PJSC Russian Aquaculture

Consolidated Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2019

PJSC RUSSIAN AQUACULTURE

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PJSC RUSSIAN AQUACULTURE

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Management is responsible for the preparation of the consolidated statement of financial position of PJSC Russian Aquaculture (the "Company") and its subsidiaries (collectively – the "Group") as at 31 December 2019, and the related financial performance, cash flows and changes in shareholders' equity for the year ended 31 December 2019 in accordance with International Financial Reporting Standards ("IFRSs").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by management on 10 April 2020:

I. Sosnov	**A. Baranov**
General Director	Deputy General Director for Economics and Finance

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

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

INDEPENDENT AUDITOR'S REPORT

To: the Board of Directors and Shareholders of PJSC Russian Aquaculture

Opinion

We have audited the consolidated financial statements of PJSC Russian Aquaculture (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Valuation of biological assets	
At 31 December 2019, the carrying value of biological assets represented by salmon and trout amounted to RUB 6,840,305 thousand (31 December 2018: RUB 6,050,823 thousand). Biological assets are stated at fair value less costs to sell. We consider the valuation of biological assets as a key audit matter because valuation techniques using models require the application of subjective assumptions and significant judgements to be made by management, in particular, in relation to coeffiicients of expected mortality rates, applied to the live fish weight, margin rates and other unobservable inputs of the models. Further details are provided in Note 2.25 Biological assets and agricultural produce, Note 4 Critical accounting judgements and key sources of estimation uncertainty and Note 9 Biological assets to the consolidated financial statements.	We obtained an understanding of the control procedures in relation to the valuation of the fair value of biological assets, in particular, control procedures in relation to the correctness of the model and the assumptions used in the model. Our audit procedures included a critical analysis of the main assumptions used in the fair value models of biological assets. The assumptions to which the models were most sensitive and which could likely lead to material errors in the valuation include the following: • Margin rates for lake trout above 700 g and below 1,700 g and salmon and sea trout above 1,000 g and below 4,000 g; • Coefficients of expected mortality for lake trout above 700 g and below 1,700 g and salmon and sea trout above 1,000 g and below 4,000 g; We analyzed the vailidity of the assumptions, used by management in the valuation models, compared them to historical data and determined that the assumptions used fell within an acceptable determined range. We compared the current performance up to the date of the audit report with the data used for the valuation in order to ensure that the assumptions used in the models do not contradict the actual data. We tested the accuracy of the models and also performed audit procedures in relation to the management’s sensitivity calculations. We tested the appropriateness of the related disclosures provided in the consolidated financial statements, in particular, in relation to the disclosure of key unobservable inputs and the related sensitivity analysis.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Egor Aleksandrovich Metelkin,
Engagement partner

10 April 2020

АКЦИОНЕРНОЕ ОБЩЕСТВО «ДЕЛОЙТ И ТУШ СНГ»
Для аудиторских заключений и отчетов
Россия, г. Москва, ул. Лесная, д. 5

The Entity: PJSC Russian Aquaculture

Certificate of state registration series 78 No. 006024638, issued on 10 December 2007

Primary State Registration Number: 1079847122232

Certificate of registration in the Unified State Register of Legal Entities No.7157746005080, issued by Interdistrict Inspectorate of the Federal Tax Service No. 46 for Moscow on 24 March 2015.

Address: 4 Belovezhskaya St., Moscow, 121353, Russia.

Audit firm: AO Deloitte & Touche CIS

Certificate of state registration No. 018.482 issued by the Moscow Registration Chamber on 30 October 1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register of Legal Entities series 77 No. 004840299 issued by Interregional Inspectorate of the Russian Ministry of Taxation No. 39 for Moscow on 13 November 2002.

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

PJSC RUSSIAN AQUACULTURE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019
(in thousands of Russian Rubles)

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,783,866	3,064,930
Right-of-use assets	17	122,256	-
Goodwill		32,633	32,633
Restricted cash	13	26,437	450,000
Investments in associates	7	158,157	124,649
Long-term investments		20,080	-
Advances paid to suppliers for property, plant and equipment	6	377,822	119,230
Intangible assets		16,412	16,422
Other non-current assets		29,786	-
Deferred tax assets	25	8,362	8,828
		5,575,811	**3,816,692**
Current assets			
Inventories	8	620,943	377,797
Biological assets	9	6,840,305	6,050,823
Trade and other receivables, net	10	632,101	345,282
VAT recoverable		37,839	22,796
Advances paid to suppliers, net	11	232,672	226,156
Short-term investments		300	258
Income tax prepayments		10,588	8,260
Cash and cash equivalents	12	84,981	104,702
		8,459,729	**7,136,074**
Total assets		**14,035,540**	**10,952,766**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	8,787,665	8,787,665
Share premium	26	14,866	791,232
Treasury shares	26	(227,679)	(81,397)
Translation difference		(37,599)	40,056
Retained earnings/(accumulated deficit)		527,408	(3,534,702)
		9,064,661	**6,002,854**
Non-current liabilities			
Deferred tax liabilities	25	74,727	51,029
Long-term lease liabilities		64,871	-
Long-term borrowings	15	1,933,576	3,618,001
		2,073,174	**3,669,030**
Current liabilities			
Short-term borrowings	16	2,190,389	684,167
Short-term lease liabilities		19,117	-
Trade payables	14	255,294	279,787
Other payables		126,727	89,840
Advances received from customers		70,170	35,709
VAT and other taxes payable	18	236,008	191,379
		2,897,705	**1,280,882**
Total liabilities		**4,970,879**	**4,949,912**
Total equity and liabilities		**14,035,540**	**10,952,766**

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by management on 10 April 2020.

I. Sosnov
General Director

A. Baranov
Deputy General Director for Economics and Finance

The notes on pages 11-46 form an integral part of these consolidated financial statements.

PJSC RUSSIAN AQUACULTURE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Russian Rubles)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Revenue	19	8,798,302	3,211,572
Cost of sales	20	(6,639,694)	(2,202,543)
Gross profit before revaluation of biological assets		**2,158,608**	**1,009,029**
Profit on revaluation of finished goods	8	18,572	23,981
Profit on revaluation of biological assets	9	2,580,239	2,015,298
Gross profit		**4,757,419**	**3,048,308**
Selling (expenses)/income	21	(70,442)	14,528
Administrative expenses	22	(599,237)	(565,821)
Profit from participation in associates	7	50,313	8,403
Other operating income	23	38,324	101,633
Other operating expenses	24	(589,733)	(70,290)
Interest income		30,456	29,411
Interest expense	16	(285,928)	(247,862)
Foreign exchange (loss)/gain		(46,598)	361
Profit before income tax		**3,284,574**	**2,318,671**
Income tax expense	25	(26,595)	(27,731)
NET PROFIT FOR THE YEAR		**3,257,979**	**2,290,940**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(77,655)	40,321
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,180,324**	**2,331,261**
Basic and diluted earnings per share (in Russian Rubles)	27	**37.38**	**26.44**

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by management on 10 April 2020.

I. Sosnov
General Director

A. Baranov
Deputy General Director for Economics and Finance

The notes on pages 11-46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Russian Rubles)

	Year ended 31 December 2019	Year ended 31 December 2018*
Cash flows from operating activities:		
Profit before income tax	3,284,574	2,318,671
Adjustments to reconcile profit before income tax to inflows from operating activities:		
Depreciation of property, plant and equipment (Notes 20, 22, 24)	418,070	163,385
Depreciation of rights-of-use assets (Note 17)	13,908	-
Amortisation of intangible assets (Notes 20, 22)	3,056	1,381
Interest income	(30,456)	(29,410)
Interest expense (Note 16)	419,239	326,296
Government grants (Note 16)	(133,311)	(78,434)
Foreign exchange loss/(gain)	46,598	(362)
Loss on disposal of property, plant and equipment	2,249	320
Profit from participation in associates (Note 7)	(50,313)	(8,403)
Stock-count shortages/(surpluses) and live fish mortality (Note 24)	548,531	(17,481)
Write-off of accounts receivable directly to loss (Note 21)	24,812	17,178
Reversal of allowance for advances impairment (Note 21)	(25,891)	(43,991)
Equity-based payments	80,189	95,121
Profit on revaluation of finished goods	(18,572)	(23,981)
Reclassification of profit on revaluation of biological assets to cost of sales (Note 20)	1,789,883	189,708
Profit on revaluation of biological assets	(2,580,239)	(2,015,298)
Operating profit before working capital changes	**3,792,327**	**894,700**
Movements in working capital:		
Increase in inventory	(224,574)	(144,606)
Increase in biological assets	(529,897)	(2,375,136)
Increase in trade and other receivables	(323,826)	(323,075)
Increase in VAT recoverable	(15,044)	(15,450)
(Increase)/decrease in advances paid to suppliers, net	(22,557)	90,538
(Decrease)/increase in trade payables	(16,710)	210,111
(Decrease)/increase in other payables	(8,676)	154,514
Increase in advances received from customers	34,461	34,384
Increase in other taxes payable	44,629	12,835
Cash generated from / (used in) operating activities	**2,730,133**	**(1,461,185)**
Income tax paid	(4,759)	(10,770)
Interest received	42,459	16,305
Subsidies received	133,311	78,434
Interest paid	(431,915)	(343,542)
Net cash generated from/ (used in) operating activities	**2,469,229**	**(1,720,758)**
Cash flows from continuing investing activities:		
Payments for property, plant and equipment	(2,532,314)	(1,268,694)
Proceeds from disposal of property, plant and equipment	1,453	3,397
Purchase of intangible assets	(4,580)	(5,497)
Net cash outflow on acquisition of subsidiaries and associates	-	(116,246)
Dividends received	16,806	-
Loans issued	(19,980)	(534)
Loans repaid	165	275
Net cash used in investing activities	**(2,538,450)**	**(1,387,299)**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)
(in thousands of Russian Rubles)

