loans, which is received directly by the Group ("interest subsidies") and for the reimbursement of interest expense through accredited banks, who provide loans to agricultural producers at reduced rates not exceeding 5% per annum on Rouble-denominated loans ("reduced rate lending subsidy"). The difference between market rate and the reduced rate equals the Key rate of the Bank of Russia ("the Key rate") and is compensated by the Ministry of Agriculture to the accredited banks. If Ministry of Agriculture will not compensate the interest expense accrued during the interest period (typically month or quarter) due to lack of available funds or due to any other reason, than the bank can unilaterally increase the interest rate payable by the Group by the Key rate. The Group records interest and reduced rate lending subsidies as an offset to interest expense during the period to which they relate.

The Group also receives government grants based on square of cultivated land and volumes of meat or eggs produced and fodder purchased. These grants are less systematic and therefore in general the Group recognizes them only when receives the grant or it is highly probable that the grant will be received. These grants are recorded as reductions to cost of sales during the period to which they relate.

In addition to that, from time to time the Group receives government grants for compensation of certain capital expenditures. These grants are non-systematic and therefore the Group recognizes them only when receives the grant. These grants are recorded as reductions to costs capitalized during the period to which they relate.

2. Significant accounting policies continued

Employee benefits

Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period.

In 2017 the Group implemented a long-term employee bonus plan for its key employees according to which the amount of bonus was determined by reference to the Group's cumulative financial results for 2017-2018 financial years and was payable in two tranches during 2019. To qualify for the bonus employees were required to remain in service until each payment date.

The Group starts to recognize the amount of bonus only when it is probable that the performance conditions will be achieved and an outflow of economic benefits will be required to settle the obligation. At that date the Group recognises the cumulative expense related to past service period and starts recognising the remaining expense over the residual period of service, which includes the period until the payment date.

The Group contributes to the State Pension Fund of the Russian Federation. The only obligation of the Group with respect to these defined contribution plans is to make the specified contributions in the period in which they arise. These contributions to the State Pension Fund of the Russian Federation are recognized in the consolidated statement of profit or loss and other comprehensive income when employees have rendered services entitling them to the contribution. The Group does not maintain any supplemental post-retirement benefit plans for its employees.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Leases

For contracts concluded after 1 January 2019, the Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements (including sub-lease), which conveys the right to control the use of identified assets for a period of time in exchange for consideration, except for short-term leases (with lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the lease term within the range from 1 to 7 years.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications and remeasurements, amongst others. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and are recognised in profit or loss.

2. Significant accounting policies continued

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and in bank accounts and short-term highly liquid investments having original maturities of less than three months.

Provisions

A provision is recognized 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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Share capital

Ordinary shares are classified as equity and are recorded at the par value of proceeds received. Where shares are issued above par value, the proceeds in excess of par value are recorded in additional paid-in capital, net of direct issue costs.

Treasury shares

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

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. At the reporting dates, the Group had only financial assets classified as those to be measured at amortised cost, except for the rights to claim debt and investments in closed unit investment fund, which were classified as financial assets measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss using the effective interest method and is included in the "interest income" line item.

2. Significant accounting policies continued

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses (further “ECL”) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. At the reporting dates, the Group had only financial liabilities classified as those to be measured at amortised cost.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(in millions of Russian rubles, unless otherwise indicated)

2. Significant accounting policies continued

Changes in accounting policy

Starting from the fourth quarter of 2020 the Group has changed its accounting policy in relation to the presentation of general and administrative expenses incurred in production sites and related to production (salary for HR-personnel on production sites, security services and certain other types of expenses). Pursuant to the Group's revised policy, the Group now presents such expenses in "Cost of sales" line in the consolidated statement of profit or loss and other comprehensive income. Prior to this change, they were presented in "Selling, general and administrative expenses". Management believes that the changed presentation better reflects substance of the reclassified expenses and therefore enhances the quality of the consolidated financial statements by providing more relevant information about the Group's financial performance.

The Group has retrospectively applied the new accounting policy and, therefore, comparative information has been retrospectively restated. The effect of the changes in accounting policy on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 was as follows:

Year ended 31 December 2019	As previously reported	Effect of the change in accounting policy	As restated
Cost of sales	(90 896)	(1 479)	(92 375)
Gross profit	**27 863**	**(1 479)**	**26 384**
Selling, general and administrative expenses	(17 441)	1 479	(15 962)
Operating profit	**10 189**	**-**	**10 189**

The effect of the changes in accounting policy on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 was 1 495.

3. New and revised International Financial Reporting Standards

IFRSs and IFRIC interpretations adopted in the current year

The Group has adopted all IFRSs and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2020 (Amendments to IFRS 3, Amendments to IFRS 9, IAS 39 and IFRS 7, Amendments to IAS 1 and IAS 8 and Amendments to References to Conceptual Framework in IFRS Standard). The adoption of standards and amendments did not have a significant impact on the Group's results of operations, financial position or cash flows.

IFRS and IFRIC interpretations in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2021 or later periods and which the entity has not early adopted:

Standards and Interpretations	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined by the IASB
Amendments to IAS 1 - *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IFRS 3 - *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16 - *Property, Plant and Equipment—Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37 - *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to IFRS 16 – *Leases - Covid-19-Related Rent Concessions*	1 January 2021
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

3. New and revised International Financial Reporting Standards continued

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The management of the Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The management of the Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IAS 16 – Property, Plant and Equipment - *Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The management of the Group does not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

(in millions of Russian rubles, unless otherwise indicated)

3. New and revised International Financial Reporting Standards continued

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The management of the Group does not anticipate that the application of the amendments introduced by the Annual Improvements in the future will have an impact on the Group's consolidated financial statements.

4. Key sources of estimation uncertainty

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRSs. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from those estimates. Additional information relating to contingencies and commitments is disclosed in Note 32.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Biological assets

Biological assets are recorded at fair values less costs to sell. Fair value of the Group's biological assets was determined by using valuation techniques, as there were no observable market prices near the reporting date for biological assets of the same physical conditions.

Fair value is determined using Level 3 of fair value hierarchy and the following key unobservable inputs:

Description	Fair value as at 31 December 2020	Valuation technique	Unobservable inputs	Value of unobservable inputs	Relationship of unobservable inputs to fair value
Broilers	3 874	Discounted cash flows	Average weight of one broiler – kg	2.5	The higher the weight, the higher the fair value
			Chicken meat price – rubles	117.9	The higher the price, the higher the fair value
			Projected production costs – rubles per kg	90.5	The higher the costs, the lower the fair value
Breeders held for hatchery eggs production	4 751	Discounted cash flows	Number of hatchery eggs produced by one breeder	155	The higher the number, the higher the fair value
			Hatchery egg price – rubles	24.7	The higher the price, the higher the fair value
			Projected production costs of hatchery egg – rubles	9.2	The higher the costs, the lower the fair value
Sows	2 326	Discounted cash flows	Average number of piglets produced by one sow	29.3	The higher the number, the higher the fair value
			Market price of weaned piglet – rubles	1 957	The higher the price, the higher the fair value
			Discount rate	10.7%	The higher the discount rate, the lower the fair value
Market hogs	7 717	Discounted cash flows	Average weight of one market hog – kg	132.8	The higher the weight, the higher the fair value
			Pork meat price – rubles per kg	97.3	The higher the price, the higher the fair value
			Projected production costs – rubles per kg	72.0	The higher the costs, the lower the fair value

(in millions of Russian rubles, unless otherwise indicated)

4. New and revised International Financial Reporting Standards continued

Among the unobservable inputs stated above, there are several key assumptions that the Group estimates to determine the fair values of biological assets:

- Expected selling prices;
- Projected production costs and costs to sell.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results.

Should key assumptions used in determination of fair value of biological assets have been 10% higher or lower with all other variables held constant, the fair value of biological assets at the reporting date would be higher or (lower) with the corresponding effect to the net change in fair value of biological assets line in profit or loss by the following amounts:

	31 December 2020 Pork		31 December 2020 Chicken	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
Expected selling prices	1 840	(1 835)	1 639	(1 641)
Projected production costs and costs to sell	(1 233)	1 167	(967)	883

Impairment assessment of Ready-to-eat ("RTE") meat processing cash-generating unit

RTE meat processing cash-generating unit represents assets of RTE meat processing segment with a carrying value of 9 922 including 215 of goodwill and 400 of indefinite life trademarks as at 31 December 2020. During 2020, the aggregation of assets for identifying the cash-generating unit has changed as a result of the change in composition of the Group's reportable segments (Note 5) and now RTE meat processing cash-generating unit consists of assets of RTE meat processing segment – RTE product line, which comprises a wide range of processed meat products, including sausages, ham, hot dogs, etc. During 2019, these assets were allocated to Meat-processing cash-generating unit represented by assets of Meat-processing operating segment, which consisted of two distinctive product lines: the RTE product line, as described above and the Pork product line, which comprises production and sales of pork meat.

As a result of the poor performance of RTE meat processing cash-generating unit in 2020 the Group conducted an impairment test of the cash-generating unit by determining its recoverable amount and comparing it to the carrying value of non-current assets of the cash-generating unit. The recoverable amount was determined based on a value in use calculation, which uses cash flow projections based on strategic financial model covering a four-year period, and a discount rate set out below. Cash flows beyond that four-year period have been extrapolated using a steady 4% per annum growth rate, which is the projected long-term average consumer price index.

The key assumptions used are set out below.

In percent	31 December 2020
Discount rate	10.4%
Terminal value growth rate	4%
Average annual increase in selling prices (average for the next four years)	5.2%
Average annual increase in sales volumes (average for the next four years)	7.5%
Operating margin (range for the next four years)	(3%) - market average

The key assumptions used in the value in use calculation were determined as follows:

- Management forecasted increase in selling prices based on past performance and its expectations of market development.
- Increase in volumes was forecasted based on the expectation that the Group will increase its market share during the next four years by approximately 2 percentage points. The values assigned to the assumption are consistent with the management's plans for focused development of this segment. The management believes that the planned market share growth for the next four years is reasonably achievable.
- Operating margin is forecasted to gradually increase to industry average levels from (7.5%) in 2020 to the market average in 2024 mainly due to expected operational efficiency improvements driven by higher utilization of existing production facilities and certain other factors.
- The discount rate used is post-tax and reflect specific risks relating to the CGU and industry sector it operates.

