UNITED CHEMICAL COMPANY URALCHEM OJSC

Consolidated Financial Statements for 2014 and Auditor’s Report

UNITED CHEMICAL COMPANY URALCHEM OJSC

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The following statement, which should be read in conjunction with the independent auditor's report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the consolidated financial statements of United Chemical Company UralChem OJSC and its subsidiaries (together, "the Group").

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of the Group as at 31 December 2014, the results of its operations, cash flows and changes in equity for the year ended 31 December 2014, in accordance with International Financial Reporting Standards ("IFRS").

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

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2014 were approved and signed on 2 April 2015 by:

Andrey Pakhomenkov	Dmitry Konyaev
Chief financial officer	Chief executive officer

Moscow, Russia
2 April 2015

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Moscow, 125047
Russia

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of United Chemical Company UralChem OJSC:

We have audited the accompanying consolidated financial statements of United Chemical Company UralChem OJSC and its subsidiaries (collectively – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

2 April 2015
Moscow, Russian Federation

Raikhman M. V., Partner
Certificate no. 01-001195 dated 14 January 2013

ZAO Deloitte & Touche CIS

The Entity: United Chemical Company UralChem OJSC

Certificate of state registration 77 № 008458656, issued by the Federal Taxation Authority on 30.10.2007.

Certificate of registration in the Unified State Register № 1077761874024 of 30.10.2007, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 46.

Address: 123317, Presnenskaya naberezhnaya, 6/2, Moscow, Russia

Independent Auditor: ZAO "Deloitte & Touche CIS"

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

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are in thousands of Russian roubles unless otherwise stated

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Revenue			
Sales of goods	7	75,588,501	69,383,754
Other sales	8	2,653,650	2,765,728
Total revenue		**78,242,151**	**72,149,482**
Cost of sales	9	(29,377,336)	(33,646,931)
Gross profit		**48,864,815**	**38,502,551**
Selling and distribution expenses	10	(16,248,612)	(16,429,872)
General and administrative expenses	11	(5,220,031)	(5,014,993)
Other operating expenses	12	(528,514)	(814,120)
Other operating income	12	6,838,170	250,086
Operating profit		**33,705,828**	**16,493,652**
Interest and other finance income	13	205,648	632,957
Interest and other finance expense	14	(9,829,269)	(2,423,790)
Reversal of impairment loss/(impairment loss)	16	62,200	(3,276,638)
Share of (loss)/profit of associates	18	(10,743,788)	12,358
Foreign exchange loss from financing activities		(106,670,543)	(1,448,060)
(Loss)/profit before tax		**(93,269,924)**	**9,990,479**
Income tax benefit/(expense)	15	13,523,670	(1,794,825)
(Loss)/profit for the year		**(79,746,254)**	**8,195,654**
Attributable to:			
Shareholders of the Company		(80,049,789)	8,218,802
Non-controlling interests		303,535	(23,148)
		(79,746,254)	**8,195,654**
Earnings per share			
Weighted average number of ordinary shares in issue during the year		500,000,000	500,000,000
Basic and diluted (loss)/earnings per share (Russian roubles per share)		(160.1)	16.4

The notes on pages 10 to 58 are an integral part of these consolidated financial statements.

UNITED CHEMICAL COMPANY URALCHEM OJSC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are in thousands of Russian roubles unless otherwise stated

	Year ended 31 December 2014	Year ended 31 December 2013
(Loss)/profit for the year	**(79,746,254)**	**8,195,654**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	929,620	415,622
Items that will be reclassified subsequently to profit or loss:		
Actuarial gain/(loss)	78,761	(95,743)
Total comprehensive (loss)/income for the year	**(78,737,873)**	**8,515,533**
Attributable to:		
Shareholders of the Company	(79,041,408)	8,538,681
Non-controlling interests	303,535	(23,148)
	(78,737,873)	**8,515,533**

The notes on pages 10 to 58 are an integral part of these consolidated financial statements.

UNITED CHEMICAL COMPANY URALCHEM OJSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

All amounts are in thousands of Russian roubles unless otherwise stated

	Notes	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	16	33,301,180	29,764,042
Goodwill	17	12,899,552	10,501,400
Intangible assets		295,017	286,975
Investments in associates	18	113,869,768	125,575,900
Inventories	19	1,056,677	1,032,708
Available-for-sale investments	20	5,586,236	5,127,721
Other financial assets	21	2,681,723	34,192
Deferred tax assets	30	17,197,669	929,403
		186,887,822	**173,252,341**
Current assets			
Inventories	19	5,550,573	4,694,477
Trade and other receivables	22	6,498,154	3,942,981
Advances paid and prepaid expenses	23	1,442,694	1,157,622
Income tax receivable		204,206	430,717
Other taxes receivable	24	2,445,097	2,764,731
Other financial assets	21	94,039	40,160
Cash and cash equivalents	25	11,089,860	3,805,538
		27,324,623	**16,836,226**
TOTAL ASSETS		**214,212,445**	**190,088,567**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	26	2,000,000	2,000,000
Additional paid-in capital		2,291,706	2,228,220
Foreign currency translation reserve		1,520,440	590,820
(Accumulated deficit)/retained earnings		(57,903,377)	22,067,651
Total (deficit)/equity attributable to shareholders of the Company		**(52,091,231)**	**26,886,691**
Non-controlling interests		1,498,638	213,432
Total deficit/(equity)		**(50,592,593)**	**27,100,123**
Non-current liabilities			
Loans and borrowings	27	249,629,447	127,941,704
Obligations under finance leases	28	3,161,134	2,265,881
Retirement benefit obligations	29	327,098	527,245
Deferred tax liabilities	30	1,335,381	1,630,536
		254,453,060	**132,365,366**
Current liabilities			
Loans and borrowings	27	3,786,100	21,779,882
Obligations under finance leases	28	1,185,659	815,271
Trade and other payables	31	2,466,718	6,337,187
Advances received		1,960,826	1,252,506
Income tax payable		676,127	215,995
Other taxes payable	32	276,548	222,237
		10,351,978	**30,623,078**
Total liabilities		**264,805,038**	**162,988,444**
TOTAL EQUITY AND LIABILITIES		**214,212,445**	**190,088,567**

The notes on pages 10 to 58 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
All amounts are in thousands of Russian roubles unless otherwise stated

	Year ended 31 December 2014	Year ended 31 December 2013
Operating activities		
(Loss)/profit before tax	**(93,269,924)**	**9,990,479**
Adjustments for:		
Depreciation of property, plant and equipment	3,742,021	3,520,247
Amortisation of intangible assets	101,579	108,281
(Reversal of impairment loss)/impairment loss	(62,200)	3,276,638
Change in provisions and allowances	705,848	470,978
Write-down of inventory to net realisable value	58,959	42,512
(Gain)/loss on disposal of property, plant and equipment	(116,025)	37,270
Foreign exchange loss, net	100,433,410	1,728,785
Share of loss/(profit) of associates	10,743,788	(12,358)
Interest and other finance income	(205,648)	(632,957)
Interest and other finance expense	9,829,269	2,423,790
Share-based compensation	63,486	299,769
Gain on disposal of subsidiaries	-	(35,074)
Operating cash flows before working capital changes	**32,024,563**	**21,218,360**
Change in inventories	(938,749)	(126,007)
Change in trade and other receivables	727,443	(974,405)
Change in advances paid and prepaid expenses	(240,200)	124,867
Change in other taxes receivable	84,587	(171,146)
Change in retirement benefit obligations	(121,386)	31,104
Change in trade and other payables	(1,613,319)	(94,499)
Change in advances received	700,186	(128,845)
Change in other taxes payable	50,107	2,191
Cash generated from operations	**30,673,232**	**19,881,620**
Interest paid	(9,988,079)	(2,073,548)
Income tax paid	(2,078,421)	(3,340,598)
Net cash generated from operating activities	**18,606,732**	**14,467,474**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)
All amounts are in thousands of Russian roubles unless otherwise stated

	Year ended 31 December 2014	Year ended 31 December 2013
Investing activities		
Acquisition of subsidiary, net of cash acquired	(2,727,523)	-
Acquisition of available-for-sale investments	(461,226)	-
Proceeds from disposal of subsidiaries	-	365,767
Proceeds from disposal of available-for-sale investments	-	82,234
Payments for acquisition of property, plant and equipment	(4,227,516)	(5,534,871)
Proceeds from sale of property, plant and equipment	654,131	437,922
Payments for acquisition of intangible assets	(107,773)	(106,887)
Loans issued	(3,594,909)	(419,640)
Proceeds from repayment of loans issued	1,156,065	1,267,063
Dividends received	-	416,104
Investments in associates	-	(125,286,252)
Dividends received from associates	946,703	-
Interest received	83,699	64,080
Net cash used in investing activities	**(8,278,349)**	**(128,714,480)**
Financing activities		
Proceeds from short-term loans and borrowings	4,802,417	5,428,781
Proceeds from long-term loans and borrowings	22,882,715	148,722,794
Repayment of short-term loans and borrowings	(26,836,348)	(4,104,889)
Repayment of long-term loans and borrowings	(3,105,065)	(31,485,270)
Repayment of principal amounts of finance leases	(2,233,657)	(438,761)
Dividends paid to the shareholders	(3,475,000)	(5,800,000)
Net cash (used in)/generated from financing activities	**(7,964,938)**	**112,322,655**
Net increase/(decrease) in cash and cash equivalents	**2,363,445**	**(1,924,351)**
Cash and cash equivalents at the beginning of the year	3,805,538	5,392,432
Effect of exchange rate changes on the balance of cash held in foreign currencies	4,920,877	337,457
Cash and cash equivalents at the end of the year	**11,089,860**	**3,805,538**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are in thousands of Russian roubles unless otherwise stated

		Attributable to shareholders of the Company						
	Notes	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings/(accumulated dificit)	Total	Non-controlling interests	Total
Balance as at 1 January 2013		2,000,000	1,928,451	175,198	19,016,591	23,120,240	325,901	23,446,141
Dividends	33	-	-	-	(5,075,000)	**(5,075,000)**	-	**(5,075,000)**
Profit for the year		-	-	-	8,218,802	**8,218,802**	(23,148)	**8,195,654**
Other comprehensive income for the year		-	-	415,622	(95,743)	**319,879**	-	**319,879**
Total comprehensive income for the year		-	-	**415,622**	**8,123,059**	**8,538,681**	**(23,148)**	**8,515,533**
Share-based payments	33	-	299,769	-	-	**299,769**	-	**299,769**
Disposal of subsidiaries	5	-	-	-	3,001	**3,001**	(89,321)	**(86,320)**
Balance as at 31 December 2013		**2,000,000**	**2,228,220**	**590,820**	**22,067,651**	**26,886,691**	**213,432**	**27,100,123**
(Loss)/profit for the year		-	-	-	(80,049,789)	**(80,049,789)**	303,535	**(79,746,254)**
Other comprehensive income for the year		-	-	929,620	78,761	**1,008,381**	-	**1,008,381**
Total comprehensive (loss)/income for the year		-	-	**929,620**	**(79,971,028)**	**(79,041,408)**	**303,535**	**(78,737,873)**
Share-based payments	33	-	63,486	-	-	**63,486**	-	**63,486**
Non-controlling interest arising on foundation of a subsidiary		-	-	-	-	-	687,039	**687,039**
Non-controlling interest arising on acquisition of a subsidiary	5	-	-	-	-	-	294,632	**294,632**
Balance as at 31 December 2014		**2,000,000**	**2,291,706**	**1,520,440**	**(57,903,377)**	**(52,091,231)**	**1,498,638**	**(50,592,593)**

The notes on pages 10 to 58 are an integral part of these consolidated financial statements.