	Year ended 31 December 2019	Year ended 31 December 2018*
Cash flows from continuing financing activities:		
Purchase of treasury shares	(219,122)	(19,989)
Sale of treasury shares	23,212	79,185
Payments to shareholders	(16,500)	-
Return of guarantee deposits for long-term borrowings	450,000	-
Depositing cash as guarantee deposits for long-term borrowings	(26,437)	(450,000)
Repayment of lease obligations	(10,245)	-
Proceeds from borrowings	3,482,141	6,523,699
Repayment of borrowings	(3,660,345)	(4,064,784)
Net cash generated from financing activities	**22,704**	**2,068,111**
Net decrease in cash and cash equivalents	**(46,517)**	**(1,039,946)**
Effect of exchange rate fluctuations on cash and cash equivalents	26,796	50,538
Cash and cash equivalents at the beginning of the year	**104,702**	**1,094,110**
Cash and cash equivalents at the end of the year	**84,981**	**104,702**

*Comparative information for the year ended 31 December 2018 has been retrospectively restated as a result of changes in the presentation of the sections Operating profit before working capital changes and Movements in working capital.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by management on 10 April 2020.

I. Sosnov
General Director

A. Baranov
Deputy General Director for Economics and Finance

The notes on pages 11-46 form an integral part of these consolidated financial statements.

PJSC RUSSIAN AQUACULTURE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Russian Rubles)

	Share capital	Share premium	Treasury shares	Translation difference	Retained earnings/ (accumu-lated deficit)	Total equity/ (deficit)
Balance at 31 December 2017	**8,787,665**	**791,232**	**(199,962)**	**(265)**	**(5,864,822)**	**3,513,848**
Total net profit for the year	-	-	-	-	2,290,941	2,290,941
Change in translation difference	-	-	-	40,321	-	40,321
Total comprehensive income for the year	**-**	**-**	**-**	**40,321**	**2,290,941**	**2,331,262**
Purchase of treasury shares (Note 26)	-	-	(16,563)	-	-	(16,563)
Sale of treasury shares (Note 26)	-	-	135,128	-	39,179	174,307
Balance at 31 December 2018	**8,787,665**	**791,232**	**(81,397)**	**40,056**	**(3,534,702)**	**6,002,854**
Total net profit for the year	-	-	-	-	3,257,979	3,257,979
Change in translation difference	-	-	-	(77,655)	-	(77,655)
Total comprehensive income for the year	**-**	**-**	**-**	**(77,655)**	**3,257,979**	**3,180,324**
Compensation of accumulated deficit*	-	(776,366)	-	-	776,366	-
Distribution to shareholders**	-	-	-	-	(33,000)	(33,000)
Purchase of treasury shares (Note 26)	-	-	(219,122)	-	-	(219,122)
Sale of treasury shares (Note 26)	-	-	72,840	-	60,765	133,605
Balance at 31 December 2019	**8,787,665**	**14,866**	**(227,679)**	**(37,599)**	**527,408**	**9,064,661**

* In accordance with the decision of the Board of Directors of the Company dated 25 June 2019, part of the generated share premium of the Company was directed to partial compensation of accumulated deficit.

** The distribution to shareholders represents the remuneration for pledging shares to Bank A as collateral to loan agreements with the Bank.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by management on 10 April 2020.

I. Sosnov
General Director

A. Baranov
Deputy General Director for Economics and Finance

The notes on pages 11-46 form an integral part of these consolidated financial statements.

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

1. GENERAL INFORMATION

These consolidated financial statements have been prepared by Public Joint Stock Company ("PJSC") Russian Aquaculture. The principal activities of PJSC Russian Aquaculture (the "Company") and its subsidiaries (collectively referred to as the "Group") are fish farming and distribution of fish and caviar.

The companies of the Group are located in Russian Federation, except for Oyralaks AS, Villa Smolt AS, Oldenselskapene AS, Olden Oppdrettsanlegg AS, which are incorporated and located in Norway.

The Company is incorporated under the laws of Russian Federation in Moscow. The Company's headquarter address is business center Western Gate, 4 Belovezhskaya Street, Moscow, 121353, Russia.

As at 31 December 2019, closed unit investment fund Realty Capital managed by LLC UK Svinyin and partners (company incorporated in the Russian Federation) and Maxim Vorobiev (Russian citizen) were direct shareholders of the Group owing 25,00% and 48,00% of shares respectively (as at 31 December 2018: 24,22% and 48,00% respectively). As at 31 December 2019, 25,8% of the shares were owned by other shareholders, 1,2% were purchased by the Group (as at 31 December 2018: 27,01% and 0,77% respectively). Thus, the Group does not have a single ultimate controlling party.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Board of Directors on 10 April 2020.

The principal activities of the Group, as well as ownership and voting interest as at 31 December 2019 and 31 December 2018 were as follows:

		Ownership or voting interest, %	
Name	**Principal activity**	**31 December 2019**	**31 December 2018**
PJSC Russian Aquaculture	Holding/ managing company	n/a	n/a
LLC Aquaculture	Dormant	100	100
LLC Russian Sea Aquaculture	Fish farming	100	100
Oyralaks AS	Managing company	100	100
Villa Smolt AS	Fish farming	100	100
Olden Selskapene AS	Managing company	100	100
Olden Oppdrettsanlegg AS	Fish farming	100	100

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These consolidated financial statements of PJSC Russian Aquaculture for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The Company and its subsidiaries maintain their accounting records in Russian Rubles ("RUB"), other than companies located in Norway (in Norwegian Krones), and prepare their statutory financial statements in accordance with accounting and reporting regulations of the Russian Federation ("RAS") and Norway. The statutory financial statements have been adjusted to present these consolidated financial statements in accordance with IFRS. These adjustments principally relate to the valuation and depreciation of property, plant and equipment, revaluation of biological assets, certain valuation reserves, purchase accounting for business combinations and the resulting income tax effects.

The consolidated financial statements have been prepared under the historical cost convention except for the valuation of financial instruments in accordance with International Accounting Standard 9 *Financial Instruments* ("IFRS 39") and International Financial Reporting Standard 13 *Fair value measurement* ("IFRS 13"), valuation of biological assets in accordance with International Accounting Standard 41 *Agriculture* ("IAS 41") and assets and liabilities of subsidiaries acquired and recognized in accordance with IFRS 3 *Business Combinations* ("IFRS 3").

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received as a result of a sale of 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 as if market participants would take those characteristics into account. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on above described basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* ("IAS 2") or value in use in IAS 36 *Impairment of Assets* ("IAS 36").

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

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

Unless otherwise indicated, these consolidated financial statements are presented in the national currency of the Russian Federation (Russian rubles), which is the functional currency of the Company and its subsidiaries, except for the Company's subsidiaries located in Norway (the functional currency of which is Norwegian Krones).

2.2. Going concern

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business. The Group continues to monitor its existing liquidity needs on an on-going basis. Management believes that the Group will have sufficient operating cash flows and borrowing capacity to continue as a going concern in the foreseeable future.

2.3. Subsidiaries

The consolidated financial statements incorporate the 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 variable 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.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 have a deficit balance.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4. Business acquisitions

Acquisitions of businesses 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 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 at the acquisition date, except for:

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

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

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

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5. 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.

