OJSC Rusagro Group

International Financial Reporting Standards
Consolidated Financial Statements
for the three years ended 31 December 2010, 2009 and 2008
and Independent Auditor's Report

Contents

Independent Auditor's Report

To the Shareholders of OJSC Rusagro Group:

1 We have audited the accompanying consolidated financial statements of OJSC Rusagro Group and its subsidiaries (hereinafter - the "Group") which comprise the consolidated statements of financial position as of 31 December 2010, 2009 and 2008 and the consolidated statements of comprehensive income, cash flows and changes in equity for the three years then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, 2009 and 2008, and its financial performance and its cash flows for each of the three years then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

11 March 2011
Moscow, Russian Federation

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

	Notes	31 December 2010	31 December 2009	31 December 2008
ASSETS				
Current assets				
Cash and cash equivalents	3	5 119 971	2 457 921	1 286 428
Restricted cash	3	305 276	-	-
Short-term investments	4	6 202 746	1 106 997	1 042 483
Trade and other receivables	5	2 236 808	950 914	1 039 261
Prepayments	6	906 444	327 710	313 499
Current income tax receivable		63 519	40 990	36 226
Other taxes receivable	7	725 322	571 829	952 646
Inventories	8	7 298 722	5 078 243	4 522 582
Short-term biological assets	10	855 069	748 174	540 151
Total current assets		**23 713 877**	**11 282 778**	**9 733 276**
Non-current assets				
Property, plant and equipment	9	13 721 002	12 829 979	11 255 116
Goodwill	22	474 899	474 899	128 529
Advances paid for property, plant and equipment		135 563	91 915	213 241
Long-term biological assets	10	703 676	723 439	883 865
Long-term investments	11	152 950	153 517	235 242
Deferred income tax assets	23	153 965	140 698	93 707
Other intangible assets		31 711	24 844	13 986
Restricted cash	3	-	-	13 227
Total non-current assets		**15 373 766**	**14 439 291**	**12 836 913**
Total assets		**39 087 643**	**25 722 069**	**22 570 189**
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	13	11 203 810	4 475 525	4 568 472
Trade and other payables	14	1 933 541	595 130	873 096
Current income tax payable		26 639	115 792	77 230
Other taxes payable	15	475 859	369 699	168 744
Total current liabilities		**13 639 849**	**5 556 146**	**5 687 542**
Non-current liabilities				
Long-term borrowings	13	8 262 101	8 153 374	7 305 582
Government grants	16	577 134	578 679	582 501
Deferred income tax liability	23	386 627	366 723	252 182
Other non-current liabilities		43 046	-	-
Total non-current liabilities		**9 268 908**	**9 098 776**	**8 140 265**
Total liabilities		**22 908 757**	**14 654 922**	**13 827 807**
Equity				
Share capital	12	2 386 974	1 700 017	1 700 017
Retained earnings		13 382 557	8 909 613	6 912 105
Equity attributable to owners of OJSC Rusagro Group		**15 769 531**	**10 609 630**	**8 612 122**
Non-controlling interest		409 355	457 517	130 260
Total equity		**16 178 886**	**11 067 147**	**8 742 382**
Total liabilities and equity		**39 087 643**	**25 722 069**	**22 570 189**

Approved for issue and signed on behalf of the Board of Directors on 11 March 2011

Basov M.D.
General Director of OJSC Rusagro Group

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

OJSC RUSAGRO GROUP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008
(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Sales	17	30,955,530	24,671,374	17,766,287
Gain on initial recognition of agricultural produce	10	770,564	394,861	682,923
Cost of sales	18	(23,153,421)	(18,388,466)	(14,437,288)
Gains less losses from trading sugar derivatives	27	1,214,660	-	-
Gross profit		**9,787,333**	**6,677,769**	**4,011,922**
Distribution and selling expenses	19	(1,641,600)	(1,451,311)	(1,022,287)
General and administrative expenses	20	(2,198,564)	(1,685,989)	(1,367,077)
Other operating income /(loss), net	21	67,425	(58,519)	112,704
Operating profit		**6,014,594**	**3,481,950**	**1,735,262**
Interest expense	16	(783,736)	(791,006)	(666,938)
Interest income		434,063	172,731	317,624
Other financial income /(expenses), net		4,743	(28,787)	(30,502)
Profit before taxation		**5,669,664**	**2,834,888**	**1,355,446**
Income tax expense	23	(511,427)	(510,694)	(287,273)
Profit for the year		**5,158,237**	**2,324,194**	**1,068,173**
Total comprehensive income for the year		**5,158,237**	**2,324,194**	**1,068,173**
Profit is attributable to:				
Owners of OJSC Rusagro Group		5,121,529	2,312,999	1,057,849
Non-controlling interest		36,708	11,195	10,324
Profit for the year		**5,158,237**	**2,324,194**	**1,068,173**
Total comprehensive income is attributable to:				
Owners of OJSC Rusagro Group		5,121,529	2,312,999	1,057,849
Non-controlling interest		36,708	11,195	10,324
Earnings per ordinary share for profit attributable to the equity holders of OJSC Rusagro Group, basic and diluted (in RR per share)	25	64.37	n/a	n/a

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Cash flows from operating activities				
Profit before taxation		**5,669,664**	**2,834,888**	**1,355,446**
Adjustments for:				
Depreciation of property, plant and equipment	18-20	1,858,178	1,357,108	779,573
Interest expense	16	1,682,685	1,643,011	1,092,633
Interest income		(434,063)	(172,731)	(317,624)
Gain on discounting of loans		-	-	(52,458)
Loss on disposal of property, plant and equipment	21	35,379	39,362	24,793
Excess of the Group's share of identifiable net assets acquired over consideration paid	21	(10,210)	-	(10,258)
Loss/ (gain) on other investments	21	9,171	5,609	(7,084)
(Gain)/ loss on disposal of subsidiaries, net	21	(204)	16,236	(10,093)
Government grants	16, 21	(1,230,239)	(1,068,355)	(634,932)
(Gains less losses)/ losses less gains from investments at fair value through profit or loss	21	(2,074)	(17,132)	52,770
(Gain)/ loss on initial recognition of agricultural produce, net	10, 18	(100,349)	207,468	(187,847)
(Reversal of provision)/ provision for net realisable value of inventory	18	(23,592)	(165,053)	188,644
Write-off of inventory	21	13,499	46,154	8,014
Revaluation of biological assets	21	(272,241)	39,737	(26,057)
(Reversal of provision)/ provision for impairment of receivables and prepayments	19	(888)	86,369	(40,890)
Dividends accrued		(1,021)	-	(9,267)
Unrealised foreign exchange (gain)/loss		(32,063)	(52,218)	56,798
Write-off of trade and other receivables	21	75,959	23,290	53,271
Lost harvest write-off	21	191,425	-	-
Other non-cash (income)/ expenses		(7,140)	5,052	(7,887)
Operating cash flow before working capital changes		**7,421,876**	**4,828,795**	**2,307,545**
Change in trade and other receivables and prepayments		(1,972,879)	34,341	(252,677)
Change in other taxes receivable		(155,307)	335,079	9,264
Change in inventories		(2,044,903)	(297,937)	(715,477)
Change in biological assets		1,466	(37,988)	(465,087)
Change in trade and other payables		1,389,568	(114,023)	(54,592)
Change in other taxes payable		106,160	181,146	70,882
Cash generated from operations		**4,745,981**	**4,929,413**	**899,858**
Income tax paid		(603,373)	(496,315)	(309,479)
Net cash from operating activities		**4,142,608**	**4,433,098**	**590,379**
Cash flows from investing activities				
Purchases of property, plant and equipment		(2,922,630)	(1,572,658)	(2,922,748)
Purchases of other intangible assets		(19,866)	(20,591)	(11,325)
Proceeds from sales of property, plant and equipment		52,762	6,693	13,218
Investments in subsidiaries, net of cash acquired		(1,469)	(1,375,383)	(264,388)
Proceeds from sale of subsidiaries, net of cash disposed		204	4,917	20,640
Proceeds from sales of promissory notes		2,402,794	1,603,321	2,100,065
Purchases of promissory notes		(2,402,689)	(1,427,082)	(2,000,000)
Proceeds from sales of other investments		4,500	-	16,314
Purchases of other investments		-	-	(48,300)
Placing cash on bank deposits with maturity of more than three months		(8,070,190)	(37,540)	-
Withdrawal of cash from bank deposits with maturity of more than three months		3,020,000	107,540	50,000
Loans given		(1,680,304)	(1,274,022)	(1,083,259)
Loans repaid		1,506,263	1,029,537	1,812,614
Interest received		383,983	144,934	257,586
Dividends received		1,022	-	9,265
Movement in restricted cash		(305,276)	13,227	32,414
Net cash used in investing activities		**(8,030,896)**	**(2,797,107)**	**(2,017,904)**
Cash flows from financing activities				
Proceeds from borrowings		15,093,343	13,815,459	17,787,349
Repayment of borrowings		(7,934,513)	(13,293,280)	(15,871,907)
Interest paid		(1,604,216)	(1,714,415)	(1,224,788)
Purchases of non-controlling interest		(46,499)	(1,186)	(639)
Proceeds from government grants		1,271,831	1,062,173	757,758
Dividends paid		(169)	(328,456)	(70,412)
Lease payments		(221,554)	(116,540)	(79,706)
Net cash from/ (used in) financing activities		**6,558,223**	**(576,245)**	**1,297,655**
Net effect of exchange rate changes on cash and cash equivalents		(7,885)	111,747	26,025
Net increase/ (decrease) in cash and cash equivalents		**2,662,050**	**1,171,493**	**(103,845)**
Cash and cash equivalents at the beginning of the year	3	2,457,921	1,286,428	1,390,273
Cash and cash equivalents at the end of the year	3	**5,119,971**	**2,457,921**	**1,286,428**

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

	Attributable to owners of OJSC Rusagro Group				
	Share capital	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2008	**1,700,017**	**5,934,946**	**7,634,963**	**114,829**	**7,749,792**
Comprehensive income for the year	-	1,057,849	1,057,849	10,324	1,068,173
Dividends declared	-	(80,705)	(80,705)	-	(80,705)
Acquisition of subsidiaries (Note 22)	-	(8,901)	(8,901)	15,063	6,162
Acquisition of non-controlling interest	-	8,916	8,916	(9,956)	(1,040)
Balance at 31 December 2008	**1,700,017**	**6,912,105**	**8,612,122**	**130,260**	**8,742,382**
Comprehensive income for the year	-	2,312,999	2,312,999	11,195	2,324,194
Dividends declared	-	(315,491)	(315,491)	-	(315,491)
Acquisition of subsidiaries (Note 22)	-	-	-	324,325	324,325
Acquisition of non-controlling interest	-	-	-	235	235
Disposal of subsidiaries	-	-	-	(8,498)	(8,498)
Balance at 31 December 2009	**1,700,017**	**8,909,613**	**10,609,630**	**457,517**	**11,067,147**
Comprehensive income for the year	-	5,121,529	5,121,529	36,708	5,158,237
Acquisition of non-controlling interest (Note 12)	-	38,372	38,372	(84,870)	(46,498)
New holding company share capital (Note 12)	686,957	(686,957)	-	-	-
Balance at 31 December 2010	**2,386,974**	**13,382,557**	**15,769,531**	**409,355**	**16,178,886**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

1. Background

Description of the business

These consolidated financial statements were prepared for OJSC Rusagro Group (hereinafter also the "Company") and its subsidiaries (hereinafter the "Group"). The Group is ultimately controlled by Mr. Vadim Moshkovich (hereinafter the "Owner"), who owns 99% of shares in OJSC Rusagro Group as at 31 December 2010 (31 December 2009 and 2008: 99% of charter capital of the previous Holding company of the Group LLC Rusagro Group). LLC Rusagro Group was the Holding company of the Group up to February 2010. In February 2010 a new company OJSC Rusagro Group was established by the Owner with the share capital consisting of 79,565,800 ordinary shares with a par value of 30 Russian Roubles each. The Owner's interest in LLC Rusagro Group was contributed to the charter capital of OJSC Rusagro Group thus introducing a new holding company on top of the existing Group (Note 12).

The principal activities of the Group are:

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

The registered office of OJSC Rusagro Group is at building 2, Industrial area, village of Kommunarka, Leninsky District, Moscow Region, 142770, the Russian Federation.

The Group basically operates in the Russian Federation except for financial derivatives trading activity (Note 27).

Principal subsidiaries of the Group included into these consolidated financial statements are listed below:

		Group's share in the share capital, %		
Entity	**Principal activity**	**31 December 2010**	**31 December 2009**	**31 December 2008**
LLC Rusagro Group	Investment holding, financing	100	n/a	n/a
	Sugar segment			
LLC Rusagro- Sakhar	Sugar division trading company, sales operations	100	100	100
OJSC Sugar Plant Zherdevsky	Beet and raw sugar processing	99.92	99.92	99.92
OJSC Rzhevsky Sakharnik	Beet and raw sugar processing	99.73	99.73	99.73
OJSC Valuikisakhar	Beet and raw sugar processing	99.23	99.23	99.23
OJSC Nika Corp.	Beet and raw sugar processing	98.27	98.27	98.27
OJSC Sugar Plant Znamensky	Beet and raw sugar processing	95.26	91.68	91.68
OJSC Sugar Plant Nikiforovsky	Beet and raw sugar processing	72.79	70.26	-
LLC Chernyansky Sugar Plant	Beet and raw sugar processing	100	100	-
Limeniko Trade and Invest Limited	Financial derivatives trading	100	-	-
	Oil segment			
OJSC Fats and Oil Integrated Works	Oil processing	97.58	97.16	97.16
	Meat segment			
OJSC Belgorodsky Bacon	Cultivation of pigs	100	100	100
LLC Tambovsky Bacon	Cultivation of pigs	100	-	-

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

1. Background (continued)

Description of the business (continued)

		Group's share in the share capital, %		
Entity	**Principal activity**	**31 December 2010**	**31 December 2009**	**31 December 2008**
	Other agriculture segment			
LLC Rusagro-Tambov	Agriculture	100	100	100
LLC Agronik	Agriculture	100	100	-
OJSC Zherdevsky Elevator	Grain elevator	84.6	84.6	76.19
LLC Rusagro Oskol	Agriculture	100	100	100
LLC RusAgro-Invest	Investments, trading	100	100	100
LLC Rusagro-Invest	Agriculture	100	100	100
LLC Rusagro-Shebekino	Agriculture	100	100	100
LLC Rusagro-Volokonovka	Agriculture	100	100	100
LLC Rusagro-Zarechie	Agriculture	100	100	100
LLC Nezhegol-Agro	Grain elevator	100	100	100

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes (Note 28). The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to predict all developments in the economic environment which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

2. Summary of significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, financial instruments categorized as at fair value through profit or loss, revaluation of available-for-sale financial assets, biological assets that are presented at fair value less point-of-sale costs and agricultural produce which is measured at fair value less point-of-sale costs at the point of harvest. IFRS represent standards and interpretations issued by the International Accounting Standards Board (IASB). The Group entities keep their accounting records in Russian Roubles in accordance with Russian accounting regulations (RAR). These consolidated financial statements significantly differ from the financial statements prepared for statutory purposes under RAR in that they reflect certain adjustments, which are necessary to present the Group's consolidated financial position, results of operations, and cash flows in accordance with IFRS.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Reclassification

In 2010 the Group changed its accounting policy for government grants relating to the presentation of the compensation of interest expense under bank loans. In the Group's consolidated financial statements for the year ended 31 December 2009 the reimbursement of interest expense under bank loans was presented in the statement of comprehensive income within other operating income. In these consolidated financial statements reimbursement by the government of interest expense under bank loans are offset against the interest expense in the statement of comprehensive income. The Group's management believes that the new presentation enhance the quality of the financial statements by providing more relevant information regarding the Group's interest cover ratio. The amount of interest expense and related compensation due to the government grants are separately disclosed in the Note 16. The effect of this reclassification on the comparative information is summarized as below:

Reclassification to the comparative information for the year ended 31 December 2009:

Year ended 31 December 2009	Reclassified	Reclassification adjustments	As previously reported
Statement of Comprehensive Income			
Other operating income, net	(58,519)	(852,005)	793,486
Operating profit	**3,481,950**	**(852,005)**	**4,333,955**
Interest expense	(791,006)	852,005	(1,643,011)

Reclassification to the comparative information for the year ended 31 December 2008:

Year ended 31 December 2008	Reclassified	Reclassification adjustments	As previously reported
Statement of Comprehensive Income			
Other operating income, net	112,704	(425,695)	538,399
Operating profit	**1,735,262**	**(425,695)**	**2,160,957**
Interest expense	(666,938)	425,695	(1,092,633)

In addition to the above, the Group made reclassifications in 2008 and 2009 that impacted the statement of financial position. These reclassifications were immaterial. In these circumstances, management considered whether omitting the opening statement of financial position at 1 January 2008 would represent a material omission of information. In management's opinion, the omission of the opening statement of financial position, where the reclassification does not affect any statement of financial position and that fact is disclosed, is not material and is therefore permitted. Management considered that materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 2.29).