All amounts are in thousands of Russian roubles unless otherwise stated

1. GENERAL INFORMATION

Organisation

United Chemical Company "UralChem" ("the Company") is an open joint stock company which was incorporated in Moscow on 22 October 2007.

As at 31 December 2014, the Company was 99.9999% owned by UralChem Holding P.L.C., incorporated in Cyprus. The remaining 0.0001% of the Company's shares was owned by CI – Chemical Invest Limited. The principal beneficial shareholder of the Company is Mr. Dmitry A. Mazepin.

The Company's main office is located at Presnenskaya naberezhnaya, 6/2, Moscow, Russia.

Principal business activities

The principal business activities of the Group are the production and distribution of mineral fertilisers. The main products of the Group are nitrogen based, phosphate based and complex fertilisers. The major production facilities of the Group are located in the Moscow, Perm and Kirov regions of the Russian Federation.

The principal business activities of the Group's major operating entities and effective ownership of the Group are presented below:

			Effective ownership as at 31 December, %	
Subsidiaries	**Principal activity**	**Location**	**2014**	**2013**
KCCW Mineral Fertiliser Plant OJSC ("KCCW")	Production of mineral fertilisers	Russia	100.0	100.0
Mineral Fertilisers OJSC ("PMF")	Production of mineral fertilisers	Russia	100.0	100.0
Voskresensk Mineral Fertilisers OJSC ("VMF")	Production of mineral fertilisers	Russia	100.0	100.0
Trading house UralChem LLC	Sales and marketing	Russia	100.0	100.0
SIA UralChem Trading	Sales and marketing	Latvia	100.0	100.0
UralChem Freight Limited	Investment company	Cyprus	100.0	100.0
UralChem Trans LLC	Transportation and logistics	Russia	100.0	100.0
SIA Riga Fertiliser Terminal	Transportation and logistics	Latvia	51.0	51.0
SIA Despina Capital[1]	Investment company	Latvia	55.0	-
SIA Ventamonjaks ("Ventamonjaks")[2]	Transportation and logistics	Latvia	55.0	-
Remontno-Mekhanichesky Zavod LLC	Industrial services	Russia	100.0	100.0
Energosnabzhayuschaya Organizatsiya LLC	Industrial services	Russia	100.0	100.0

[1]Established during 2014

[2]Acquired during 2014

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards and Interpretations adopted in the current period

IFRS 10 Consolidated Financial Statements (amendments for investment entities)
IFRS 12 Disclosure of Interests in Other Entities (amendments for investment entities)
IAS 27 Separate Financial Statements (amendments for investment entities)
IAS 32 Financial Instruments (amendments relating to the offsetting of financial assets and financial liabilities)
IAS 36 Impairment of Assets (Recoverable Amount Disclosures for Non-Financial Assets)
IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)
IFRIC 21 (Levies)

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities

The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity’s investment activities.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

These amendments do not have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

There is no effect of these amendments on the consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. These amendments affect disclosures only which are presented in the Note 35.

All amounts are in thousands of Russian roubles unless otherwise stated

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

These amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. There is no effect of these amendments on these financial statements as the Group does not apply hedge accounting.

IFRIC 21 Levies

The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date. There was no effect of the interpretation on these financial statements except for the change in Group's policy.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

Standards and Interpretations in issue but not yet effective

At the date of approval of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

Standards and Interpretations	**Effective for annual periods beginning on or after**
IAS 16 Property, Plant and Equipment	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 10 Consolidated Financial Statements	1 January 2016
IFRS 11 Accounting for Acquisition of Interests in Joint Operations	1 January 2016
IAS 19 Defined Benefit Plans: Employee contributions Employee Benefits	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IAS 27 Equity Method in Separate Financial Statements Separate Financial Statements	1 January 2016
IAS 28 Investments in Associates and Joint Ventures	1 January 2016
IAS 38 Intangible Assets	1 January 2016
IAS 41 Agriculture : Bearer Plants	1 January 2016
IFRS 9 Financial Instruments	1 January 2018

Amendments to IAS 19 - Defined Benefit Plans: Employee contributions

The amendments to IAS 19 Employee Benefits clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, such contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The Group's management does not expect any impact of these amendments on the financial statements as the Group's defined benefit plans do not stipulate contributions from employees.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 will not have any impact on the Group's financial statements in the future as the Group is not an IFRS first-time adopter.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Group anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- Classification and measurement of financial assets. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- Classification and measurement of financial liabilities. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting
- Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements. The management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The management of the Group does not anticipate that the application of these amendments will have a material impact of the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as a property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for as agricultural produce in accordance with IAS 41. The management of the Group does not expect any impact of adoption of these amendments on the consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 27 - Equity Method in Separate Financial Statements

The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect any impact of these amendments on the financial statements as the Company does not prepare its separate financial statements.

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

The amendments clarify that on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognized depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3. When the assets or subsidiary constitutes a business, any gain or loss in recognized in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with early application permitted. The management of the Group does not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Basis of consolidation

The consolidated financial statements incorporate financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill, if any), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

Acquisitions of businesses, other than acquisitions from entities under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Common control transactions

The assets and liabilities of subsidiaries acquired from entities under common control are recorded at the carrying values recognised by the transferor. Any difference between the carrying value of the net assets of subsidiaries acquired, and the consideration paid by the Group is accounted for as an adjustment to shareholders' equity. The net assets of the subsidiaries and the results of their operations are recognised retrospectively from the date on which control over the subsidiaries was obtained by the transferor.

The cost of assets acquired from entities under common control is measured as the carrying value of the asset given up by the transferor at the date of the transaction. Any difference between the carrying value of the assets acquired, and the consideration paid by the Group is accounted for as an adjustment to shareholders' equity.

The cost of assets and liabilities disposed off to entities under common control is measured as the carrying value of the asset or liability given up by the transferor at the date of the transaction. Any difference between the carrying value of the assets disposed off, and the consideration received by the transferor as well as the carrying value of liabilities disposed off and the consideration paid by the transferor are accounted for as an adjustment to shareholder's equity.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

Goodwill is not amortised but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group’s policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency), which reflects the economic substance of its operations. The functional currency of the Company and other subsidiaries, registered in the Russian Federation is the Russian Rouble ("RUB"), the functional currency of all subsidiaries registered in Cyprus is the US Dollar ("USD") or the Euro ("EUR") and the functional currency of the subsidiaries registered in the European Union is EUR.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are recalculated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Management of the Group has chosen to present consolidated financial statements in RUB for the convenience of the users of these consolidated financial statements.

The translation from functional currency into presentation currency is performed as follows:

- assets and liabilities are expressed in RUB using exchange rates prevailing at the reporting date;
- income and expense items are translated at exchange rates that approximate the exchange rates at the dates of the transactions, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used;
- exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity; and
- in the consolidated statement of cash flows, cash balances at the beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at exchange rates that approximate the exchange rates at the dates of the transactions, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Resulting exchange differences, if any, are presented as effect of exchange rate changes on the balance of cash held in foreign currencies.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, excluding:

- value added tax;
- custom duties; and
- estimated customer returns, rebates and other similar allowances.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue and costs incurred or to be incurred in respect of the transaction can be reliably measured.

Cash received in advance from customers is not included in current year revenue, and is recognised within advances received.

Sale of goods

Revenue from sale of goods comprises revenue from sales of mineral fertilisers, ammonia, explosive grade ammonium nitrate, inorganic acids and other chemical products and is recognised when significant risks and rewards of ownership are transferred to the buyer in accordance with the shipping terms specified in the sales agreements.

Other sales

The Group provides the following principal types of services:

- supply of electricity and heat energy;
- construction, repairs and maintenance services; and
- transportation services.

Revenue from contracts to provide services is recognised when the services are rendered.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing – the Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Income tax

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

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax are also recognised in other comprehensive income respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Items of property, plant and equipment are stated at historic cost, less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in consolidated statement of profit or loss as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Assets held under finance lease arrangements are depreciated over the shorter of their estimated useful lives and lease terms. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset. Land is not depreciated.

The estimated useful lives for the major classes of assets are as follows:

Buildings and structures	15-60 years
Machinery, equipment and transport	5-30 years
Other	2-10 years

Construction in-progress

Construction in-progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Construction in-progress is reviewed regularly to determine whether its carrying value is fairly stated and an appropriate provision for impairment is made, if necessary.

Intangible assets

Intangible assets, other than goodwill, are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives.

The estimated useful lives for the major classes of intangible assets are as follows:

Software	1-5 years
Licences	1-20 years
Other	1-20 years

The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, or more frequently when there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- available-for-sale investments; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Income is recognised on an effective interest rate basis for debt instruments other than financial assets designated at fair value through profit or loss.

Available-for-sale (“AFS”) financial assets

Listed and unlisted shares and redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value, except for investments in shares for which there are no available market quotations and whose fair value cannot be reliably measured which are accounted for at cost less any impairment. Fair value of AFS financial assets is determined as follows:

- the fair value of AFS financial assets with standard terms and conditions and traded on active markets is determined with reference to quoted market prices; and
- the fair value of other AFS financial assets is determined in accordance with generally accepted pricing model based on discounted cash flow analysis using prices from observable current market transactions.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. If, in a subsequent period, the amount of the impairment loss attributable to AFS financial assets decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through other comprehensive income and presented in the investment revaluation reserve as an increase in fair value of AFS financial assets.