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

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

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

2.6. Investments in associates

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

The Group reports its interests in associates using the equity method of accounting, whereby 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.

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.

2.7. Cash and cash equivalents

Cash in the consolidated statement of financial position comprises cash at banks and in hand and short-term deposits with an original maturity of three months or less.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8. Financial instruments

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

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (ii) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

income is recognised in profit or loss and is included in the "finance income - interest income" line item.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on its trade and other receivables. The amount of expected credit loss (further "ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

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

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

Derecognition of financial assets

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

Financial liabilities

All recognized financial liabilities are subsequently measured at amortized cost using the effective interest method or fair value through profit or loss (FVTPL). As at the reporting date, the Group had only financial liabilities carried at amortized cost.

Financial liabilities at amortized cost

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.9. Value added tax

In accordance with the tax legislation, input VAT relating to purchased goods and services is to be recovered by the Group by offsetting against output VAT liability relating to the sales of the Group.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the end of the reporting period, is deducted from the amount of VAT payable.

Where allowance has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

VAT recoverable arises when input VAT related to purchases exceeds output VAT related to sales.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10. Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average basis. The cost of finished goods and work in progress comprises cost of raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.11. Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost or deemed cost at the date of transition to IFRSs (herein referred to as cost) less accumulated depreciation and impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on a straight-line basis. The depreciation periods, which represent the estimated useful economic lives of the respective assets, are as follows:

	Number of years
Buildings	7-50
Machinery and equipment	2-10
Other	3-7

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end.

Land is not depreciated.

The cost of repairs and maintenance is expensed as incurred. Major renewals and improvements are capitalised, and the assets replaced are retired. Gains and losses arising from the retirement of property, plant and equipment are included in the statement of profit or loss and other comprehensive income as incurred.

2.12. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if 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 recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13. Government grants

In accordance with Russian legislation, enterprises engaged in agricultural activities receive certain government grants.

Government grants are recognised on cash basis.

The largest of such government grants relate to reimbursement of interest expense on qualifying loans ("interest subsidies"). Such subsidies are included in the cost of qualifying assets. For other subsidies, the Group records interest subsidies as an offset to interest expense during the period to which they relate.

2.14. Income tax

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities can be offset only if: (a) a Group entity has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not 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.

2.15. Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets have a finite life and are amortised on a straight-line basis over the useful economic lives, which is estimated between 1 and 7 years for computer software licenses and 47 years for rights of land rent and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16. Leases

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the lease term within the range from 3 to 49 years.

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

2.17. Share capital

Ordinary shares are classified as equity.

2.18. Dividends

Dividends declared are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared before or at the end of the reporting period. Such dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the consolidated financial statements are authorised for issue.

2.19. Treasury shares

The Group's equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. Sales of own equity instruments of the Company is not recognized in profit or loss. The difference between the carrying amount of the sold treasury shares determined using the FIFO method and the consideration received is recognized in retained earnings / accumulated deficit.

In case of remunerating the employees with treasury shares, the difference between the carrying value of shares and their fair value is included in retained earnings / accumulated deficit.

2.20. Revenue recognition

The Group derives its revenue from sales of fish and caviar. The Group recognizes revenue when control of the goods is transferred to the customer, the goods are shipped to the customer, the customer has the right to determine the prices for the goods and the sales channels for those goods and there are no outstanding performance obligations, which may affect the acceptance of the goods by the customer.

According to the Group's standard sales terms, the right of ownership for the goods and the related risks are transferred to the customer upon shipment.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, excluding VAT, discounts and rebates. No element of financing is deemed present in the Group's sales as the sales are made with a credit term of 30 days, which is consistent with market practice.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group provides product warranties for its goods, which provide for an opportunity for the Group's counterparties to return damaged, substandard or non-conforming goods. The period during which the goods could be returned is usually limited to the shelf life of the goods shipped and does not exceed one month from the date of shipment. Returns are recorded as decrease of revenue in the period of revenue recognition. The past experience of the Group serves as an indication that the share of returned goods is insignificant. Therefore, The Group does not recognize liabilities related to the customer's right to return the goods during the return period and does not recognize assets associated with the right to receive the returned goods from the customer when the customer is expected to exercise such rights.

2.21. Expense recognition

Expenses are accounted for at the time the actual flow of related goods and services occurs and transfer of risks and rewards has been completed, regardless of when cash or its equivalent is received or paid, and are reported in the period to which they relate.

2.22. Pension costs

Under provisions of Russian legislation, social security payments are made through a special contribution ("SSC") calculated by the Group by the application of a regressive rate (from 30% to 10%) to the annual gross remuneration of each employee. The Group allocates the SSC to three social funds (state pension fund, social and medical insurance funds), where the rate of contributions to the pension fund varies from 22% to 10% depending on the annual gross salary of each employee. The Group's contributions relating to SSC are expensed in the year to which they relate.

2.23. Foreign currency transactions

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

2.24. Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. The assets subject to such assessment are primarily property, plant and equipment. 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.

Recoverable amount is the higher of fair value less costs 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 for which the estimates of future cash flows have not been adjusted.

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 (or 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.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25. Biological assets and agricultural produce

The Group's biological assets include live fish, i.e. atlantic salmon, sea and lake trout.
The accounting treatment of live fish is regulated by IAS 41 *Agriculture*. The basic principle is that such assets shall be measured at fair value.

Agricultural activity is defined by the management as an activity of the biological transformation of biological assets for sale into agricultural produce or into additional biological assets. Agricultural product is defined as the harvested product of the Group's biological assets and a biological asset is defined as a live fish. The Group has determined the groups of its biological assets to be: live fish – trout and salmon, and smolt.

In accordance with IAS 41, prior to harvest, biological assets related to agricultural activity are measured at fair value less estimated costs-to-sell, with any changes in fair value recognized in profit or loss, unless the fair value cannot be measured reliably. Costs-to-sell include all costs that would be necessary to sell the assets. When little biological transformation has taken place since the initial cost outlay, biological assets are valued on the basis of actual costs, therefore smolt is measured at cost. The cost includes direct costs related to the management of the biological transformation of biological assets, like costs of smolt, feeds, labour costs of employees directly involved in production process, depreciation and related production overheads.

Live fish is measured at fair value in accordance with IFRS 13.

Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated costs-to-sell at the point of harvest and is subsequently recorded as inventories and measured in accordance IAS 2 (Note 2.10).

Gain or loss arising from the initial recognition of agricultural products at fair value less costs to sell is recognized in profit on the revaluation of finished products line in the consolidated statement of profit and loss and at the time of the sale of agricultural products is netted with the cost of sales line.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated costs-to-sell and from a subsequent change in fair value less estimated point-of-sale costs of a biological asset is included in profit or loss for the period in which it arises as fair value adjustment on revaluation of biological assets. Profit or loss from the revaluation of biological assets as of the end of the reporting period and sold during the subsequent period is netted with the cost of sales line.

For more details on the valuation model refer to Note 4.3.

The biological assets are recorded as current and non-current biological assets based on the operational cycle of the respective biological assets.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS and IFRIC interpretations adopted in the current year

The Group has adopted all IFRSs and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2019. The impact of the adoption of IFRS 16 Leases on the Group's results of operations and financial position is described below. The adoption of other standards and amendments did not have an impact on the Group's results of operations, financial position or cash flows.

IFRS 16 *Leases*

As at 1 January 2019, the Group adopted IFRS 16 *Leases*.

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 replaced IAS 17 *Leases* and all related interpretations.

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Transition

According to the transition provisions of IFRS 16, the Group selected the modified retrospective method of transition with liabilities measured at the present value of the remaining lease payments, discounted using incremental borrowing rate at 1 January 2019, and right-of-use assets measured as an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. In accordance with this method the Group did not restate comparative information for the previous period.

At the date of transition, the Group made use of the following practical expedients:

- Permission to exclude from IFRS 16 scope leases for which the lease term ends within 12 months from 1 January 2019 and recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term;
- Relief from the requirement to reassess whether a contract is, or contains the lease;
- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Use of assessment of whether leases are onerous applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, immediately before the date of initial application as an alternative to performing an impairment review

Effect from the adoption

As a result of adoption of IFRS 16 *Leases* the Group recognised right-of-use assets of 69,609 and lease liabilities of 28,766.