2. Summary of significant accounting policies (continued)

2.2 Critical accounting estimates and judgements in applying accounting policies

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

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions. Were the estimated useful lives to differ by 10% from management's estimates, the impact on the depreciation charge for the year would be to increase it by RR 211,003 (2009: RR 151,481; 2008: RR 106,948) or decrease it by RR 161,300 (2009: RR 118,515; 2008: RR 89,750) (Note 2.6).

Fair value of livestock and agricultural produce

Fair value less estimated point-of-sale costs of livestock at the end of each reporting period was determined using the physiological characteristics of the animals, management expectations concerning the potential productivity and market prices of animals with similar characteristics.

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

The fair value of consumable livestock is determined based on the market prices multiplied by the livestock weight at the end of each reporting period.

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

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

2. Summary of significant accounting policies (continued)

2.2 Critical accounting estimates and judgements in applying accounting policies (continued)

Fair value of livestock and agricultural produce (continued)

	31 December 2010		31 December 2009		31 December 2008	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
Cows						
Length of production usage in calves	1,791	(2,137)	3,002	(3,167)	5,971	(5,777)
Culling rates	(524)	532	(806)	816	(2,399)	2,369
Market prices for comparable bearer livestock in the same region	16,081	(16,081)	16,622	(16,622)	31,475	(31,475)
Pigs						
Length of production usage in farrows	19,445	(19,052)	16,143	(19,730)	6,385	(7,803)
Market prices for comparable bearer livestock in the same region	36,338	(36,338)	37,136	(37,136)	45,590	(45,590)

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

Impairment test of property, plant and equipment

As of 31 December 2010, the Group management determined that there were no indicators that would necessitate performing an impairment test of property, plant and equipment.

At 31 December 2009 and 2008, the Group performed an impairment test of property, plant and equipment due to the macroeconomic impairment indicators. The recoverable amount of each cash-generating unit (CGU) was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Group's management covering a five-year period except for Other agriculture CGU and Meat CGU. The latter used seven-year period in 2009 (2008: eight-year period) projections. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. The future cash flows were discounted using pre-tax discount rates ranging between 19.7% and 20.5% in 2009 (2008: 19.3%-24.3%) for each CGU. The discount rate is derived from the Group's post-tax weighted average cost of capital adjusted to reflect the specific amount and timing of future tax cash flows.

As the recoverable amounts exceeded the carrying value of property, plant and equipment for each CGU, no impairment losses were recognised in 2009 and 2008.

A reasonably possible shift in key assumptions underlying value-in-use calculations would not lead to impairment of property, plant and equipment as of 31 December 2010. A reasonably possible shift in key assumptions underlying value-in-use calculations could lead to impairment of property, plant and equipment as of 31 December 2009 and 2008. The sensitivity analysis was performed as follows:

Other agriculture CGU		**Allocated to goodwill**	**Allocated to property, plant and equipment**
31 December 2009			
Should pre-tax discount rate increase by 3% there would be an impairment of	177,711	128,529	49,182
31 December 2008			
Should EBITDA margin* decrease by 3% there would be an impairment of	6,607	6,607	-
Should pre-tax discount rate increase by 3% there would be an impairment of	246,117	128,529	117,588

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

2. Summary of significant accounting policies (continued)

2.2 Critical accounting estimates and judgements in applying accounting policies (continued)

Impairment test of property, plant and equipment (continued)

Sugar CGU		Allocated to goodwill	Allocated to property, plant and equipment
31 December 2009			
Should EBITDA margin* decrease by 1% there would be an impairment of	468,171	344,509	123,662
Should pre-tax discount rate increase by 3% there would be an impairment of	349,767	344,509	5,258

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

Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 22.

Deferred income tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. The key assumptions in the business plan are EBITDA margin and pre-tax discount rate (Note 22).

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 28).

2.3 Foreign currency and translation methodology

Functional and presentation currency

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

Translation of foreign currency items into functional currency

Transactions in foreign currencies are translated to the Russian Roubles at the official exchange rate of the Central Bank of the Russian Federation (CBRF) at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate ruling at that date.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.4 Group accounting

Consolidation

Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or obtainable from presently convertible instruments are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

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

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

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

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

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

For business combinations that took place prior to 2010 the cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the acquirer’s share of the fair value of the net assets of the acquiree at each exchange transaction is recognised as goodwill. The excess of the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost (”negative goodwill”) is recognised immediately in profit or loss for the year. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group’s equity.

2. Summary of significant accounting policies (continued)

2.4 Group accounting (continued)

Purchases and sales of non-controlling interests

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

Purchases of subsidiaries from parties under common control

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

2.5 Property, plant and equipment

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

The Group has applied the fair value as deemed cost exemption to items of property, plant and equipment acquired before the date of its transition to IFRS, which was determined based on an independent valuation. Subsequent additions made after date of transition to IFRS, are stated at cost.

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

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

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

2.6 Depreciation

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

Asset category	Useful life, years
Buildings	20-50
Constructions	20-50
Machinery, vehicles and equipment	3-20
Other	4-6

2. Summary of significant accounting policies (continued)

2.6 Depreciation (continued)

Assets are depreciated on a straight-line basis from the month following the date they are ready for use. Land and assets under construction are not depreciated.

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

2.7 Biological assets and agricultural produce

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

Livestock is measured at their fair value less estimated point-of-sale costs. Fair value at initial recognition is assumed to be approximated by the purchase price incurred. Point-of-sale costs include all costs that would be necessary to sell the assets. A gain or loss from the changes in the fair value less estimated point-of-sale costs is determined for livestock at the year-end and included in other operating income or expense in the period in which it arises.

Unharvested crops are carried at the accumulated costs incurred, which approximates the fair value since little biological transformation has taken place since initial cost incurrence due to the seasonal nature of the crops. Unharvested crop-growing costs represent costs incurred to plant and maintain seed crops which will be harvested during the subsequent reporting period.

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

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

2.8 Goodwill

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

2.9 Impairment of non-current assets

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

2. Summary of significant accounting policies (continued)

2.10 Financial instruments

Financial instruments – key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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

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

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

Classification of financial instruments

The Group classified its financial instruments into the following measurement categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

2. Summary of significant accounting policies (continued)

2.10 Financial instruments (continued)

Initial recognition and measurement of financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial assets and liabilities are initially recorded at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Subsequently to initial recognition financial instruments are measured as described below.

Derecognition of financial instruments

The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Trading investments are securities or other financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are included in a portfolio in which a pattern of short-term trading exists. The Group classifies financial assets into trading investments if it has an intention to sell them within a short period after acquisition, i.e. within 1 to 3 months. Trading investments also include financial derivatives. Trading investments are not reclassified out of this category even when the Group's intentions subsequently change.

*Other financial assets at fair value through profit or lo*ss are financial assets designated irrevocably, at initial recognition, into this category. Recognition and measurement of this category of financial assets is consistent with the above policy for trading investments. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel.

Loans and receivables

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables comprise accounts receivable, cash and cash equivalents, restricted cash, bank deposits, unquoted promissory notes and loans issued. Loans and receivables are initially recognised at their fair value and subsequently carried at amortised cost using effective interest method.

Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months of the reporting date.

2. Summary of significant accounting policies (continued)

2.10 Financial instruments (continued)

Financial liabilities

All the Group's financial liabilities fall into the following measurement categories: (a) held for trading which are represented by financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year in the period in which they arise. Other financial liabilities are carried at amortised cost.

Presentation of results from sugar trading derivatives

The Group engages in raw sugar derivative trading transactions through an agent on ICE Futures US primarily in order to manage the raw sugar purchase price risk (Note 27). As such transactions are directly related to core activity of the Group, their results are presented above gross profit as 'Gains less losses from trading sugar derivatives' in the consolidated statement of comprehensive income. Management believes that the presentation above gross profit line reflects the nature of derivative operations of the Group.

Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss for the year.

2. Summary of significant accounting policies (continued)

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash held on demand with banks, bank deposits with original maturity of less than three months, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost plus interest accrued using the effective interest method.

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

2.12 Trade and other receivables

Trade receivables are carried at amortised cost using the effective interest method less provision made for impairment of these receivables.

2.13 Prepayments

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

2.14 Inventories

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

2.15 Borrowings

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

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

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

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

2. Summary of significant accounting policies (continued)

2.16 Finance lease liabilities

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as a finance lease liability within borrowings. Each lease payment is allocated between the liability and an interest charge. The interest element is charged to the profit or loss using the effective interest method over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability outstanding. Items of property, plant and equipment acquired under finance lease are depreciated over shorter of useful life and the lease term.

2.17 Trade and other payables

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

2.18 Value added tax

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

2.19 Other taxes payable

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

2.20 Income tax

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

Current tax

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

Deferred tax

Deferred income tax is provided in full, using the balance sheet liability method, on tax losses carry forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax balance is determined using tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (continued)

2.20 Income tax (continued)

Deferred tax (continued)

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

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

2.21 Employee benefits

Payroll costs and related contributions

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

Pension costs

The Group contributes to the Russian Federation state pension fund on behalf of its employees and has no obligation beyond the payments made. The contribution was approximately 13% (2009: 9.3%; 2008: 10.2%) of the employees' gross pay and is expensed in the same period as the related salaries and wages.

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

2.22 Provisions for liabilities and charges

Provisions for liabilities and charges are recognised where the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.23 Revenue recognition

Revenues and related cost of sales are recognised when goods are shipped and the title and significant risks and rewards of ownership pass to the customer in accordance with the contractual sales terms. Sales are measured at the fair value of consideration received or receivable for the goods sold and services rendered, net of discounts and value added taxes, and after eliminating sales between the Group companies.

The amount of revenue arising from exchanges of goods or services is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred. Non-cash transactions are excluded from the cash flow statement.

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

Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (continued)

2.24 Segment reporting

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

2.25 Government grants

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognised and measured in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IAS 39 and the proceeds received.

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

2.26 Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

2.27 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.28 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option (Note 29).

2. Summary of significant accounting policies (continued)

2.29 Adoption of new or revised standards and interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2010:

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interest") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. The new standard did not have a material impact on these financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the previous IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise a liability for any contingent purchase consideration at the acquisition date. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The revised IFRS 3 did not have a material impact on these financial statements.

Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The amendments did not have a material impact on these financial statements.

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment did not have a material impact on these financial statements.

2. Summary of significant accounting policies (continued)

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

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the Annual Improvements to International Financial Reporting Standards, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The amendments did not have a material impact on these financial statements.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Group's consolidated financial statements.

2.30 New accounting pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted:

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

2. Summary of significant accounting policies (continued)

2.30 New accounting pronouncements (continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Classification of Rights Issues – Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Group does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group does not expect the amendments to have any material effect on its financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The Group does not expect IFRIC 19 to have any material effect on its financial statements.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements. The amendment is not expected to have any impact on the Group's financial statements.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

2. Summary of significant accounting policies (continued)

2.30 New accounting pronouncements (continued)

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

3. Cash and cash equivalents

	31 December 2010	31 December 2009	31 December 2008
Bank balances receivable on demand	755,587	310,430	970,202
Bank deposits with original maturity of less than three months	4,359,500	2,147,130	315,747
Interest receivable on bank deposits within cash equivalents	4,550	-	-
Cash in hand	334	361	479
Total	**5,119,971**	**2,457,921**	**1,286,428**

The Group had the following currency positions:

	31 December 2010	31 December 2009	31 December 2008
Russian Roubles	5,062,739	2,409,788	515,895
US Dollars	57,232	9,526	559,771
Euro	-	38,607	210,762
Total	**5,119,971**	**2,457,921**	**1,286,428**

The weighted average interest rate on cash at bank balances presented within cash and cash equivalents was 3.27% at 31 December 2010 (31 December 2009: 7.95%; 31 December 2008: 1.87%).

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

3. Cash and cash equivalents (continued)

As at 31 December 2008 the cash amounts of RR 13,227 were restricted under irrevocable bills of credit issued for purchases of property, plant and equipment and biological assets, which were included in "Restricted cash" line within non-current assets in the statement of financial position. There was no restricted cash for purchases of non-current assets as at 31 December 2010 and 2009.

As at 31 December 2010 the cash amounts of RR 305,276 (2009: none; 2008: none) were restricted under irrevocable bills of credit issued for purchases of raw sugar, operating lease rent payments in 2011 for land plots and purchases of unharvested crops on those land plots, which were included in "Restricted cash" line within current assets in the statement of financial position.

4. Short-term investments

	31 December 2010	31 December 2009	31 December 2008
Promissory notes	600,182	600,289	600,355
Interest receivable on promissory notes	4,142	3,699	-
Loans issued to third parties	426,355	67,392	166,988
Interest receivable on loans issued to third parties	22,857	1,448	23,949
Bank deposits	4,980,800	30,000	100,000
Interest receivable on bank deposits within financial assets	131,235	-	-
Loans issued to related parties (Note 24)	36,341	292,840	58,840
Interest receivable on loans issued to related parties (Note 24)	834	111,329	92,351
Total	**6,202,746**	**1,106,997**	**1,042,483**

Loans issued to third parties are denominated in Russian Roubles with interest rate varying between 0% and 12% (31 December 2009: 0%-10%; 31 December 2008: 0%-11.5%). The weighted average interest rate on the loans issued to third parties equals 8.5% (31 December 2009: 4.9%; 31 December 2008: 2.8%).

Promissory notes are denominated in Russian Roubles and include promissory notes of Sberbank RF in the amount of RR 600,000 (31 December 2009: RR 600,000; 31 December 2008: RR 600,000) pledged as collateral for the Group's obligations to Sberbank RF (Note 13).

Bank deposits are denominated in Russian Roubles. In 2010 bank deposits in the amount of RR 980,800 placed in Alfa Bank (31 December 2009: none; 31 December 2008: none) are pledged as collateral for the obligations of LLC Samaraagroprompererabotka to Alfa Bank. The Group's deposits were provided as collateral with a view of planned acquisition of ownership interest in LLC Samaraagroprompererabotka (Note 30).