4. New and revised International Financial Reporting Standards continued

Impairment test for the cash-generating unit showed that the recoverable amount of the cash-generating unit exceeds its carrying amount as at 31 December 2020 by 11 110 therefore no impairment loss was recognized in the consolidated statement of profit or loss and other comprehensive income for 2020.

The key assumptions to which the recoverable amount is the most sensitive are set out below together with sensitivity analysis:

- Should the average sales volumes annual increase rate decrease by 5.1 p.p. with all other volume-independent variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.
- Should the average sales prices annual increase rate decrease by 0.9 p.p. with all other price-independent variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.
- Should the operating margin in each year of the forecasted period decrease by 2.6 p.p. with all other variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.
- Should the discount rate increase by 5.8 p.p. with all other variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.

The management believes that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

As at 31 December 2019 assets of RTE meat processing cash-generating unit were part of Meat-processing segment as described above and were tested for impairment together with other assets of Meat-processing cash-generating unit. The recoverable amount was determined based on a value in use calculation, which uses cash flow projections based on management's estimations covering a five-year period and a discount rate of 11.6%. Cash flows beyond that five-year period have been extrapolated using a steady 4% per annum growth rate, which is the projected long-term average consumer price index. The key assumptions used were discount rate, terminal value growth rate, selling prices (0.44% average annual increase), sales volumes (2% average annual increase) and gross margin (market average).

Impairment test for the Meat-processing cash-generating unit showed that the recoverable amount of the cash-generating unit exceeded its carrying amount as at 31 December 2019 therefore no impairment loss was recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

Fair value measurement of rights to claim debt

The Group's right to claim debt is stated in the consolidated statement of financial position at its fair value. The Group engages a third party qualified independent appraiser to perform the valuation. Fair value is determined using Level 3 of fair value hierarchy and further information is provided in Note 31.

5. Operating segments

During the fourth quarter of 2020, as a result of changes in the structure of the information reviewed by the Group's chief operating decision maker of the Group changed the composition of its reportable segments. Previously, the Group's operations were divided into five segments by types of products produced: chicken, pork, meat processing, grain and feed. After the change the Group's operations are divided into four segments by types of products produced: chicken, pork, RTE meat processing and grain. The main changes in the composition were the following:

- Operations of the Feed segment were split between Chicken and Pork segments according to the volumes of feed produced for each segment;
- Operations of the Meat-processing segment were divided into Ready-To-Eat products (new RTE Meat processing segment) and the Pork product line comprising production and sales of pork meat which was added to Pork segment;

5. **Operating segments** continued

Substantially all of the Group’s operations are located within the Russian Federation. The chief operating decision maker (the Chief Executive Officer) is the individual responsible for allocating resources to and assessing the performance of each segment of the business.

- **The RTE meat processing segment** operations include the production and sales of a wide range of processed meat products, including sausages, ham, hot dogs, etc.
- **The Chicken segment** operations consist of the production of feed for the segment’s internal use, breeding, raising and processing broilers, as well as sales of chilled and frozen chicken products.
- **The Pork segment** operations consist of the production of feed for the segment’s internal use, breeding, raising and selling live pigs and the production and sales of pork meat.
- **The Grain segment** is involved in the farming of wheat and other crops.

All four segments are involved in other business activities, including sale of non-hatchery eggs and other services, which are non-core business activities. The Group also presents separately two reconciling columns in the table with segment information:

- **The Corporate** column mainly include payroll and other expenses of the holding company and
- **The Turkey** column represents operations related to purchase and subsequent resale of turkey meat produced by the joint venture through the Group’s distribution network.

Each of Turkey and Corporate are not operating segments.

The Group evaluates segment performance based on Adjusted EBITDA, which is the primary segment profit measure of the Group. Adjusted EBITDA is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The Group accounts for most of inter-segment sales and transfers as if the sales or transfers were to third parties. The accounting policies of the reportable segments are the same as the Group’s accounting policies described in Note 2 except for the sales of sows which are presented within “Sales” and “Cost of "sales” of Pork segment and within “Other operating income (expense), net” line in the consolidated statement of profit or loss and other comprehensive income. Segment assets and liabilities are not disclosed, as this information is not provided to the chief operating decision maker.

Adjusted EBITDA is defined as profit for the period before income tax expense/benefit, interest income and interest expense, net, foreign exchange loss/gain, depreciation and amortisation expense, net change in fair value of biological assets, bonuses to employees under long-term incentive program, gain on revaluation of rights to claim debt and share of profit/loss of joint ventures and associates plus share of Adjusted EBITDA of joint ventures and associates and depreciation and amortisation accumulated in harvested crops in stock.

Following the changes in the composition of the Group’s reportable segments the comparative information for the year ended 31 December 2019 has been retrospectively adjusted to reflect this change.

(in millions of Russian rubles, unless otherwise indicated)

5. Operating segments continued

Segment information for the year ended at 31 December 2020 comprised:

	Chicken	Pork	RTE meat processing	Grain	Total reporting segments	Corporate	Turkey	Intersegment and other adjustments	Total consolidated
Total sales	74 494	32 988	21 777	12 467	141 726	-	7 119	(20 042)	128 803
Intersegment sales	(1 515)	(8 944)	-	(8 606)	(19 065)	-	(182)	19 247	-
Sales to external customers	72 979	24 044	21 777	3 861	122 661	-	6 937	(795)	128 803
Net change in fair value of biological assets	942	222	-	-	1 164	-	-	-	1 164
Net revaluation of harvested crops in stock	-	-	-	388	388	-	-	2 077	2 465
Cost of sales	(58 444)	(23 350)	(19 678)	(6 731)	(108 203)	-	(6 466)	17 301	(97 368)
Gross profit (loss)	**16 992**	**9 860**	**2 099**	**6 124**	**35 075**	**-**	**653**	**(664)**	**35 064**
Operating expense*	(7 703)	(1 251)	(3 742)	108	(12 588)	(3 793)	(786)	628	(16 539)
Share of profit of joint ventures and associates	-	-	-	-	-	46	130	-	176
Operating income (loss)	**9 289**	**8 609**	**(1 643)**	**6 232**	**22 487**	**(3 747)**	**(3)**	**(36)**	**18 701**
Adjustments for:									
Depreciation and amortisation expense	3 347	2 350	994	762	7 453	782	-	-	8 235
Net change in fair value of biological assets	(942)	(222)	-	-	(1 164)	-	-	-	(1 164)
Share of adjusted EBITDA of joint ventures and associates**	-	-	-	-	-	326	472	-	798
Other	173	(6)	-	(49)	118	(1)	(131)	-	(14)
Adjusted EBITDA	**11 867**	**10 731**	**(649)**	**6 945**	**28 894**	**(2 640)**	**338**	**(36)**	**26 556**
Supplemental information:									
Segment capital expenditure	5 207	4 660	337	1 319	11 523	695	-	-	12 218
Income tax expense (benefit)	(20)	(56)	(37)	16	(97)	(187)	-	-	(284)

*Operating expenses include selling, general and administrative expenses and other operating income/ (expense), net.

** Adjusted EBITDA of joint ventures and associates is calculated consistently to that of the Group and reported to the CODM as part of segment reporting.

(in millions of Russian rubles, unless otherwise indicated)

5. Operating segments continued

Segment information for the year ended at 31 December 2019 comprised:

	Chicken	Pork	RTE meat processing	Grain	Total reporting segments	Corporate	Turkey	Intersegment and other adjustments	Total consolidated
Total sales	70 269	30 455	19 994	5 756	126 474	-	6 657	(13 022)	120 109
Intersegment sales	(1 820)	(6 768)	-	(3 553)	(12 141)	-	(127)	12 268	-
Sales to external customers	68 449	23 687	19 994	2 203	114 333	-	6 530	(754)	120 109
Net change in fair value of biological assets	(135)	(1 244)	-	-	(1 379)	-	-	-	(1 379)
Net revaluation of harvested crops in stock	-	-	-	155	155	-	-	(126)	29
Cost of sales	(53 265)	(22 586)	(18 902)	(4 436)	(99 189)	-	(5 973)	12 787	(92 375)
Gross profit (loss)	**16 869**	**6 625**	**1 092**	**1 475**	**26 061**	**-**	**684**	**(361)**	**26 384**
Operating expense**	(7 386)	(1 331)	(3 165)	36	(11 846)	(3 956)	(692)	422	(16 072)
Share of loss of joint ventures and associates	-	-	-	-	-	(17)	(106)	-	(123)
Operating income (loss)	**9 483**	**5 294**	**(2 073)**	**1 511**	**14 215**	**(3 973)**	**(114)**	**61**	**10 189**
Adjustments for:									
Depreciation and amortisation expense	3 361	2 424	902	510	7 197	618	3	-	7 818
Net change in fair value of biological assets	135	1 244	-	-	1 379	-	-	-	1 379
Share of adjusted EBITDA of joint ventures and associates**	-	-	-	-	-	297	439	-	736
Other	37	167	-	109	313	77	105	-	495
Adjusted EBITDA	**13 016**	**9 129**	**(1 171)**	**2 130**	**23 104**	**(2 981)**	**433**	**61**	**20 617**
Supplemental information:									
Segment capital expenditure	1 859	3 737	398	1 109	7 103	1 449	-	-	8 552
Income tax expense (benefit)	22	(1)	(36)	15	-	46	-	-	46

*Operating expenses include selling, general and administrative expenses and other operating income/ (expense), net.

** Adjusted EBITDA of joint ventures and associates is calculated consistently to that of the Group and reported to the CODM as part of segment reporting.

(in millions of Russian rubles, unless otherwise indicated)

5. Operating segments continued

Geographical information

The geographical distribution of the Group's sales to external customers is detailed below. Sales are allocated between domestic and export based on the final delivery destination of the products.

	2020	2019
Russia	118 831	114 385
Export	9 972	5 724
Total sales	**128 803**	**120 109**

Information about major customers

Sales to the Group's two largest customers each contributing more than 10 per cent to the Group's segment revenue in 2020 and 2019 are detailed below:

	2020		2019	
	RTE meat processing Segment	Chicken Segment	RTE meat processing Segment	Chicken Segment
Customer 1	4 387	11 114	1 716	9 840
Customer 2	1 775	6 346	1 596	5 068
Total sales to customers each contributing more than 10 per cent to the Group's revenue	**6 162**	**17 460**	**3 312**	**14 908**

No other single customers contributed 10 per cent or more to the Group's revenue in either 2020 or 2019.