The result of the transition is represented as follows:

Future minimum lease payments at 31 December 2018 as disclosed in the consolidated financial statements for the year-ended 31 December 2018	**-**
Reassessment of options to extend and early cancelation of lease contracts	33,334
Impact of discounting	(4,568)
Add: finance lease liabilities as at 31 December 2018	-
Lease liabilities recognized at 1 January 2019	**28,766**

Future minimum lease payments at 31 December 2018 as disclosed in the consolidated financial statements for the year-ended 31 December 2018	**-**
Reassessment of options to extend and early cancelation of lease contracts	33,334
Impact of discounting	(4,568)
Add: assets in the form of the right to conclude fishponds lease agreement as at 31 December 2018 (within other receivables and advances paid to suppliers, net)	40,843
Right-of-use assets recognized at 1 January 2019	**69,609**

The table below shows the effect of application of IFRS 16 on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019:

	2019
Increase of depreciation in the cost of sales and administrative expenses	(13,908)
Increase of interest expense, net	(3,156)
Decrease of rent expenses in the cost of sales and administrative expenses	16,046
Decrease in profit and total comprehensive income	**(1,018)**

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group.

Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of operating activities); and

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by 10,245 being the lease payments, and net cash used in financing activities has increased by the same amount. The adoption of IFRS 16 did not impact net cash flows.

IFRS and IFRIC interpretations in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods and which the entity has not early adopted:

Standards and Interpretations	**Effective for annual periods beginning on or after**
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined by the IASB
Amendments to IFRS 3 – *Definition of a business*	1 January 2020
Annual Improvements to IFRSs (2010—2012 Cycle Amendments to IAS 1) – *Classification of Liabilities as Current or Non-Current*	1 January 2022
Amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest Rate Benchmark Reform and its Effects on Financial Reporting*	1 January 2020
Amendments to IAS 1 and IAS 8 – *Definition of material*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

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

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

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

Amendments to IFRS 3 *Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted. The management of the Group plans to apply the amendments for the future transactions.

Amendments to IAS 1 and IAS 8 *Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs (2010—2012 Cycle Amendments to IAS 1) – *Classification of Liabilities as Current or Non-Current*

The amendments are intended to clarify that a liability is classified as non-current if an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender, on the same or similar terms.

The amendments affect only the presentation of liabilities in the statement of financial position- not the amount or timing of recognition, or the information that entities disclose about those items.

The amendments clarify that the classification should be based on rights that are in existence at the end of the reporting period to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability.

The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management has made certain judgements, estimates and assumptions about the carrying amounts of assets and liabilities 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 following are the key judgements concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1. Current taxes

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

As at 31 December 2019, the management estimated that the possible risks on tax issues identified in 2019, provided they are implemented, will not exceed 1% of the Group's total comprehensive income for 2019. Should the Russian tax authorities decide to issue a claim and prove successful in the court, they would be entitled to recover the amount claimed, together with fines amounting to 20% of such amount and interest at the rate of 1/300 of the Central Bank of Russia rate for each day of delay for late payment of such amount. Management believes that it is not probable that the ultimate outcome of such matters would result in a liability. Therefore, no provision for these contingencies was recorded in the accompanying consolidated financial statements.

4.2. Biological assets

Prior to harvest, biological assets related to agricultural activity are measured at fair value less estimated point-of-sale costs, with any changes in fair value recognized in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

Fair value of live fish is determined by using valuation techniques, as there are no observable market price for live fish.

4.3. Key assumptions of the valuation model

The fair value of biological assets as at 31 December 2019 and 31 December 2018 was calculated based on the following key assumptions:

- The best estimate of the fair value of smolt, salmon and sea trout under 1,000 g and lake trout under 700 g is considered to be actual costs (historical cost);
- The best estimate of the fair value of salmon and sea trout above 1,000 g and below 4,000 g and lake trout above 700 g and below 1,700 g is the historical cost adjusted by the proportionate estimated profit;
- The best estimate of the fair value of salmon and sea trout above 4,000 g and lake trout above 1,700 g is considered to be the actual selling price;
- Actual market prices at the reporting date were used for valuation;
- The prices were adjusted for expected selling expenses which include eviscerating and packing costs;
- Live fish weight was adjusted for actual and expected losses: 1) gutting coefficient of 15% as at 31 December 2019 (weight loss on gutting (16% as at 31 December 2018)); 2) coefficient of expected mortality (14% for salmon and sea trout and 6% for lake trout for the year ended 31 December 2019 and 9% for salmon, sea trout and lake trout for the year ended 31 December 2018). Expected mortality reflects accumulated actual waste calculated starting from the stocking date till the reporting date.

Level 3 approach was used to determine the fair value of live fish.

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties include shareholders, key management personnel, entities under common ownership and control, and entities over which the Group has significant influence.

The nature of the related party relationships for those related parties with whom the Group entered into transactions for the year ended 31 December 2019 and for the year ended 31 December 2018 or had balances outstanding as at 31 December 2019 and as at 31 December 2018 is detailed below.

Balances with related parties:

Описание	**Trade and other receivables**	**Trade payables**	**Advances received**
31 December 2019			
Associates	375	19,036	80
31 December 2018			
Entities under control of shareholders	1,677	-	-
Associates	5,910	14,668	-

Transactions with related parties:

Description	**Type of relationship**	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Cost of sales	Associates	346,869	48,185
Selling expenses	Associates	2,024	884
Administrative expenses	Associates	1,315	1,492
Other operating income	Associates	8,664	-
Other operating expenses	Associates	2,213	-
Administrative expenses	Remuneration to members of the Board of Directors	9,765	8,143
Interest expense	Entity under control of shareholders	-	8,533
Interest expense	Associates	-	18,280

Compensation to key management personnel

Key management personnel comprised 2 persons as at 31 December 2019 (31 December 2018: 2 persons). Total compensation to key management personnel, all of which represented only by short-term employee benefits (monthly payroll and bonuses), included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income amounted to 99,119 for the year ended 31 December 2019 (180,785 for the year ended 31 December 2018).

During 2019, the Group sold 280,000 shares of PJSC "Russian Aquaculture" to its key management personnel at preferential terms (916,074 for the year ended 31 December 2018). The difference between the fair value of the shares (market price on the date of the transaction) and their selling price to employees was recorded as a remuneration to key management personnel in "Administrative expenses" line of the consolidated statement of profit or loss and other comprehensive income in total amount of 36,820 for the year ended 31 December 2019 (81,422 for the year ended 31 December 2018).

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Shareholders of the Group

As at 31 December 2019 and as at 31 December 2018, the registered shareholders of PJSC Russian Aquaculture and their respective ownership were as follows:

	31 December 2019	31 December 2018
Maxim Vorobiev	48,00%	48,00%
Closed unit investment fund Realty Capital managed by LLC UK Svinyin and partners	25,00%	24,22%
PJSC Sovcombank	13,93%	17,26%
Mikhail Kenin	3,84%	2,56%
Shares in free float, other minority shareholders and the management of the Company	8,03%	7,19%
Treasury shares	1,20%	0,77%
	100,00%	**100,00%**

All shares bear equal voting rights.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consist of the following:

	Buildings	Machinery and equipment	Other	Assets under construction	Total
Cost					
Balance at 1 January 2019	**394,449**	**3,197,064**	**152,522**	**379,170**	**4,123,205**
Additions	637,454	1,661,121	65,865	(99,954)	2,264,486
Disposals	-	(31,146)	(2,905)	-	(34,051)
Exchange differences	(61,413)	(34,384)	(3,759)	(4,735)	(104,291)
Balance at 31 December 2019	**970,490**	**4,792,655**	**211,723**	**274,481**	**6,249,349**
Accumulated depreciation					
Balance at 1 January 2019	**(59,122)**	**(937,876)**	**(61,277)**	**-**	**(1,058,275)**
Depreciation charge	(22,936)	(429,080)	(21,548)	-	(473,564)
Depreciation on disposals	-	27,817	2,193	-	30,010
Exchange differences	12,277	22,634	1,435	-	36,346
Balance at 31 December 2019	**(69,781)**	**(1,316,505)**	**(79,197)**	**-**	**(1,465,483)**
Net book value					
Balance at 1 January 2019	**335,327**	**2,259,188**	**91,245**	**379,170**	**3,064,930**
Balance at 31 December 2019	**900,709**	**3,476,150**	**132,526**	**274,481**	**4,783,866**

	Buildings	Machinery and equipment	Other	Assets under construction	Total
Cost					
Balance at 1 January 2018	**220,011**	**2,278,221**	**128,355**	**115,484**	**2,742,071**
Additions	152,651	909,472	27,236	261,081	1,339,837
Disposals	-	(25,962)	(3,617)	-	(29,579)
Exchange differences	21,787	35,333	548	2,605	60,273
Balance at 31 December 2018	**394,449**	**3,197,064**	**152,522**	**379,170**	**4,123,205**
Accumulated depreciation					
Balance at 1 January 2018	**(27,210)**	**(649,321)**	**(47,457)**	**-**	**(723,988)**
Depreciation charge	(20,345)	(286,504)	(16,802)	-	(323,652)
Depreciation on disposals	-	20,376	3,378	-	23,754
Exchange differences	(11,567)	(22,427)	(396)	-	(34,389)
Balance at 31 December 2018	**(59,122)**	**(937,876)**	**(61,277)**	**-**	**(1,058,275)**
Net book value					
Balance at 1 January 2018	**192,801**	**1,628,900**	**80,898**	**115,484**	**2,018,083**
Balance at 31 December 2018	**335,327**	**2,259,188**	**91,245**	**379,170**	**3,064,930**

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Advances paid to the suppliers of property, plant and equipment in the amount of 377,822 as at December 31, 2019, comprised mainly advance paid for the supply of stocking equipment (165,200) with planned delivery in May 2020 and advance paid for the purchase of a live-fish vessel (194,004).