5. Trade and other receivables

	31 December 2010	31 December 2009	31 December 2008
Trade receivables	955,612	796,982	740,401
Receivables for government grants	-	119,095	116,735
Receivables under agent agreement for financial derivatives (Note 27)	1,247,336	-	-
Receivables under other agent agreements	-	-	44,145
Receivables under guarantee agreements	-	-	19,895
Receivables for reimbursable expenses	-	-	24,380
Other	71,155	99,511	102,795
Less: provision for impairment (Note 27)	(38,043)	(90,265)	(72,088)
Total financial assets within trade and other receivables	**2,236,060**	**925,323**	**976,263**
Deferred charges	748	25,591	62,998
Total trade and other receivables	**2,236,808**	**950,914**	**1,039,261**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

5. Trade and other receivables (continued)

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

	31 December 2010	31 December 2009	31 December 2008
Russian Roubles	914,720	894,224	967,428
US dollars	1,321,340	31,091	8,119
Euro	-	8	716
Total	**2,236,060**	**925,323**	**976,263**

Reconciliation of movements in the trade and other receivables impairment provision

	Trade receivables	Other receivables
As at 1 January 2008	**38,585**	**55,157**
Reversed	(8,708)	(6,860)
Utilised	(2,972)	(3,114)
As at 31 December 2008 (Note 27)	**26,905**	**45,183**
Accrued	54,737	14,011
Acquisition of subsidiaries	1,343	-
Utilised	(12,678)	(39,236)
As at 31 December 2009 (Note 27)	**70,307**	**19,958**
(Reversed)/ Accrued	(32,783)	22,664
Utilised	(15,982)	(26,121)
As at 31 December 2010 (Note 27)	**21,542**	**16,501**

6. Prepayments

	31 December 2010	31 December 2009	31 December 2008
Prepayments for raw sugar	607,207	94,286	-
Prepayments for fuel and energy	50,325	64,518	46,435
Prepayments for transportation services	75,259	57,785	69,487
Prepayments for advertising expenses	33,386	34,835	18,021
Prepayments to customs	17,707	18,148	53,893
Other prepayments	131,383	68,098	136,571
Less: provision for impairment	(8,823)	(9,960)	(10,908)
Total	**906,444**	**327,710**	**313,499**

Reconciliation of movements in the prepayments impairment provision

	2010	2009	2008
As at 1 January	9,960	10,908	9,855
Accrued	9,232	17,621	8,104
Acquisition of subsidiaries	-	2,480	-
Utilised	(10,369)	(21,049)	(7,051)
As at 31 December	**8,823**	**9,960**	**10,908**

7. Other taxes receivable

	31 December 2010	31 December 2009	31 December 2008
Value added tax receivable	708,454	562,720	940,932
Other taxes receivable	16,868	9,109	11,714
Total	**725,322**	**571,829**	**952,646**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

7. Other taxes receivable (continued)

Reconciliation of movements in other taxes receivable impairment provision

	2010	2009	2008
As at 1 January	-	-	33,426
Reversed	-	-	(33,426)
As at 31 December	**-**	**-**	**-**

8. Inventories

	31 December 2010	31 December 2009	31 December 2008
Raw materials	4,578,838	2,091,244	2,273,998
Finished goods	1,558,055	2,341,670	1,711,194
Work in progress	1,170,499	689,758	741,239
Less: provision for net realisable value	(8,670)	(44,429)	(203,849)
Total	**7,298,722**	**5,078,243**	**4,522,582**

As at 31 December 2008, inventory with a carrying amount of RR 226 768, was pledged as collateral for the Group's borrowings (Note 13).

9. Property, plant and equipment

	Land and buildings	Machinery, vehicles and equipment	Constru-ctions	Assets under construction	Other	Total
Cost (Note 2.5)						
As at 1 January 2008	2,966,599	4,850,656	164,903	2,028,332	89,591	10,100,081
Additions	55,488	526,837	21,184	3,367,790	22,306	3,993,605
Acquisitions through business combinations	212,651	235,936	19,434	3,783	-	471,804
Transfers	2,244,423	1,133,371	84,065	(3,473,018)	11,159	-
Disposals	(31,003)	(62,947)	(551)	(11,474)	(2,375)	(108,350)
As at 31 December 2008	**5,448,158**	**6,683,853**	**289,035**	**1,915,413**	**120,681**	**14,457,140**
Accumulated depreciation (Note 2.6)						
As at 1 January 2008	(688,879)	(1,532,842)	(63,956)	-	(26,698)	(2,312,375)
Charge for the period	(218,204)	(689,121)	(20,870)	-	(14,967)	(943,162)
Disposals	15,789	37,137	506	-	81	53,513
As at 31 December 2008	**(891,294)**	**(2,184,826)**	**(84,320)**	**-**	**(41,584)**	**(3,202,024)**
Net book value as at 31 December 2008	**4,556,864**	**4,499,027**	**204,715**	**1,915,413**	**79,097**	**11,255,116**
Cost (Note 2.5)						
As at 1 January 2009	5,448,158	6,683,853	289,035	1,915,413	120,681	14,457,140
Additions	134,772	302,644	32,552	1,287,715	25,823	1,783,506
Acquisitions through business combinations	580,980	445,433	215,804	13,174	-	1,255,391
Transfers	1,577,491	1,196,454	53,269	(2,827,463)	249	-
Disposals	(57,808)	(104,028)	(1,350)	(10,881)	(2,275)	(176,342)
Disposal through disposal of subsidiaries	(46)	(2,288)	(577)	-	-	(2,911)
As at 31 December 2009	**7,683,547**	**8,522,068**	**588,733**	**377,958**	**144,478**	**17,316,784**
Accumulated depreciation (Note 2.6)						
As at 1 January 2009	(891,294)	(2,184,826)	(84,320)	-	(41,584)	(3,202,024)
Charge for the period	(369,325)	(955,106)	(36,611)	-	(17,211)	(1,378,253)
Disposals	16,164	72,262	1,350	-	1,870	91,646
Disposal through disposal of subsidiaries	46	1,214	566	-	-	1,826
As at 31 December 2009	**(1,244,409)**	**(3,066,456)**	**(119,015)**	**-**	**(56,925)**	**(4,486,805)**
Net book value as at 31 December 2009	**6,439,138**	**5,455,612**	**469,718**	**377,958**	**87,553**	**12,829,979**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

9. Property, plant and equipment (continued)

	Land and buildings	Machinery, vehicles and equipment	Constru-ctions	Assets under construction	Other	Total
Cost (Note 2.5)						
As at 1 January 2010	7,683,547	8,522,068	588,733	377,958	144,478	17,316,784
Additions	17,194	1,680,464	4,102	1,147,436	17,931	2,867,127
Transfers	78,256	982,339	65,757	(1,134,651)	8,299	-
Disposals	(40,755)	(136,014)	(8,691)	(6,006)	(2,112)	(193,578)
Disposal through disposal of subsidiaries	-	(32)	-	9	-	(23)
As at 31 December 2010	**7,738,242**	**11,048,825**	**649,901**	**384,746**	**168,596**	**19,990,310**
Accumulated depreciation (Note 2.6)						
As at 1 January 2010	(1,244,409)	(3,066,456)	(119,015)	-	(56,925)	(4,486,805)
Charge for the period	(437,732)	(1,355,732)	(90,303)	-	(19,672)	(1,903,439)
Disposals	22,707	88,953	8,141	-	1,130	120,931
Disposal through disposal of subsidiaries	-	5	-	-	-	5
As at 31 December 2010	**(1,659,434)**	**(4,333,230)**	**(201,177)**	**-**	**(75,467)**	**(6,269,308)**
Net book value as at 31 December 2010	**6,078,808**	**6,715,595**	**448,724**	**384,746**	**93,129**	**13,721,002**

At 31 December 2010, property, plant and equipment with a net book value of RR 6,326,643 (31 December 2009: RR 6,839,104; 31 December 2008: RR 2,553,228) were pledged as collateral for the Group's borrowings (Note 13).

During the reporting period and previously, the Group acquired production equipment and vehicles under finance lease agreements from third party leasing companies. At the end of the lease title passes to the Group either free of charge or for a nominal price. The lease terms vary between 34 and 66 months.

At 31 December 2010, the net carrying amount of leased assets included in machinery and equipment was RR 28,209 (31 December 2009: the net carrying amount of leased assets included in machinery and equipment was RR 349,228; 31 December 2008: the net carrying amount of leased assets included in machinery and equipment was RR 264,344). These leased assets are effectively pledged for finance lease liabilities as the risks and rewards for the leased assets revert to the lessor in the event of default.

Acquisitions of machinery and equipment under finance lease agreements in 2009 in the amount of RR 23,803 (2008: RR 125,676 and assets under construction in the amount of RR 114,490) have been excluded from the cash flow statement, so that investing activities caption in the cash flow statement represents actual cash transactions. During the reporting period the Group capitalised in the assets under construction interest expenses of RR 3,342 (2009: RR 100,037; 2008: RR 239,369). The average capitalisation rate was 10.75% (2009: 13%; 2008: 12%).

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

10. Biological assets

The reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the year can be presented as follows:

Short-term biological assets

	Consumable livestock, pigs	Unharvested crops	Total
As at 1 January 2008	**17,025**	**162,307**	**179,332**
Increase due to purchases and gain arising from cost inputs	843,221	2,038,312	2,881,533
Acquisitions through business combinations	-	44,000	44,000
Gain on initial recognition of agricultural produce	-	682,923	682,923
Decrease due to harvest and sales of the assets	(614,293)	(2,641,765)	(3,256,058)
Gain arising from changes in fair value less estimated point-of-sale costs (Note 21)	8,421	-	8,421
As at 31 December 2008	**254,374**	**285,777**	**540,151**
Increase due to purchases and gain arising from cost inputs	2,017,796	2,347,837	4,365,633
Acquisitions through business combinations	-	18,977	18,977
Gain on initial recognition of agricultural produce	-	394,861	394,861
Decrease due to harvest and sales of the assets	(1,842,646)	(2,793,686)	(4,636,332)
Gain arising from changes in fair value less estimated point-of-sale costs (Note 21)	64,884	-	64,884
As at 31 December 2009	**494,408**	**253,766**	**748,174**
Increase due to purchases and gain arising from cost inputs	2,561,325	2,924,387	5,485,712
Gain on initial recognition of agricultural produce	-	770,564	770,564
Decrease due to harvest and sales of the assets	(2,637,404)	(3,500,957)	(6,138,361)
Lost harvest write-off (Note 21)	-	(191,425)	(191,425)
Gain arising from changes in fair value less estimated point-of-sale costs (Note 21)	180,405	-	180,405
As at 31 December 2010	**598,734**	**256,335**	**855,069**

In 2010 gain on initial recognition of agricultural produce in the amount of RR 770,564 (2009: RR 394,861, 2008: RR 682,923) is included as part of the gross profit, as it mainly relates to agricultural produce sold during the respective years.

Lost harvest write-off is represented by damage of crops due to unusual severe weather conditions in 2010. RR 91 961 of this write-off was compensated to the Group through government grants (Note 21).

Long-term biological assets

	Bearer livestock		
	Pigs	**Cows**	**Total**
As at 1 January 2008	280,819	331,235	612,054
Increases due to purchases and breeding costs of growing stock	392,227	153,263	545,490
Decreases due to sales	(137,744)	(153,571)	(291,315)
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs (Note 21)	(25,586)	43,222	17,636
As at 31 December 2008	**509,716**	**374,149**	**883,865**
Increases due to purchases and breeding costs of growing stock	239,086	147,878	386,964
Decreases due to sales	(187,101)	(255,668)	(442,769)
Loss arising from changes in fair value less estimated point-of-sale costs (Note 21)	(67,741)	(36,880)	(104,621)
As at 31 December 2009	**493,960**	**229,479**	**723,439**
Increases due to purchases and breeding costs of growing stock	125,215	79,999	205,214
Decreases due to sales	(200,601)	(116,211)	(316,812)
Gain/ (loss) arising from changes in fair value less estimated point-of-sale costs (Note 21)	124,171	(32,336)	91,835
As at 31 December 2010	**542,745**	**160,931**	**703,676**

10. Biological assets (continued)

Long-term biological assets (continued)

In 2010 the aggregate gain on initial recognition of biological assets and agricultural produce and from the change in fair value less estimated point-of-sale costs of biological assets amounted to RR 1,042,804 (2009: RR 355,124; 2008: RR 708,980).

Arable land under plantation and livestock population were as follows:

	31 December 2010	31 December 2009	31 December 2008
Crops (ha)	341,451	233,753	199,075
Cows (heads)	8,216	10,543	11,300
Pigs within bearer livestock (heads)	28,702	29,251	25,460
Pigs within consumable livestock (tn)	8,452	9,116	4,228

Cows are cultivated for the purpose of production of milk. In 2010 the milk produced amounted to 11,084 tonnes (2009: 17,950 tonnes; 2008: 20,627 tonnes).

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

	2010	2009	2008
Sugar beet	917	972	1,030
Winter wheat	49	172	198
Barley	88	106	140,
Sunflower	49	23	21
Corn	-	19	21

Biological assets with a carrying value of RR 631,889 (31 December 2009: RR 654,762; 31 December 2008: RR 636,296) were pledged as collateral for the Group’s borrowings (Note 13).

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

11. Long-term investments

	31 December 2010	31 December 2009	31 December 2008
Promissory notes (interest rate 12%)	-	-	194,086
Loan issued to third party (interest rate 12%)	-	93,000	-
Securities at fair value through profit and loss	42,799	40,625	23,493
Available-for-sale investments	7,677	12,077	12,074
Other long-term investments	3,084	7,815	5,589
Bank deposits	99,390	-	-
Total	**152,950**	**153,517**	**235,242**

The above long-term investments are denominated in Russian Roubles.

12. Share capital

Share capital

The nominal registered amount of the Company's issued share capital is RR 2,386,974 (2009: not relevant; 2008: not relevant).

The total authorized number of ordinary shares is 79,565,800 shares (2009: not relevant; 2008: not relevant) with a par value of 30 Russian Roubles per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

In 2008-2009 the holding company of the Group was LLC Rusagro Group (Note 1). Previously, the legislation for limited liability companies (LLC) in the Russian Federation provided for the right of participants to redeem their interest in LLC entities by selling their interest back to the entity, and, therefore, the participants' capital, being participants' interest in a LLC, was classified as a financial liability. Following the changes to the legislation in 2009, participants in a LLC would not have an unconditional right, at any time, to claim their share in the net assets of the company, unless there is an explicit provision to do so in terms of the charter.

The charter of LLC Rusagro Group was amended in November 2009 and the new charter prohibits the withdrawal of the participants from LLC Rusagro Group by selling their interest to the company. As a result of these amendments the participants' interest in the Statement of Financial Position as at 31 December 2009 and 2008 was presented as equity.

Restructuring

The issued shares of OJSC Rusagro Group were paid by the Owner through the contribution of interests in LLC Rusagro Group, the previous holding company of the Group (Note 1). This restructuring was accounted for as a transaction under common control using predecessor basis of accounting applied retrospectively. Under this method the consolidated financial statements of the Company were presented as if it has always been on top of the existing Group. The consolidated assets and liabilities of LLC Rusagro Group transferred under common control were accounted for at the predecessor entity's carrying amounts from the beginning of the earliest period presented (i.e. 1 January 2008).The difference between the share capital of LLC Rusagro Group and share capital of OJSC Rusagro Group in the amount of RR 686 957 was included in the retained earnings within equity in 2010.

Purchases of non-controlling interests

In 2010 the Group redeemed shares of owned subsidiaries from minority shareholders for a total consideration of RR 46,498, which resulted in excess of the Group's share of identifiable net assets acquired over consideration paid by RR 38,372.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

13. Borrowings

Short-term borrowings

	31 December 2010		31 December 2009		31 December 2008	
	Interest rate	Carrying amount	Interest rate	Carrying amount	Interest rate	Carrying amount
Sberbank RF	2.3-9.0%	9,694,052	13.5-17.0%	3,353,394	10.0-17.0% (LIBOR+3%)	3,464,753
Other bank loans	7.5-8.3%	1,422,146	-	-	– 17.0%	536,112
Loans received from third parties	0.0-0.1%	4,242	0.0-11.0%	113,603	0.0-8.6%	4,746
Loans received from related parties (Note 24)	-	-	8.0%	164,730	11.0%	12
Finance leases	21.3-47.3%	9,362	10.3-47.3%	103,531	10.3-32.3%	105,843
Interest accrued on borrowings from third parties		51,845		4,201		10,093
Interest accrued on borrowings from related parties (Note 24)		-		677		41,092
Current portion of long-term borrowings		22,163		735,389		405,821
Total		**11,203,810**		**4,475,525**		**4,568,472**

The above borrowings are denominated in the following currencies:

	31 December 2010	31 December 2009	31 December 2008
Russian Roubles	11,165,303	4,374,941	4,274,722
US Dollars	38,507	8,578	209,744
Euro	-	92,006	84,006
Total	**11,203,810**	**4,475,525**	**4,568,472**

Long-term borrowings

	31 December 2010		31 December 2009		31 December 2008	
	Interest rate	Carrying amount	Interest rate	Carrying amount	Interest rate	Carrying amount
Sberbank RF	9.5-13.0%	6,978,172	10.5-18.5%	7,497,400	9.0-15.8%	7,254,542
Alfa Bank	10.8-11.0%	1,062,990	CBRF rate + 3.0%	1,000,000	-	-
Other bank loans			13.5-17.0%	51,238	13.8-17.0%	61,137
State budget loans	¼ of the CBRF rate*	208,076	¼ of the CBRF rate*	196,042	¼ of the CBRF rate*	181,102
Promissory notes issued	0.0%	29,724	0.0-0.1%	27,635	0.0-0.1%	22,367
Finance leases	36.9-47.3%	5,302	10.3-47.3%	116,448	10.3-32.3%	192,255
Less current portion of long-term borrowings from:						
Sberbank RF	11.0-13.0%	(22,163)	10.5-18.5%	(710,289)	9.0-15.8%	(388,271)
Other bank loans	-	-	13.5-17.0%	(25,100)	13.8-17.0%	(17,550)
Total		**8,262,101**		**8,153,374**		**7,305,582**

*The above loans were initially measured at an effective rate of 12%

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

13. Borrowings (continued)

The above borrowings are denominated in the following currencies:

	31 December 2010	31 December 2009	31 December 2008
Russian Roubles	8,262,101	7,999,781	7,062,507
Euro	-	153,593	234,894
US Dollars	-	-	8,181
Total	**8,262,101**	**8,153,374**	**7,305,582**

Maturity of long-term borrowings (excluding finance lease liabilities):

Fixed interest rate borrowings:	31 December 2010	31 December 2009	31 December 2008
2 years	263,770	1,207,151	738,604
3-5 years	6,846,278	3,277,268	2,843,523
More than 5 years	938,675	2,356,465	3,350,098,
Total	**8,048,723**	**6,840,884**	**6,932,225**

Floating interest rate borrowings:	31 December 2010	31 December 2009	31 December 2008
3-5 years	208,076	1,000,000	-
More than 5 years	-	196,042	181,102
Total	**208,076**	**1,196,042**	**181,102**

For details of inventory, property, plant and equipment and biological assets pledged as collateral for the above borrowings see Note 8, Note 9 and Note 10 respectively. For details of promissory notes pledged as collateral for the above borrowings refer to Note 4.