Dividends on AFS equity instruments are recognised in the consolidated statement of profit or loss when the Group’s right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the end of each reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Trade receivables, loans issued, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income. Impairment losses on AFS equity instruments accounted for at cost are not reversed.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the weighted average method. The cost of finished goods and work in progress includes direct costs and the allocation of related production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the net realisable value is lower than costs, an allowance for obsolete and slow-moving inventories is recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts and cash deposits with banks and highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities of the Group are classified into other financial liabilities category.

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs that are directly attributable to the issue of these financial liabilities. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Provisions and accruals

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefit obligations

Remuneration to employees in respect of services rendered during the reporting period, including accrual for unused vacation and bonuses and related social taxes, is recognised as an expense in the period when it is earned.

Defined contribution plan

Subsidiaries registered in the Russian Federation are legally obliged to make defined contributions to the State Pension Fund. This defined contribution plan is financed on a pay-as-you-earn basis. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Defined benefit plans

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in operating expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of the shares granted is determined based on company’s fair value at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Dividends payable

Interim dividends are recognised in equity in the year in which these are declared by the directors. Final dividend distribution to the Company’s shareholders is recognised in the Company’s financial statements in the year in which dividends are proposed by directors and declared and paid after the approval of the shareholders.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements unless they arise as a result of a business combination. Contingencies attributable to specific events are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities and recognised amounts of income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The most significant areas requiring the use of estimates relate to:

- impairment of assets;
- impairment of goodwill;
- useful lives of property, plant and equipment;
- allowances for doubtful receivables;
- obsolete and slow-moving inventory;
- employee benefit obligations; and
- taxation.

The most significant area requiring the use of management judgements is exercising significant influence over Uralkali OJSC.

Significant influence over Uralkali OJSC

As at 31 December 2014, the Group owned a 19.99% ownership interest in Uralkali OJSC and had less than 20% of the voting power at shareholder meetings. However, as further described in note 18, management of the Group concluded that significant influence was exercised over this investee. Accordingly, the investment in Uralkali OJSC has been accounted for under the equity method.

Impairment of tangible and intangible assets excluding goodwill

Tangible and intangible assets are reported at cost, less accumulated depreciation and impairment losses. At the end of each reporting period, the Group determines whether any indicators of impairment exist. If there are any such indicators, the recoverable amount of the assets is calculated and compared to the carrying amount. The excess of the carrying amount over the recoverable amount is recognised as an impairment.

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding the market growth, market demand for the products, profitability of products and discount rates. A critical estimate in the Group's cash flow model is the expected increase in the price of natural gas on the territory of the Russian Federation which is based on the announced government policy on natural gas prices.

Impairment of goodwill

To determine whether goodwill is impaired at 31 December 2104 the Group performed an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount is the higher of fair value less cost to sell and value in use. Value in use was determined using discounted cash flow models involving several assumptions. The key assumptions included (i) present value factors used in determining the fair value of the cash-generating units; (ii) projected average revenue growth rates used in the cash-generating unit cash flow model; (iii) projected long-term growth rates used in the derivation of terminal year values; and (iv) the exchange rate used in the cash-generating unit cash flow model. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period specific facts and circumstances. Changes in the management's assumptions could materially impact the value in use estimates in future.

The key assumptions used by the management to determine whether goodwill is impaired are set out in note 17.

Useful lives of property, plant and equipment

Useful lives of property, plant and equipment are based on management's business plans and operational estimates.

The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

The factors that could affect the estimation of the life of a non-current asset and its residual value include any or all of the following:

- changes in technology;
- changes in maintenance technology;
- changes in regulations and legislation; and
- unforeseen operational issues.

Based on the reviews performed as at 31 December 2014, management did not revise useful lives of property, plant and equipment.

Allowances for doubtful receivables

The allowance for doubtful receivables is the Group's best estimate of probable credit losses in the Group's existing accounts receivable balances. When evaluating the adequacy of the allowance for doubtful receivables, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms.

Uncertainties regarding changes in the financial condition of customers, either adverse or positive, could impact the amount and timing of allowances for doubtful receivables that may be required.

Obsolete and slow-moving inventory

Reserves for excess or obsolete inventory were evaluated by management based on a variety of factors, including product changes and improvements, changes in raw material availability, new product introductions, estimated future demand and market conditions.

In addition, certain finished goods and raw materials of the Group were carried at net realisable value. Estimates of net realisable value of inventories were based on the most reliable evidence available at the time the estimates were made. In making those estimates management took into consideration fluctuations of prices or costs directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the reporting period. The adequacy of the Group's reserves could be materially affected by changes in the supply and demand for products, subsequent changes to prices or costs or regulatory actions.

Employee benefit obligations

The Group's employees participate in pension benefit plans. The costs of pension benefits and related liabilities with respect to the Group's employees participating in defined benefit plans have been determined based upon actuarial computations. The Group records the unfunded status associated with these plans in accordance with the requirements of IAS 19 Employee Benefits and records the actuarially determined pension costs during each period. Pension costs in respect of defined-benefit pension plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years.

In calculating the obligation and expense, the Group is required to select certain actuarial assumptions. These assumptions include discount rate, expected salary and pension increases and mortality projection. The assumptions are determined based on current market conditions, historical information and consultation with and input from the Group's actuaries. Changes in the key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost incurred.

The key assumptions used by the management in calculating the obligation and expense are set out in note 29.

Taxation

The Group is primarily subject to income taxes in the Russian Federation. Russian tax, currency and customs legislation is subject to varying interpretations. The Group recognises liabilities for anticipated additional tax assessments as a result of tax audits based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Various factors are considered in assessing the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

All amounts are in thousands of Russian roubles unless otherwise stated

5. CHANGE IN COMPOSITION OF THE GROUP

Acquisition of a controlling interest in Ventamonjaks SIA in 2014

On 18 August 2014, a 55% subsidiary of the Group acquired a 100% share in Ventamonjaks SIA ("Ventamonjaks") for cash consideration of RUR 2,758,259.

Ventamonjaks is the largest liquid ammonia transhipment terminal in the Baltic Sea. The controlling interest in Ventamonjaks was acquired so as to enhance logistic security of the Group.

As at 18 August 2014 net assets of Ventamonjaks were as follows:

	Fair value
ASSETS	
Property, plant and equipment	627,210
Intangible assets	1,849
Inventories	912
Trade and other receivables	10,784
Other tax receivable	1,503
Advances and prepaid expenses	44,777
Cash and cash equivalents	30,736
Total assets	**717,771**
LIABILITIES	
Deferred tax liabilities	54,986
Trade and other payables	7,697
Other taxes payable	349
Total liabilities	**63,032**
Net assets at the date of acquisition	**654,739**
Less: Share of net assets attributable to minority shareholders	(294,632)
Group's share of net assets acquired	**360,107**
Add: Goodwill arising on acquisition	(2,398,152)
Total Ventamonjaks net assets recognised at the date of acquisition	**2,758,259**
Consideration paid by the Company for Ventamonjaks	
Cash consideration	(2,758,259)
Total	**(2,758,259)**
Net cash flow arising on acquisition:	
Cash consideration	(2,758,259)
Cash and cash equivalents acquired	30,736
Net cash outflow on acquisition of subsidiary	**(2,727,523)**

Goodwill arose in the acquisition of Ventamonjaks because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, cost optimization and future market development of Ventamonjaks. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Ventamonjaks contributed RUB 234,437 of revenue and RUB 56,259 of income for the period from 19 August 2014 to 31 December 2014.

All amounts are in thousands of Russian roubles unless otherwise stated

Pro-forma condensed consolidated income statement data (unaudited)

The potential effect of the acquisition of Ventamonjaks on the results of the Group's operations, as if this subsidiary was acquired on 1 January 2014, is analysed as follows:

	Year ended 31 December 2014 (unaudited)
Revenue from continuing operations	78,589,046
Loss before tax from continuing operations	(93,325,056)
Loss for the year from continuing operations	(79,945,939)

These unaudited pro-forma amounts are provided for information purposes only and do not present the results of operations of the Group had the transactions assumed therein occurred on or as at the date indicated, nor is it necessarily indicative of the results of operations which may be achieved in the future.

In determining the pro-forma revenue and profit for the year of the Group had Ventamonjaks been acquired on 1 January 2014, the Group has calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising from the initial accounting for the business combination.

Disposal of subsidiary in 2013

In 2013, the Group sold its 100% interest in Upravleniye Avtomobilnogo Transporta LLC for a total cash consideration of RUB 150,000. The amount of cash disposed of was RUB 51,257. Net assets of the subsidiary at the date of disposal amounted to RUB 114,926. As a result of this disposal, the Group recognised a gain of RUB 35,074, which was included in other operating income in the consolidated statement of profit or loss.

In 2013, the Group sold to an entity under common control its 100% interest in Tsigonel Ltd. for a total cash consideration of RUB 552,486. The Group held a 51% share in Kvarzit company through Tsigonel Ltd, which was disposed of as well. The amount of cash of both companies disposed of was RUB 285,462. Net assests of the subsidiaries at the date of disposal amounted to RUB 638,806. As a result of the disposal, the Group recognised a decrease in net assets attributable to non-controlling shareholders of the Company in the amount of RUB 89,321. The excess of the consideration receivable over the Group's share in net assets sold of RUB 3,001 was recognised directly in the consolidated statement of changes in equity as an increase in retained earnings.

6. SEGMENT INFORMATION

For management purposes the Group is organised in two segments, Nitrogen Fertilisers and Phosphate Fertilisers. Operating results for these segments are reviewed by the Chief Executive Officer ("the chief operating decision maker") in order to assess performance and allocate resources.

- Nitrogen Fertilisers: The nitrogen fertilisers segment comprises subsidiaries engaged in the production of nitrogen based fertilisers, complex fertilisers, ammonia, inorganic acids and other chemical products. The major subsidiaries and branches allocated to the nitrogen fertilisers segment are KCCW, located in the Kirov region of the Russian Federation, Azot branch of UralChem OJSC ("Azot branch") and PMF, located in the Perm region of the Russian Federation; and
- Phosphate Fertilisers: The phosphate fertilisers segment comprises subsidiaries engaged in the production of phosphate based fertilisers, complex fertilisers and inorganic acids. The major subsidiary allocated to the phosphate fertilisers segment is VMF, located in the Moscow region of the Russian Federation.

The chief operating decision maker (CEO of the Group) does not regularly review the operating results of other operations, which include smaller subsidiaries which are engaged in a variety of businesses, such as electricity and heat energy generation, construction, repairs and maintenance and processing of waste water. Accordingly, these operations are not reported as separate operating segments.