There were no idle or fully depreciated items as at 31 December 2019 and 2018.

Property, plant and equipment of 634,802 were pledged as at 31 December 2019 (31 December 2018: 691,394) to secure borrowings of the Group (Note 16).

7. INVESTMENTS IN ASSOCIATES

The Group's investments in associates include:

	Type of investment	Ownership interest of the Group	31 December 2019	31 December 2018
LLC Murmanrybprom	Associate	40%	32,126	7,848
LLC Tri Ruchya	Associate	40%	126,031	116,801
			158,157	**124,649**

LLC Tri Ruchya

As at 20 November 2018, the Group acquired 40% of LLC Tri Ruchya, a company engaged in leasing and managing its own or leased real estate property, for a cash consideration of RUB 116,166 thousand.

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

	31 December 2019	31 December 2018*
Cash and cash equivalents	348	11
Other current assets	4,426	20,277
Other non-current assets	1,036	-
Property, plant and equipment	89,212	82,505
Short-term borrowings	-	(7,800)
Trade payables	(7,878)	(30,406)
Other liabilities	(4,441)	(4,958)
Net assets of the associate	**82,703**	**59,629**
Ownership interest of the Group in the associate	40%	40%
Group's interest in net assets of the associate	**33,082**	**23,852**
Goodwill	92,949	92,949
Carrying amount of the Group's interest in the associate	**126,031**	**116,801**

* Comparative information for the year ended 31 December 2018 has been retrospectively adjusted for the finalization of the allocation of the purchase price of the associate acquired.

Total profit from participation in associates for 2019 and 2018 is presented below:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit from participation in associates	50,313	8,403
	50,313	**8,403**

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

8. INVENTORIES

	31 December 2019	31 December 2018
Raw materials	550,984	292,413
Finished goods	69,959	85,384
	620,943	**377,797**

As at 31 December 2019, finished goods include gain on initial recognition of agricultural produce at fair value less costs to sell in the amount of 18,572 (as at 31 December 2018: 23,981).

No inventories have been pledged as at 31 December 2019 and at 31 December 2018 to secure borrowings of the Group.

9. BIOLOGICAL ASSETS

Biological assets as at 31 December 2019 comprised 14,168 tones of live fish (16,532 tones as at 31 December 2018) and 2,037 tones of smolt (584 tones as at 31 December 2018):

Tones	Year ended 31 December 2019	Year ended 31 December 2018
Balance at the beginning of the year	**17,156**	**5,037**
Increase due to expenses incurred	21,539	20,421
Transferred to inventories	(19,101)	(7,777)
Mortality and shortages	(3,389)	(525)
	16,205	**17,156**

Thousands of Russian Rubles	Year ended 31 December 2019	Year ended 31 December 2018
Balance at the beginning of the year	**6,050,823**	**1,702,552**
Increase due to expenses incurred	5,412,894	4,518,025
Transferred to inventories	(6,655,120)	(2,202,543)
Mortality and shortages	(548,531)	17,491
Profit on revaluation of biological assets	2,580,239	2,015,298
	6,840,305	**6,050,823**

Details on salmon and sea trout biological transformation and status as at 31 December 2019 are presented below:

Status of biological assets as at 31 December 2019	**Quantity**	**Biological assets (tones)**	**Thousands of Russian Rubles**		
			Cost of production	**Fair value adjustment**	**Total value**
Smolt/salmon/sea trout, round weight< 1,000 g	7,150,733	1,694	980,191	-	980,191
Salmon/sea trout, round weight 1,000-4,000 g	2,749,132	4,084	1,059,671	177,978	1,237,649
Salmon/sea trout, round weight > 4,000 g	1,777,097	9,261	1,828,313	2,451,751	4,280,064
	11,676,962	**15,039**	**3,868,175**	**2,629,729**	**6,497,904**

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

9. BIOLOGICAL ASSETS (CONTINUED)

Details on lake trout (including red caviar) biological transformation and status as at 31 December 2019 are presented below:

Status of biological assets as at 31 December 2019	Quantity	Biological assets (tones)	Thousands of Russian Rubles: Cost of production	Fair value adjustment	Total value
Smolt/lake trout, round weight < 700 g	767,006	343	111,305	-	111,305
Lake trout, round weight 700-1,700 g	224,446	175	38,007	219	38,227
Lake trout, round weight > 1,700 g	286,589	647	131,273	61,596	192,869
	1,278,041	**1,165**	**280,585**	**61,815**	**342,401**

Details on salmon biological transformation and status as at 31 December 2018 are presented below:

Status of biological assets as at 31 December 2018	Quantity	Biological assets (tones)	Thousands of Russian Rubles: Cost of production	Fair value adjustment	Total value
Smolt/salmon/sea trout, round weight< 1,000 g	4,119,020	231	147,652	-	147,652
Salmon/sea trout, round weight 1,000-4,000 g	4,044,439	7,384	1,889,770	412,838	2,302,608
Salmon/sea trout, round weight > 4,000 g	1,600,619	7,830	1,600,890	1,516,467	3,117,357
	9,769,010	**15,445**	**3,638,312**	**1,929,305**	**5,567,617**

Details on trout (including red caviar) biological transformation and status as at 31 December 2018 are presented below:

Status of biological assets as at 31 December 2018	Quantity	Biological assets (tones)	Thousands of Russian Rubles: Cost of production	Fair value adjustment	Total value
Smolt/lake trout, round weight < 700 g	700,469	353	98,112	-	98,112
Lake trout, round weight 700-1,700 g	314,976	297	69,307	939	70,246
Lake trout, round weight > 1,700 g	560,429	1,061	229,793	85,055	314,848
	1,575,874	**1,711**	**397,212**	**85,994**	**483,206**

The table below shows the sensitivity of Group's profit before income tax to a reasonably possible change in the main assumptions of the fair value model for biological assets of the Group, while holding all other assumptions constant:

	Increase/ decrease in variable	Effect on profit/(loss) before income tax, RUB '000
Gutting coefficient	+5 p.p.	(277,840)
Gutting coefficient	-5 p.p.	264,962
Selling price	+5%	239,358
Selling price	-5%	(249,037)
Coefficient of expected mortality	+5 p.p.	(19,952)
Coefficient of expected mortality	-5 p.p.	11,586
Margin rate	+5 p.p.	28,605
Margin rate	-5 p.p.	(32,720)

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

9. BIOLOGICAL ASSETS (CONTINUED)

As at 31 December 2019, the total amount of commitments for the acquisition of biological assets (smolt) for 2020 amounted to 661,770 (31 December 2018: 443,039).

As at 31 December 2019, biological assets in the amount of 3,672,408 were pledged as collateral to secure borrowings of the Group (31 December 2018: in the amount of 3,890,126) (Notes 15 and 16).

10. TRADE AND OTHER RECEIVABLES, NET

	31 December 2019	31 December 2018
Trade receivables	579,004	298,560
Other receivables	54,801	35,172
Interest receivables	1,102	13,105
Less: allowance for expected credit losses	(2,806)	(1,555)
	632,101	**345,282**

The following table summarises the changes in the allowance for expected credit losses for the years ended 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Balance at the beginning of the year	1,555	603
Reversal of allowance	(987)	-
Recognition of allowance for expected credit losses	2,238	952
Balance at the end of the year	**2,806**	**1,555**

Trade receivables are non-interest bearing and are normally settled within 30 days.