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

	Pledged shares, %		
	31 December 2010	**31 December 2009**	**31 December 2008**
LLC Rusagro-Kozlovka	-	100.00	-
LLC Kalininskoye	100.00	100.00	-
LLC Zveriaevskoye	100.00	100.00	-
LLC Ivanovskoe	80.12	80.12	-
LLC Agrotekhnology	100.00	100.00	-
LLC Rusagro-Novorusanovo	-	100.00	-
LLC Rusagro-Pitim	-	100.00	-
LLC Poletaevskoye	50.00	50.00	-
LLC Rusagro-Tsvetovka	-	100.00	-
CJSC Zarya	-	100.00	-
OJSC Nika Corp.	98.27	98.27	98.27
OJSC Sugar Plant Zherdevsky	99.92	99.92	99.92
OJSC Sugar Plant Znamensky	91.68	91.68	91.68
OJSC Rzhevsky Sakharnik	99.73	99.73	99.73
OJSC Valuikisakhar	99.23	99.23	99.23
OJSC Belgorodsky Bacon	100.00	100.00	100.00
OJSC Fats and Oil Integrated Works	-	-	23.91
OJSC Sugar Plant Nikiforovsky	70.26	-	-

As at 31 December 2010, 50% ownership share in LLC Rusagro Group was pledged as collateral for unutilised credit limits (31 December 2009: 100%; 31 December 2008: none).

Net Debt

As part of liquidity risk management the Group Treasury analyses its net debt position. The Group's management determines the net debt of the Group as outstanding bank loans and state budget loans less cash in hand, bank balances receivable on demand, all bank deposits and promissory notes of Sberbank (Note 3, 4, 11). The Group's management compares net debt figure with adjusted EBITDA and considers the normal level of net debt/adjusted EBITDA ratio to be not more than 3.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

13. Borrowings (continued)

Net Debt (continued)

As at 31 December 2010 the net debt of the Group was as follows:

	31 December 2010	31 December 2009	31 December 2008
Bank loans and state budget loans within long-term borrowings	8,227,075	8,009,291	7,090,960
Bank loans within short-term borrowings	11,138,360	4,088,783	4,406,686
Cash and cash equivalents excluding interest on bank deposits (Note 3)	(5,115,421)	(2,457,921)	(1,286,428)
Promissory notes of Sberbank (Note 4)	(600,000)	(600,000)	(600,000)
Bank deposits within sort-term investments (Note 4)	(4,980,800)	(30,000)	(100,000)
Bank deposits within long-term investments (Note 11)	(99,390)	-	-
Net debt	**8,569,824**	**9,010,153**	**9,511,218**
Adjusted EBITDA* (Note 26)	**7,915,968**	**5,087,098**	**2,571,347**
Net debt/ Adjusted EBITDA	**1.08**	**1.77**	**3.70**

* not an IFRS measure.

Finance lease liabilities

The ranges and the weighted average effective annual interest rates at the reporting dates were as follows:

	31 December 2010		31 December 2009		31 December 2008	
Russian Roubles	21.3-47.3 %	36.5%	15.5-47.3%	28.2%	15.5-25.2%	18.8%
US Dollars	-	-	18.4-44.5%	22.7%	18.4-28.4%	23.5%
Euro	-	-	10.3-32.3%	12.1%	10.3-32.3%	13%

The maturity of finance leases and the minimum lease payments were as follows:

	Due in 1 year	Due in between 1 and 5 years	Total
Minimum lease payments at 31 December 2010	12,638	6,109	18,747
Less: future finance charges	(3,276)	(807)	(4,083)
Present value of minimum lease payments at 31 December 2010	**9,362**	**5,302**	**14,664**
Minimum lease payments at 31 December 2009	129,535	130,560	260,095
Less: future finance charges	(26,004)	(14,112)	(40,116)
Present value of minimum lease payments at 31 December 2009	**103,531**	**116,448**	**219,979**
Minimum lease payments at 31 December 2008	141,890	219,055	360,945
Less: future finance charges	(36,047)	(26,800)	(62,847)
Present value of minimum lease payments at 31 December 2008	**105,843**	**192,255**	**298,098**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

14. Trade and other payables

	31 December 2010	31 December 2009	31 December 2008
Trade accounts payable	1,501,266	226,640	565,385
Payables for land rent	19,880	24,476	16,207
Payables for shares in an acquired subsidiary	-	68	14,186
Dividends payable to the Owner (Note 24)	-	-	11,885
Dividends payable to third parties	-	8,637	9,439
Other payables	52,805	57,406	29,934
Total financial liabilities within trade and other payables	**1,573,951**	**317,227**	**647,036**
Payables to employees	289,166	206,075	181,578
Advances received	70,424	71,828	44,482
Total trade and other payables	**1,933,541**	**595,130**	**873,096**

Financial liabilities within trade and other payables of RR 1,039,545 (31 December 2009: RR 7,237; 31 December 2008: RR 40) are denominated in USD, financial liabilities within trade and other payables of RR 5,637 are denominated in EUR (31 December 2009: RR 980; 31 December 2008: RR 20,648).

15. Other taxes payable

	31 December 2010	31 December 2009	31 December 2008
Value added tax	337,487	249,491	71,526
Unified social tax	25,117	33,669	33,989
Property tax	67,520	30,622	24,664
Personal income tax	17,544	17,334	18,320
Transport tax	3,240	2,801	2,587
Tax penalties	-	-	232
Other	24,951	35,782	17,426
Total	**475,859**	**369,699**	**168,744**

16. Government grants

In 2005-2010 the Group received government grants from Tambov and Belgorod regional governments to acquire equipment for agricultural business and sugar processing. These grants are deferred and amortised on a straight-line basis over the expected lives of the related assets. Additionally, in 2008-2009 the government grants for reimbursement of interest expenses on bank loans received for construction of the pig-breeding farm in Belgorod, particularly the government grants related to interest expenses capitalised into the carrying value of assets, were similarly deferred and amortised on a straight-line basis over the expected lives of the related assets. Refunded interest recognised as government grants in 2009 amounted to RR 27,623 (2008: RR 198,947). The movements in differed government grants were as follows:

	2010	2009	2008
As at 1 January	578,679	582,501	342,940
Government grants received	82,967	65,422	280,379
Amortization of deferred income to match related depreciation (Note 21)	(84,512)	(69,244)	(40,818)
As at 31 December	**577,134**	**578,679**	**582,501**

Additionally, other bank loan interests which had been refunded by the state were credited to the profit or loss.

	2010	2009	2008
Interest expense	1,682,685	1,643,011	1,092,633
Reimbursement of interest expense (government grants)	(898,949)	(852,005)	(425,695)
Total	**783,736**	**791,006**	**666,938**

Other government grants received are included in Note 21.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

17. Sales

	2010	2009	2008
Sales of goods	30,647,422	24,363,970	17,564,167
Sales of services	308,108	307,404	202,120
Total	**30,955,530**	**24,671,374**	**17,766,287**

Sales in 2010 include revenue arising from exchange of goods amounting to RR 92,944 (2009: RR 80,521; 2008: RR 80,973) and exchange of services amounting to RR 239,797 (2009: RR 209,110; 2008: RR 127,765).

18. Cost of sales

	2010	2009	2008
Raw materials and consumables used	18,965,584	15,113,381	11,998,235
Payroll	1,432,753	1,313,794	950,124
Depreciation	1,748,035	1,272,505	706,959
Services	948,789	804,664	563,466
Other	81,852	49,175	29,860
(Reversal of provision)/ provision for net realisable value (Note 8)	(23,592)	(165,053)	188,644
Total	**23,153,421**	**18,388,466**	**14,437,288**

Raw materials and consumables used above include the expensing of the gain recorded on initial recognition of agricultural produce attributable to the realised agricultural produce (both of current and previous year harvest) in the amount of RR 689,836 (31 December 2009: RR 602,329; 31 December 2008: RR 495,076).

Payroll costs above include statutory pension contributions amounting to RR 206,005 (2009: 118,514; 2008: RR 98,953).

19. Distribution and selling expenses

	2010	2009	2008
Transportation and loading services	924,348	716,805	564,256
Payroll	355,933	272,061	186,678
Advertising	157,319	105,543	79,592
Materials	64,944	61,922	46,913
Fuel and energy	21,538	28,513	27,227
Depreciation	23,172	23,761	16,050
(Reversal of provision) / provision for impairment of receivables (Note 5, 6, 7)	(888)	86,369	(40,890)
Other	95,234	156,337	142,461
Total	**1,641,600**	**1,451,311**	**1,022,287**

Payroll costs above include statutory pension contributions amounting to RR 39,950 (2009: RR 19,463; 2008: RR 13,437).

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

20. General and administrative expenses

	2010	2009	2008
Payroll	1,172,930	863,751	727,580
Taxes, excluding income tax	322,075	184,697	176,255
Bank services	95,289	131,436	60,975
Services of professional organisations	102,940	89,411	59,891
Depreciation	86,971	60,842	56,564
Rent	65,984	78,894	52,888
Fuel and energy	54,888	40,407	45,212
Materials	57,003	49,205	36,353
Security	54,377	44,014	35,908
Communication	22,077	19,779	19,096
Insurance	5,955	14,194	12,573
Repair and maintenance	24,093	29,766	9,375
Travelling expenses	14,156	13,474	7,664
Other	119,826	66,119	66,743
Total	**2,198,564**	**1,685,989**	**1,367,077**

Payroll costs above include statutory pension contributions amounting to RR 91,312 (2009: RR 54,156; 2008: RR 46,091).

21. Other operating income / (loss), net

	2010	2009	2008
Reimbursement of fuel and fertilisers (government grants)	137,783	147,106	168,419
Reimbursement lost harvest (government grants)	91,961	-	-
Lost harvest write-off (Note 10)	(191,425)	-	-
Other government grants	17,034	-	-
Amortization of deferred income to match related depreciation (Note 16)	84,512	69,244	40,818
Gain/ (loss) on revaluation of biological assets (Note 10)	272,240	(39,737)	26,057
Rental income	12,235	17,433	24,498
Excess of the Group's share of identifiable net assets acquired over consideration paid (Note 22)	10,210	-	10,258
Gain/ (loss) on disposal of subsidiaries, net	204	(16,236)	10,093
(Loss)/gain on other investments	(9,171)	(5,609)	7,084
Gain on disposal of inventory	9,280	4,982	1,394
Write-off of trade and other receivables	(75,959)	(23,290)	(53,271)
Gain/(loss) from investments at fair value through profit or loss	2,074	17,132	(52,770)
Charitable donations and social costs	(225,872)	(122,494)	(33,960)
Loss on disposal of property, plant and equipment	(35,379)	(39,362)	(24,793)
Write-off of inventory	(13,499)	(46,154)	(8,014)
Other	(18,803)	(21,534)	(3,109)
Total	**67,425**	**(58,519)**	**112,704**

During 2009 the Group disposed of one non-core subsidiary:

2009	**CJSC Mayak**
Assets	44,251
Liabilities	(14,592)
Non-controlling interest	8,498
Fair value of consideration received	4,925
Loss on disposal of subsidiaries	**(16,236)**
Cash inflow on disposal	4,925
Cash inflow on disposal, net of cash disposed	**4,917**

During 2008 the Group disposed of one non-core subsidiary:

2008	**LLC RA Zerno**
Assets	580
Liabilities	(10,663)
Fair value of consideration received	10
Gain on disposal of subsidiaries	**10,093**
Cash inflow on disposal	10
Cash inflow on disposal, net of cash disposed	**10**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

22. Goodwill

	2010	2009	2008
Carrying amount at 1 January	474,899	128,529	-
Acquisitions of subsidiaries	-	346,370	128,529
Carrying amount at 31 December	**474,899**	**474,899**	**128,529**

In November 2009 the Group acquired a 100% ownership interest in CJSC Russky Sakhar for total consideration of RR 1,462,367. CJSC Russky Sakhar owned 100% participatory interest in the elevator Agronic LLC and 70.26% of the share capital in the sugar plant OJSC Sugar Plant Nikiforovsky. The goodwill arising on acquisition is primarily attributable to the expected profitability of the acquired business due to the significant expected combined costs savings.

In the second half of 2008 the Group acquired control over several agricultural farms and grain elevator in Tambov region. Goodwill that arose on the acquisitions is associated with synergy of assembled workforce and cultural areas.

Fair values of identifiable assets and liabilities of the subsidiaries acquired in 2008-2009 were determined using discounted cash flow models. The valuation of property, plant and equipment was performed by an independent professional appraiser.

Acquisitions of subsidiaries

	Share in capital acquired	Total assets	Total liabilities	Purchase conside-ration	Non-controlling interest	Goodwill	Recognised in profit or loss
2009							
CJSC Russky Sakhar	100.00%	1,768,219	(326,036)	1,462,367	324,325	344,509	-
Total		**1,768,219**	**(326,036)**	**1,462,367**	**324,325**	**344,509**	**-**
2008							
LLC Agrotekhnologiy	100.00%	294,794	(255,794)	48,260	-	9,260	-
LLC Agrotekhnology	100.00%	66,831	(56,903)	48,260	-	38,332	-
LLC Kalininskoye	100.00%	123,459	(103,401)	44,810	-	24,752	-
LLC Zveriaevskoye	100.00%	127,247	(83,279)	33,710	-	-	10,258
LLC Ivanovskoe	80.12%	192,810	(122,844)	62,810	13,913	6,757	-
LLC Poletaevskoye	50.00%	67,594	(85,396)	14,196	(8,901)*	23,097	-
OJSC Zherdevsky elevator	76.19%	57,310	(52,481)	30,010	1,150	26,331	-
Total		**930,045**	**(760,098)**	**282,056**	**6,162**	**128,529**	**10,258**

***** This loss reduced the equity of the Group (see the statement of changes in equity).

In 2009 the Group also increased its share in OJSC Zherdevsky elevator to 84.60%. The consideration paid was RR 1,627. Goodwill of RR 1,861 was recognised as a result of this acquisition.