6. Cost of sales

Cost of sales for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Raw materials and goods for resale	61 531	59 848
Personnel (excluding pension costs)	14 295	12 990
Depreciation	7 215	7 015
Utilities	4 629	4 286
Pension costs	2 832	2 649
Other	6 866	5 587
Total cost of sales	**97 368**	**92 375**

Raw materials and goods for resale include as an offset subsidies received from local governments in the amount of 79 and 37 for the years ended 31 December 2020 and 2019, respectively. These subsidies were received based on square of cultivated land and volumes of meat and eggs produced.

Deprecation includes an impairment loss recognized for non-operational items of property, plant and equipment in the amount of nil and 531 for the years ended 31 December 2020 and 2019 (Note 12).

(in millions of Russian rubles, unless otherwise indicated)

7. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Personnel (excluding pension costs)	5 178	5 132
Transportation	4 144	3 345
Advertising and marketing	2 108	1 218
Depreciation and amortisation	951	699
Pension costs	869	748
Materials and supplies	825	786
Taxes (other than income tax)	437	494
Warehouse expenses	372	220
Penalties	236	897
Information technology and communication services	216	298
Audit, consulting and legal fees	168	254
Utilities	174	184
Travel expenses	120	202
Bonuses to employees under long-term incentive program*	-	205
Veterinary services	97	115
Change in expected credit losses and other write-off	74	129
Rent expenses	55	129
Other	927	907
Total selling, general and administrative expenses	**16 951**	**15 962**

* In 2017 the Group entered into long-term remuneration agreement with key employees of the Group. Under the terms of the arrangement, the Group agreed to pay a one-time bonus in 2019 if the Group's financial performance will achieve target level for 2017 and 2018 on cumulative basis and employee will continue to serve the Group until the date of bonus distribution. Until the fourth quarter of 2018 the achievement of the result was not probable based on management estimates. In the fourth quarter of 2018 the Group achieved the target due to favourable market conditions.

8. Other operating income (expenses), net

Other operating income (expenses), net for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Income from non-core activities of the Group	2 332	1 863
Expenses related to income from non-core activities, comprising:	(1 590)	(1 749)
Raw materials	(1 050)	(1 277)
Personnel (excluding pension costs)	(196)	(148)
Depreciation	(69)	(104)
Utilities	(170)	(53)
Pension costs	(39)	(32)
Other	(66)	(135)
Loss on disposal of property, plant and equipment, net	(130)	(164)
Loss on disposal of non-current biological assets, net	(200)	(60)
Other operating income (expenses), net	**412**	**(110)**

9. Interest expense, net

Interest expense, net for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Interest on bank overdrafts and loans*	5 042	5 771
Interest on lease liabilities	129	121
Less: amounts included in the cost of qualifying assets	(43)	(95)
Total interest expense	**5 128**	**5 797**
Government grants for compensation of interest expenses accrued*	(1 126)	(1 648)
Government grants for compensation of interest expenses write-off	-	254
Less: amounts included in the cost of qualifying assets	21	81
Total government grants for compensation of interest expenses	**(1 105)**	**(1 313)**
Total interest expense, net	**4 023**	**4 484**

* Starting from 1 January 2017 the Group receives government grants through accredited banks, who provide loans to agricultural producers at reduced rates not exceeding 5% per annum on Rouble-denominated loans ("reduced rate lending subsidy"). The difference between market rate and the reduced rate equals the Key rate of the Bank of Russia and is compensated by Ministry of Agriculture to the accredited banks. The Group presents such subsidy in the table above gross of related interest expense in the amount of 704 (2019: 1 065).

(in millions of Russian rubles, unless otherwise indicated)

10. Other (expenses) income, net

Other (expenses) income, net for the years ended 31 December 2020 and 2019 comprised:

	2020	2019
Foreign exchange (loss) gain	(740)	676
Other income, net	41	73
Total other (expenses) income, net	**(699)**	**749**

11. Income tax benefit (expense)

All of the Group's taxes are levied and paid in the Russian Federation. Under Russian legislation, the statutory income tax rate for agricultural operations of the entities designated as agricultural entities is 0%. The statutory tax rate for non-agricultural entities is 20% for generally taxed entities and 10% for other tax regimes.

The main components of income tax for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Current tax expense	(163)	(160)
Deferred tax benefit	447	114
Total income tax benefit (expense)	**284**	**(46)**

The income tax benefit (expense) can be reconciled to the theoretical tax provision at the statutory rate for the years ended 31 December 2020 and 2019 as follows:

	2020	2019
Profit before income tax	14 861	6 697
Profit before income tax of entities taxed at zero rates (agricultural entities)	16 594	8 706
(Loss) Profit before income tax of entities taxed at 10% (other tax regimes)	(305)	120
Loss before income tax of generally taxed entities and non-agricultural operations of agricultural entities	(1 428)	(2 129)
Statutory income tax rate (agricultural operation of agricultural entities)	0%	0%
Statutory income tax rate (other tax regimes)	10%	10%
Statutory income tax rate (general and non-agricultural operations of agricultural entities)	20%	20%
Theoretical income tax benefit at the statutory tax rates	(317)	(414)
Expenses not deductible for Russian statutory taxation purposes	59	255
Additional income tax accrued for prior years	(13)	134
Other	(13)	71
Income tax (benefit) expense	**(284)**	**46**

The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as of 31 December 2020 and 2019:

	31 December 2020	31 December 2019
Deferred tax asset	1 693	1 214
Deferred tax liability	(1 056)	(1 023)
Net deferred tax asset	**637**	**191**

(in millions of Russian rubles, unless otherwise indicated)

11. Income tax continued

The movement in the net deferred tax asset for the year ended 31 December 2020 comprised:

	31 December 2019	Recognised in profit or loss	31 December 2020
Property, plant and equipment and investment property	(1 381)	(58)	(1 439)
Trade receivables	(47)	46	(1)
Other assets and liabilities	103	49	152
Tax loss carry forward	1 516	409	1 925
Net deferred tax asset	**191**	**446**	**637**

The movement in the net deferred tax assets for the year ended 31 December 2019 comprised:

	1 January 2019	Recognised in profit or loss	31 December 2019
Property, plant and equipment and investment property	(1 274)	(107)	(1 381)
Trade receivables	(66)	19	(47)
Other assets and liabilities	16	87	103
Tax loss carry forward	1 401	115	1 516
Net deferred tax asset	**77**	**114**	**191**

Starting from 2017 the Group can offset only 50% of taxable profit of each subsidiary against tax loss carry forwards accumulated by the subsidiary and the Group’s tax loss carry forwards have no date of expiration (after amendments to the Russian Tax Code effective 1 January 2017). The Group expects no impact on their deferred tax position as a result.

(in millions of Russian rubles, unless otherwise indicated)

12. Property, plant and equipment

The following table represents movements in property, plant and equipment for the years ended 31 December 2020 and 2019:

	Land and land lease rights	Buildings, infrastructure and leasehold improvements	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost							
Balance as at 1 January 2019	**7 167**	**59 425**	**34 673**	**6 188**	**314**	**5 608**	**113 375**
Additions	305	3 495	3 854	1 231	121	(1 957)	7 049
Acquisitions of subsidiaries (Note 31)	11	1 097	273	24	-	-	1 405
Disposals	(123)	(699)	(955)	(559)	(45)	(238)	(2 619)
As at 31 December 2019	**7 360**	**63 318**	**37 845**	**6 884**	**390**	**3 413**	**119 210**
Additions	56	1 700	2 888	1 053	94	4 475	10 266
Acquisitions of subsidiaries (Note 31)	4	1 374	401	10	6	-	1 795
Transfer from right-of-use assets	-	-	7	4	-	-	11
Disposals	(17)	(347)	(662)	(539)	(25)	(29)	(1 619)
As at 31 December 2020	**7 403**	**66 045**	**40 479**	**7 412**	**465**	**7 859**	**129 663**
Accumulated depreciation							
Balance as at 1 January 2019	**-**	**(12 362)**	**(15 666)**	**(3 344)**	**(225)**	**-**	**(31 597)**
Depreciation charge*	-	(2 809)	(3 307)	(888)	(68)	-	(7 072)
Eliminated on disposals	-	652	855	533	41	-	2 081
As at 31 December 2019	**-**	**(14 519)**	**(18 118)**	**(3 699)**	**(252)**	**-**	**(36 588)**
						-	
Depreciation charge	-	(2 516)	(3 625)	(826)	(103)	-	(7 070)
Eliminated on disposals	-	137	524	489	18	-	1 168
As at 31 December 2020	**-**	**(16 898)**	**(21 219)**	**(4 036)**	**(337)**	**-**	**(42 490)**
Carrying amounts							
At 31 December 2019	**7 360**	**48 799**	**19 727**	**3 185**	**138**	**3 413**	**82 622**
At 31 December 2020	**7 403**	**49 147**	**19 260**	**3 376**	**128**	**7 859**	**87 173**

* Depreciation charge includes 531 of impairment loss recognized through accelerated depreciation for non-operational assets.

Advances paid for acquisition and construction of property, plant and equipment are included in construction in progress in the amount of 2 793 and 425 as at 31 December 2020 and 2019, respectively.

(in millions of Russian rubles, unless otherwise indicated)

13. Investment property

The Group's investment property consists of commercial units located in Vostochnoe Biryulevo region of Moscow and land plots. The changes in the carrying amount of investment property for the years ended 31 December 2020 and 2019 were as follows:

	Land	Buildings	Total
Cost			
Balance as at 1 January 2019	**275**	**403**	**678**
Reconstruction and modernisation	-	82	82
As at 31 December 2019	**275**	**485**	**760**
Reconstruction and modernisation	-	12	12
As at 31 December 2020	**275**	**497**	**772**
Accumulated depreciation			
Balance as at 1 January 2019	**-**	**(83)**	**(83)**
Depreciation charge	-	(13)	(13)
As at 31 December 2019	**-**	**(96)**	**(96)**
Depreciation charge	-	(16)	(16)
As at 31 December 2020	**-**	**(112)**	**(112)**
Carrying amounts			
At 31 December 2019	**275**	**389**	**664**
At 31 December 2020	**275**	**385**	**660**

As at 31 December 2020 fair value of the buildings was determined based on the income approach (Level 3 of fair value hierarchy) and amounted to approximately 1 billion rubles which shows no change since the first valuation performed as at 1 January 2014 (the date of transition to IFRS).