Maturity profile of trade and other receivables is summarised in the Note 30.6.

11. ADVANCES PAID TO SUPPLIERS, NET

	31 December 2019	31 December 2018
Advances for feed and smolt	184,284	141,789
Other	53,823	78,737
Advance payment for the lease of fish-breeding sites	-	36,956
Less: allowance for the impairment of advances paid to suppliers	(5,435)	(31,326)
	232,672	**226,156**

The following table summarises the changes in the allowance for the impairment of advances paid for the year ended 31 December 2019 and 2018:

	Year ended 31 December 2019	Year ended 31 December 2018
Balance at the beginning of the year	31,326	75,317
Reversal of allowances	(28,302)	(43,991)
Recognition of allowance for advances paid to suppliers	2,411	-
Balance at the end of the year	**5,435**	**31,326**

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

12. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Deposits in RUB	525	17,000
Foreign currency denominated cash in banks:	30,830	43,889
- Norwegian Krone	*30,760*	*35,215*
- Euro	*69*	*8,674*
Deposits in foreign currency:	14,906	17,598
- US dollars	*14,906*	*17,598*
RUB denominated cash in banks and on hand	37,871	25,003
Restricted cash	849	1,212
	84,981	**104,702**

Current accounts in banks, other than deposits, carry no interest.

Deposits mature within 9 days. Interest rate on RUB deposits equals to 5.3%, foreign currency deposits – 0.75% per annum.

13. RESTRICTED CASH

As at 31 December 2019, restricted cash comprised deposits placed with Bank C. These deposits are guarantee deposits under loan agreements with Bank C (Note 17).

Bank	Deposit amount as at 31 December 2019	Maturity	Deposit Rate
Bank C	26,437	January 2024	1.292%
	26,437		

As at 31 December 2018, restricted cash comprised deposits placed with Bank A. These deposits were guarantee deposits under loan agreements with Bank A (Note 17).

Bank	Deposit amount as at 31 December 2018	Maturity	Deposit Rate
Bank A	400,000	July 2022	5%
Bank A	50,000	August 2021	5%
	450,000		

14. TRADE PAYABLES

	31 December 2019	31 December 2018
Trade payables to suppliers of goods and services	255,294	279,787
	255,294	**279,787**

The average credit period approximates 30 days as at 31 December 2019 and 2018. No interest is charged on the outstanding balance of trade payables during or after the credit period.

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

15. LONG-TERM BORROWINGS

Long-term borrowings as at 31 December 2019 and 31 December 2018 were denominated in Russian Rubles (Bank A) and Norwegian Krones (Bank B and Bank C) and comprised the following credit facilities:

Lender	Amortized cost as at 31 December 2019	Maturity date	Credit facility limit
Bank A	1,685,900	March 2021-June 2022	6,083,333
Bank B	186,841	November 2021-September 2027	186,912
Bank C	60,835	January 2024	70,268
	1,933,576		

Lender	Amortized cost as at 31 December 2018	Maturity date	Credit facility limit
Bank A	3,561,917	March 2020–June 2022	4,250,000
Bank B	23,842	November 2022	23,842
Bank C	32,242	November 2022	32,243
	3,618,001		

As at 31 December 2019, long-term borrowings with floating rates amounted to 1,685,900, long-term borrowings with fixed rates – 247,676 (as at 31 December 2018 – 3,561,917 with floating rates and 56,084 with fixed rates).

Details of pledges and interest rates are set out in Note 16.

16. SHORT-TERM BORROWINGS

Short-term borrowings as at 31 December 2019 and at 31 December 2018 were denominated in Russian Rubles (Bank A, Bank D and Bank E) and Norwegian Krones as an overdraft (Bank C) and comprised the following credit facilities:

Bank/ lender	Amortized cost as at 31 December 2019	Maturity date	Credit facility limit
Bank A	1,819,655	March 2020-December 2020	6,083,333
Bank D	63,000	February 2020	300,000
Bank E	300,000	September 2020-October 2020	300,000
Bank C	7,734	January 2020	14,053
	2,190,389		

Bank/ lender	Amortized cost as at 31 December 2018	Maturity date	Credit facility limit
Bank A	182,167	September 2019-December 2019	4,250,000
Bank F	500,000	August 2019-September 2019	500,000
Bank C	2,000	January 2019	2,000
	684,167		

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

16. SHORT-TERM BORROWINGS (CONTINUED)

As at 31 December 2019, credit facilities from Bank A were secured by pledge of:

- Biomasses in the amount of 3,672,408 (at cost of production);
- Property, plant and equipment in the amount of 634,802;
- Ownership interest in the share capital of LLC Aquaculture;
- Guarantee issued by LLC Aquaculture, and
- Guarantee issued by PJSC Russian Aquaculture.

As at 31 December 2019, credit facilities from Bank C were secured by pledge of:

- Guarantee deposit in the amount of 26,437.

As at 31 December 2018, credit facilities from Bank C were secured by pledge of:

- Biomasses in the amount of 3,890,126;
- Property, plant and equipment in the amount of 691,394;
- Rights under the bank deposit agreement in the amount of 450,000;
- Guarantee issued by LLC Aquaculture; and
- Guarantee issued by PJSC Russian Aquaculture.

As at 31 December 2019, short-term borrowings with floating rates amounted to 2,119,655, short-term borrowings with fixed rates – 70,734 (as at 31 December 2018 – 682,167 with floating rates and 2,000 with fixed rates).

Effective interest rate on RUB-denominated borrowings for 2019 was 9.64% per annum, in the range of 8.25%-10.75% per annum (2018: 10.18%, in the range of 9.50%-12.50%).

Effective interest rate on RUB-denominated borrowings, adjusted by the effect of government grants, was 6.59% (2018: 7.88%).

Effective interest rate on NOK-denominated borrowings for 2019 was 5.06% per annum, in the range of 4.15%-6.00% per annum (2018: 5.26%, in the range of 5.00%-5.27%).

Interest expense net of government grants received was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Interest expense	429,591	348,112
Government grants	(133,311)	(78,434)
Less: amounts included in the cost of qualifying assets	(10,352)	(21,816)
	285,928	**247,862**

Loan agreements with Bank A provide for covenants. As at 31 December 2019 and at 31 December 2018, the Group was in compliance with all the covenants.

Reconciliation of liabilities on financing activities

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

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

16. SHORT-TERM BORROWINGS (CONTINUED)

	1 January 2019	Cash flows from financing activities	Non-cash changes	Interest accrued	Interest paid	31 December 2019
Loans and borrowings	4,302,168	(178,203)	-	426,435	(426,435)	4,123,965
Lease liabilities	28,766	(10,245)	65,467	3,156	(3,156)	83,988

	1 January 2018	Cash flows from financing activities	Non-cash changes	Interest accrued	Interest paid	31 December 2018
Loans and borrowings	1,836,557	2,458,915	6,696	348,112	(348,112)	4,302,168

17. RIGHT-OF-USE ASSETS

The movement of right-of-use assets for year ended 31 December 2019 is as follows:

	Fishponds	Buildings and structures	Total
Cost at 1 January 2019	**40,843**	**28,766**	**69,609**
Accumulated depreciation at 1 January 2019	-	-	-
Balance at 1 January 2019	**40,843**	**28,766**	**69,609**
Depreciation charge	(2,645)	(11,263)	(13,908)
New lease contracts and modification of existing lease contracts	1,089	65,466	66,555
Cost at 31 December 2019	**41,932**	**94,232**	**136,164**
Accumulated depreciation at 31 December 2019	(2,645)	(11,263)	(13,908)
Balance at 31 December 2019	**39,287**	**82,969**	**122,256**

New lease contracts include leases agreements of the office in Moscow and production premises in Murmansk.

18. VAT AND OTHER TAXES PAYABLE

	31 December 2019	31 December 2018
VAT payable	208,328	160,316
Social security contributions payable	5,485	25,597
Property tax	22,195	5,466
	236,008	**191,379**

19. REVENUE

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from sale of salmon	5,445,744	899,940
Revenue from sale of trout	3,311,883	2,227,660
Revenue from sale of red caviar	20,782	65,911
Revenue from sale of other products	19,893	18,061
	8,798,302	**3,211,572**

All of the Group’s sales are located within the Russian Federation.