The fair value of assets and liabilities arising from the acquisition in 2009 were as follows:

Russky Sakhar Group	IFRS carrying amount immediately before business combination	Attributed fair value
Cash	101,102	101,102
Loans issued	2,760	2,760
Trade and other receivables	41,195	41,195
Tax receivables	20,714	20,714
Deferred income tax assets	3,304	9,884
Inventories	318,196	318,196
Unharvested crops	18,977	18,977
Property, plant and equipment	578,645	1,255,391
Total assets	**1,084,893**	**1,768,219**
Trade and other payables	(25,335)	(25,335)
Tax payables	(28,588)	(28,589)
Deferred income tax liability	(20,571)	(142,789)
Borrowings	(129,323)	(129,323)
Total liabilities	**(203,817)**	**(326,036)**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

22 Goodwill (continued)

The aggregate fair value of assets and liabilities arising from the acquisitions in 2008 was as follows:

	IFRS carrying amount immediately before business combination	Attributed fair value
Cash	3,482	3,482
Loans issued	42,266	42,266
Trade and other receivables	174,434	174,434
Taxes receivable	9,132	9,132
Deferred income tax assets	906	2,618
Inventories	182,309	182,309
Unharvested crops	44,000	44,000
Property, plant and equipment	327,536	471,804
Total assets	**784,065**	**930,045**
Trade and other payables	(186,017)	(186,017)
Taxes payable	(3,624)	(3,624)
Deferred income tax liability	(2)	(29,288)
Borrowings	(541,169)	(541,169)
Total liabilities	**(730,812)**	**(760,098)**

Altogether the businesses acquired in 2008-2009 contributed to the Group: revenue of RR 54,590 (31 December 2008: RR 58,404) and net loss of RR 18,138 (31 December 2008: net profit of RR 7,542) for the period from the dates of the respective acquisitions to the reporting dates. If the acquisitions had occurred on 1 January of the respective year of acquisition, the contributed revenue and net profit for the year ended 31 December 2009 would have been RR 1,116,712 and RR 208,103 respectively (for the year ended 31 December 2008: the contributed revenue and net loss would have been RR 154,386 and RR 46,527 respectively).

The carrying amount of goodwill as at 31 December 2010, 2009 and 2008 was tested for impairment. The recoverable amount of the Other Agriculture and Sugar cash-generating units has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Group's management covering a six-year (2009: seven-year; 2008: eight-year) and five-year periods respectively and the expected market prices for the Group's key products for the same period according to the leading industry publications. As a result of testing, no impairment losses were recognised.

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

	31 December 2010		31 December 2009		31 December 2008
	Other agriculture CGU	Sugar CGU	Other agriculture CGU	Sugar CGU	Other agriculture CGU
EBITDA margin	42.8%	13.7%	43.2%	9.8%	36%
Pre-tax discount rate	13.8%	14.3%	19.9%	20.49%	19.3%

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

For sensitivity of the value-in-use calculations to the main assumptions see Note 2.2.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

23. Income tax

	2010	2009	2008
Current income tax charge	493,547	585,973	377,983
Deferred tax charges (credit)	17,880	(75,279)	(90,710)
Income tax expense	**511,427**	**510,694**	**287,273**

The Group companies domiciled in Russia were subject to an income tax rate of 20% (2009: 20%, 2008: 24%) of taxable profits, except for profit on sales of agricultural produce, which is not subject to income tax until 2012. Then, unless agricultural enterprises become subject to a special taxation regime, the applicable income tax rate will be 18% in 2013-2015 and 20% starting from 2016. Tax rates for agricultural enterprises were enacted in December 2008, effective starting from 1 January 2013. Group entities domiciled in other tax jurisdictions were taxed at 0%.

An income tax rate of 20% was enacted in November 2008, effective starting from 1 January 2009. As this tax rate was enacted by 31 December 2008, the effect of the change on closing deferred tax liabilities amounting to RR 30,385 has been recognised in the consolidated financial statements in 2008.

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

	2010	2009	2008
Profit before tax:	5,669,664	2,834,888	1,355,446
- taxable at 0%	3,382,234	508,313	(56,168)
- taxable at 20% (2009: 20%, 2008: 24%)	2,287,431	2,326,575	1,411,614
Theoretical tax charge calculated at the applicable tax rate of 20% (2009: 20%, 2008: 24%)	457,486	465,315	338,787
Effect of change of the tax rate on an estimation of deferred tax assets and liabilities	-	-	(30,385)
Tax effect of items which are not deductible or assessable for taxation purposes:			
- non-taxable income	(24,182)	(22,411)	(15,160)
- non-deductible expenses	70,298	55,566	59,402
- penalties	1,362	16	2,382
- other	6,463	12,208	(32,633)
Effect of changes in taxation rates for agricultural companies effective from 2013	-	-	(35,120)
Income tax expense	**511,427**	**510,694**	**287,273**

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

	1 January 2010	**Deferred tax assets/(liabilities) of the acquired subsidiaries**	**Deferred tax assets/(liabilities) of the disposed subsidiaries**	**Deferred tax credited/ (charged) to profit or loss**	**31 December 2010**
Tax effects of deductible/ (taxable) temporary differences:					
Property, plant and equipment	(347,717)	-	-	(69,032)	(416,749)
Impairment of receivables	31,041	-	-	(8,773)	22,268
Payables	13,183	-	-	12,369	25,552
Financial assets	15,679	-	-	(16,257)	(578)
Inventory	30,620	-	-	(22,887)	7,733
Loss carried forward	21,677	11,124	-	44,366	77,167
Other	9,492	-	119	42,334	51,945
Net deferred tax liability	**(226,025)**	**11,124**	**119**	**(17,880)**	**(232,662)**
Recognised deferred tax asset	140,698				153,965
Recognised deferred tax liability	(366,723)				(386,627)

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

23. Income tax (continued)

	1 January 2009	Deferred tax assets/(liabilities) of the acquired subsidiaries	Tax effect of income tax rate reduction	Deferred tax credited/ (charged) to profit or loss	31 December 2009
Tax effects of deductible/ (taxable) temporary differences:					
Property, plant and equipment	(220,600)	(128,916)	-	1,799	(347,717)
Impairment of receivables	30,780	3,007	-	(2,746)	31,041
Payables	13,988	-	-	(805)	13,183
Financial assets	22,536	-	(9,924)	3,067	15,679
Inventory	(39,727)	(7,180)	-	77,527	30,620
Loss carried forward	24,901	-	-	(3,224)	21,677
Other	9,647	184	-	(339)	9,492
Net deferred tax liability	**(158,475)**	**(132,905)**	**(9,924)**	**75,279**	**(226,025)**
Recognised deferred tax asset	93,707				140,698
Recognised deferred tax liability	(252,182)				(366,723)

	1 January 2008	Deferred tax assets/(liabilities) of the acquired subsidiaries	Tax effect of income tax rate reduction	Deferred tax credited/ (charged) to profit or loss	31 December 2008
Tax effects of deductible/ (taxable) temporary differences:					
Property, plant and equipment	(298,473)	(27,575)	42,810	62,638	(220,600)
Impairment of receivables	39,375	-	(6,155)	(2,440)	30,780
Payables	25,083	-	(2,797)	(8,298)	13,988
Financial assets	(12,426)	-	(4,507)	39,469	22,536
Inventory	(2,939)	-	7,945	(44,733)	(39,727)
Loss carried forward	16,347	905	(4,980)	12,629	24,901
Other	10,518	-	(1,931)	1,060	9,647
Net deferred tax liability	**(222,515)**	**(26,670)**	**30,385**	**60,325**	**(158,475)**
Recognised deferred tax asset	54,026				93,707
Recognised deferred tax liability	(276,541)				(252,182)

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

	31 December 2010	31 December 2009	31 December 2008
Deferred tax assets:			
-Deferred tax asset to be recovered after more than 12 months	79,943	63,586	75,836
-Deferred tax asset to be recovered within 12 months	74,022	77,112	17,871
	153,965	**140,698**	**93,707**
Deferred tax liabilities:			
-Deferred tax liability to be settled after more than 12 months	(297,447)	(288,701)	(191,362)
-Deferred tax liability to be settled within 12 months	(89,180)	(78,022)	(60,820)
	(386,627)	**(366,723)**	**(252,182)**
Total net deferred tax liability	**(232,662)**	**(226,025)**	**(158,475)**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

23. Income tax (continued)

The Group has not recognised a deferred tax liability of RR 2,578,763 (31 December 2009: RR 1,732,256; 31 December 2008: RR 1,119,966) in respect of temporary differences associated with investments in subsidiaries as the Group is able to control the timing of reversal of those temporary differences and does not expect to reverse them in the foreseeable future. It does not intend to reduce the subsidiaries' equity, and future dividends, if any, will be paid out of future earnings.

Refer to Note 28 "Contingencies" for description of tax risks and uncertainties.

24. Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence 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.
Related parties of the Group fall into the following categories:

1. The Owner;
2. Entities controlled by the Owner;
3. Members of the Board of Directors and other key management personnel;
4. Entities controlled by key management personnel.

The Owner

In 2009 and 2008 the Group declared dividends to the participants in the amounts of RR 315,491 and RR 80,705 respectively, whereas the dividends attributable to the Owner were RR 312,336 and RR 79,403 respectively. The dividends for 2009 were fully paid by 31 December 2009 (31 December 2008: dividend payable to the Owner was RR 11,885).

During 2008 the Group obtained an interest-free loan from the Owner in the amount of RR 31,905. This loan was repaid before 31 December 2008.

Entities controlled by the Owner

Balances and transactions with related parties for each reporting period consist of the following:

Transactions	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Loans issued	38,106	696,000	848,194
Interest income	1,670	42,809	38,331
Loans received	1,999	164,730	5,064,240
Interest expense	2,275	687	99,011
Balances	**31 December 2010**	**31 December 2009**	**31 December 2008**
Loans issued (Note 4)	36,341	292,840	58,840
Interest receivable (Note 4)	834	111,329	92,351
Borrowings (Note 13)	-	164,730	12
Interest payable (Note 13)	-	677	41,092

Loans issued to related parties are denominated in US Dollars with interest rate of 6% (31 December 2009: in Russian Roubles, with interest rates 10-21%; 31 December 2008: in Russian Roubles and rate of 10%).

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

24. Related party transactions (continued)

Entities controlled by the Owner (continued)

Loans received from related parties are denominated in Russian Roubles with an interest rate of 11% (31 December 2009: 8%; 31 December 2008:11%).

Key management personnel

Remuneration to 8 (2009: 9; 2008: 4) representatives of key management personnel, included in payroll costs, comprised short-term remuneration such as salaries, discretionary bonuses and other short-term benefits totalling RR 184,362, including RR 832 payable to the State Pension Fund (2009: RR 117,842 and RR 735; 2008: RR 39,585 and RR 284 respectively).

During 2010 the General Director of the Company was granted a share option for 5% shares of the Company by Matchzone Holdings Limited (the entity under common control of the Owner) in a form of compound share-based payment award. The exercise price of the granted option was equal to US$ 5. The options were exercisable starting 1 year from the grant date. The share option was based on two types of vesting conditions: service condition and non-market performance condition. Failure to comply with the non-market performance condition resulted in a forfeiture of the share-based payment award in December 2010. Accordingly, the share based transaction had no impact on these consolidated financial statements.

Entities controlled or influenced by the key management personnel

Transactions	**Year ended 31 December 2010**	**Year ended 31 December 2009**	**Year ended 31 December 2008**
Loans issued	-	-	49,854
Interest income	-	-	2,076
Purchases of goods and services	-	-	24,151
Sale of goods and services	-	-	47,819

25. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year. The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share.

	Note	**Year ended 31 December 2010**
Profit for the year attributable to the Company's equity holders		5,121,529
Weighted average number of ordinary shares in issue	12	79,565,800
Basic and diluted earnings per share (RR per share)		**64.37**

The Company was established in the form of joint stock company in 2010, therefore earnings per share calculation is not relevant for comparative periods (Note 12).

26. Segment information

Starting from 1 January 2009, the Group prepares its segment analysis in accordance with IFRS 8, “Operating segments”, which replaced IAS 14, “Segment reporting”. Comparatives were adjusted to conform to the presentation of current period amounts.

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

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

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

- Sugar – represents production and trading operation with white sugar;
- Meat – represents cultivation of pigs and selling of consumable livestock to third parties;
- Other agriculture – represents cultivation of plant crops (sugar beet, grain crops and other plant crops) and dairy cattle livestock;
- Oil – represents production and sales of mayonnaise, consumer margarine, and bottled vegetable oil.

Certain Group's businesses are not included within the reportable operating segments, as they are not included in the reports provided to the CODM. The results of these operations are included in "Other" caption. The Company that represents the Group's head office function and earns revenue considered incidental to the Group's activities is included in "Other" caption.

Factors that management used to identify the reportable segments

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

Segment financial information reviewed by the CODM includes:

- Quarterly report containing information about financial position, income and expenses by business units (segments) based on statutory accounting numbers. Information presented to the CODM is prepared on the basis of individual RAR financial statements (Note 2.1) of the Group companies, but reviewed and assessed at the business unit level;
- Quarterly cash flow statements for each business unit with budget-vs-actual analysis;
- In addition to main financial indicators, production data (such as yield, production volumes, cost per unit, staff costs) and revenue data (volumes per type of products, market share) are also reviewed by the CODM on a quarterly basis.

Measurement of operating segment profit or loss, assets and liabilities

Profit or loss report provided to the CODM is based on the RAR specified layout of income statement which includes four profit measures: gross profit, operating profit, profit before tax and net profit for the period. The CODM assesses the performance of the operating segments based on the net profit for the period. Mainly, the use of net profit was predefined by the participant's needs of maximising profitability of the Group.

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

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2010 is set out below:

2010	**Sugar**	**Meat**	**Other agriculture**	**Oil**	**Other**	**Eliminations**	**Total**
Sales - external	20,232,815	4,572,238	1,550,746	4,763,290	-	-	31,119,089
Sales to other segments	125,546	13	2,727,125	-	279,657	(3,132,341)	-
Total sales	**20,358,361**	**4,572,251**	**4,277,871**	**4,763,290**	**279,657**	**(3,132,341)**	**31,119,089**
Net profit	**3,353,109**	**979,433**	**260,276**	**443,799**	**2,916**	**-**	**5,039,533**
Interest income	185,226	65,901	53,190	145,917	303,364	(318,464)	435,134
Interest expense	(637,032)	(697,691)	(336,867)	(57,419)	(174,622)	318,464	(1,585,167)
Depreciation	(412,590)	(663,436)	(482,710)	(107,861)	(2,842)	-	(1,669,439)
Income tax expense	(414,941)	14,904	496	(126,718)	(12,542)	-	(538,801)
Assets	**20,601,170**	**9,542,172**	**7,246,585**	**3,289,859**	**9,722,787**	**(12,442,202)**	**37,960,371**
Liabilities	**(12,967,538)**	**(7,189,861)**	**(3,962,714)**	**(293,862)**	**(4,185,407)**	**7,027,975**	**(21,571,407)**
Additions to non-current assets	1,440,634	248,616	1,305,918	153,073	4,438	-	3,152,679

Additions to non-current assets exclude additions to financial instruments and deferred tax assets.