All amounts are in thousands of Russian roubles unless otherwise stated

The profitability of the two operating segments is primarily measured based on OIBDA (operating profit adjusted for depreciation and amortisation) and net profit for the period. Since OIBDA is not a standard IFRS measure, the Group's definition of OIBDA may differ from that of other companies. Costs and assets of subsidiaries of the Group engaged in transportation, sales and marketing activities are allocated (pro rata volume of services rendered by these companies to the operating segments) to operating segments within management reports reviewed by the chief operating decision maker. Costs and assets of subsidiaries of the Group engaged in other operations are not allocated to operating segments within management reports reviewed by the chief operating decision maker.

Segment information provided to the chief operating decision maker for the reportable segments for the years ended 31 December 2014 and 2013 was as follows:

Year ended 31 December 2014	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Revenue from external customers	72,989,367	2,599,134	**75,588,501**
Inter-segment revenue	183,345	3,566	**186,911**
Total segment revenue	**73,172,712**	**2,602,700**	**75,775,412**
OIBDA	39,024,521	(170,497)	**38,854,024**
Net profit/(loss) for the year	22,252,848	(54,361)	**22,198,487**
Interest and other finance income	83,274	5,652	**88,926**
Interest and other finance expense	(872,499)	(30,240)	**(902,739)**
Impairment of non-current assets	(49,126)	111,326	**62,200**
Depreciation and amortisation	(3,533,463)	(166,298)	**(3,699,761)**
Income tax (expense)/benefit	(4,406,595)	67,565	**(4,339,030)**

Year ended 31 December 2013	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Revenue from external customers	59,466,996	9,916,758	**69,383,754**
Inter-segment revenue	1,377,610	38,536	**1,416,146**
Total segment revenue	**60,844,606**	**9,955,294**	**70,799,900**
OIBDA	23,385,004	3,190	**23,388,194**
Net profit/(loss) for the year	15,932,436	(3,367,245)	**12,565,191**
Interest and other finance income	119,385	18,743	**138,128**
Interest and other finance expense	(852,786)	(72,718)	**(925,504)**
Impairment of non-current assets	(63,240)	(3,213,398)	**(3,276,638)**
Impairment reserve written off	211,543	-	**211,543**
Depreciation and amortisation	(2,867,438)	(598,446)	**(3,465,884)**
Income tax (expense)/benefit	(3,053,345)	529,497	**(2,523,848)**

All amounts are in thousands of Russian roubles unless otherwise stated

The total reportable segments revenue is reconciled to consolidated revenue as follows:

Year ended 31 December 2014	Nitrogen fertilisers	Phosphate fertilisers	Total
Total segment revenue	73,172,712	2,602,700	**75,775,412**
Inter-segment revenue	(183,345)	(3,566)	**(186,911)**
Other revenue			**2,653,650**
Total consolidated revenue			**78,242,151**

Year ended 31 December 2013	Nitrogen fertilisers	Phosphate fertilisers	Total
Total segment revenue	60,844,606	9,955,294	**70,799,900**
Inter-segment revenue	(1,377,610)	(38,536)	**(1,416,146)**
Other revenue			**2,765,728**
Total consolidated revenue			**72,149,482**

During the year ended 31 December 2014, the Nitrogen Fertilisers segment earned approximately RUB 8,550,304 (2013: RUB 8,490,087) of revenue from operations with a single customer, which constituted more than 10% of the Group's consolidated revenue.

The total reportable segment OIBDA is reconciled to consolidated profit before tax as follows:

Year ended 31 December 2014	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	39,024,521	(170,497)	**38,854,024**
Segment amortisation and depreciation	(3,533,463)	(166,298)	**(3,699,761)**
Income tax (expense)/benefit	(4,406,595)	67,565	**(4,339,030)**
Segment (impairment)/reversal of impairmentof non-current assets	(49,126)	111,326	**62,200**
Segment (expense)/benefit from financing activities	(8,782,489)	103,543	**(8,678,946)**
Segment profit/(loss) for the year	22,252,848	(54,361)	**22,198,487**
Unallocated items			
Depreciation and amortisation			(143,839)
Corporate overheads			(936,008)
Other expenses			(3,097,145)
Interest and other finance income			136,279
Interest and other finance expense			(8,926,530)
Share of loss of associates			(10,743,788)
Foreign exchange loss from financing activities			(98,812,439)
Intersegment operations			2,716,029
Unallocated income tax benefit			17,862,700
Group loss for the year			**(79,746,254)**

All amounts are in thousands of Russian roubles unless otherwise stated

Year ended 31 December 2013	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	23,385,004	3,190	**23,388,194**
Segment amortisation and depreciation	(2,867,438)	(598,446)	**(3,465,884)**
Income tax (expense)/benefit	(3,053,345)	529,497	**(2,523,848)**
Segment expense from impairment of non-current assets	(63,240)	(3,213,398)	**(3,276,638)**
Segment expense from financing activities	(1,468,545)	(88,088)	**(1,556,633)**
Segment profit/(loss) for the year	15,932,436	(3,367,245)	**12,565,191**
Unallocated items			
Depreciation and amortisation			(162,644)
Corporate overheads			(2,766,192)
Other expenses			(3,051,619)
Interest and other finance income			511,014
Interest and other finance expense			(1,636,239)
Share of profit of associates			12,358
Foreign exchange loss from financing activities			(674,365)
Intersegment operations			2,669,127
Unallocated income tax benefit			729,023
Group profit for the year			**8,195,654**

Sales between segments are carried out at market prices. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated statement of profit or loss.

Total reportable segment assets are reconciled to consolidated assets as follows:

31 December 2014	Nitrogen fertilisers	Phosphate fertilisers	Total
Total segment assets	60,321,911	4,939,494	**65,261,405**
Deferred tax assets			17,197,669
Current tax assets			204,206
Corporate assets			128,841,859
Other assets			3,133,987
Inter-segment assets			(426,681)
Total consolidated assets			**214,212,445**

31 December 2013	Nitrogen fertilisers	Phosphate fertilisers	Total
Total segment assets	46,800,420	5,157,490	**51,957,910**
Deferred tax assets			929,403
Current tax assets			430,717
Corporate assets			131,577,284
Other assets			5,801,414
Inter-segment assets			(608,161)
Total consolidated assets			**190,088,567**

The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that in the financial statements.

All amounts are in thousands of Russian roubles unless otherwise stated

Investments in associates and available-for-sale investments held by the Group are not considered to be segment assets but are rather managed at the corporate headquarters by the strategic investment function.

Additions to non-current assets excluding deferred tax assets, financial instruments and post-employment benefits were as follows:

	Nitrogen fertilisers	Phosphate fertilisers	Total
Year ended 31 December 2014	5,480,999	213,244	**5,694,243**
Year ended 31 December 2013	5,122,319	800,393	**5,922,712**

Non-current assets other than financial instruments and deferred tax assets are located primarily in the Russian Federation, the location of the Group's major production facilities.

Information about the revenue from external customers attributed to individual countries is not available as the cost to develop it would be excessive. Therefore this information is not disclosed in these consolidated financial statements.

7. SALES OF GOODS

Year ended 31 December 2014	Total	Export	Russian Federation	Other CIS countries
Mineral fertilisers				
Nitrogen based fertilisers	**47,087,257**	37,458,027	8,487,003	1,142,227
Complex fertilisers	**7,535,474**	6,336,990	531,037	667,447
Phosphate based fertilisers	**1,355,455**	484,159	504,154	367,142
Ammonia	**14,531,617**	13,399,076	1,080,029	52,512
Explosive grade ammonium nitrate	**2,277,769**	20,102	1,908,254	349,413
Inorganic acids	**808,107**	-	808,107	-
Other chemical products	**1,992,822**	324,092	1,569,003	99,727
Total	**75,588,501**	**58,022,446**	**14,887,587**	**2,678,468**
Year ended 31 December 2013				
Mineral fertilisers				
Nitrogen based fertilisers	**38,636,814**	29,700,800	7,396,481	1,539,533
Complex fertilisers	**8,128,889**	5,595,937	1,537,623	995,329
Phosphate based fertilisers	**6,785,794**	3,633,944	993,787	2,158,063
Ammonia	**10,637,431**	8,667,127	1,712,207	258,097
Explosive grade ammonium nitrate	**2,518,753**	93,079	1,975,841	449,833
Inorganic acids	**979,300**	-	979,300	-
Other chemical products	**1,696,773**	320,514	1,327,925	48,334
Total	**69,383,754**	**48,011,401**	**15,923,164**	**5,449,189**

All amounts are in thousands of Russian roubles unless otherwise stated

8. OTHER SALES

	Year ended 31 December 2014	Year ended 31 December 2013
Electricity and heat energy	1,918,372	1,910,512
Transportation	119,899	188,912
Construction, repairs and maintenance services	60,756	77,631
Processing of waste water	5,467	6,393
Other	549,156	582,280
Total	**2,653,650**	**2,765,728**

Substantially all other sales were made on the territory of the Russian Federation.

9. COST OF SALES

	Year ended 31 December 2014	Year ended 31 December 2013
Raw materials, including:		
Natural gas	13,722,837	12,833,243
Apatite	1,430,957	4,100,180
Potassium chloride	655,882	1,032,400
Sulphur	120,221	622,361
Other raw materials	2,251,649	2,642,007
Energy and utilities	4,833,242	4,998,480
Staff costs	3,492,206	3,868,064
Depreciation	2,653,945	2,729,018
Repair and maintenance	334,505	429,989
Change in work in progress and finished goods	(919,336)	(456,548)
Other	801,228	847,737
Total	**29,377,336**	**33,646,931**

10. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December 2014	Year ended 31 December 2013
Transportation, including:		
Railway tariff	6,867,695	6,914,707
Freight and transshipment	4,247,265	4,882,017
Rail cars rent	1,407,045	1,328,645
Other transportation expenses	390,215	546,133
Staff costs	1,158,582	1,102,569
Depreciation	842,775	565,197
Advertising and marketing	22,840	18,421
Other	1,312,195	1,072,183
Total	**16,248,612**	**16,429,872**

All amounts are in thousands of Russian roubles unless otherwise stated

11. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2014	Year ended 31 December 2013
Staff costs	3,260,658	2,916,458
Depreciation	245,301	226,032
Audit, legal and consulting services	497,868	511,490
Security	190,727	181,448
Rent	98,125	140,607
Bank charges	46,236	56,661
Fines and penalties	28,772	33,831
Other	852,344	948,466
Total	**5,220,031**	**5,014,993**