The Group recognised the following amounts in respect of the investment property in profit or loss:

	2020	2019
Rental income from investment property	226	197
Direct operating expenses arising from investment property that generated rental income	(238)	(210)
Operating loss from investment property	**(12)**	**(13)**

14. Right-of-use assets

The movement of right-of-use assets for the years ended 31 December 2020 and 2019 were as follows:

	Land	Buildings, infrastructure and leasehold improvements	Machinery and equipment	Vehicles	Total
Cost					
Balance as at 1 January 2019	**518**	**771**	**326**	**53**	**1 668**
New lease contracts and modification of existing lease contracts	185	41	44	109	379
Acquisition of subsidiaries	10	-	-	-	10
Transfer to property, plant and equipment, net	-	-	-	(36)	(36)
As at 31 December 2019	**713**	**812**	**370**	**126**	**2 021**
New lease contracts and modification of existing lease contracts	11	799	345	456	1 611
Acquisition of subsidiaries	-	-	2	-	2
Disposal of lease contracts	(13)	(85)	-	-	(98)
Transfer to property, plant and equipment, net	-	-	(77)	(22)	(99)
As at 31 December 2020	**711**	**1 526**	**640**	**560**	**3 437**
Accumulated depreciation					
Depreciation charge	(42)	(297)	(75)	(40)	(454)
As at 31 December 2019	**(42)**	**(297)**	**(75)**	**(40)**	**(454)**
Depreciation charge	(45)	(374)	(66)	(39)	(524)
Eliminated on disposal of lease contracts	1	37	-	-	38
Transfer to property, plant and equipment, net	-	-	70	18	88
As at 31 December 2020	**(86)**	**(634)**	**(71)**	**(61)**	**(852)**
Carrying amounts					
At 31 December 2019	**671**	**515**	**295**	**86**	**1 567**
At 31 December 2020	**625**	**892**	**569**	**499**	**2 585**

(in millions of Russian rubles, unless otherwise indicated)

15. Goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units, being also operating segments of the Group, and represents the lowest level at which goodwill is monitored for impairment by management:

	2020	2019
RTE meat processing	215	-
Pork	35	-
Meat-processing	-	250
Chicken	680	680
Grain	698	698
Total goodwill	**1 628**	**1 628**

The recoverable amount of Chicken and Grain cash-generating units is determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period and 11% post-tax discount rate (2019: 11%). The cash flows beyond that period have been extrapolated using a steady 4.0% per annum growth rate (2019: 3.5%). Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Reasons for the change in allocating goodwill from Meat-processing to RTE meat processing cash-generating unit, key inputs in determination of the recoverable amount of the cash-generating unit together with sensitivity to reasonably possible changes in those inputs are disclosed in Note 4.

16. Intangible assets

The following table represents movements of intangible assets for the years ended 31 December 2020 and 2019:

	Computer software	Indefinite life trademarks	Other intangible assets	Total
Cost				
Balance at 1 January 2019	**1 860**	**1 216**	**173**	**3 249**
Additions	494	-	10	504
Balance at 31 December 2019	**2 354**	**1 216**	**183**	**3 753**
Additions	508	-	13	521
Balance at 31 December 2020	**2 862**	**1 216**	**196**	**4 274**
Accumulated amortisation				
Balance at 1 January 2019	**(983)**	**-**	**(122)**	**(1 105)**
Amortisation expense	(304)	-	(9)	(313)
Balance at 31 December 2019	**(1 287)**	**-**	**(131)**	**(1 418)**
Amortisation expense	(436)	-	(15)	(451)
Balance at 31 December 2020	**(1 723)**	**-**	**(146)**	**(1 869)**
Carrying amounts				
At 31 December 2019	**1 067**	**1 216**	**52**	**2 335**
At 31 December 2020	**1 139**	**1 216**	**50**	**2 405**

Computer software

Software is amortised over its useful life ranging from 2 to 10 years and is mainly presented by SAP and Oracle systems installed by the Group.

(in millions of Russian rubles, unless otherwise indicated)

16. Intangible assets continued

Indefinite life trademarks

Kurinoe Tsarstvo ("Куриное Царство") trademark

The carrying value of the Kurinoe Tsarstvo trademark was 745 as of 31 December 2020 and 2019.

As of 31 December 2020 and 2019, management tested the Kurinoe Tsarstvo trademark for impairment and determined that the trademark was not impaired. The fair value was determined using a relief from royalty method based on expected sales by trademark derived from the segment business plan approved by the management covering a five-year period. The cash flows beyond that period have been extrapolated using a steady 4 % per annum growth rate, which is the projected long-term average general inflation in Russia.

The key assumptions used for impairment testing purposes are set out below.

In percent	31 December 2020	31 December 2019
Post-tax discount rate (WACC + 5% risk-premium)	16.0%	16.0%
Terminal value growth rate	4.0%	3.5%
Royalty rate	2.5%	3.3%
Trademark revenue growth rate (average of next five years)	4.4%	4.4%

The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the trademark.

Cherkizovo ("Черкизово") trademark

The carrying value of the Cherkizovo trademark was 436 as of 31 December 2020 and 2019.

As of 31 December 2020 and 2019, management tested the Cherkizovo trademark for impairment and determined that the trademark was not impaired. The fair value was determined using a relief from royalty method based on current year actual sales by trademark and royalty rate of 2.5% (2019: 3.3%). Potential royalty from one-year sales covers the carrying value of the trademark and therefore the Group did not make a detailed calculation for the whole life of the trademark.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the trademark.

17. Biological assets

Non-current biological assets

The balances of non-current biological assets were as follows:

	31 December 2020		31 December 2019	
	Units	Carrying amount	Units	Carrying amount
Sows, heads	113 047	2 326	107 888	2 007
Total bearer non-current biological assets	**113 047**	**2 326**	**107 888**	**2 007**

The following table represents movements in sows:

	Amount
Balance at 1 January 2019	**2 638**
Increase due to purchases and breeding costs of growing livestock	1 307
Decrease due to sale	(834)
Loss arising from changes in fair value less estimated point-of-sales costs	(1 104)
Balance at 31 December 2019	**2 007**
Increase due to purchases and breeding costs of growing livestock	1 349
Decrease due to sale	(1 029)
Loss arising from changes in fair value less estimated point-of-sales costs	(1)
Balance at 31 December 2020	**2 326**

(in millions of Russian rubles, unless otherwise indicated)

17. **Biological assets** continued

Current biological assets and related work-in progress

All current biological assets are consumable except for breeders, which are bearer biological assets. The balances of current biological assets were as follows:

	31 December 2020		31 December 2019	
	Units	**Carrying amount**	**Units**	**Carrying amount**
Pork				
Market hogs, heads	1 013 447	7 717	1 277 298	7 390
	1 013 447	7 717	1 277 298	7 390
Chicken				
Broilers, heads	34 925 047	3 874	36 510 440	3 525
Breeders, heads (bearer biological assets)	3 627 069	4 751	3 576 183	3 224
	38 552 116	8 625	40 086 623	6 749
Hatchery eggs, quantity	23 410 364	447	25 327 958	400
Unharvested crops, hectares	49 197	685	59 005	838
Work-in progress related to cultivation of crops		1 024		910
Total current biological assets and related work-in progress		**18 498**		**16 287**

The following table represents movements in the most material classes of the current biological assets:

	Pork	Broilers	Breeders	Unharvested crops and related WIP	Total
Balance at 1 January 2019	**7 628**	**2 910**	**3 094**	**1 402**	**15 034**
Increase due to purchases and gain arising from cost inputs	18 163	49 668	2 571	4 856	75 258
Increase due to acquisition of subsidiaries	-	-	356	-	356
Transfer to consumable biological assets	-	2 364	(2 364)	-	-
Decrease due to sale or harvest of assets	(24 478)	(60 597)	-	(6 075)	(91 150)
Gain arising from changes in fair value less estimated point-of-sales costs	6 077	9 180	(433)	1 565	16 389
Balance at 31 December 2019	**7 390**	**3 525**	**3 224**	**1 748**	**15 887**
Increase due to purchases and gain arising from cost inputs	18 760	57 441	2 716	5 754	84 671
Transfer to consumable biological assets	-	2 524	(2 524)	-	-
Decrease due to sale or harvest of assets	(26 547)	(66 627)	-	(12 171)	(105 345)
Gain arising from changes in fair value less estimated point-of-sales costs	8 114	7 011	1 335	6 379	22 839
Balance at 31 December 2020	**7 717**	**3 874**	**4 751**	**1 710**	**18 052**

17. Biological assets continued

The reconciliations of net change in fair value of biological assets are as follows:

	2020	2019
Fair value adjustment at the beginning of the year (biological assets transferred to inventory and subsequently sold)	(5 204)	(6 583)
Fair value adjustment at the end of the year (biological assets)	6 368	5 204
Net change in fair value of biological assets	**1 164**	**(1 379)**

The reconciliations of net revaluation of harvested crops in stock are as follows:

	2020	2019
Fair value adjustment at the beginning of the year (agricultural produce subsequently sold)	(1 157)	(1 128)
Fair value adjustment at the end of the year (agricultural produce)	3 622	1 157
Net revaluation of harvested crops in stock	**2 465**	**29**

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

	2020	2019
Winter wheat	344	230
Spring wheat	199	125
Corn	110	99
Sunflower	71	46
Soybean	70	46
Peas	20	12
Barley	18	41

The production output of pork and chicken segments of the Group were as follows (in thousands of tonnes):

	2020	2019
Pork meat	302	284
Chicken meat	695	663

Key inputs in fair value measurement of biological assets together with sensitivity to reasonably possible changes in those inputs are disclosed in Note 4.

18. Investments in joint ventures and associates

The Group's significant joint ventures and associates include:

	Type of investment	Ownership and voting interest of the Group	31 December 2020	31 December 2019
LLC Tambovskaya Indeika (Tambov Turkey JV)	Joint venture	50%	3 706	3 266
Samson – Food Products	Associate	75%	355	327
LLC COBB-RUSSIA	Joint venture	50%	214	196
Total investments in joint ventures and associates			**4 275**	**3 789**

Tambov Turkey JV

During the year ended 31 December 2012 the Group, together with Grupo Corporativo Fuertes, S.L., established a joint venture, LLC Tambovskaya Indeika. The joint venture's primary business is breeding of turkey. The joint venture started construction of an integrated full cycle turkey production complex in 2013 and started operations in November 2016.