Segment information for the reportable segments for the year ended 31 December 2009 is set out below:

2009	**Sugar**	**Meat**	**Other agriculture**	**Oil**	**Other**	**Eliminations**	**Total**
Sales - external	15,880,111	2,706,071	1,628,370	4,604,399	1,681	-	24,820,632
Sales to other segments	74,795	265	2,668,710	2,781	90,619	(2,837,170)	-
Total sales	**15,954,906**	**2,706,336**	**4,297,080**	**4,607,180**	**92,300**	**(2,837,170)**	**24,820,632**
Net profit (loss)	**1,103,883**	**200,307**	**391,248**	**932,777**	**648**	**(28,818)**	**2,600,045**
Interest income	43,735	7,544	21,987	91,943	131,301	(159,471)	137,039
Interest expense	(557,404)	(661,576)	(407,425)	(9,410)	(105,842)	159,471	(1,582,186)
Depreciation	(234,777)	(629,621)	(425,035)	(92,074)	(1,201)	-	(1,382,708)
Income tax expense	(294,570)	(43)	(8,945)	(241,712)	(4,784)	-	(550,054)
Assets	**9,959,150**	**6,939,118**	**7,235,666**	**3,845,312**	**6,174,388**	**(8,912,094)**	**25,241,540**
Liabilities	**(5,736,182)**	**(6,336,113)**	**(4,182,710)**	**(1,335,766)**	**(3,031,835)**	**6,199,378**	**(14,423,228)**
Additions to non-current assets	1,065,326	712,366	925,798	190,422	5,975	-	2,899,887

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities (continued)

Segment information for the reportable segments for the year ended 31 December 2008 is set out below:

2008	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales - external	11,591,662	877,892	1,363,769	4,231,204	9,297	-	18,073,824
Sales to other segments	60,966	-	1,371,451	5,295	-	(1,437,712)	-
Total sales	**11,652,628**	**877,892**	**2,735,220**	**4,236,499**	**9,297**	**(1,437,712)**	**18,073,824**
Net profit (loss)	**576,008**	**(15,350)**	**53,532**	**561,882**	**242,340**	**(209,817)**	**1,208,595**
Interest income	70,681	4,880	6,549	36,830	181,387	(64,785)	235,542
Interest expense	(297,236)	(358,753)	(260,153)	(20,728)	(144,307)	64,785	(1,016,392)
Depreciation	(181,348)	(158,211)	(261,517)	(78,813)	(848)	-	(680,737)
Income tax expense	(211,308)	(13,470)	(13,074)	(174,914)	(12,901)	-	(425,667)
Assets	**6,512,854**	**6,938,090**	**5,853,846**	**1,984,901**	**4,453,417**	**(3,544,356)**	**22,198,752**
Liabilities	**(4,335,339)**	**(6,569,757)**	**(3,425,998)**	**(441,180)**	**(979,091)**	**1,879,753**	**(13,871,612)**
Additions to non-current assets	753,587	2,988,146	979,945	101,676	1,903	-	4,825,257

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Segment information (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2010	2009	2008
Total sales for reportable segments under RAR	31,119,089	24,820,632	18,073,824
Reclassification to other operating income (a)	(16,961)	(92,425)	(372,756)
Bonuses to customers (b)	(146,953)	(95,178)	(65,296)
Differences in the consolidation start date of the acquired companies (c)	-	-	72,152
Other adjustments	355	38,345	58,363
Total consolidated sales under IFRS	**30,955,530**	**24,671,374**	**17,766,287**

The items in sales reconciliation are attributable to the following:

a. *Reclassification to other operating income.* Reclassification adjustments to RAR revenue represent the reclassification of revenues from non-core activities of the Group to other operating income.

b. *Bonuses to customers*. This adjustment represents an accrual of additional bonuses which were not included in the statutory accounting financial statements due to the cut-off.

c. *Differences in the consolidation start date of the acquired companies.* With the purpose of simplicity and due to the quarterly preparation of the statutory consolidated financial statements the income and expenses of the agricultural companies acquired in the end of August 2008 were included in statutory consolidated financial statements starting from the beginning of June 2008 that is two months earlier than in these consolidated financial statements. Therefore, the adjustment was made to add back intercompany sales that were eliminated in the statutory books net of the reversal of sales to other entities made by the acquired companies during that two-month period.

	2010	2009	2008
Total reportable segment net profit under RAR	5,039,533	2,600,045	1,208,595
Goodwill valuation (d)	-	(42,361)	10,258
Net effect of the measurement of agricultural produce at the time of harvest at fair value less estimated point-of-sale costs (e)	3,570	(207,468)	187,847
Reversal/ (accrual) of provision for impairment of inventories (f)	35,506	159,420	(203,849)
Additional depreciation, excluding depreciation of leased assets (g)	(223,848)	(43,475)	(81,736)
Adjustments to financial result of disposal of property plant and equipment (g)	(20,941)	(29,004)	(15,244)
Write-off and impairment of receivables and financial assets (h)	125,240	(80,237)	12,347
Cut-off adjustments (i)	(131,209)	1,050	(70,304)
Elimination of unrealized gain, net of reversal (j)	35,659	(57,236)	(67,331)
Expenses classification (k)	43,599	(14,531)	(74,797)
Adjustments to the net assets of the disposed subsidiaries (l)	-	21,480	-
Deferred tax adjustment (s)	27,374	39,360	138,394
Net effect of biological assets revaluation (m)	306,216	(2,720)	18,460
Accruals (n)	(43,046)	-	-
Write-off of prepaid expenses (o)	(63,328)	(22,938)	(4,134)
Other adjustments	23,912	2,809	9,667
Consolidated net profit under IFRS	**5,158,237**	**2,324,194**	**1,068,173**

26. Segment information (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (continued)

The items in the net profit reconciliation are attributable to the following:

d. *Goodwill valuation*. The goodwill in statutory consolidated financial statements is calculated based on the statutory accounting value of the acquired company's net assets as at the acquisition date. In these consolidated financial statements the goodwill valuation was adjusted in accordance with IFRS 3 that requires fair value measurement of the identifiable assets and liabilities acquired in the business combination.

e. *Net effect of the measurement of agricultural produce at the time of harvest at fair value less estimated point-of-sale costs*. In the statutory financial statements agricultural produce is measured at cost. In these consolidated financial statements the agricultural produce was initially measured at fair value less estimated point-of-sale costs at the time of harvest as required by IAS 41. The net effect of the adjustment on the net profit represents the gain on revaluation of the current year's harvest less the gain attributable to the realised agricultural produce.

f. *Reversal/(accrual) of provision for impairment of inventories*. The adjustment represents the write-down of inventories to net realisable value in accordance with IAS 2.

g. *Additional depreciation, excluding depreciation of leased assets. Adjustments to financial result of disposal of property, plant and equipment.* These adjustments were stipulated by the differences in the statutory accounting and IFRS carrying value of the property, plant and equipment which originated due to the revaluation of property, plant and equipment at the date of transition to IFRS (see Note 2.5) and revaluation of the assets acquired in business combinations in accordance with IFRS 3 (Note 22).

h. *Write-off and impairment of receivables and financial assets* adjustments represent (accruals)/ reversals of provision for doubtful debts and bad debts write-off.

i. *Cut-off adjustments*. In preparing these consolidated financial statements all income and expenses were included in profit or loss of the period in which the respective business operation took place. This heading summarises adjustments which were not included in statutory financial statements such as accruals of bonuses payable to employees on the basis of results of each financial year, bonuses payable to customers for deliveries in the reporting periods, provisions for unused earned vacations and other similar adjustments.

j. *Elimination of unrealised gain, net of reversal*. In these consolidated financial statements the unrealised gain on intra-group sales that was not excluded in the statutory consolidated financial statements, was eliminated.

k. *Expenses classification*. In the statutory financial statements some expenses, such as bonuses to employees from net profit, are not included in determination of the profit or loss for the period but charged directly to retained earnings. In these consolidated financial statements these expenses were included in profit or loss for the respective period.

l. *Adjustments to the net assets of the disposed subsidiaries.* The adjustment is represented by the differences in statutory accounting and IFRS carrying value of the assets and liabilities disposed through the disposal of subsidiaries.

m. *Net effect of biological assets revaluation*. In the statutory financial statements mature animals of bearer livestock are measured at cost less accumulated depreciation; immature animals of bearer livestock and animals of consumable livestock are measured at cost. In accordance with IAS 41 and the Group's accounting policy (Note 2.7), in these consolidated financial statements the livestock is revalued to the fair value less estimated point-of-sale costs as at the year-end. The net effect of the adjustment includes the reversal of the statutory accounting depreciation, revaluation to the fair value at the year-end and adjustments to the profit or loss related to the disposed livestock.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Segment information (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (continued)

n. *Accruals*. The Group recognised accruals in these consolidated financial statements that were not made in the statutory financial statements.

o. *Write-off of prepaid expenses.* In the statutory financial statements the recognition of some expenses, for example repairs and maintenance of production facilities in downtime periods, are deferred to match them with the related income. Some of these expenses that do not conform with the definition of assets in accordance with IFRSs, were expensed these consolidated financial statements in the period of the respective transactions.

	2010	2009	2008
Total reportable segment interest income under RAR	435,134	137,039	235,542
Reclassification (p)	-	36,911	46,599
Differences in the consolidation start date of the acquired companies (c)	-	-	11,925
Additional accruals of interest income (q)	-	-	23,290
Other adjustments	(1,071)	(1,219)	268
Consolidated interest income under IFRS	**434,063**	**172,731**	**317,624**

The reconciling items in interest income are attributable to the following:

p. *Reclassification.* In the statutory financial statements the net income from realization of Sberbank promissory notes was presented within other operating income/expenses. In these consolidated financial statements this income is presented within interest income.

q. *Additional accruals of interest income* were made on the long term promissory notes, which were not accrued in the statutory financial statements.

	2010	2009	2008
Total reportable segment interest expenses under RAR	(1,585,167)	(1,582,186)	(1,016,392)
Offsetting of government grants against interest paid (Note 16)	898,950	852,005	425,695
Interest on finance lease liabilities (r)	(19,858)	(39,838)	(25,239)
Reversal of interest capitalization (s)	-	(8,368)	-
Unwinding of discounting on low-cost borrowings (t)	(15,720)	(14,940)	(37,752)
Cut-off adjustments (see i above)	(61,941)		
Other adjustments	-	2,321	(13,250)
Consolidated interest expenses under IFRS	**(783,736)**	**(791,006)**	**(666,938)**

The reconciling items in interest expenses are attributable to the following:

r. *Interest on finance lease liabilities*. In the statutory financial statements there is no distinction between finance and operating leases and leasing expenses are charged to the income statement as incurred, while in accordance with IFRS recognition of finance lease as an asset and a liability in the statement of financial position of the lessee is required. Consequently the depreciation of the leased assets and the interest on the finance lease liabilities are included in profit or loss.

s. *Reversal of interest capitalisation* is made where interest was capitalised in the cost of the assets in the statutory financial statements after the assets were ready for the intended use.

t. *Unwinding of discounting on low-cost borrowings*. In the statutory financial statements borrowings including low-cost borrowings are measured at principal amount. In these consolidated financial statements the low-cost borrowings were discounted to their fair value at the initial recognition using the effective interest method (Note 2.15). During the life of the respective borrowings the unwinding of the discounting is made and included in the interest expense.

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26. Segment information (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2010	2009	2008
Total reportable segment depreciation expenses under RAR	(1,669,439)	(1,382,708)	(680,737)
Additional depreciation related to differences in the carrying amount and depreciation terms (see g above)	(223,848)	(43,475)	(81,736)
Reversal of depreciation on biological assets (see m above)	105,635	112,079	27,008
Depreciation of leased assets (see r above)	(38,465)	(44,056)	(38,209)
Other adjustments	(32,061)	1,052	(5,899)
Consolidated depreciation expenses under IFRS	**(1,858,178)**	**(1,357,108)**	**(779,573)**

	2010	2009	2008
Total reportable segment income tax expenses under RAR	(538,801)	(550,054)	(425,667)
Deferred tax adjustment (u)	27,374	55,560	33,701
Effect of changes in tax rate (Note 23)	-	-	65,505
Other adjustments	-	(16,200)	39,188
Consolidated income tax expenses under IFRS	**(511,427)**	**(510,694)**	**(287,273)**

u. Deferred tax adjustment. In the statutory financial statements the deferred taxes were calculated using income statement liability method, which focuses on timing differences. Timing differences are differences between taxable profit and accounting profit that originate in one period and reverse in one or more subsequent periods. Conversely, IAS 12 “Income Taxes” requires balance sheet liability method, which focuses on temporary differences. Temporary differences are differences between the tax bases of assets or liabilities and their carrying amount in the statement of financial position (Note 2.20).

	2010	2009	2008
Total reportable segment assets under RAR	37,960,371	25,241,540	22,198,752
Adjustments to property, plant and equipment (see g above)	1,068,055	1,640,722	1,070,287
Adjustments to inventories valuation (v)	(301,099)	(324,152)	(171,215)
Offsetting (Note 2.27)	-	(5,090)	(198,550)
Goodwill valuation (see d above)	(493,372)	(513,487)	(87,309)
Biological assets valuation (see m above)	44,053	69,856	40,152
Deferred tax assets valuation (see u above)	21,085	50,853	59,937
Write-off and impairment of receivables and financial assets (see h above)	(98,110)	(340,903)	(301,812)
Recognition of raw sugar purchases in the respective period (w)	1,023,146	-	-
Other adjustments	(136,486)	(97,270)	(40,053)
Total consolidated assets under IFRS	**39,087,643**	**25,722,069**	**22,570,189**

v. Adjustments to inventories valuation. Several adjustments are made to inventory per the statutory financial statements to arrive at the inventory valuation in accordance with IFRS, including net realisable value adjustment (see f above), elimination of unrealised gain (see j above), effect of the measurement of agricultural produce at the time of harvest at fair value less estimated point-of-sale costs included in inventory (see e above), etc.

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26. Segment information (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (continued)

w. Recognition of raw sugar purchases in the respective period. At the end of the year risks and rewards for some raw sugar purchases transferred to the Group and the purchased raw sugar and related trade accounts payable were recognized in these consolidated financial statements. In the statutory financial statements these purchases were not recognized as the transfer of ownership title has not happened as at the reporting date.

	2010	2009	2008
Total reportable segment liabilities under RAR	(21,571,407)	(14,423,228)	(13,871,612)
Deferred tax liabilities valuation (see s above)	(198,955)	(250,729)	(169,610)
Recognition of raw sugar purchases in the respective period (see w above)	(1,023,146)	-	-
Cut-off adjustments (see i above)	(219,469)	(148,846)	(134,729)
Discount on low-cost borrowings (see r above)	127,995	143,145	160,856
Adjustments to finance lease liabilities (see p above)	-	417	(32,441)
Offsetting (Note 2.27)	-	5,090	198,550
Other adjustments	(23,775)	19,229	21,179
Total consolidated liabilities under IFRS	**(22,908,757)**	**(14,654,922)**	**(13,827,807)**

	2010	2009	2008
Total reportable segment additions to non-current assets under RAR	3,152,679	2,899,887	4,825,257
Reversal of statutory accounting transaction of transfer of biological assets to fixed assets	(194,683)	(390,071)	(444,406)
Elimination of intercompany capital expenditure	(7,572)	(87,723)	(49,256)
Difference between the fair value and the carrying amount of the non-current assets of the acquired companies (Note 22)	-	676,746	144,268
Increase in non-current biological assets in accordance with IFRS (Note 10)	222,725	386,963	545,490
Advances paid for property, plant and equipment	43,649	(121,326)	(585,530)
Other	(83,297)	(59,941)	(10,454)
Total increase in non-current assets under IFRS	**3,133,501**	**3,304,535**	**4,425,369**

Analysis of revenues by products and services

Each business segment except for Other agricultural business segment is engaged in production and sales of similar or related products (see above in this note). The Other agricultural segment in addition to its main activity of growing and harvesting agricultural crops, is engaged in cultivation of dairy cattle livestock. Related revenue from sales of milk and other livestock products was 142,078 RR (2009: RR 235,960; 2008: RR 280,169).

For the amount of revenue from services, which comprise mainly processing of sugar beet for independent agricultural enterprises, see Note 17.

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26. Segment information (continued)

Geographical areas of operations

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

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Russian Federation	29,415,076	23,136,275	16,400,862
Foreign countries	1,540,454	1,535,099	1,365,425
Total	**30,955,530**	**24,671,374**	**17,766,287**

Major customers

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

Additional information

As explained above, in 2009 the Group adopted IFRS 8 "Operating segments" according to which operating segments are reported in a manner consistent with the internal reporting provided to the Group's CODM. As required by IFRS 8, all comparative information has been restated to conform to the requirements of IFRS 8. Internal reporting to the CODM is based on RAR.

To provide a further insight into the earnings of the Group, additional information on sales, cost of sales, gross profit, distribution and selling, general and administrative expenses, other operating income, operating profit and depreciation expense for each operating segment is presented below in accordance with recognition and measurement policies, adopted by the Group for the preparation of its annual IFRS consolidated financial statements. This information is not required by IFRS 8 and is provided on a voluntary basis for comparison with similar businesses only.