12. OTHER OPERATING INCOME AND EXPENSES

	Year ended 31 December 2014	Year ended 31 December 2013
Other operating income		
Foreign exchange gain on operating activities	6,237,133	-
Gain on disposal of assets	226,179	-
Assets recognized as a result of stock count	162,007	48,145
Compensation received on force-major situations	72,773	-
Rent	20,885	49,510
Gain on disposal of subsidiaries	-	35,074
Other income	119,193	117,357
Total	**6,838,170**	**250,086**
Other operating expenses		
Charity	234,558	251,252
Foreign exchange loss on operating activities	-	280,725
Losses incurred due to force-major situations	-	76,589
Fixed costs incurred during idle time	207,597	59,726
Reserve for slow-moving inventories	-	57,239
Provision for unfavorable court decision	-	13,165
Other expenses	86,359	75,424
Total	**528,514**	**814,120**

13. INTEREST AND OTHER FINANCE INCOME

	Year ended 31 December 2014	Year ended 31 December 2013
Interest on loans issued and deposits	116,733	151,111
Dividends received	77,565	411,248
Other finance income	11,350	70,598
Total	**205,648**	**632,957**

All amounts are in thousands of Russian roubles unless otherwise stated

14. INTEREST AND OTHER FINANCE EXPENSE

	Year ended 31 December 2014	Year ended 31 December 2013
Interest on loans and borrowings	8,855,251	2,056,280
Interest on obligations under finance leases	392,602	351,034
Impairment of financial assets	563,640	15,925
Other	17,776	551
Total	**9,829,269**	**2,423,790**

15. INCOME TAX

	Year ended 31 December 2014	Year ended 31 December 2013
Current income tax expense	3,094,737	2,642,494
Deferred tax income	(16,618,407)	(847,669)
Total	**(13,523,670)**	**1,794,825**

The corporate income tax rates applicable to the Group's subsidiaries incorporated in the Russian Federation, the primary location of the Group's production entities, varied from 15.0% to 20.0%.

Reconciliation of the statutory income tax, calculated at the rate applicable to the Company according to tax legislation of the Russian Federation to the amount of actual income tax expense is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
(Loss)/profit before tax	**(93,269,924)**	**9,990,479**
Income tax calculated at 15.83%	14,764,629	(1,580,494)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(524,286)	120,865
Tax effect of non-deductible expenses	(612,751)	(242,994)
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	62,816	-
Effect of unused tax losses not recognized as deferred tax assets	-	(305,589)
Tax on dividends from associates	(93,114)	-
	13,597,294	**(2,008,212)**
Adjustments recognised in the current year in relation to the current tax of prior years	(73,624)	213,387
Income tax at effective rate of 14.5% (2013: 18.0%)	**13,523,670**	**(1,794,825)**

All amounts are in thousands of Russian roubles unless otherwise stated

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Machinery, equipment and transport	Other	Construction in progress	Total
Cost					
Balance at 31 December 2012	**11,753,324**	**25,411,194**	**1,400,653**	**5,885,561**	**44,450,732**
Additions	295,351	2,066,758	40,765	4,723,601	**7,126,475**
Transfers	2,323,093	3,558,793	5,208	(5,887,094)	**-**
Disposals	(152,713)	(1,210,203)	(109,686)	(183,496)	**(1,656,098)**
Disposal of subsidiaries	(303,749)	(194,672)	(2,792)	(2,473)	**(503,686)**
Effect of translation to presentation currency	98,975	65,173	2,551	114,126	**280,825**
Balance at 31 December 2013	**14,014,281**	**29,697,043**	**1,336,699**	**4,650,225**	**49,698,248**
Additions	247,572	1,870,829	82,042	3,586,384	**5,786,827**
Transfers	1,713,037	2,309,689	64,763	(4,087,489)	**-**
Disposals	(134,561)	(1,082,078)	(26,701)	(838,911)	**(2,082,251)**
Acquisitions through business combinations	192,399	428,067	6,744	-	**627,210**
Effect of translation to presentation currency	1,013,863	907,004	42,792	5,696	**1,969,355**
Balance at 31 December 2014	**17,046,591**	**34,130,554**	**1,506,339**	**3,315,905**	**55,999,389**
Accumulated depreciation and impairment losses					
Balance at 31 December 2012	**(3,690,178)**	**(10,213,378)**	**(414,415)**	**(216,336)**	**(14,534,307)**
Charge for the year	(703,664)	(2,772,672)	(43,911)	-	**(3,520,247)**
Impairment loss	(1,687,641)	(1,185,605)	(18,313)	(385,079)	**(3,276,638)**
Eliminated on disposal	140,763	781,644	35,219	211,543	**1,169,169**
Eliminated on disposal of subsidiaries	81,665	147,849	313	-	**229,827**
Effect of translation to presentation currency	(192)	(732)	(1,086)	-	**(2,010)**
Balance at 31 December 2013	**(5,859,247)**	**(13,242,894)**	**(442,193)**	**(389,872)**	**(19,934,206)**
Charge for the year	(652,047)	(3,032,294)	(57,680)	-	**(3,742,021)**
Impairment of non-current assets	14,403	(22,752)	-	70,549	**62,200**
Eliminated on disposal	81,438	898,073	16,923	16,190	**1,012,624**
Effect of translation to presentation currency	(23,949)	(60,931)	(11,926)	-	**(96,806)**
Balance at 31 December 2014	**(6,439,402)**	**(15,460,798)**	**(494,876)**	**(303,133)**	**(22,698,209)**
Carrying value					
At 31 December 2013	**8,155,034**	**16,454,149**	**894,506**	**4,260,353**	**29,764,042**
At 31 December 2014	**10,607,189**	**18,669,756**	**1,011,463**	**3,012,772**	**33,301,180**

The Group revises its investments program on an annual basis. At 31 December 2014, certain objects of construction in progress to the total amount of RUB 49,242 were impaired (2013: RUB 63,136).

All amounts are in thousands of Russian roubles unless otherwise stated

At 31 December 2013, the Group carried out a review of the recoverable amount of the property, plant and equipment used in the Group's phosphate reportable segment. The review led to the recognition of an impairment loss of RUB 3,213,502 thousand which has been recognised in profit or loss. The main factor contributing to the impairment of the relevant cash generating unit was the lack of a stable supply of raw materials used in the production process. During the year 2014 impairment reserve relating to certain objects of property, plant and equipment to the total amount of RUB 111,442 was reversed. Both, in 2014 and 2013, the recoverable amount of the assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 11% per annum.

As at 31 December 2014, property, plant and equipment included advances paid for acquisition of the property, plant and equipment in the amount of RUB 486,982 (2013: RUB 322,753).

The Group leases certain items of machinery, equipment and transport under a number of finance lease agreements with third parties. As at 31 December 2014, the net book value of leased machinery, equipment and transport was RUB 4,126,902 (2013: RUB 3,235,297). During the year ended 31 December 2014, the Group acquired RUB 1,216,447 of machinery, equipment and transport under a finance lease (2013: RUB 1,447,164). The acquisition represents a non-cash investing and financing activity which is not reflected in the consolidated statement of cash flows.

Assets pledged as collateral

The carrying value of property, plant and equipment pledged to secure loans and borrowings granted to the Group were as follows (refer to note 27):

	31 December 2014	31 December 2013
Buildings and structures	3,137,900	1,444,847
Machinery, equipment and transport	2,028,833	957,543
Other assets	107,845	16,573
Construction in progress	80,921	674,311
Total	**5,355,499**	**3,093,274**

17. GOODWILL

	31 December 2014	31 December 2013
Cost		
Balance at the beginning of the year	**14,005,677**	**14,005,677**
Additional amounts recognised from business combinations	2,398,152	-
Balance at the end of the year	**16,403,829**	**14,005,677**
Accumulated impairment loss		
Balance at the beginning of the year	**(3,504,277)**	**(3,504,277)**
Balance at the end of the year	**(3,504,277)**	**(3,504,277)**
Carrying amount		
At the beginning of the year	**10,501,400**	**10,501,400**
At the end of the year	**12,899,552**	**10,501,400**

All amounts are in thousands of Russian roubles unless otherwise stated

Allocation of goodwill to cash-generating units

The carrying amount of goodwill was allocated to the following cash-generating units:

	31 December 2014	31 December 2013
Nitrogen Fertilisers	12,895,575	10,497,423
Other	3,977	3,977
Total	**12,899,552**	**10,501,400**

Annual test for impairment

For the purpose of impairment testing, the recoverable amount of cash-generating unit was assessed by reference to value in use. Pre-tax cash flow projections were based on budgets approved by the Group. Forecast period is five years. Cash flows beyond the five-year period were extrapolated by using the expected forecasts stated below. Thekey assumptions used by management for value in use determination were as follows:

	31 December 2014	31 December 2013
Growth rate	3.0%	3.0%
Discount rate	11.0%	11.0%
Raw materials price inflation, per annum	4.8%-7.0%	3.0%-5.1%
Exchange rate (RUR to 1 USD)	56.3	35.3

These assumptions were used for analysis of each cash-generating unit within the Group’s nitrogen and phosphate fertilisers segments.

Management determined budgeted gross margin based on past performance and its expectation of the current market development. The gross margin and raw material price inflation ranges relate to a variety of products produced and raw materials consumed by the cash-generating unit, respectively. The weighted average growth rates used were consistent with the forecasts in industry reports.

18. INVESTMENTS IN ASSOCIATES

			Effective ownership, %	
			31 December	
Name of associate	**Principal activity**	**Principal place of business**	**2014**	**2013**
Uralkali OJSC (i) (iii)	Production of mineral fertilisers	Perm region, Russian Federation	19.99	19.99
NPK Karbon-Shungit (ii)	Mining and processing	Karelia, Russian Federation	49.70	49.70
ZhDTsekh (ii)	Other services	Moscow region, Russian Federation	50.00	50.00

(i) On 19 December 2013 the Group acquired 19.99% interest in Uralkali OJSC. Although the Group holds less than 20% in the share capital of the company and it has less than 20% of the voting power at shareholder meetings, the Group exercises significant influence by virtue of the presence of its related parties on the board of the directors of the company. Members of the Board of Directors are subject to reelection on an annual basis.

(ii) Pursuant to a shareholder agreement, the Company has the right to cast 49.7% and 50.0% of the votes at shareholder meetings of NPK Karbon-Shungit and ZhDTsekh respectively. The Company does not have the power to exercise joint control over ZhDTsekh.

(iii) As at 31 December 2014, the fair value of the Group's interest in Uralkali OJSC, which is listed on the stock exchanges of London and Moscow, was RUB 76,633,016 based on the quoted market prices available, which is a level 1 input in terms of IFRS 13.