Summarised financial information in respect of the Group's joint venture and its reconciliation to the carrying amount of the interest in the joint venture are set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

(in millions of Russian rubles, unless otherwise indicated)

18. Investments in joint ventures and associates continued

	31 December 2020	31 December 2019
Cash and cash equivalents	139	145
Other current assets	3 676	2 460
Non-current assets	11 333	8 334
Trade and other payables	(840)	(641)
Short-term borrowings	(2 840)	(1 643)
Other current liabilities	(117)	(72)
Long-term borrowings	(3 842)	(1 937)
Other non-current liabilities	(97)	(114)
Net assets of the joint venture	**7 412**	**6 532**
Proportion of the Group's ownership interest in the joint venture	50%	50%
The Group's equity interest in the joint venture	**3 706**	**3 266**
Carrying amount of the Group's interest in the joint venture	**3 706**	**3 266**

	2020	2019
Revenue	6 900	6 310
Operating expenses without depreciation and amortisation, foreign exchange loss (gain), net change in fair value of biological assets	(5 957)	(5 432)
Adjusted EBITDA	**943**	**878**
Depreciation and amortisation	(612)	(620)
Interest income	14	16
Interest expense	(132)	(150)
Foreign exchange loss (gain)	(32)	32
Net change in fair value of biological assets	93	(379)
Income tax expense	(15)	(7)
Profit (loss) for the year and total comprehensive income (loss) for the year	**259**	**(230)**
Proportion of the Group's ownership interest in the joint venture	50%	50%
The Group's share of Adjusted EBITDA	**472**	**439**
The Group's share of income (loss) of the joint venture	**130**	**(115)**

As of 31 December 2020 and 2019, management tested the Group's investment in Tambov Turkey for impairment and determined that the investment was not impaired.

Samson – Food Products

On 25 December 2018 the Group acquired 75% in LLC "Myasokombinat Vsevolzhskyi" and LLC "Svezhyi Product" (together "Samson – Food Products") for cash consideration of 350 payable at the acquisition date and contingent consideration payable within two years after the acquisition. The contingent consideration depends on performance of Samson – Food Products in 2019 and based on the performance of the associate in 2019 was estimated as zero. At the acquisition date the Group also signed a shareholders agreement with JSC "Samson-Producty Pitaniya", being the Seller and holder of the residual 25% share. Under the terms of this arrangement, the Group agreed that operational management, including the General Director appointment decisions, remains the authority of the Seller until the final sale of the residual 25% share. Based on the above considerations the Group accounted for the investment in 75% of Samson – Food Products as an investment in an associate.

Samson – Food Products is a meat-processing group of companies located in the North-West region and offering meat products under such brands as Samson, Grillmania, Fileya and others.

(in millions of Russian rubles, unless otherwise indicated)

18. Investments in joint ventures and associates continued

Summarised financial information in respect of the Group's associate and its reconciliation to the carrying amount of the interest in the associate are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

	31 December 2020	31 December 2019
Cash and cash equivalents	85	154
Other current assets	766	551
Goodwill	388	388
Property, plant and equipment	548	501
Other non-current assets	488	503
Trade and other payables	(753)	(628)
Short-term borrowings	(855)	(856)
Other current liabilities	(25)	(30)
Long-term borrowings	(169)	(147)
Net assets of the associate	**473**	**436**
Proportion of the Group's ownership interest in the associate	75%	75%
Carrying amount of the Group's interest in the associate	**355**	**327**

	2020	2019
Revenue	6 425	4 700
Operating expenses without depreciation and amortisation, foreign exchange loss (gain), net change in fair value of biological assets	(6 221)	(4 562)
Adjusted EBITDA	**204**	**138**
Depreciation and amortisation	(93)	(99)
Interest income	6	2
Interest expense	(72)	(89)
Foreign exchange (loss) / gain	(7)	4
Income tax	-	13
Profit (loss) for the year and total comprehensive loss for the year	**38**	**(31)**
Proportion of the Group's ownership interest in the associate	75%	75%
The Group's share of Adjusted EBITDA	**153**	**104**
The Group's share of profit (loss) of the associate	**29**	**(23)**

LLC Cobb-Russia

LLC Cobb-Russia is a joint venture with GP CY Holdings Ltd. LLC Cobb-Russia is the official distributor and producer of "Cobb" chicken breeders in Russia.

19. Long-term deposits in banks

	CCY	Effective rate, %	Maturity	31 December 2020	31 December 2019
Deposits in Gazprombank	RUR	8%	2022	641	641
Total long-term deposits in banks				**641**	**641**

20. Inventories

	31 December 2020	31 December 2019
Raw materials	16 491	9 544
Spare parts	1 185	830
Work in-progress	498	418
Finished goods	2 568	2 431
Total inventory	**20 742**	**13 223**

Notes to the consolidated financial statements

For the year ended 31 December 2020

(in millions of Russian rubles, unless otherwise indicated)

21. Taxes recoverable and prepaid

	31 December 2020	31 December 2019
Value added tax	1 975	1 209
Income tax prepaid	231	608
Other taxes	451	579
Total tax recoverable and prepaid	**2 657**	**2 396**

22. Trade receivables, net

	31 December 2020	31 December 2019
Trade receivables	5 921	5 659
Less: allowance for expected credit losses	(176)	(183)
Total trade receivables, net	**5 745**	**5 476**

The following table summarizes the changes in the allowance for expected credit losses for the years ended 31 December 2020 and 2019:

	2020	2019
Balance at the beginning of the year	**183**	**119**
Additional allowance, recognized during the year	27	101
Trade receivables written off during the year	(34)	(37)
Balance at the end of the year	**176**	**183**

23. Cash and cash equivalents

	31 December 2020	31 December 2019
RUR-denominated cash at banks	799	771
USD-denominated cash at banks	135	18
Bank deposits	5 783	2 513
Cash in hand	1	2
Total cash and cash equivalents	**6 718**	**3 304**

Bank deposits are denominated in rubles, USD and euro and have original maturity of less than 3 months.

24. Shareholder’s equity

Share capital

As of 31 December 2020 and 2019, issued shares of the Company had a par value of 0.01 rubles. The total number of authorized shares was 54 702 600 and the number of issued shares was 41 047 014 as at 31 December 2020 and 43 963 773 as at 31 December 2019. All issued and outstanding shares have equal voting rights. The Company is authorized to issue preferred shares not exceeding 25% of its ordinary share capital. No such shares are currently issued.

Dividends

In accordance with Russian legislation, earnings available for dividends are limited to retained earnings of the Company, calculated in accordance with statutory rules in local currency.

On March 2020 and September 2020 dividends of approximately 60.92 Russian rubles per share (2 500 in total) and approximately 48.79 Russian rubles per share (2 003 in total) were approved at the extraordinary shareholders’ meeting and have been fully paid during the year ended 31 December 2020.

On March 2019 and September 2019 dividends of approximately 101.63 Russian rubles per share (4 173 in total) and approximately 48.79 Russian rubles per share (2 003 in total) were approved at the extraordinary shareholders’ meeting and have been fully paid during the year ended 31 December 2019.

(in millions of Russian rubles, unless otherwise indicated)

24. Shareholder's equity continued

Treasury shares

During 2020 the Group canceled all its treasury shares, which resulted in reduction of charter capital of the Company by RUR 29 thousand and zeroing Treasury Shares balance in the consolidated statement of financial position as at 31 December 2020. The transaction had no effect on the average number of outstanding shares.

25. Non-controlling interests

	NCI percentage	31 December 2020	31 December 2019
JSC Petelinskaya	10.3%	40	142
LLC PKO Otechestvennyi Product	4.1%	211	215
LLC Cherkizovo trade house	0.1%	1	307
Other non-controlling interests		217	215
Total non-controlling interests		**469**	**879**

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations:

As at 31 December 2020 and for 2020	JSC Petelinskaya	LLC PKO Otechestvennyi Product	Total
NCI percentage	**10.3%**	**4.1%**	
Non-current assets	1 758	1 021	2 779
Current assets	2 109	4 710	6 819
Non-current liabilities	-	(219)	(219)
Current liabilities	(3 475)	(382)	(3 857)
Net assets	392	5 130	5 522
Carrying amount of NCI	**40**	**211**	**251**
Revenue	6 863	919	7 782
Profit (loss)	269	(337)	(68)
Total comprehensive income (loss)	269	(337)	(68)
Profit (loss) allocated to NCI	**28**	**(14)**	**14**
Cash flows from operating activities	(916)	518	(398)
Cash flows from investment activities	(114)	(757)	(871)
Cash flows from financing activities (dividends to NCI: nil)	1 031	165	1 196
Net increase (decrease) in cash and cash equivalents	**1**	**(74)**	**(73)**

As at 31 December 2019 and for 2019	JSC Petelinskaya	LLC PKO Otechestvennyi Product	LLC Cherkizovo trade house	Total
NCI percentage	**11.8%**	**4.0%**	**11.8%**	
Non-current assets	1 782	311	1 267	3 360
Current assets	1 606	5 412	12 796	19 814
Non-current liabilities	-	(101)	(266)	(367)
Current liabilities	(2 184)	(194)	(11 193)	(13 571)
Net assets	1 204	5 428	2 604	9 236
Carrying amount of NCI	**142**	**215**	**307**	**664**
Revenue	6 694	2 067	95 267	104 028
Profit (loss)	341	156	(695)	(198)
Total comprehensive income (loss)	341	156	(695)	(198)
Profit (loss) allocated to NCI	**40**	**6**	**(82)**	**(36)**
Cash flows from operating activities	(805)	175	(1 607)	(2 237)
Cash flows from investment activities	345	(20)	2 465	2 790
Cash flows from financing activities (dividends to NCI: nil)	460	1	209	670
Net increase in cash and cash equivalents	**-**	**156**	**1 067**	**1 223**

(in millions of Russian rubles, unless otherwise indicated)

26. Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 29. Terms and conditions of outstanding loans were as follows:

	Nominal interest rate	EIR[1]	Adjusted EIR [2]	Year of maturity	31 December 2020		31 December 2019	
					Current	Non-current	Current	Non-current
Bonds	6.20%-7.50%	6.84%	6.84%	2023-2025	-	22 300	5 000	10 000
Bank loans	1.10%-12.50%	3.62%	2.89%	2021-2028	27 018	19 379	15 442	33 100
Other borrowings	7.00%	7.00%	7.00%	2029	-	177	-	82
Interest payable					155	-	348	-
Total borrowings					**27 173**	**41 856**	**20 790**	**43 182**

As of 31 December 2020, the Group's borrowings are denominated in the following currencies: 66 405 in Russian roubles and 2 624 in Euro. As of 31 December 2019, the Group's borrowings are denominated in the following currencies: 61 966 in Russian roubles and 2 006 in Euro.