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26. Segment information (continued)

2010	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales (Note 17)	20,321,494	4,572,251	4,279,287	4,635,181	279,657	(3,132,340)	30,955,530
Gain on initial recognition of agricultural produce (Note 10)	-	-	770,564	-	-	-	770,564
Cost of sales (Note 18)	(15,970,621)	(2,968,568)	(3,749,020)	(3,310,943)	-	2,845,731	(23,153,421)
incl. Depreciation	*(530,605)*	*(572,503)*	*(491,042)*	*(127,849)*	-	*(26,036)*	*(1,748,035)*
Gains less losses from trading sugar derivatives	1,214,660	-	-	-	-	-	1,214,660
Gross profit	**5,565,533**	**1,603,683**	**1,300,831**	**1,324,238**	**279,657**	**(286,609)**	**9,787,333**
Distribution and Selling, General and administrative expenses (Note 19, Note 20)	(1,638,959)	(256,670)	(832,618)	(828,879)	(425,986)	142,948	(3,840,164)
incl. Depreciation	(19,047)	(17,952)	(45,015)	(28,107)	(2,843)	2,821	(110,143)
Other operating income, net (Note 21)	9,175	209,131	(149,435)	31,764	(14,710)	(18,500)	67,425
incl. Reimbursement of fuel and fertilisers (government grants)	-	-	*137,783*	-	-	-	*137,783*
Operating profit	**3,935,749**	**1,556,144**	**318,778**	**527,123**	**(161,039)**	**(162,161)**	**6,014,594**
Depreciation included in Operating Profit	549,652	590,455	536,057	155,956	2,843	23,215	1,858,178
Other operating income, net	(9,175)	(209,131)	149,435	(31,764)	14,710	18,500	(67,425)
Reimbursement of fuel and fertilisers (government grants)	-	-	137,783	-	-	-	137,783
Gain on initial recognition of agricultural produce	-	-	(770,564)	-	-	-	(770,564)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	-	-	766,994	-	-	-	766,994
Provision/ (Reversal) for net realizable value costs	-	-	(23,592)	-	-	-	(23,592)
Adjusted EBITDA	**4,476,226**	**1,937,468**	**1,114,891**	**651,315**	**(143,486)**	**(120,446)**	**7,915,968**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Segment information (continued)

Reconciliation of sales for reportable segments under RAR to sales under IFRS:

2010	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales for reportable segments under RAR	**20,358,361**	**4,572,251**	**4,277,871**	**4,763,290**	**279,657**	**(3,132,341)**	**31,119,089**
Reclassification to other operating income (a)	(15,860)	-	(1,101)	-	-	-	(16,961)
Bonuses to customers (b)	(19,439)	-	-	(127,514)	-	-	(146,953)
Other adjustments	(1,568)	-	2,518	(595)	-	-	355
Sales for reportable segments under IFRS	**20,321,494**	**4,572,251**	**4,279,288**	**4,635,181**	**279,657**	**(3,132,341)**	**30,955,530**

Reconciliation of depreciation for reportable segments under RAR to depreciation under IFRS:

2010	Sugar	Meat	Other agriculture	Oil	Other	Elimina-tions	Total
Depreciation for reportable segments under RAR	**(389,374)**	**(663,436)**	**(482,711)**	**(107,860)**	**(2,843)**	**(23,215)**	**(1,669,439)**
Additional depreciation related to differences in the carrying amount and depreciation terms (g)	(138,932)	626	(46,290)	(39,252)	-	-	(223,848)
Reversal of depreciation on biological assets (m)	-	86,136	19,499	-	-	-	105,635
Depreciation of leased assets (p)	4,595	(13,781)	(29,279)	-	-	-	(38,465)
Other adjustments	(25,941)	-	2,724	(8,844)	-	-	(32,061)
Depreciation for reportable segments under IFRS	**(549,652)**	**(590,455)**	**(536,057)**	**(155,956)**	**(2,843)**	**(23,215)**	**(1,858,178)**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Segment information (continued)

2009	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales (Note 17)	15,967,549	2,707,857	4,215,992	4,524,846	92,300	(2,837,170)	24,671,374
Gain on initial recognition of agricultural produce (Note 10)	-	-	394,861	-	-	-	394,861
Cost of sales (Note 18)	(12,735,517)	(2,035,044)	(3,335,867)	(2,750,459)	(38)	2,468,459	(18,388,466)
incl. Depreciation	*(269,288)*	*(510,552)*	*(396,203)*	*(91,152)*	-	*(5,310)*	*(1,272,505)*
Gross profit	**3,232,032**	**672,813**	**1,274,986**	**1,774,387**	**92,262**	**(368,711)**	**6,677,769**
Distribution and Selling, General and administrative expenses (Note 19, Note 20)	(1,430,883)	(169,516)	(774,747)	(753,209)	(181,200)	172,255	(3,137,300)
incl. Depreciation	*(19,374)*	*(1,130)*	*(45,835)*	*(21,874)*	*(1,700)*	*5,310*	*(84,603)*
Other operating income, net (Note 21)	8,231	16,527	(86,819)	(17,491)	45,963	(24,930)	(58,519)
incl. Reimbursement of fuel and fertilisers (government grants)	-	-	147,106	-	-	-	147,106
Operating profit	**1,809,380**	**519,824**	**413,420**	**1,003,687**	**(42,975)**	**(221,386)**	**3,481,950**
Depreciation included in Operating Profit	288,662	511,682	442,038	113,026	1,700	-	1,357,108
Other operating income, net	(8,231)	(16,527)	86,819	17,491	(45,963)	24,930	58,519
Reimbursement of fuel and fertilisers (government grants)	-	-	147,106	-	-	-	147,106
Gain on initial recognition of agricultural produce	-	-	(394,861)	-	-	-	(394,861)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	-	-	602,329	-	-	-	602,329
Provision/ (Reversal) for net realizable value costs	-	-	(165,053)	-	-	-	(165,053)
Adjusted EBITDA	**2,089,811**	**1,014,979**	**1,131,798**	**1,134,204**	**(87,238)**	**(196,456)**	**5,087,098**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Segment information (continued)

Reconciliation of sales for reportable segments under RAR to sales under IFRS:

2009	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales for reportable segments under RAR	**15,954,906**	**2,706,336**	**4,297,080**	**4,607,180**	**92,300**	**(2,837,170)**	**24,820,632**
Reclassification to other operating income (a)	-	-	(92,425)	-	-	-	(92,425)
Bonuses to customers (b)	(13,151)	-	-	(82,027)	-	-	(95,178)
Other adjustments	25,794	1,521	11,337	(307)	-	-	38,345
Sales for reportable segments under IFRS	**15,967,549**	**2,707,857**	**4,215,992**	**4,524,846**	**92,300**	**(2,837,170)**	**24,671,374**

Reconciliation of depreciation for reportable segments under RAR to depreciation under IFRS:

2009	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Depreciation for reportable segments under RAR	**(234,777)**	**(629,621)**	**(425,035)**	**(92,074)**	**(1,201)**	**-**	**(1,382,708)**
Additional depreciation related to differences in the carrying amount and depreciation terms (g)	(55,655)	35,712	(3,468)	(20,064)	-	-	(43,475)
Reversal of depreciation on biological assets (m)	-	93,559	18,520	-	-	-	112,079
Depreciation of leased assets (p)	-	(11,472)	(32,584)	-	-	-	(44,056)
Other adjustments	1,770	140	529	(888)	(499)	-	1,052
Depreciation for reportable segments under IFRS	**(288,662)**	**(511,682)**	**(442,038)**	**(113,026)**	**(1,700)**	**-**	**(1,357,108)**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Segment information (continued)

2008	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales (Note 17)	11,585,678	878,021	2,569,341	4,170,502	457	(1,437,712)	17,766,287
Gain on initial recognition of agricultural produce (Note 10)	-	-	682,923	-	-	-	682,923
Cost of sales (Note 18)	(9,426,133)	(743,555)	(2,521,361)	(2,935,144)	(43)	1,188,948	(14,437,288)
incl. Depreciation	*(206,395)*	*(168,632)*	*(246,229)*	*(81,501)*	-	*(4,202)*	*(706,959)*
Gross profit	**2,159,545**	**134,466**	**730,903**	**1,235,358**	**414**	**(248,764)**	**4,011,922**
Distribution and Selling, General and administrative expenses (Note 19, Note 20)	(1,157,829)	(144,189)	(721,115)	(508,255)	(101,030)	243,054	(2,389,364)
incl. Depreciation	*(19,859)*	*(10,658)*	*(28,559)*	*(16,894)*	*(846)*	*4,202*	*(72,614)*
Other operating income, net (Note 21)	(33,752)	16,917	173,308	(2,824)	158,599	(199,544)	112,704
incl. Reimbursement of fuel and fertilisers (government grants)	-	*20,702*	*147,717*	-	-	-	*168,419*
Operating profit	**967,964**	**7,194**	**183,096**	**724,279**	**57,983**	**(205,254)**	**1,735,262**
Depreciation included in Operating Profit	226,254	179,290	274,788	98,395	846	-	779,573
Other operating income, net	33,752	(16,917)	(173,308)	2,824	(158,599)	199,544	(112,704)
Reimbursement of fuel and fertilisers (government grants)	-	20,702	147,717	-	-	-	168,419
Gain on initial recognition of agricultural produce	-	-	(682,923)	-	-	-	(682,923)
Gain on initial recognition of agricultural produce attributable to realised agricultural produce	-	-	495,076	-	-	-	495,076
Provision/ (Reversal) for net realizable value costs	-	-	188,644	-	-	-	188,644
Adjusted EBITDA	**1,227,970**	**190,269**	**433,090**	**825,498**	**(99,770)**	**(5,710)**	**2,571,347**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

26. Segment information (continued)

Reconciliation of sales for reportable segments under RAR to sales under IFRS:

2008	Sugar	Meat	Other agriculture	Oil	Other	Eliminations	Total
Sales for reportable segments under RAR	**11,652,628**	**877,892**	**2,735,220**	**4,236,499**	**9,297**	**(1,437,712)**	**18,073,824**
Reclassification to other operating income (a)	(55,577)	-	(308,259)	-	(8,920)	-	(372,756)
Bonuses to customers (b)	-	-	-	(65,296)	-	-	(65,296)
Differences in the consolidation start date of the acquired companies (c)	-	-	72,152	-	-	-	72,152
Other adjustments	(11,373)	129	70,228	(701)	80	-	58,363
Sales for reportable segments under IFRS	**11,585,678**	**878,021**	**2,569,341**	**4,170,502**	**457**	**(1,437,712)**	**17,766,287**

Reconciliation of depreciation for reportable segments under RAR to depreciation under IFRS:

2008	Sugar	Meat	Other agriculture	Oil	Other	Eliminatior	Total
Depreciation for reportable segments under RAR	**(181,349)**	**(158,211)**	**(261,517)**	**(78,814)**	**(846)**	**-**	**(680,737)**
Additional depreciation related to differences in the carrying amount and depreciation terms (g)	(42,406)	(38,303)	17,759	(18,786)	-	-	(81,736)
Reversal of depreciation on biological assets (m)	-	27,008	-	-	-	-	27,008
Depreciation of leased assets (p)	-	(9,784)	(28,425)	-	-	-	(38,209)
Other adjustments	(2,499)	-	(2,605)	(795)	-	-	(5,899)
Depreciation for reportable segments under IFRS	**(226,254)**	**(179,290)**	**(274,788)**	**(98,395)**	**(846)**	**-**	**(779,573)**

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27. Financial risk management

Financial risk factors

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

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

Credit risk

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

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

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

	31 December 2010	31 December 2009	31 December 2008
Long-term financial assets			
Loans issued (Note 11)	-	93,000	-
Bank deposits (Note 11)	99,390	-	-
Securities at fair value through profit and loss (Note 11)	42,799	40,625	23,493
Available-for-sale investments (Note 11)	7,677	12,077	12,074
Promissory notes (Note 11)	-	-	194,086
Other long-term investments (Note 11)	3,084	7,815	5,589
Total long-term financial assets	**152,950**	**153,517**	**235,242**
Short-term financial assets			
Financial assets within trade and other receivables (Note 5)	2,236,060	925,323	976,263
Promissory notes (Note 4)	600,182	600,289	600,355
Bank deposits (Note 4)	4,980,800	30,000	100,000
Loans issued (Note 4)	462,696	360,232	225,828
Interest receivable (Note 4)	159,068	116,476	116,301
Cash and cash equivalents (Note 3)	5,119,971	2,457,921	1,286,428
Restricted cash	305,276	-	-
Total short-term financial assets	**13,864,053**	**4,490,241**	**3,305,175**
Total	**14,017,003**	**4,643,758**	**3,540,417**

The Group has no collateral held as security for its financial assets. The Group has geographical concentration of credit risk in the domestic market since the majority of the Group's customers conduct their business in Russian Federation.

Securities at fair value through profit and loss represent investments in securities of OJSC Gazprom (rating BBB, Fitch Ratings).

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

27. Financial risk management (continued)

Credit risk (continued)

For minimisation of credit risk related to cash in bank and bank deposits the Group places cash in financial institutions which at the moment of transaction have the minimum risk of a default. Starting 2010 the Group's Treasury as additional measure of minimising credit risk places cash in the same banks from which the Group obtains loans thus actually eliminating the risk of loss due to bank failure. The table below shows the rating and balances with major banks at the reporting dates:

		31 December 2010		31 December 2009		31 December 2008	
	Rating agency	**Rating**	**Balance**	**Rating**	**Balance**	**Rating**	**Balance**
Alfa Bank	Standard & Poor's	B+	4,202,240	B+	1,000,839	-	-
Locko Bank	Moody's	B2	2,909,679	B2	3,686	-	-
Sberbank RF	Fitch Ratings	BBB	2,058,481	BBB	505,432	BBB	1,125,117
Gazprombank	Moody's	Baa3	1,365,776	-	-	-	-
Credit Evropa Bank	Fitch	BB-	99,456	-	-	-	-
Sobinbank	RusRating	BB-	158	BB-	970,773	BB-	227,729
Natixis	Standard & Poor's	A+	-	A+	-	A+	32,228
UniCredit Bank	Fitch Ratings	BBB+	323	BBB+	6,479	-	-
Other			225		351		875
Total cash at bank and bank deposits (Note 3, 4, 11)			**10,636,338**		**2,487,560**		**1,385,949**

The table below shows the rating and balances of promissory notes with banks and other counterparties at the reporting dates:

		31 December 2010		31 December 2009		31 December 2008	
	Rating agency	**Rating**	**Balance**	**Rating**	**Balance**	**Rating**	**Balance**
Sberbank RF	Fitch Ratings	BBB	600,000	BBB	600,000	BBB	600,000
Other short-term promissory notes	-	-	182	-	289	-	355
Total short-term promissory notes			**600,182**		**600,289**		**600,355**
Long-term promissory notes (Note 11)	-	-	-	-	-	-	194,086
Total long-term promissory notes			**-**		**-**		**194,086**
Total			**600,182**		**600,289**		**794,441**

Long-term promissory notes as at 31 December 2008 related to receivables for sale of agricultural enterprises (Note 21). Other short-term promissory notes relate to one-off transactions and represent promissory notes of customers.

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

27. Financial risk management (continued)

Financial assets that are neither past due nor impaired and not renegotiated as at the reporting date

The table below shows the analysis of financial assets that are neither past due nor impaired.

	31 December 2010	31 December 2009	31 December 2008
Promissory notes	600,182	600,289	794,441
Short-term loans issued	155,837	238,891	29,427
Interest receivable	151,696	11,967	23,887
Long-term loans issued	-	93,000	-
Other long-term investments	3,084	7,815	5,589
	910,799	**951,962**	**853,344**
Trade receivables	918,725	690,658	705,081
Other receivables	1,292,751	193,622	257,031
	2,211,476	**884,280**	**962,112**
Total	**3,122,275**	**1,836,242**	**1,815,456**

Neither past due nor impaired balances relate to the customers who have a long-standing relationship with the Group and a sound trading history. Concentrations of trade receivables by type of customer are as follows:

	31 December 2010	31 December 2009	31 December 2008
Manufacturers (candy, juice and other)	213,712	243,048	256,252
Distribution and retail outlets	672,962	416,968	306,070
Other not categorised	32,051	30,642	142,759
Total trade receivables	**918,725**	**690,658**	**705,081**

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

Financial assets that are past due but not impaired as at the reporting date

The table below shows the analysis of the age of financial assets that are past due but not impaired.

	31 December 2010	31 December 2009	31 December 2008
Overdue loans issued			
-3 months and less	998	-	793
-from 3 months to 6 months	-	-	8,500
-more than 6 months and less than a year	-	-	8,907
-over a year	1,807	10,406	-
Overdue interest receivables			
-3 months and less	-	-	4
-from 3 months to 6 months	-	-	658
-more than 6 months and less than a year	-	-	607
-over a year	10	1,591	-
Total	**2,815**	**11,997**	**19,469**

Past due but not impaired loans issued relate to a number of independent counterparties for whom there is no recent history of default.