All amounts are in thousands of Russian roubles unless otherwise stated

Summarised financial information in respect of Uralkali OJSC is set out below. It represents amounts shown in the associate's financial statements prepared in accordance with IFRSs and adjusted by the Group for equity accounting purposes:

	31 December 2014	31 December 2013
Current assets	181,222,000	58,021,758
Non-current assets	857,145,378	875,874,595
Current liabilities	(50,478,000)	(70,952,422)
Non-current liabilities	(428,431,000)	(245,162,255)
Net assets	**559,458,378**	**617,781,676**

	Year ended 31 December 2014
Revenue	136,529,000
Loss for the period	(53,776,602)
Other comprehensive income for the period	86,912
Total comprehensive loss for the period	(53,689,690)
Dividends received from the associate during the year	(957,141)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Uralkali OJSC recognised in the consolidated financial statements:

	31 December 2014	31 December 2013
Net assets of the associate	559,458,378	617,781,676
Proportion of the Group's ownership interest in Uralkali OJSC	111,714,694	123,404,404
Goodwill	1,824,004	1,824,004
Carrying amount of the Group's interest in Uralkali OJSC	**113,538,698**	**125,228,408**

Aggregate information of other associates that are not individually material for the Company:

	31 December 2014	31 December 2013
Balance at the beginning of the year	**347,492**	**340,105**
Share of post-acquisition (loss)/profit	(11,219)	12,358
Dividends received	(5,203)	(4,971)
Balance at the end of the year	**331,070**	**347,492**

	31 December 2014	31 December 2013
Total assets	783,044	827,667
Total liabilities	(118,191)	(129,858)
Net assets	**664,853**	**697,809**
Group's share of net assets of associates	**331,070**	**347,492**

	Year ended 31 December 2014	Year ended 31 December 2013
Group's share of profit of associates	(11,219)	12,358
Group's share of total comprehensive income	(11,219)	12,358

All amounts are in thousands of Russian roubles unless otherwise stated

19. INVENTORIES

	31 December 2014	31 December 2013
Inventories expected to be recovered after twelve months		
Catalytic agents	954,057	899,796
Other inventories	102,620	132,912
	1,056,677	**1,032,708**
Inventories expected to be recovered within twelve months		
Finished goods	3,484,074	2,590,797
Raw materials, net of allowance for obsolescence	1,805,987	1,869,229
Work in-progress	259,839	219,160
Goods for resale	673	15,291
	5,550,573	**4,694,477**
Total	**6,607,250**	**5,727,185**

During the year ended 31 December 2014, the Group recognised a write down of RUB 58,959 to reduce the carrying amount of inventories to net realisable value (2013: RUB 42,512).

At 31 December 2014, raw materials were presented net of allowance for obsolescence of RUB 153,954 (2013: RUB 153,314). During the year ended 31 December 2014, the Group recognised RUB 78,756 (2013: RUB 112,572) and released RUB 78,116 (2013: RUB 62,216) of allowance for obsolescence of raw materials.

Certain inventories were pledged to secure bank loans and borrowings granted to the Group, as follows:

	31 December 2014	31 December 2013
Carrying value of pledged inventories	2,698	-

20. AVAILABLE-FOR-SALE INVESTMENTS

In April 2014 the Company acquired three additional shares in Open Joint Stock Company Togliattiazot (“Togliattiazot”). Cash consideration on the transaction was RUB 460,687. Thus, at 31 December 2014, available-for-sale investments included a 9.97% investment (2013: 9.27%) in Togliattiazot of RUB 5,584,160 (2013: RUB 5,123,473) and other available-for-sale investments of RUB 2,076 (2013: RUB 4,248). The available-for-sale investments are accounted for at cost as their fair value cannot be reliably measured.

All amounts are in thousands of Russian roubles unless otherwise stated

21. OTHER FINANCIAL ASSETS

	31 December 2014	31 December 2013
Non-current		
Loans issued, at amortised cost	2,681,723	34,192
	2,681,723	**34,192**
Current		
Loans issued, at amortised cost	93,630	40,160
Other financial assets	409	-
	94,039	**40,160**
Total	**2,775,762**	**74,352**

As at 31 December 2014, interest rates on loans issued, denominated in RUB, equalled to 14.0% (2013: 12.0%) per annum; on loans issued, denominated in USD, varied from 5.0% to 7.6% per annum.

22. TRADE AND OTHER RECEIVABLES

	31 December 2014	31 December 2013
Trade receivables	6,360,664	3,231,620
Other receivables	148,851	732,124
	6,509,515	**3,963,744**
Less: allowance for doubtful receivables	(11,361)	(20,763)
Total	**6,498,154**	**3,942,981**

The average credit period for the Group's customers varies from 30 to 180 days. The Group has provided fully for all receivables over 360 days because historical experience is such that receivables that are outstanding beyond 360 days are generally not recoverable. Before accepting a new customer, the insurer of the Group uses credit policy, agreed with the Group, to assess the potential customer's credit quality and defines credit limits for each individual customer. Credit limits available to customers are reviewed on an annual basis. As at 31 December 2014, the Group's five largest debtors (individually exceeding 8.8% (2013: 5.2%) of total current receivables balance) represented 51.7% (2013: 30,6%) of the outstanding balance of accounts receivable.

Included in the Group's receivables balance at 31 December 2014 were debtors of RUB 18,224 (2013: RUB 61,796) which were past due but not impaired as there has been no change in credit quality and the amounts are still considered recoverable. The Group did not hold any collateral over these outstanding balances. The weighted average age of these receivables was 105 days (2013: 147 days).

Movements in the allowance for doubtful receivables were as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Balance at the beginning of the year	**20,763**	**31,898**
Recognised in the income statement	13,453	39,686
Amounts written-off	(18,832)	(13,550)
Amounts recovered during the year	(4,023)	(37,271)
Balance at the end of the year	**11,361**	**20,763**

All amounts are in thousands of Russian roubles unless otherwise stated

23. ADVANCES PAID AND PREPAID EXPENSES

	31 December 2014	31 December 2013
Advances for transportation services	953,411	782,947
Advances paid for apatite	175,913	48,946
Other advances and prepaid expenses	313,370	325,729
Total	**1,442,694**	**1,157,622**

24. OTHER TAXES RECEIVABLE

	31 December 2014	31 December 2013
Value added tax reimbursable	2,406,003	2,736,499
Other taxes	39,094	28,232
Total	**2,445,097**	**2,764,731**

25. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Current accounts, including:		
USD-denominated	3,002,324	909,164
EUR-denominated	776,624	524,350
RUR-denominated	519,600	389,949
Bank deposits maturing within three months:		
USD-denominated	5,805,867	1,027,697
RUR-denominated	687,000	655,500
EUR-denominated	293,874	296,801
Other cash and cash equivalents	4,571	2,077
Total	**11,089,860**	**3,805,538**

At 31 December 2014, interest rates on deposits in VTB Bank, HSBC Bank and Sberbank varied from 0.50% to 15.2% (2013: 0.14% to 6.0%) per annum.

26. EQUITY

Share capital of the Company amounts to RUB 2,000,000 and is divided into 500,000,000 ordinary shares of the nominal value of 4 RUB each.

Dividends

The statutory financial statements of the Group entities are the basis for the profit distribution and other appropriations.

Earnings per share

Earnings per share were calculated by dividing net profit attributable to shareholders of the Company for the years ended 31 December 2014 and 2013 by the weighted average number of ordinary shares in issue during those years.

All amounts are in thousands of Russian roubles unless otherwise stated

Share-based payments

A share-based payment transaction was made as a part of management remuneration based on shareholder's decision (Note 33). Settlements were performed by Uralchem Holding PLC, the shareholder of the Company.

27. LOANS AND BORROWINGS

	31 December 2014	31 December 2013
Loans denominated in USD	248,166,802	140,889,789
Loans denominated in EUR	5,245,959	8,828,125
Loans denominated in RUR	2,786	3,672
Total	**253,415,547**	**149,721,586**
Less: current portion repayable within twelve months and shown under current liabilities	(3,786,100)	(21,779,882)
Long-term portion of loans and borrowings	**249,629,447**	**127,941,704**

Loans denominated in USD

The loans denominated in USD had a weighted average annual interest rate of 4.8% during the year ended 31 December 2014 (2013: 3,7%) and included several loans at fixed rate varying from 3.1% to 9.0% (2013: from 3.0% to 6.0%) per annum.

In February 2014 the loan payable to Nordea Bank was refinanced with funds obtained under a credit line provided by VTB Capital PLC. The new loan in the amount of RUB 6,920,880 (exchange rate of the Bank of Russia as at 10 February 2014), denominated in USD, matures in the year 2020, with the first repayment scheduled during December 2015. The interest rate is fixed at 4.65% per annum. Commission under the agreement was RUB 127,161 (exchange rate of the Bank of Russia as at 10 February 2014).

In July 2014 loans payable to Sberbank were refinanced with funds obtained under a credit line provided by VTB Capital PLC. The new loan in the amount of RUB 14,015,480 (exchange rate of the Bank of Russia as at 23 July 2014), denominated in USD, matures in 2020, with the first repayment scheduled during December 2015. The interest rate is fixed at 4.65% per annum. Commission under the agreement was RUB 203,032 (exchange rate of the Bank of Russia as at 23 July 2014).

The loans denominated in USD are due in the years 2015 to 2020. Thus, as at 31 December 2014, USD-denominated loans in the amount of RUB 245,763,498 (exchange rate of the Bank of Russia as at 31 December 2014) were secured by 19.99 % of Uralkali OJSC's.

Loans denominated in EUR

The loans denominated in EUR had a weighted average annual interest rate of 2,9% during the year ended 31 December 2014 (2013: 4,2%) and included the following borrowings:

- RUB 5,245,959 (31 December 2013: RUB 8,655,454) at floating rates linked to Euribor 3m and Euribor 1m varying from 2.7% to 3.7% (31 December 2013: from 2,7% to 3,7%) per annum.

In March 2014 Group reached an agreement with ABLV Bank to obtain a loan in the amount RUB 1,597,563 (exchange rate of the Bank of Russia as at 14 August 2014) denominated in EUR, which matures in March 2019 and with the first repayment scheduled in August 2015 to partially finance the purchase of 55% share in Ventamonjaks. The interest rate is linked to Euribor 6m, Commission under agreement was RUB 13,071 (exchange rate of the Bank of Russia as at 14 August 2014).