Interest on the majority of borrowings is paid on a monthly or quarterly basis.

Bonds

Bonds due in May 2023

In November 2019, the Group placed 10 000 000 bonds in roubles at par value (1 000 roubles at the issuance date) with a maturity date in May 2023. The coupon rate on the bonds, payable quarterly, is set at 7.5% per annum. The Group accounts for these instruments at amortized cost.

Bonds due in March 2024

In September 2020, the Group placed 6 300 000 bonds in roubles at par value (1 000 roubles at the issuance date) with a maturity date in March 2024. The coupon rate on the bonds, payable quarterly, is set at 6.2% per annum. The Group accounts for these instruments at amortized cost.

Bonds due in December 2025

In December 2020, the Group placed 6 000 000 bonds in roubles at par value (1 000 roubles at the issuance date) with a maturity date in December 2025 with an early repayment option in December 2023. The coupon rate on the bonds, payable quarterly, is set at 6.4% per annum. The Group accounts for these instruments at amortized cost.

Bank loans

Terms and conditions of outstanding bank loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2020	31 December 2019
Sberbank of Russia	Russian rubles	1.20%*-9.20%	2021-2024	9 777	12 394
Sberbank of Russia	Euro	3.40%	2024	2 624	2 006
Alfa bank	Russian rubles	1.10%*-7.00%	2021-2026	4 601	4 476
Bank VTB	Russian rubles	2.50%*-6.80%	2021-2024	3 882	7 012
Bank Otkritie Financial Corporation	Russian rubles	6.30%	2023	4 188	-
Gazprombank	Russian rubles	1.60%*-8.99%	2021-2022	6 713	4 982
Raiffeisenbank	Russian rubles	n/a	n/a	-	5 985
Rosselkhozbank	Russian rubles	1.20%*-9.39%	2021-2028	14 595	7 310
UniCredit Bank	Russian rubles	12.50%	2022	17	4 377
Total bank loans				**46 397**	**48 542**

* Low interest rates relate to subsidized borrowings under new government policy effective since 2017 (Note 9).

Unused lines of credit

The total amount of unused credit on lines of credit as of 31 December 2020 is 64 507. The unused credit can be utilized from 2021 to 2028 with expiration of available amounts varying as follows: 14 781 expires by 31 December 2021, 38 270 expires by 31 December 2022, 500 expires by 31 December 2024, 7 700 expires by 31 December 2026 and 3 257 expires by 31 December 2028.

[1] EIR represents the weighted average interest rate on outstanding loans.

[2] Adjusted EIR represents the effective rate on borrowings at year end, adjusted by government subsidies for certain qualifying debt. Since approvals for subsidies are submitted annually by the Group as required by law, the existence of such subsidies in any given year is not necessarily indicative of their existence in future periods. See Note 9 for further disclosure of government subsidies related to interest on borrowings.

(in millions of Russian rubles, unless otherwise indicated)

26. **Borrowings** continued

Collateral under borrowings

Shares and participating interests in the following Group companies are pledged as collateral under certain borrowings as of 31 December 2020:

	31 December 2020	31 December 2019
JSC Altaisky Broiler	-	100%
LLC Cherkizovo-Masla	100%	-
CJSC Rovesnky Broiler	-	100%
JSC Cherkizovo-Kashira	100%	100%

Property, plant and equipment with a carrying value of 12 025 and 10 427 were pledged as security under loan agreements as of 31 December 2020 and 2019, respectively, including construction in progress pledged with a carrying value of 186 and nil as of 31 December 2020 and 2019, respectively.

Notes receivable, net with a carrying value of 184 and nil were pledged as security under loan agreements as of 31 December 2020 and 2019, respectively.

Certain significant loan agreements with the Sberbank of Russia, Rosselkhozbank, Bank VTB, Gazprombank, Bank Otkritie Financial Corporation, Raiffeisenbank and Alfa-bank contain financial covenants requiring maintenance of specific debt to EBITDA and other ratios.

The Group was in breach of one covenant calculated based on the statutory financial statements of one of the Group's subsidiaries. The Group received waiver before 31 December 2020, saying that the bank will not demand an early repayment of the loan and interest payable. The Group was in compliance with all covenants as at 31 December 2019.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	31 December 2019	Financing cash flows (i)	New lease contracts, modification of existing lease contracts and disposal of lease contracts	Forex adjustments	Other non-cash changes	Interest accruals and payments	31 December 2020
Borrowings, including lease liabilities	65 151	3 767	1 503	618	504	(193)	71 350

			Non-cash changes						
	31 December 2018	Financing cash flows (i)	Restricted cash (used in investing activities)	Acquisition of subsidiaries (Note 31)	Effect of adoption of IFRS 16	Forex adjustments	Other non-cash changes	Interest accruals and payments	31 December 2019
Borrowings, including lease liabilities	68 813	(5 233)	(109)	290	1 344	(302)	372	(24)	65 151

(i) Net amount of repayment of proceeds from short-term and long-term borrowings and repayments of short-term and long-term borrowings in the consolidated statement of cash flows.

(in millions of Russian rubles, unless otherwise indicated)

27. Lease liabilities

For the years ended 31 December 2020 and 2019 the movement of lease liabilities was as follows:

Balance at 1 January 2019	**1 308**
Interest expense on lease liabilities	121
Lease payments	(541)
New leased contracts arose from acquisition of subsidiaries	10
New leased contracts and modification of existing lease contracts	281
Balance at 31 December 2019	**1 179**
Interest expense on lease liabilities	129
Lease payments	(490)
New leased contracts arose from acquisition of subsidiaries	2
New leased contracts and modification of existing lease contracts	1 610
Disposal of lease contracts	(109)
Balance at 31 December 2020	**2 321**

For the year ended 31 December 2020 lease expenses for leases with lease term of 12 months or less and leases of low-value assets amounted to 266 (2019: 178) and lease expenses for variable lease payments not included in the measurement of lease liabilities amounted to 52 (2019: 25).

28. Tax related liabilities

	31 December 2020	31 December 2019
Value added tax	792	617
Payroll related taxes	384	385
Property tax	105	261
Personal income tax withheld	23	52
Other taxes	13	12
Total tax related liabilities	**1 317**	**1 327**

29. Financial instruments

Categories of financial instruments and fair value measurements

The carrying values and fair values of the Group's financial assets and liabilities as of 31 December 2020 and 2019 are as follows:

	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets not measured at fair value				
Amortised cost				
Long-term deposits in banks	641	689	641	678
Other non-current assets	372	372	246	246
Trade receivables	5 745	5 745	5 476	5 476
Other receivables	414	414	199	199
Other current assets	269	269	76	76
Cash and cash equivalents	6 718	6 718	3 304	3 304
Financial assets measured at fair value				
Financial assets at FVTPL				
Rights to claim debt	5 381	5 381	4 685	4 685
Investments in closed unit investment fund (presented within other non-current assets)	495	495	495	495
	20 035	**20 083**	**15 122**	**15 159**
Financial liabilities not measured at fair value				
Amortised cost				
Borrowings	69 029	69 213	63 972	62 968
Lease liabilities	2 321	2 321	1 179	1 179
Trade payables	16 203	16 203	11 560	11 560
Payables for non-current assets	1 257	1 257	656	656
Payroll related liabilities	2 001	2 001	2 317	2 317
Other payables and accruals	552	552	237	237
	91 363	**91 547**	**79 921**	**78 917**

As at 31 December 2020 the Group used 5.94% for short-term agreements, 7.54% for medium-term agreements, 5.64% for long-term agreements (as at 31 December 2019 the Group used 7.84% for short-term agreements, 9.15% for medium-term agreements, 8.47% for long-term agreements) as market rate of cost of debt for the fair value estimation (for borrowings nominated in RUB). That rate excludes the effect of subsidies.

(in millions of Russian rubles, unless otherwise indicated)

29. Financial instruments continued

Fair value measurement of rights to claim debt, long-term deposits and borrowings was categorized into Level 3 as at 31 December 2020 and 2019. The fair value of long-term deposits and borrowings was calculated using the discounted cash flow method by applying the statistical interest rates provided by the Bank of Russia for short, middle and long-term borrowings and deposits as at 31 December 2020 and 2019. The higher rates are used in the calculation for the borrowings the lower would be the fair value. The higher rates are used in the calculation for the long-term deposits the higher would be the fair value. Valuation technique for the rights to claim debt is disclosed in Note 31. Fair value measurement of investments in closed unit investment fund was categorized into Level 1 as at 31 December 2020 and 2019 and was determined using the market value of each unit.

Financial risk management

The main risks arising from the Group's financial instruments are capital risk management, interest rate risk, credit risk, liquidity risk and foreign currency risk.

The Group's management identifies measures and manages financial risks in accordance with the Group's policies and procedures.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the equity holders. The capital structure of the Group consists of debt, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings. The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

Credit risk

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. Financial assets which potentially subject the Group to credit risk consist primarily of trade and other receivables, long-term deposits, notes receivable, rights to claim debt and cash in current and deposit accounts with banks.

The Group's maximum exposure to credit risk arises from the following classes of financial assets (except for the rights to claim debt that are separately disclosed in Note 31):

	31 December 2020	31 December 2019
Long-term deposits in banks	641	641
Other non-current assets	372	246
Trade receivables	5 745	5 476
Other receivables	414	199
Other current assets	269	76
Cash and cash equivalents (except for cash in hand)	6 718	3 302
Total maximum credit risk	**14 159**	**9 940**

Trade receivables

The maximum exposure to credit risk for trade receivables by counterparty was as follows:

	31 December 2020	31 December 2019
Company 1	1 055	965
Company 2	592	544
Company 3	476	418
Company 4	379	372
Company 5	358	300
Other counterparties	2 885	2 877
Total	**5 745**	**5 476**

The average credit period on sales of goods is 30 days. No interest is charged on trade and other receivables. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are regularly reviewed.