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27. Financial risk management (continued)

Financial assets that are impaired as at the reporting date

The table below shows the analysis of impaired financial assets:

	31 December 2010		31 December 2009		31 December 2008	
	Nominal value	Impairment	Nominal value	Impairment	Nominal value	Impairment
Impaired receivables (Note 5):						
- trade receivables	36,887	(21,542)	106,324	(70,307)	35,320	(26,905)
- other receivables	25,739	(16,501)	24,984	(19,958)	49,651	(45,183)
Total	**62,626**	**(38,043)**	**131,308**	**(90,265)**	**84,971**	**(72,088)**

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

Financial assets that would otherwise be impaired whose terms have been renegotiated

Carrying amount of financial assets that would otherwise be impaired whose terms have been renegotiated is as follows:

	31 December 2010	31 December 2009	31 December 2008
Loans issued	304,054	110,935	178,201
Interest receivable	7,362	102,918	92,413
Total	**311,416**	**213,853**	**270,614**

Liquidity risk

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

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

	Carrying	Contractual undiscounted cash flows				
At 31 December 2010	**value**	**Total**	**2011**	**2012**	**2013-2015**	**After 2015**
Borrowings and loans (Note 13)						
- principal amount	19,399,401	19,527,396	11,142,602	263,770	7,135,778	985,246
- interest	51,845	3,821,343	1,283,761	910,139	1,553,997	73,446
Finance leases (Note 13)						
- principal amount	14,664	14,664	9,362	5,302	-	-
- interest	-	4,083	3,276	807	-	-
Financial liabilities within trade and other payables (Note 14)	1,573,951	1,573,951	1,573,951	-	-	-
Total	**21,039,861**	**24,941,437**	**14,012,952**	**1,180,018**	**8,689,775**	**1,058,692**
At 31 December 2009			**2010**	**2011**	**2012-2014**	**After 2014**
Borrowings and loans (Note 13)						
- principal amount	12,404,042	12,489,924	4,359,540	1,207,151	4,277,269	2,645,964
- interest	4,878	4,072,073	1,243,455	887,872	1,692,339	248,407
Finance leases (Note 13)						
- principal amount	219,979	219,979	103,531	68,752	47,696	-
- interest	-	40,116	26,005	11,405	2,706	-
Financial liabilities within trade and other payables (Note 14)	317,227	317,227	317,227	-	-	-
Total	**12,946,126**	**17,139,319**	**6,049,758**	**2,175,180**	**6,020,010**	**2,894,371**

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27. Financial risk management (continued)

Liquidity risk (continued)

At 31 December 2008	Carrying value	Contractual undiscounted cash flows	2009	2010	2011-2013	After 2013
Borrowings and loans (Note 13)						
- principal amount	11,524,771	11,685,627	4,432,863	723,051	2,826,609	3,703,104
- interest	51,185	4,187,673	1,068,968	798,904	1,719,550	600,251
Finance leases (Note 13)						
- principal amount	298,098	298,098	105,843	93,053	99,202	-
- interest	-	62,847	36,047	17,292	9,508	-
Financial liabilities within trade and other payables (Note 14)	647,036	647,036	647,036	-	-	-
Total	**12,521,090**	**16,881,281**	**6,290,757**	**1,632,300**	**4,654,869**	**4,303,355**

As at 31 December 2010 the Group had bank deposits in the amount of RR 980 800 maturing in 2011 (31 December 2009: none; 31 December 2008: none) pledged as collateral for the third party's obligations (Note 4).

The rate of CBRF used for calculating interest payments for government credits (see Note 13) is 7.75 % (2009: 8.75%; 2008: 13%).

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

	31 December 2010	31 December 2009	31 December 2008
US Dollar	30.4769	30.2442	29.3804
Euro	40.3331	43.3883	41.4411

Market risk

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

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain most of its borrowings in fixed rate instruments. The Group does not have formal policies and procedures in place for management of fair value interest rate risk.

Interest rates under credit contracts of the Group with Sberbank RF are fixed. However, the terms of the contracts stipulate the right of the creditor for a unilateral change of the interest rate (both increase and decrease), which can be based, among other triggers, on a decision of the CBRF to change the refinancing rate. Additionally, the Group has credit line with Alfa-Bank with credit limit of RR 3,000,000 provided for interest rate based on the CBRF interest rate plus 3% (Note 13). As at 31 December 2010 this credit facility was not utilised (2009: RR 1,000,000; 2008: not applicable). Besides, under state budget loans (Note 13) the Group pays interest at ¼ of the current refinancing rate of the CBRF.

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

27. Financial risk management (continued)

Market risk (continued)

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

During the year ended 31 December 2010, had interest rate for borrowings with other than fixed rate been increased/ decreased by 1%, the profit before taxation would have been RR 133,585 (2009: RR 120,330; 2008: RR 84,221) lower/higher.

Foreign exchange risk

The Group carries out essential import purchases of raw sugar from foreign suppliers. The payments are usually made in US Dollars. Starting from 2010 the Group actively used irrevocable covered letters of credit as form of payment to its raw sugar suppliers. The financing of the letter of credit was carried out through the credit line with Sberbank in Russian roubles. Under this structure of payment the actual exchange rates for purchase price of raw sugar was determined and fixed at the moment of borrowing funds from Sberbank. Previously the form of settlements implied 100% prepayment to the seller with a time lag of no more than 10 calendar days between the moment of transfer of cash to the seller and the delivery of raw materials. The Group does not have another formal arrangements to mitigate this risk.

As at 31 December 2010, 2009 and 2008, foreign exchange risk arises on cash in banks, trade and other receivables, borrowings and trade and other payables denominated in foreign currency (Notes 3, 5, 13 and 14).

At 31 December 2010, if the Russian Rouble had weakened/strengthened by 10 % (2009: 10%; 2008: 33%) against the US dollar with all other variables held constant, the Group’s profit before taxation would have been RR 65,517 (2009: RR 2,480; 2008: RR 115,475) higher/lower.

At 31 December 2010 if the Russian Rouble had weakened/strengthened by 10% (2009: 10%; 2008: 27%) against the Euro with all other variables held constant, the Group’s profit before taxation would have been RR 564 (2009: RR 20,797; 2008: RR 34,579) lower/higher.

Purchase price risk

The Group processes raw sugar and, starting from 2010, manages its exposure to this commodity price risk through financial derivatives. In 2010, the Group’s total purchases of raw sugar were RR 9,534,569 (2009: RR 4,182,344; 2008: RR 3,235,128). The Group trades raw sugar derivatives on ICE Futures US through an agent. Through derivatives, management aims to offset its long position in sugar inventory in order to minimise effects of price fluctuations on the results of the Group. The gains less losses on trading sugar derivatives of RR 1,214,660 are presented as a separate line within the consolidated statement of comprehensive income.

The Group is exposed to equity securities price risk arising on investments held by the Group and classified in the consolidated statement of financial position either as available for sale or at fair value through profit or loss (Note 11). The Group does not manage its price risk arising from investments in equity securities.

Sales price risk

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

The Group is exposed to financial risks arising from changes in milk, meat and crops prices (Note 10).

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27. Financial risk management (continued)

Fair value estimation

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

Financial assets carried at amortised cost

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

Liabilities carried at amortised cost

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

Financial instruments by measurement categories and fair values as at 31 December 2010

	Loans and receivables	Other at amortised cost	Available for sale	At fair value through profit or loss	Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	5,119,971	-	-	-	5,119,971	5,119,971
Restricted Cash	305,276				305,276	305,276
Loans issued (Note 4)	462,696	-	-	-	462,696	462,696
Promissory notes	600,182	-	-	-	600,182	600,182
Bank deposits	4,980,800	-	-	-	4,980,800	4,980,800
Interest receivable	159,068	-	-	-	159,068	159,068
Financial assets within trade and other receivables	2,236,060	-	-	-	2,236,060	2,236,060
Total short-term financial assets	**13,864,053**	**-**	**-**	**-**	**13,864,053**	**13,864,053**
Loans issued (Note 11)		-	-	-	-	-
Bank deposits	99,390				99,390	99,390
Securities at fair value through profit and loss	-	-	-	42,799	42,799	42,799
Available-for-sale investments	-	-	7,677	-	7,677	7,677
Other long-term investments	3,084	-	-	-	3,084	3,084
Total long-term financial assets	**102,474**	**-**	**7,677**	**42,799**	**152,950**	**152,950**
Total financial assets	**13,966,527**	**-**	**7,677**	**42,799**	**14,017,003**	**14,017,003**
Financial liabilities						
Short-term borrowings	`-	11,203,810	-	-	11,203,810	11,203,810
Financial liabilities within trade and other payables	-	1,573,951	-	-	1,573,951	1,573,951
Total short-term financial liabilities	**-**	**12,777,761**	**-**	**-**	**12,777,761**	**12,777,761**
Long-term borrowings	-	8,262,101	-	-	8,262,101	8,262,101
Other non-current liabilities		43,046			43,046	43,046
Total long-term financial liabilities	**-**	**8,305,147**	**-**	**-**	**8,305,147**	**8,305,147**
Total financial liabilities	**-**	**21,082,908**	**-**	**-**	**21,082,908**	**21,082,908**

(IN THOUSANDS OF RUSSIAN ROUBLES, UNLESS NOTED OTHERWISE)

27. Financial risk management (continued)

Financial instruments by measurement categories and fair values as at 31 December 2009

	Loans and receivables	Other at amortised cost	Available for sale	At fair value through profit or loss	Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	2,457,921	-	-	-	**2,457,921**	**2,457,921**
Loans issued (Note 4)	360,232	-	-	-	**360,232**	**360,232**
Promissory notes	600,289	-	-	-	**600,289**	**600,289**
Bank deposits	30,000	-	-	-	**30,000**	**30,000**
Interest receivable	116,476				**116,476**	**116,476**
Financial assets within trade and other receivables	925,323	-	-	-	**925,323**	**925,323**
Total short-term financial assets	4,490,241	-	-	-	**4,490,241**	**4,490,241**
Loans issued (Note 11)	93,000	-	-	-	**93,000**	**93,000**
Securities at fair value through profit and loss	-	-	-	40,625	**40,625**	**40,625**
Available-for-sale investments	-	-	12,077	-	**12,077**	**12,077**
Other long-term investments	7,815	-	-	-	**7,815**	**7,815**
Total long-term financial assets	**100,815**	**-**	**12,077**	**40,625**	**153,517**	**153,517**
Total financial assets	**4,591,056**	**-**	**12,077**	**40,625**	**4,643,758**	**4,643,758**
Financial liabilities						
Short-term borrowings	`-	4,475,525	-	-	**4,475,525**	**4,475,525**
Financial liabilities within trade and other payables	-	317,227	-	-	**317,227**	**317,227**
Total short-term financial liabilities	**-**	**4,792,752**	**-**	**-**	**4,792,752**	**4,792,752**
Long-term borrowings	-	8,153,374	-	-	**8,153,374**	**8,153,374**
Total long-term financial liabilities	-	**8,153,374**	**-**	**-**	**8,153,374**	**8,153,374**
Total financial liabilities	-	**12,946,126**	**-**	**-**	**12,946,126**	**12,946,126**

Financial instruments by measurement categories and fair values as at 31 December 2008

	Loans and receivables	Other at amortised cost	Available for sale	At fair value through profit or loss	Total carrying amount	Fair value
Financial assets						
Cash and cash equivalents	1,286,428	-	-	-	**1,286,428**	**1,286,428**
Loans issued	225,828	-	-	-	**225,828**	**225,828**
Promissory notes (Note 4)	600,355	-	-	-	**600,355**	**600,355**
Bank deposits	100,000	-	-	-	**100,000**	**100,000**
Interest receivable	116,301				**116,301**	**116,301**
Financial assets within trade and other receivables	976,263	-	-	-	**976,263**	**976,263**
Total short-term financial assets	3,305,175	-	-	-	**3,305,175**	**3,305,175**
Promissory notes (Note 11)	194,086	-	-	-	**194,086**	**194,086**
Securities at fair value through profit and loss	-	-	-	23,493	**23,493**	**23,493**
Available-for-sale investments	-	-	12,074	-	**12,074**	**12,074**
Other long-term investments	5,589	-	-	-	**5,589**	**5,589**
Total long-term financial assets	**199,675**	**-**	**12,074**	**23,493**	**235,242**	**235,242**
Total financial assets	**3,504,850**	**-**	**12,074**	**23,493**	**3,540,417**	**3,540,417**
Financial liabilities						
Short-term borrowings	-	4,568,472	-	-	**4,568,472,**	**4,568,472**
Financial liabilities within trade and other payables	-	647,036	-	-	**647,036**	**647,036**
Total short-term financial liabilities	**-**	**5,215,508**	**-**	**-**	**5,215,508**	**5,215,508**
Long-term borrowings	-	7,305,582	-	-	**7,305,582**	**7,305,582**
Total long-term financial liabilities	-	**7,305,582**	**-**	**-**	**7,305,582**	**7,305,582**
Total financial liabilities	-	**12,521,090**	**-**	**-**	**12,521,090**	**12,521,090**

27. Financial risk management (continued)

Capital management

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

Russian corporate law provides requirements for minimal size of the entity's charter capital and net assets. The minimum size of charter capital for open joint-stock companies is RR 100, for closed joint-stock companies and limited liability companies – RR 10. The net assets should not be less than the minimum size of charter capital. The majority of the Group's entities fulfil these requirements as of 31 December 2010, 2009 and 2008. The Group is not subject to other externally imposed capital requirements.

28. Contingencies

Tax legislation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This includes them following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice in this respect has been contradictory.

Tax liabilities arising from transactions within the Group are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

28. Contingencies (continued)

Tax legislation (continued)

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and customs positions will be sustained. The Group estimates that at 31 December 2010 it has potential obligations from exposure to other than remote tax risks regarding VAT and income tax arising from transactions with certain suppliers, of RR 85 631 (2009-2008: no potential obligations).

Social obligations

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

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

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

Operating environment of the Group

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

29. Commitments

Contractual capital expenditure commitments

As at 31 December 2010 the Group had outstanding contractual commitments in respect of purchases or construction of property, plant and equipment in the amount of RR 638,329 (2009: RR 13,438; 2008: RR 157,961).

As at 31 December 2010 the Group had outstanding contractual commitments in respect of purchases of biological assets in the amount of RR 27,822 (2009: RR 21,768; 2008: RR 32,699).

Operating lease commitments

As at 31 December 2010, the Group had 289 land lease agreements (31 December 2009: 200; 31 December 2008: 100). In 118 land lease agreements (31 December 2009: 56; 31 December 2008: 51) fixed rent payments are defined and denominated in Russian Roubles. For these land lease agreements the future minimum lease payments under non-cancellable operating leases are as follows:

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29. Commitments (continued)

	31 December 2010	31 December 2009	31 December 2008
Not later than 1 year	69,049	10,576	23,634
Later than 1 year and not later than 5 years	116,996	35,516	84,458
Later than 5 years	556,545	173,309	223,623
Total	**742,590**	**219,401**	**331,715**

In addition, in 171 land lease agreements (31 December 2009: 144; 31 December 2008: 49) the rent is established as a non-monetary measure based on a certain share of agricultural produce harvested or a fixed volume of harvested crops. For 2010 related rent expenses were RR 132,283 (2009: RR 81,567; 2008: RR 49,842).

30. Subsequent events

In January 2011 ordinary shares of OJSC Rusagro Group were contributed by the Owner to the charter capital of the Ros Agro Plc (formerly Matchzone Holdings Ltd) (Cyprus) thus introducing the new holding company on top of the existing Group.

In January 2011 the Group entered into preliminary agreement for acquisition of 74.90% of ownership interest in LLC Samaraagroprompererabotka, sunflower oil production plant. The main agreement is expected to be signed not later than 30 March 2011 provided the fulfilment by the seller and the buyer the precedent conditions on obtaining internal corporate and antimonopoly authorities' approvals, conditions on compliance of assets and liabilities of the acquired entity to the preliminary agreed levels. The amount of consideration was preliminary agreed to be RR 179,008. Additionally, within this acquisition the Group has issued loans in the amount of RR 1,084,744 for refinancing the debt of the acquired entity.

In March 2011 the Group entered into preliminary agreements for acquisition of 96,818 ha of agricultural land plots located in Belgorod region. The basic agreement should be signed not later than 30 April 2011 provided that the seller fulfils the precedent conditions on execution of legal ownership documentation for those land plots. The acquisition costs are expected to be not more than RR 2,350,000.