All amounts are in thousands of Russian roubles unless otherwise stated

Loans and borrowings were repayable as follows:

	31 December 2014	31 December 2013
Due within three months	832,546	19,777,295
Due from three to six months	947,542	55,454
Due from six to twelve months	2,006,012	1,947,133
Current portion of loans and borrowings	**3,786,100**	**21,779,882**
Due in the second year	5,151,746	2,910,909
Due in the third year	7,879,698	2,397,234
Due in the fourth year	12,198,361	3,949,779
Due in the fifth year	15,664,617	6,119,950
Due thereafter	208,735,025	112,563,832
Long-term portion of loans and borrowings	**249,629,447**	**127,941,704**

As at 31 December 2014, the Group's bank loans were subject to restrictive covenants, including but not limited to:

- negative pledge for shares and property pledges;
- limits for material sale of assets and payment of dividends;
- limits for acquisitions of any companies or any shares or securities;
- limits for merger, consolidation or corporate reconstructions;
- limits for loans and guarantees given;
- set-up limits for the amount of cash collections of certain Group subsidiaries that have to be transferred to the accounts at defined banks;
- set-up limits for the annualised "debt and net debt/EBITDA" ratio and other financial covenants.

All loan agreements have acceleration clauses, allowing creditors to increase interest rates and to request early repayment of outstanding amounts in case of non-compliance with these covenants.

As at 31 December 2013, financial covenants on the loans received from Sberbank and Nordea Bank were not observed, thus in the consolidated statement of financial position these loans in the amount of RUB 10,942,789 (exchange rate of the Bank of Russia as at 31 December 2013) and RUB 6,661,917 (exchange rate of the Bank of Russia as at 31 December 2013), respectively, were classified within current liabilities. In December 2013 the Group received credit lines from VTB Capital PLC that could be used to refinance its liability to Sberbank and Nordea Bank.

During year ended 31 December 2014 the Group twice breached the financial covenants on the loans received from VTB Capital PLC:

- in November 2014 after an accident at the mine Solikamsk-2 that caused shares of Uralkali OJSC's fall below the minimum level set in the loan agreement;
- as at 31 December 2014, when value of the assets of the Company was less than its liabilities.

In both cases the Company received waiver letters from VTB Capital PLC, confirming that no Event of Default has occurred.

All amounts are in thousands of Russian roubles unless otherwise stated

28. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain items of machinery, equipment and transport under a number of finance lease agreements (refer to note 16). The average lease term is 89 months. For the year ended 31 December 2014 the weighted average effective annual interest rate was 9.1% (2013: 12,1%). All leases are on a fixed repayment basis and are denominated in USD and RUB (refer to note 36).

	Minimum lease payments		Present value of minimum lease payments	
	31 December		31 December	
	2014	2013	2014	2013
Due within one year	1,261,371	874,705	1,185,659	815,271
Due from two to five years	4,046,968	2,789,562	2,943,553	1,891,841
Due thereafter	504,836	841,866	217,581	374,040
	5,813,175	**4,506,133**	**4,346,793**	**3,081,152**
Less: future finance charges	(1,466,382)	(1,424,981)	-	-
Present value of lease liabilities	**4,346,793**	**3,081,152**	**4,346,793**	**3,081,152**
Less: amount due for settlement within one year and shown under current liabilities			(1,185,659)	(815,271)
Total non-current finance lease liabilities			**3,161,134**	**2,265,881**

29. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

Social taxes for the year ended 31 December 2014 included contributions to the State Pension Fund in the amount of RUB 1,516,463 (2013: RUB 1,545,364).

At 31 December 2014, outstanding contributions to the State Pension Fund amounted to RUB 127,571 (2013: RUB 104,024).

Defined benefit plans

The Group operates a number of unfunded defined benefit plans for qualifying employees of subsidiaries located in the Russian Federation. The actuarial valuation of the Group's defined benefit obligations as at 31 December 2014 and 2013 was performed by an independent actuary.

Under these plans a retired employee (or his/her family members) is entitled to the following payments:

- *one-time payment on retirement* varying from RUB 0.500 to RUB 310.200 (2013: varying from 0.5 to 5 times the official minimum monthly salary), depending on the seniority of employee. As at 31 December 2014 the official minimum monthly salary was RUB 5.554 (2013: RUB 5.205);
- *quarterly allowance* varying from RUB 0.125 to RUB 0.705 (2013: from RUB 0.341 to RUB 0.600) for the rest of his/her life;
- *one-time payment upon death* varying from RUB 5.000 to three official minimum monthly salaries (2013: from RUB 4.400 to three official minimum monthly salaries); and
- other payments stipulated in labour agreements such as anniversary payments, disability compensation, etc.

All amounts are in thousands of Russian roubles unless otherwise stated

The principal assumptions used in actuarial valuations were as follows:

	31 December 2014	31 December 2013
Discount rate	10.0%	7.5%
Expected salary increase	9.7%	9.2%
Expected pension increase	6.0%	5.0%
Employee turnover rate	5.0%	5.0%
Age of retirement		
Male	55 years	55 years
Female	52 years	52 years
Average life expectancy of members from date of retirement		
Male	20 years	20 years
Female	31 years	31 years

Amounts recognised in the consolidated statement of profit or loss in respect of these defined benefit plans were as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Interest expense	34,298	36,185
Service cost	(126,882)	14,049
Actuarial (gain)/loss recognised in the year	(3,274)	4,654
Total pension costs recognised in the consolidated statement of profit or loss	**(95,858)**	**54,888**

Amounts included in the consolidated statement of financial position in respect of defined benefit plans were as follows:

	31 December 2014	31 December 2013
Present value of unfunded defined benefit obligations	327,098	527,245

Movements in the present value of the unfunded defined benefit obligations were as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Balance at the beginning of the year	**527,245**	**402,564**
Actuarial loss/(gain) recognised in the year	(82,120)	100,397
Interest expense	34,298	36,185
Current service cost	14,497	15,156
Past service cost	2,136	374
Gain on settlements	(143,515)	(1,481)
Liabilities eliminated on disposal of subsidiaries	-	(2,116)
Benefits paid	(25,443)	(23,834)
Balance at the end of the year	**327,098**	**527,245**

All amounts are in thousands of Russian roubles unless otherwise stated

30. DEFERRED TAXES

	1 January 2014	Acquired through business combina-tions	(Charged)/ credited to the statement of profit or loss	31 December 2014
Property, plant and equipment	(1,650,720)	(54,986)	(438,710)	(2,144,416)
Inventories	131,709	-	302,556	434,265
Trade and other receivables	30,998	-	(49,312)	(18,314)
Trade and other payables	122,383	-	6,573	128,956
Obligations under finance leases	588,596	-	255,635	844,231
Tax loss carried forward	79,565	-	14,690,589	14,770,154
Other	(3,664)	-	1,851,076	1,847,412
Total	**(701,133)**	**(54,986)**	**16,618,407**	**15,862,288**

	1 January 2013	Disposed on disposal of subsidiaries	(Charged)/ credited to the statement of profit or loss	(Charged)/ credited to other comprehen-sive income	31 December 2013
Property, plant and equipment	(2,004,512)	(52,649)	363,311	43,130	(1,650,720)
Inventories	198,362	(1,448)	(65,205)	-	131,709
Trade and other receivables	70,520	663	(42,104)	1,919	30,998
Trade and other payables	123,684	(221)	17,906	(18,986)	122,383
Obligations under finance leases	398,360	(622)	190,858	-	588,596
Tax loss carried forward	19,998	(269)	59,836	-	79,565
Other	(231,641)	11,709	323,067	(106,799)	(3,664)
Total	**(1,425,229)**	**(42,837)**	**847,669**	**(80,736)**	**(701,133)**

At 31 December 2014, the Group had unused tax losses of RUB 14,770,154 (2013: RUB 79,565) available for offset against future profits. Tax losses recognised as deferred tax assets represent mainly foreign exchange losses and interest expenses accrued by the Company which may be utilised against future taxable profit of the Company. The unrecognised tax losses will expire in 2024.

All amounts are in thousands of Russian roubles unless otherwise stated

31. TRADE AND OTHER PAYABLES

The average credit period on the purchase of inventories and services in the Russian Federation is 23 days (2013: 20 days).

	31 December 2014	31 December 2013
Trade accounts payables	973,816	1,265,499
Payables for property, plant and equipment	165,479	193,038
Dividends payable	-	3,475,000
Other accounts payables	189,977	297,138
Total financial liabilities	**1,329,272**	**5,230,675**
Provision for unused vacation	413,282	409,023
Accrual of performance based bonuses	360,118	233,650
Deferred income	202,730	91,868
Unpaid salaries	59,495	199,052
Accrued expenses	101,821	129,054
Provision for unfavorable court decision	-	43,865
Total non-financial liabilities	**1,137,446**	**1,106,512**
Total	**2,466,718**	**6,337,187**

The table below summarises the maturity profile of the Group’s trade accounts payable and payables for property, plant and equipment based on undiscounted contractual payments:

	31 December 2014	31 December 2013
Due within three months	1,090,558	1,379,753
Due from three to six months	1,638	10,482
Due from six to twelve months	47,099	68,302
Total	**1,139,295**	**1,458,537**

32. OTHER TAXES PAYABLE

	31 December 2014	31 December 2013
Social taxes	145,193	110,830
Property tax	60,809	43,390
Value added tax	18,150	13,286
Other taxes	52,396	54,731
Total	**276,548**	**222,237**

33. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders, entities under common ownership and control with the Group and members of key management personnel. The Group enters into transactions with related parties in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing arrangements to and from its parent company or entities under common ownership.

All amounts are in thousands of Russian roubles unless otherwise stated

The Group had the following outstanding balances with related parties:

	31 December 2014	31 December 2013
Parent company		
Other receivables	112	553,500
Loans issued, at amortised cost	2,419,164	-
Loans and borrowings	(1,659,405)	(2,321,742)
Dividends payable	-	(3,475,000)
Entities under common ownership and control with the Group		
Trade and other receivables	202,012	185,573
Advances paid and prepaid expenses	34,891	65,921

The Group entered into the following transactions with related parties:

	Year ended 31 December 2014	Year ended 31 December 2013
Parent company		
Interest income	22,793	11,509
Interest expense	(110,691)	(97,467)
Entities under common ownership and control with the Group		
Sales of goods and services	1,975,072	1,796,252
Purchases of goods and services	(1,072,866)	(589,644)

Transactions with related parties

Sale and purchases of goods

Sales of goods to related parties were made on market terms. Sales of services, which mainly consisted of sales of electricity and heat energy, were made at prices established by the Federal Utility Committee, a government regulator responsible for establishing and monitoring the prices on the utility market in the Russian Federation.

Purchases from related parties which primarily included purchases of raw materials for production of nitrogen fertilisers were made at market prices plus an insignificant premium of 1.0% to 2.0% as reimbursement for operating expenses of those entities.

Dividends paid to shareholders

During the year ended 31 December 2014 the Group settled its liability to pay out dividends in the amount of RUB 3,475,000.