For trade receivables the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

(in millions of Russian rubles, unless otherwise indicated)

29. Financial instruments continued

Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix:

	Expected credit loss rate	31 December 2020	31 December 2019
Neither past due nor impaired	-	5 263	4 723
Past due 1-90 days	-	426	518
Past due 91-180 days	-	53	217
Past due 180-365 days	84%	19	87
Past due more than 365 days	100%	160	114
Total		**5 921**	**5 659**

Cash and cash equivalents and long-term deposits

The credit risk on cash and cash equivalents and long-term deposits is limited because these funds are placed only with banks with stable credit ratings assigned by international credit-rating agencies. All balances on bank accounts are neither overdue nor impaired.

The table below shows the rating and cash and cash equivalents balances with major banks at the reporting dates:

	Rating agency	Rating	31 December 2020	31 December 2019
Bank 1	Moody`s	Ba3	3 426	2 669
Bank 2	Standard & Poor's	BBB-	2 956	317
Bank 3	Fitch Ratings	BBB	178	145
Bank 4	Fitch Ratings	BBB-	60	41
Other banks	-	-	98	130
Total cash and cash equivalents at banks			**6 718**	**3 302**

The table below shows the rating and long-term bank deposits balances at the reporting dates:

	Rating agency	Rating	31 December 2020	31 December 2019
Gazprombank	S&P Global Ratings	BB+	641	641
Total long-term bank deposits			**641**	**641**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following tables detail the Group's expected maturity for its financial assets, except for cash and cash equivalents and rights to claim debt. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those:

	Effective interest rate, %	Less than 6 month	6 months-1 year	1-4 years	More than 4 years	Total
At 31 December 2019						
Trade and other receivables		5 675	-	-	-	5 675
Long-term deposits in banks	8%	26	26	709	-	761
Other non-current assets		-	-	-	246	246
Other current assets		76	-	-	-	76
Total		**5 777**	**26**	**709**	**246**	**6 758**
At 31 December 2020						
Trade and other receivables		6 159	-	-	-	6 159
Long-term deposits in banks	8%	26	26	657	-	709
Other non-current assets		-	-	-	372	372
Other current assets		269	-	-	-	269
Total		**6 454**	**26**	**657**	**372**	**7 509**

(in millions of Russian rubles, unless otherwise indicated)

29. Financial instruments continued

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Effective interest rate, %	Less than 6 month	6 months-1 year	1-4 years	More than 4 years	Total
At 31 December 2019						
Borrowings	1.17%-12.5%	14 051	11 486	47 529	3 244	76 310
Lease liabilities	5.32%-16.62%	255	255	720	294	1 524
Trade and other payables		11 797	-	-	-	11 797
Payables for non-current assets		656	-	-	-	656
Payroll related liabilities		2 317	-	-	-	2 317
Total		**29 076**	**11 741**	**48 249**	**3 538**	**92 604**
At 31 December 2020						
Borrowings	1.10%-12.5%	15 039	15 936	40 450	8 127	79 552
Lease liabilities	3.62%-16.08%	398	398	1 500	337	2 633
Trade and other payables		16 755	-	-	-	16 755
Payables for non-current assets		1 257	-	-	-	1 257
Payroll related liabilities		2 001	-	-	-	2 001
Total		**35 450**	**16 334**	**41 950**	**8 464**	**102 198**

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group adopts a policy of limiting its exposure to changes in interest rates by borrowing mostly with a fixed rate basis except for the subsidized borrowings obtained under new government policy effective from 2017 (Notes 9 and 28). The Group receives such borrowings from accredited banks at reduced rates not exceeding 5% per annum on Rouble-denominated loans, the difference between market rate and the reduced rate equals the Key rate of the Bank of Russia and is compensated by Ministry of Agriculture directly to the accredited bank. If Ministry of Agriculture will not continue to subsidize the interest on aforementioned borrowings, then the Group will incur additional interest expenses increased by the Key Rate. For disclosure purposes only, the Group determined that if Ministry of Agriculture had not continued to subsidize the interest during 2020 and the Key rate had been 1% p.p. higher and all other variables were held constant, the Group's profit and total comprehensive income for the year ended 31 December 2020 would decrease/increase by 704 (Note 9) and 153 (2019: decrease/increase by 1 065 and 108).

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at the reporting date relative to the functional currency of the Group.

	31 December 2020			31 December 2019		
	Financial assets	**Financial liabilities**	**Net position**	**Financial assets**	**Financial liabilities**	**Net position**
Hard currency (USD or Euro)	5 900	(8 225)	(2 325)	2 174	(5 698)	(3 524)

The table below details the Group's sensitivity to weakening of Russian Ruble against the respective foreign currencies by 20%, all other variables being held constant. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	Hard currency – impact	
	31 December 2020	**31 December 2019**
Loss	(465)	(705)

The strengthening of the Russian Ruble in relation to the same currency by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

(in millions of Russian rubles, unless otherwise indicated)

30. Related parties

Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions, as defined by IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Company and its subsidiaries enter into various transactions with related parties such as the sale and purchase of inventory.

Transactions with key management personnel

Key management personnel of the Group are all members of the Board of Directors and members of the Management Board. The remuneration of key management personnel during the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Salaries and bonuses, excluding social security contributions	489	681

Transactions with entities under common control

Trading transactions with related parties mostly comprised the sale of sausages, raw meat and chicken to a retail chain "Myasnov" and lease of certain production and office space to "Myasnov" and other entities under common control.

Trade receivables, trade payables and advances issued are associated with such transactions. The Group expects to settle such balances in the normal operating cycle.

The Group also transferred certain land plots to the closed unit investment fund managed by LLC "UK Mikhailovskyi", an entity under common control.

Balances with companies under common control are summarized as follows:

Balances	31 December 2020	31 December 2019
Trade receivables	78	112
Other non-current assets	69	73
Advances paid	2	6
Other receivables	3	7
Closed unit investment fund (presented within other non-current assets)	495	495
Trade payables	2	3
Advances received	-	4

Transactions with companies under common control are summarized as follows:

Transactions	2020	2019
Sales	574	1 066
Rent income	171	187
Purchases of property, plant and equipment	134	9
Purchases of goods and other services	6	4

(in millions of Russian rubles, unless otherwise indicated)

30. Related parties continued

Transactions with joint ventures

The Group purchases day-old chicks from its joint venture LLC Cobb-Russia (former LLC Broiler Budushchego). The Group also purchases turkey meat from LLC Tambovskaya Indeika for its subsequent resale through the distribution network of the Group. The Group also sells mixed fodder to LLC Tambovskaya Indeika. Trade receivables, trade payables and advances issued are associated with such transactions. The Group expects to settle such balances in the normal course of business.

Balances with joint ventures are summarized as follows:

Balances	31 December 2020	31 December 2019
Trade receivables	38	67
Advances paid	42	40
Other receivables	-	3
Trade payables	916	848
Other payables	208	-

Transactions with joint ventures are summarized as follows:

Transactions	2020	2019
Sales	419	229
Purchases of goods and other services	6 922	6 626

Transactions with associate

The Group sells raw meat for meat-processing and finished goods to associate Samson – Food Products. Trade receivables are associated with such transactions. The Group expects to settle such balances in the normal course of business.

Balances with the associate are summarized as follows:

Balances	31 December 2020	31 December 2019
Trade receivables	218	76
Trade payables	63	8
Advances received	3	-

Transactions with the associate are summarized as follows:

Transactions	2020	2019
Revenue	2 284	1 133

31. Acquisitions

Acquisition of Compass Foods

On 1 October 2020, the Group acquired from Cargill 100% of LLC Compass Foods, chicken-products producer based in Efremov, Tula region. As a result, the Group took over a chicken processing facility with a capacity of 20,000 tonnes of nuggets and other chicken products per year. The bulk of its products goes to McDonald’s fast food restaurant chain. Total consideration amounted to 2 813 and was paid in cash. The acquisition will enable the Group to expand the product line and strengthen its market-leading position in the market.

In the consolidated financial statements for the year ended 31 December 2020 the acquisition was accounted for using historical book values of assets and liabilities acquired as provisional values since there was no other information available at that time. The difference between consideration paid and historical book value of the net assets acquired was preliminary allocated to property, plant and equipment based on the internal valuation analysis done by management of the Group.

The Group is in the process of obtaining a third party valuation report on the fair value of the assets and liabilities acquired including obtaining third-party valuation of the property, plant and equipment, and accordingly, these amounts are preliminary and subject to change.

(in millions of Russian rubles, unless otherwise indicated)

31. Acquisitions continued

The provisional purchase price allocation was as follows:

	Provisional values (at the acquisition date)
Purchase price	**2 813**
Property, plant and equipment	1 795
Inventories	684
Trade receivables	334
Advances paid	151
Other current assets	160
Trade payables	(299)
Other current liabilities	(12)
Total assets acquired and liabilities assumed	**2 813**
Goodwill recognized on acquisition	-

Net outflow of cash and cash equivalents on acquisition comprised of the following:

Consideration paid to acquire Compass Foods	2 813
Less: cash and cash equivalents of subsidiaries acquired	(70)
Net outflow of cash and cash equivalents on acquisition of Compass Foods	**2 743**

The following pro forma financial information presents consolidated statement of profit or loss as if the acquisition occurred as of the beginning of the reporting period. In determining pro forma amounts, all non-recurring costs were determined to be immaterial.

Pro forma Information	**For the year ended 31 December 2020** (unaudited)
Revenue	129 975
Operating income	18 952
Profit for the year	**15 208**

The actual results of operations of Compass Foods are included in the consolidated financial statements of the Group only from the date of acquisition and were:

Actual results of Compass Foods from the date of acquisition (1 October 2020) to 31 December 2020	
Revenue	779
Operating income	282
Profit for the period	**53**

Acquisition of Rovensky Broiler

On 4 October 2019, the Group completed the acquisition of 100% of CJSC “Rovensky Broiler” for cash consideration of 1 664.

The acquired company is a hatching egg producer with production capacity of 80 million eggs/year, located in the Belgorod region, close to our existing operations. The acquisition will allow to cover the Group’s needs in hatching eggs supply.

In the consolidated financial statements for the year ended 31 December 2019 the acquisition was accounted for using historical book values of assets and liabilities acquired as provisional values since there was no other information available at that time. The difference between consideration paid and historical book value of the net assets acquired was preliminary allocated to property, plant and equipment based on the internal valuation analysis done by management of the Group. A third party valuation report on the fair value of the individual assets and liabilities acquired was obtained in 2020, which confirmed the preliminary allocation; accordingly, there were no adjustments to the provisional book values of assets and liabilities.

(in millions of Russian rubles, unless otherwise indicated)

31. **Acquisitions** continued

Fair values of assets and liabilities of Rovensky Broiler at the acquisition date are presented below:

	Fair values
Purchase price	**1 664**
Property, plant and equipment	1 406
Inventories	26
Biological assets	356
Other current assets	197
Short-term loans and finance leases	(290)
Other current liabilities	(31)
Total assets acquired and liabilities assumed	**1 664**
Goodwill recognized on acquisition	-

Net outflow of cash and cash equivalents on acquisition comprised of the following:

Consideration paid to acquire Rovensky Broiler	1 664
Less: cash and cash equivalents of subsidiaries acquired	(196)
Net outflow of cash and cash equivalents on acquisition of Rovensky Broiler	**1 468**

The following pro forma financial information presents consolidated statement of profit or loss as if the acquisition occurred as of the beginning of the reporting period. In determining pro forma amounts, all non-recurring costs were determined to be immaterial.

Pro forma Information	**For the year ended 31 December 2019** (unaudited)
Revenue	120 109
Operating profit	10 286
Profit for the year	**6 843**

Acquisition of rights to claim debt from Belaya Ptitsa Kursk

On 21 December 2018 the Group acquired Rosselkhozbank's rights to claim debt (in the form of loans) from LLC "Belaya Ptitsa Kursk" (further "Belaya Ptitsa Kursk") and the related security agreements (i.e. underlying collateral) for a principal amount of 5 639. The collateral included property pledge agreements for most of Belaya Ptitsa Kursk's property, plant and equipment and share pledge agreements for 100% of capital of LLC "Belaya Ptitsa Kursk".

To finance the transaction the Group obtained a five-year rubles-denominated loan from Rosselkhozbank in the principal amount of 5 639 at 0% per annum during the first two years and 10% subsequently. The fair value of the loan at inception date was 4 685 determined using the market interest rate of 10%. No cash was received or provided with respect to the two transactions with Rosselkhozbank, which has been reported as a non-cash transaction in the statement of cash flows reflecting rights to claim debt acquired and loan assumed.

At the acquisition date, the rights to claim debt from Belaya Ptitsa Kursk were accounted for at fair value, which was determined as equal to the fair value of the loan obtained from Rosselkhozbank. Belaya Ptitsa Kursk had not been servicing the debt for a number of months prior to the transaction and had also stopped its operating activities; therefore, at acquisition, the Group classified the rights as purchased credit-impaired financial assets. Notwithstanding the foregoing, the Group concluded that the fair value of the underlying collateral exceeds the fair value of the rights acquired and therefore did not recognise a loss allowance. The Group ultimately expects to settle the rights through the recovery of the underlying collateral once such collateral becomes the legal property of the Group. At the date of acquisition of the rights, Belaya Ptitsa Kursk's facilities were not operational and the Group leased them and relaunched the production in Q1 2019, using it in combination with the Group's existing parent stock sites and feed mills to leverage the potential synergies perceived as existing.

In April 2019, the bankruptcy proceedings were initiated for LLC "Belaya Ptitsa Kursk", which are governed by an independent bankruptcy trustee. The Group has considered the possible outcomes of the bankruptcy proceedings and developed a strategy to maximize the probability of positive outcome, resulting in transfer of legal title of the collateral to the Group. However, laws and regulations affecting businesses in Russian Federation, including bankruptcy legislation, continue to change rapidly. These changes are characterized by different interpretations and arbitrary application by authorities. Such changes are outside of the Group control.

(in millions of Russian rubles, unless otherwise indicated)

31. Acquisitions continued

The following table represents movements in the fair value of the asset for the years ended 31 December 2020 and 2019:

	2020	2019
Balance at 1 January	4 685	4 685
Reclassification of advances paid for the acquisition of 100% interest in Belaya Ptica Kursk	494	-
Sale of rights to claim debt	(500)	-
Gain from the change in fair value of the financial asset	702	-
Balance at 31 December	**5 381**	**4 685**

As described above, the bankruptcy proceedings were initiated for LLC “Belaya Ptitsa Kursk” in 2019, the Group developed a strategy to maximize the probability of positive outcome, resulting in transfer of legal title of the collateral to the Group. One of the possible options within the strategy was to settle disputes with other creditors of Belaya Ptitsa Kursk and acquire 100% interest in the company, which could significantly reduce the time for obtaining legal rights. To secure that option management signed a preliminary share purchase agreement and paid an advance of 494 in January – February 2019, which was classified as part of “Other non-current assets” line of the consolidated statement of financial position as at 31 December 2019. During 4Q 2020 the Group reclassified the advance to “Rights to claim debt” line of the consolidated statement of financial position. Management of the Group believes that the changed presentation better reflects the economic substance of the transaction since the main purpose of it was to increase the likelihood of recovering the rights to claim debt. During Q4 2020 the Group also sold certain rights secured by non-core assets to other creditor of LLC “Belaya Ptitsa Kursk” for the exchange of 500 received in cash and transfer of guarantees given by LLC “Belaya Ptitsa Kursk” in the favour of that creditor to the Group. The transaction allows the Group to speed up the bankruptcy proceeding.

The Group classified these rights as financial assets at FVTPL. As at 31 December 2020 the fair value of the financial asset amounted to 5 381, 702 of gain from the change in the fair value of the financial asset was recognised in profit or loss for the year ended 31 December 2020. As at 31 December 2019 management of the Group concluded that the fair value did not materially change since the acquisition date. As at 31 December 2020 fair value of the financial asset was determined with reference to the revaluation performed by independent appraiser as at 31 December 2020. The fair value was categorized into Level 3 and was determined as fair value of the collateral discounted for the period needed by the Group to obtain a legal title. Discount rate applied included also risks specific to the financial asset.

The fair value of the collateral assets was determined using the cost approach that reflects capital expenditures/ investments required for the construction or acquisition of an asset with similar characteristics, adjusted for the actual age of the asset and economic impairment. The key assumptions used in the valuation of collateral assets related to economic impairment of the assets, which was determined through cash flow projections based on management’s estimations covering a five-year period and a discount rate of 13.8%. Cash flows beyond that five-year period have been extrapolated using a steady 4% per annum growth rate, which is the projected long-term average consumer price index. The key assumptions used were discount rate, terminal value growth rate, selling prices and EBITDA margin levels. The key assumptions used are set out below.

In percent	31 December 2020
Discount rate	13.8%
Terminal value growth rate	4%
Average annual increase in selling prices (average for the next five years)	6.1%
EBITDA margin (range for the next five years)	9.8% - 14.2%

Should key assumptions used in determination of fair value of the financial asset have been 10% higher or lower with all other variables held constant, the fair value of the financial asset at the reporting date would be higher or (lower) with the corresponding effect to the Gain on revaluation of rights to claim debt line in profit or loss by the following amounts:

	31 December 2020	
	10% increase	10% decrease
Discount rate	(488)	No change in fair value
Average annual increase in selling prices (average for the next five years)	No change in fair value	(1 822)
EBITDA margin (range for the next five years)	No change in fair value	(617)

.

(in millions of Russian rubles, unless otherwise indicated)

32. Commitments and contingencies

Legal

As of 31 December 2020 and 2019, several Group companies reported negative net assets in their statutory financial statements. In accordance with the Civil Code of the Russian Federation, a liquidation process may be initiated against a company reporting negative net assets. Management believes that the probability that the liquidation process will be initiated against those companies is remote.

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. These changes are characterized by different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. The tax authorities in the Russian Federation frequently take an assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Under certain circumstances reviews may cover longer periods. At the reporting date, the Group is litigating the results of recent field tax audits of certain subsidiaries of the Group done by the regional tax authorities. Management is of the opinion that no material losses will be incurred as a result of these litigations and accordingly no provision has been made in these consolidated financial statements. Management estimates that the Group's possible exposure in relation to the aforementioned tax audits will not exceed 1% of the Group's profit for the year ended 31 December 2020.

Recent events also suggest that the tax authorities are taking a more assertive position in their interpretation of the tax legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged, including transfer pricing legislation. Although the transfer pricing legislation was amended in 2012, as of now there is no established practice in place in respect of transfer pricing. Therefore the management believes that their assessment of transfer pricing position of the Group may be challenged by authorities.

From 1 January 2015 a number of amendments into the Russian tax legislation aimed at deoffshorisation of the Russian economy became effective, with the submission of the first documentation package in 2017. Specifically, they introduce new rules for controlled foreign companies, a concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation and a concept of tax residency for foreign companies. The Group takes necessary steps to comply with the new requirements of the Russian tax legislation including periodic reviews of its tax planning strategies. However, in view of the recent introduction of the above provisions and insufficient administrative and court practice in these areas, at present the probability of claims from Russian tax authorities and probability of favourable outcome of tax disputes (if they arise) cannot be reliably estimated.

Environmental remediation costs

The Group's management believes that the Group is in compliance with applicable legislation and is not aware of any potential environmental claims; therefore, no liabilities associated with such costs are recorded as of 31 December 2020 and 2019.

Capital commitments

Capital commitments by each operating segments are as follows:

	31 December 2020
Commitments for the acquisition of property, plant and equipment	
RTE Meat processing	143
Pork	610
Chicken	1 445
Grain	98
Group	184
Total capital commitments	**2 480**

At 31 December 2020, the Group had capital projects in progress at LLC Cherkizovo Masla, JSC Kurinoe Tsarstvo, JSC Altaisky Broiler, JSC Cherkizovo-Kashira.

32. Commitments and contingencies continued

Agricultural market risk

As a rule, grain prices exhibit rather high seasonal fluctuation. As a general trend, prices tend to be lower in autumn mainly due to the increasing in supply. Market prices of agricultural commodities are also influenced by a variety of unpredictable factors which are beyond the control of the Group, including weather, planting intentions, government (Russian and foreign) farm programs and policies, changes in global demand resulting from population growth and higher standards of living and global production of similar and competitive crops.

Insurance

The Group holds insurance policies in relation to certain assets. As of 31 December 2020 the Group secured major part of its livestock and property, plant and equipment with a number of insurance companies. The Group holds no other insurance policies in relation to operations, or in respect of public liability or other insurable risks.

33. Subsequent events

On 10th February 2021, Board of Directors recommended to the General meeting of shareholders to distribute profits of 2020 financial year and to pay dividends of 134.00 rubles per share, in addition to interim dividends of 48.79 rubles announced in August, 2020.