Dividends received from associated company

During the year ended 31 December 2014 the Group received dividends from Uralkali OJSC to the total amount of RUB 957,141, including withholding tax of RUB 86,143.

All amounts are in thousands of Russian roubles unless otherwise stated

Compensation of key management personnel

The compensation of key management personnel of the Group for the year ended 31 December 2014 comprised salaries and cash bonuses in the amount of RUB 513,793 (2013: RUB 382,830), social taxes in the amount of RUB 56,005 (2013: RUB 43,678) and share-based payment to management in the amount of RUB 63,485 (2013: RUB 299,769).

34. COMMITMENTS AND CONTINGENCIES

Purchase of natural gas

In December 2013, the Group entered into the binding purchase agreements with Gazprom and Novatek, to purchase defined volumes of natural gas.

Future minimum costs under non-cancellable purchase agreements were as follows:

	31 December 2014	31 December 2013
Due in one year	14,913,462	15,578,809
Due from two to five years	28,069,330	41,215,039
Total	**42,982,792**	**56,793,848**

Capital commitments

As at 31 December 2014, the Group's contractual capital commitments for acquisition of property, plant and equipment amounted to RUB 692,596 (2013: RUB 479,572).

Operating leases: Group as a lessee

The Group leases certain machinery, equipment and office premises. The respective lease agreements have an average life of one to five years with no renewal option at the end of the lease term.

Future minimum rental expenses under non-cancellable operating leases were as follows:

	31 December 2014	31 December 2013
Due in one year	725,634	1,164,242
Due from two to five years	1,095,944	664,123
Total	**1,821,578**	**1,828,365**

Litigation

The Group has a number of claims and litigation relating to sales and purchases. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Taxation contingencies in the Russian Federation

The Russian Federation currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities, including VAT, corporate income tax, social taxes and other. Laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies; therefore, the government's implementation of these regulations is often inconsistent or non-existent. Accordingly, few precedents with regard to tax rulings have been established. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Russia that are more significant than typically found in countries with more developed tax systems. Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take different positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the regions of the Russian Federation in which it operates. The Group's operations involve the discharge of materials, contaminants and waste water into the environment that could potentially impact on flora and fauna, and give rise to other environmental concerns.

The Group's management believes that its production facilities are in compliance with all current existing environmental legislation in the regions in which it operates. However, environmental laws and regulations continue to evolve.

The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group modernise technology and upgrade production equipment to meet more stringent standards.

Management of the Group regularly reassesses environmental obligations related to its operations. Estimates are based on management's understanding of current legal requirements and the terms of licence agreements. Should the requirements of applicable environmental legislation change or be clarified and amended, the Group may incur additional environmental obligations.

Russian Federation risk

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

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Ruble and other negative economic consequences.

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

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

All amounts are in thousands of Russian roubles unless otherwise stated

As at 31 December 2014 and 2013, management believed that the carrying value of financial assets, payables and EUR denominated loans approximated their fair values due to (i) their short-term nature for current financial assets and liabilities, (ii) the fact that interest rates approximate current market rates for similar instrument.

Given the high degree of uncertainty currently existing on Russian capital markets the Group cannot determine what the market rate for the USD denominated loan from VTB would be in a current economic environment and therefore the fair value disclosure for it is not provided as at 31 December 2014.

36. FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the Group's debt to equity ratio. Management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Major categories of financial instruments

The Group's principal financial liabilities comprise loans and borrowings and trade payables and are related to the category of liabilities at amortised cost. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as available-for-sale investments, trade and other receivables and loans issued, cash and cash equivalents and promissory notes.

	31 December 2014	31 December 2013
Financial assets		
AFS investments	5,586,236	5,127,721
Cash and cash equivalents	11,089,860	3,805,538
Loans issued and accounts receivable	9,273,507	4,017,333
Other financial assets	409	-
Total financial assets	**25,950,012**	**12,950,592**
Financial liabilities		
Loans and borrowings	253,415,547	149,721,586
Obligations under financial leases	4,346,793	3,081,152
Trade and other payables	1,329,272	5,230,675
Total financial liabilities	**259,091,612**	**158,033,413**

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

Foreign currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies.

All amounts are in thousands of Russian roubles unless otherwise stated

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2014 and 2013 were as follows:

	USD-denominated		EUR-denominated	
	31 December		31 December	
	2014	**2013**	**2014**	**2013**
Assets				
Trade and other receivables	2,887,623	1,231,140	4	27,909
Other financial assets	2,479,469	-	-	-
Cash and cash equivalents	8,804,649	1,932,526	319,392	338,365
Total assets	**14,171,741**	**3,163,666**	**319,396**	**366,274**
Liabilities				
Loans and borrowings	247,376,173	140,436,185	-	6,721,615
Obligations under finance leases	2,309,610	1,037,224	-	-
Trade and other payables	67,559	9,211	14,629	4,265,595
Total liabilities	**249,753,342**	**141,482,620**	**14,629**	**10,987,210**
Total net liabilities	**(235,581,601)**	**(138,318,954)**	**304,767**	**(10,620,936)**

The table below details the Group's sensitivity to the weakening of the Russian Rouble against the US Dollar and the Euro by 30.0%. The analysis was applied to monetary items at the end of the reporting period denominated in currencies different than the respective entity's functional currency. A negative number indicates a decrease in profit where the Russian Rouble weakens against the US Dollar and Euro.

	USD-impact		EUR -impact	
	31 December		31 December	
	2014	**2013**	**2014**	**2013**
(Loss)/Profit	(70,674,480)	(41,495,686)	91,430	(3,186,281)

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the value of financial instruments and financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure.

The table below details the Group's sensitivity to an increase of 1.0% in the Euribor interest rate. The analysis was applied to loans and borrowings based on the assumption that the amount of the liability outstanding as at the end of the reporting period was outstanding for the whole year.

	EURIBOR - impact	
	31 December 2014	**31 December 2013**
Loss	52,460	86,018

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

All amounts are in thousands of Russian roubles unless otherwise stated

For the year ended 31 December 2014, revenue from the Group’s five largest customers constituted over 29.5% of the Group’s total revenue (2013: 26.7%). However, the Group is not dependent on these customers because of the existence of a liquid commodity market for the majority of fertilisers and its by-products.

At 31 December 2014, amounts receivable from the Group’s five largest customers were RUB 397,017 (2013: RUB 393,082), which represented approximately 6.1% of the total current outstanding balance of accounts receivable (2013: 10.0%).

At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables. The carrying amount represents the Group's maximum exposure to credit risk for such loans and receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all its liabilities as they fall due. The Group’s liquidity position is carefully monitored and managed. The Group has a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

Presented below is the maturity profile of the Group’s financial liabilities (the maturity profile for trade accounts payable and payables for property, plant and equipment is presented in note 31) as at 31 December 2014 and 2013 based on undiscounted contractual payments, including interest payments:

					31 December 2014
	Fixed rate financial liabilities, at amortised cost				
	Finance leases		**Loans and borrowings**		**Total**
	Principal	**Interest**	**Principal**	**Interest**	
Due within three months	346,413	8,462	56,724	687,761	**1,099,360**
Due from three to six months	282,310	16,119	815,747	26,769	**1,140,945**
Due from six to twelve months	556,956	51,111	1,607,048	21,478	**2,236,593**
Due in the second year	1,006,708	185,965	4,645,273	114,158	**5,952,104**
Due in the third year	827,777	270,817	7,548,911	-	**8,647,505**
Due in the fourth year	566,639	276,819	11,880,254	-	**12,723,712**
Due in the fifth year	542,409	369,834	14,355,306	-	**15,267,549**
Due thereafter	217,581	287,255	208,151,942	-	**208,656,778**
	4,346,793	**1,466,382**	**249,061,205**	**850,166**	**255,724,546**
	Floating rate financial liabilities, at amortised cost				
Due within three months	-	-	104,795	32,334	**137,129**
Due from three to six months	-	-	105,026	-	**105,026**
Due from six to twelve months	-	-	303,503	-	**303,503**
Due in the second year	-	-	951,029	-	**951,029**
Due in the third year	-	-	603,067	-	**603,067**
Due in the fourth year	-	-	593,786	-	**593,786**
Due in the fifth year	-	-	1,584,686	-	**1,584,686**
Due thereafter	-	-	967,733	-	**967,733**
	-	**-**	**5,213,625**	**32,334**	**5,245,959**
Total	**4,346,793**	**1,466,382**	**254,274,830**	**882,500**	**260,970,505**

All amounts are in thousands of Russian roubles unless otherwise stated

	31 December 2013				
	Fixed rate financial liabilities, at amortised cost				
	Finance leases		Loans and borrowings		Total
	Principal	Interest	Principal	Interest	
Due within three months	249,035	5,114	12,910,095	1,675,095	**14,839,339**
Due from three to six months	203,791	12,402	-	1,474,334	**1,690,527**
Due from six to twelve months	362,445	41,933	1,552,981	3,241,969	**5,199,328**
Due in the second year	623,964	147,705	2,635,076	5,872,713	**9,279,458**
Due in the third year	542,341	226,938	2,176,153	5,691,545	**8,636,977**
Due in the fourth year	433,120	272,800	3,730,560	5,537,760	**9,974,240**
Due in the fifth year	292,240	250,262	5,906,729	5,312,137	**11,761,368**
Due thereafter	374,216	467,827	111,730,733	9,482,604	**122,055,380**
	3,081,152	**1,424,981**	**140,642,327**	**38,288,157**	**183,436,617**
	Floating rate financial liabilities, at amortised cost				
Due within three months	-	-	6,701,584	66,973	**6,768,557**
Due from three to six months	-	-	55,454	17,610	**73,064**
Due from six to twelve months	-	-	110,907	35,219	**146,126**
Due in the second year	-	-	221,815	62,346	**284,161**
Due in the third year	-	-	221,081	54,236	**275,317**
Due in the fourth year	-	-	219,219	46,154	**265,373**
Due in the fifth year	-	-	213,221	38,185	**251,406**
Due thereafter	-	-	833,099	30,431	**863,530**
	-	**-**	**8,576,380**	**351,154**	**8,927,534**
Total	**3,081,152**	**1,424,981**	**149,218,707**	**38,639,311**	**192,364,151**

37. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Loans issued and repaid

Up to the date of approval of these consolidated financial statements, the Parent Company repaid loans to the Company in the total amount of RUR 3,041,056. The loans bear interest at a fixed rate of 5.0%.

Up to the date of approval of these consolidated financial statements, the Group repaid loans in the net amount RUR 98,609. The loans bore interest at annual floating rate Euribor3m+2,75%.