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

20. COST OF SALES

	Year ended 31 December 2019	Year ended 31 December 2018
Materials and components used in production	4,955,296	1,546,040
Production overheads (utilities and other services and other expenses)	934,978	375,316
Depreciation	394,026	153,181
Payroll (including social insurance)	343,356	128,006
Depreciation of rights-of-use assets	12,038	-
	6,639,694	**2,202,543**

The amount of Materials and components used in production line includes the reclassification of profit on fair value revaluation of fish sold in 2019 in the amount of 1,789,883 (2018: 189,708) and reclassification of profit on revaluation of finished goods sold in 2019 in the amount of 23,981 (2018: 0).

21. SELLING EXPENSES/(INCOME)

	Year ended 31 December 2019	Year ended 31 December 2018
Transportation expenses	45,169	5,935
Write-off of accounts receivable directly to loss	24,812	17,178
Advertising expenses	14,444	4,336
Inventory surplus as a result of stock-take, net	(73)	(703)
Reversal of allowance for advances impairment	(25,891)	(43,991)
Other	11,981	2,717
	70,442	**(14,528)**

22. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Payroll	420,598	391,297
Audit and consulting	50,246	43,674
Travel expenses	42,177	33,350
Taxes, other than income tax	19,607	21,953
Bank charges	14,411	8,822
Transport	10,420	10,613
Communication services	7,945	5,436
Depreciation of property, plant and equipment and amortization of intangible assets	7,170	11,585
Office expenses	5,138	5,666
Rent expenses and maintenance of buildings	3,933	14,772
Depreciation of rights-of-use assets	1,870	-
Insurance	1,175	1,189
Other	14,547	17,464
	599,237	**565,821**

23. OTHER OPERATING INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Refunds from customs authorities	22,802	-
Rental income from a lease of equipment	8,268	2,608
Surplus on the results of biological assets stock-counts	-	49,690
Participation in antiepizootic measures	-	34,568
Other	7,254	14,767
	38,324	**101,633**

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

24. OTHER OPERATING EXPENSES

	Year ended 31 December 2019	**Year ended 31 December 2018**
Losses of biological assets	548,531	32,209
Depreciation of fixed assets rented out	19,930	-
Fines and penalties	7,275	12,869
Charity	6,683	16,902
Other	7,314	8,310
	589,733	**70,290**

Losses of biological assets include shortages as a result of biological assets stock-counts (38,162) and losses from the mortality of biological assets (510,369).

25. INCOME TAX

	Year ended 31 December 2019	**Year ended 31 December 2018**
Income tax expense – current	(2,431)	(15,811)
Income tax expense in respect of prior years	-	(6,696)
Deferred tax expense – recognition and reversal of temporary differences	(24,164)	(5,224)
Income tax expense	**(26,595)**	**(27,731)**

Companies domiciled in Russia that do not have the status of an agricultural producer are subject to a 20% corporate income tax. Companies domiciled in Russia that have the status of an agricultural producer are exempt from corporate income tax on profits realized from the sale of agricultural produce. LLC Russian Sea – Aquaculture has the status of agricultural producer and is exempt from corporate income tax.

The reconciliation of theoretical income tax at 20%, effective in the Russian Federation, to the actual tax expense recorded in the Group's consolidated statement of profit or loss and other comprehensive income is as follows:

	Year ended 31 December 2019	**Year ended 31 December 2018**
Profit before income tax	**3,284,574**	**2,318,671**
Theoretical tax expense at statutory rate (20%)	(656,915)	(463,734)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Effect of different tax rate of the subsidiaries granted the status of an agricultural producer	615,853	451,811
Effect of expenses that are not deductible in determining taxable profit	15,294	(11,446)
Income tax expense in respect of prior years	-	(6,696)
Other	(827)	2,334
Income tax expense	**(26,595)**	**(27,731)**

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

26. INCOME TAX (CONTUNUED)

Movements in deferred tax balances were as follows:

	31 December 2017	Differences recognition and reversal, net	31 December 2018	Differences recognition and reversal, net	31 December 2019
Tax effects of deductible temporary differences – asset/ (liability):					
Lease liabilities	3,156	639	3,795	12,592	16,387
Trade and other receivables	25	(47)	(22)	499	477
Intangible assets	268	(83)	185	(66)	119
Inventories	3,737	(3,472)	265	121	386
Property, plant and equipment and right-of-use assets	(53,729)	4,019	(49,710)	(34,513)	(84,223)
Tax losses carried forward	9,566	(6,280)	3,286	(2,797)	489
Total net deferred tax liability	**(36,977)**	**(5,224)**	**(42,201)**	**(24,164)**	**(66,365)**

At 31 December 2019, deferred tax assets related to net operating losses incurred amounted to 489 (31 December 2018: 3,286). The management considers that the full amount of deferred tax assets recognized at 31 December 2018 will be utilized and is confident that any remaining unutilized tax losses will be utilized in the future.

Starting from 2017, the Group can offset only 50% of taxable profit of each subsidiary against tax losses carried forward accumulated by the subsidiary and tax losses carried forward have no date of expiration (after amendments to the Russian Tax Code effective 1 January 2017). As a result, the Group expects no effect on its position on deferred taxes.

26. SHARE CAPITAL AND EQUITY

As at 31 December 2019 and at 31 December 2018, the share capital of the Group comprised 87,876,649 shares.

Changes in the ownership interest of the main shareholders of the Group are disclosed in Note 5.

During 2019, the Group acquired 982,941 shares of PJSC Russian Aquaculture in the amount of 219,122, the change in the balance of treasury shares was recorded in Treasury shares line of the consolidated statement of changes in equity.

During 2019, the Group sold 607,000 shares of PJSC "Russian Aquaculture" to its employees at preferential terms. The difference between the fair value of the shares and their selling price to employees was recorded as a remuneration to key management personnel in "Administrative expenses" line of the consolidated statement of profit or loss and other comprehensive income in the amount of 80,189. The difference between the fair value of shares and their carrying value was recorded in the "Retained earnings/ Accumulated deficit" line of the consolidated statement of financial position in the amount of 60,765.

During 2018, the Group acquired 138,020 shares of PJSC Russian Aquaculture in the amount of 16,562, the change in the balance of treasury shares was recorded in Treasury shares line of the consolidated statement of changes in equity.

During 2018, the Group sold 1,126,064 shares of PJSC "Russian Aquaculture" to its employees at preferential terms. The difference between the fair value of the shares and their selling price to employees was recorded as a remuneration to key management personnel in "Administrative expenses" line of the consolidated statement of profit or loss and other comprehensive income in the amount of 95,121. The difference between the fair value of shares and their carrying value was recorded in the "Retained earnings/ Accumulated deficit" line of the consolidated statement of financial position in the amount of 39,179.

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

27. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Group has no dilutive potential ordinary shares; therefore, the diluted profit per share equals basic profit per share.

Earnings per share calculated for the periods are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Weighted average number of ordinary shares outstanding	87,149,090	86,649,044
Profit for the year, RUB thousands	3,257,979	2,290,940
Basic and diluted earnings per share, RUB	37.38	26.44

Dividends

In accordance with Russian legislation, earnings available for dividends are limited to retained earnings of PJSC Russian Aquaculture, calculated in accordance with Russian accounting standards in local currency.

No dividends were declared or paid during the year ended 31 December 2019 and 2018 and subsequent to 31 December 2018 up to the date of authorization of these consolidated financial statements for issue.

28. KEY PERFORMANCE INDICATOR

The Group's activities are not subdivided into operating segments for management purposes as the main companies of the Group are engaged in fish farming.

Management of the Group evaluates segment performance based on Adjusted EBITDA, which is the primary profit measure of the Group. Adjusted EBITDA is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of the Group’s performance.

The Group adjusted the definition for the loss incurred on the sale of treasury shares to employees at preferential terms. This means that management of the Group determines now adjusted EBITDA as the sum of the following indicators:

- Profit/ (loss) before tax for the year;
- Foreign exchange (gain)/ loss, net;
- Interest income/ (expense), net;
- Depreciation of property, plant and equipment, amortization of intangible assets and depreciation of right-of-use assets;
- (Profit) / loss on revaluation of biological assets*;
- Loss incurred on the sale of treasury shares to employees at preferential terms.

Reconciliation of Adjusted EBITDA to profit before tax is presented below:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit before tax for the year	**3,284,574**	**2,318,671**
Foreign exchange loss/ (gain), net	46,598	(361)
Interest expense, net	255,472	218,452
Depreciation of property, plant and equipment, amortization of intangible assets and depreciation of right-of-use assets	435,034	164,766
Profit on revaluation of biological assets*	(669,958)	(1,823,046)
Loss incurred on the sale of treasury shares to employees at preferential terms	80,189	95,121
Adjusted EBITDA	**3,431,909**	**973,603**

* The amount of profit on revaluation of biological assets does not include the reclassification of (profit)/ loss on revaluation of fish harvested, sold and lost (Notes 20 and 24).

29. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

29.1. Russian Federation country risk

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

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

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

Changes in the economic situation and the weakening of the Russian Ruble may have a significant impact on the Group's currency risk (Note 30.3), as well as on the future results of operations and the financial position of the Group.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors.

The Group may face such risks of COVID-19 effect as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand. As of the date of approval of these consolidated financial statements, the Group is in the process of developing measures to mitigate the above risks, wherein the significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

29.2. Taxation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances, reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities, other than those specified in Note 4.1, based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

29.3. Capital expenditure commitments

As at 31 December 2019, the Group has contractual commitments in the amount of 627,662 in respect of acquisition of property, plant and equipment (31 December 2018: 66,773).

As at 31 December 2019, the total amount of contractual commitments for the acquisition of biological assets (smolt) amounted to 661,770 (31 December 2018: 443,039).

29.4. Insurance policies

Though the Group holds no formal insurance policies, insurance contracts to secure all biological assets and material items of property, plant and equipment have been concluded by the Group.

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

29. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTUNUED)

29.5. Environmental matters

The Group's management believes that it is in compliance with applicable environmental protection legislation and is not aware of any potential environmental claims. Therefore, no liabilities associated with such costs are recorded as of 31 December 2019 and 31 December 2018.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

30.1. Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments.

	31 December 2019		31 December 2018	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets not measured at fair value				
Measured at amortised cost:				
Cash and cash equivalents (Note 12)	84,981	84,981	104,702	104,702
Trade and other receivables (Note 10)	632,101	632,101	345,282	345,282
Restricted cash (Note 13)	26,437	26,437	450,000	450,000
Long-term investments	49,866	49,866	-	-
Short-term investments	300	300	258	258

	31 December 2019		31 December 2018	
	Fair value	Carrying value	Fair value	Carrying value
Financial liabilities not measured at fair value				
Measured at amortised cost:				
Long-term borrowings (Note 15)	1,933,576	1,933,576	3,618,001	3,618,001
Trade payables (Note 14)	255,294	255,294	279,787	279,787
Other payables	126,727	126,727	89,840	89,840
Short-term borrowings (Note 16)	2,190,389	2,190,389	684,167	684,167

The fair value of financial assets and financial liabilities approximates their carrying amounts due to their short maturity. For long-term borrowings, the fair value of financial liabilities also approximates their carrying amounts as most of the Group's borrowings are represented by borrowings with floating rates.

30.2. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank borrowings, and cash and cash equivalents. The main purposes of these financial instruments are to raise finance for the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables, short-term and long-term financial assets and trade payables, which relate directly to its operations. During the year, the Group did not undertake active trading in financial instruments.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency exchange risk and credit risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

30.3. Currency risk

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	USD		Euro		Norwegian Krones	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Assets						
Cash and cash equivalents	14,906	17,598	69	8,674	-	-
Trade receivables	6,627	7	-	-	-	-
Total assets	**21,533**	**17,605**	**69**	**8,674**	**-**	**-**
Liabilities						
Trade and other payables	(39)	(1,280)	(81,424)	(93,498)	(393)	-
Total liabilities	**(39)**	**(1,280)**	**(81,424)**	**(93,498)**	**(393)**	**-**
Total net assets/ (liabilities)	**21,494**	**16,325**	**(81,355)**	**(84,824)**	**(393)**	**-**

As described below, the Group has substantial Euro denominated trade payables. Therefore, the Group is exposed to foreign exchange risk.

The Group monitors the foreign exchange risk by following changes in exchange rates in the currencies in which its cash, payables and receivables are denominated.

The table below shows the sensitivity of profit/ (loss) before income tax to a reasonably possible change in USD and Euro exchange rate, with all other variables held constant, of the Group's profit/ (loss) before tax:

	Increase / decrease in USD exchange rate	Effect on profit/ (loss) before income tax, RUB
At 31 December 2019		
USD/RUB exchange rate	+20%	4,284
USD/RUB exchange rate	-20%	(4,284)
At 31 December 2018		
USD/RUB exchange rate	+20%	3,265
USD/RUB exchange rate	-20%	(3,265)

	Increase / decrease in EUR exchange rate	Effect on profit/ (loss) before income tax, RUB
At 31 December 2019		
EUR/RUB exchange rate	+20%	(16,271)
EUR/RUB exchange rate	-20%	16,271
At 31 December 2018		
EUR/RUB exchange rate	+20%	(15,320)
EUR/RUB exchange rate	-20%	15,320

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30.4. Interest rate risk

As at 31 December 2019 and 2018, the Group was exposed to interest rate risk as the Group had loan agreements with floating interest rates as at the dates (Notes 15, 16).

The table below shows the sensitivity of the Group's profit/ (loss) before tax to the changes of interest rates by 5 p.p.:

	Increase/ decrease in interest rate	Effect on profit/ (loss) before income tax, RUB
At 31 December 2019		
Interest rate	+5 p.p.	(213,664)
Interest rate	-5 p.p.	213,664
At 31 December 2018		
Interest rate	+5 p.p.	(314,990)
Interest rate	-5 p.p.	314,990

30.5. Liquidity risk

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

The Group is substantially dependent on external funding of its working capital and therefore its operations may be adversely affected in the case of failure to negotiate with the credit institutions (banks) renewal and/or expansion of short-term credit facilities on a regular basis and such adverse effect may be significant.

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operating and financial commitments. The Group performs continuous monitoring of cash deficit risks and continuous monitoring of repayment of its financial liabilities on time. The Group performs annual, monthly and daily planning to control cash flows.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments including interest.

31 December 2019

	Total	Less than 3 months	3 to 6 months	6 to 12 months
Trade payables	255,294	255,294	-	-
Short-term lease liabilities	26,768	6,692	6,692	13,384
Short-term borrowings	2,456,095	333,769	258,524	1,863,802
Total	**2,738,157**	**595,755**	**265,216**	**1,877,186**

	Total	1-2 years	2 to 3 years	3 to 7 years
Long-term lease liabilities	85,883	26,768	26,678	32,347
Long-term borrowings	2,076,876	1,440,759	383,751	252,366
Total	**2,162,759**	**1,467,527**	**410,429**	**284,713**

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31 December 2018

	Total	Less than 3 months	3 to 6 months	6 to 12 months
Trade payables	279,787	279,787	-	-
Short-term borrowings	1,103,821	111,182	109,181	883,458
Total	**1,383,608**	**390,969**	**109,181**	**883,458**

	Total	1-2 years	2 to 3 years	3 to 7 years
Long-term borrowings	3,915,558	3,258,944	409,046	247,568
Total	**3,915,558**	**3,258,944**	**409,046**	**247,568**

The amount of long-term, short-term borrowings and lease liabilities disclosed in the table above includes future interest expense on those loans and lease liabilities in accordance with their contractual maturity, regardless of the fact of early repayment.

30.6. Credit risk

Financial assets, which potentially are subject to credit risk, consist principally of trade receivables and long-term financial assets including loans given to third parties and restricted cash. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Sales to customers are made in accordance with annually approved Marketing and Credit policy. The Group regularly monitors sales and receivables conditions using effective internal control procedures. Short-term financial assets representing seasonal loans to fishing companies are provided upon investigation by the Group of the vendor solvency and reputation and upon passage of sufficient time since establishment of relations with them.

The carrying amount of accounts receivable, net of allowance for doubtful accounts receivable and the carrying amount of restricted cash, represents the maximum amount exposed to credit risk. Although collection of receivables could be affected by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

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

	Expected credit loss rate	31 December 2019	31 December 2018
Not past due	-	576,373	344,907
Overdue from 1 to 90 days	-	55,560	332
Overdue from 91 to 180 days	-	23	38
Overdue from 180 to 365 days	79%	694	26
Overdue over 365 days	100%	2,257	1,534
Total		**634,907**	**346,837**

(All amounts in thousands of Russian Rubles, unless otherwise indicated)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The table below summarises the aging of the Group's long-term financial assets.

	Total	Neither impaired nor past due	Not impaired but past due 1-2 years	2-3 years	3-7 years
31 December 2019	49,866	49,866	100	19,980	29,786
31 December 2018	-	-	-	-	-

30.7. Concentration of credit risk

The Group has significant concentrations of credit risk to the largest customer – JSC Russian Fish Company. For the year ended 31 December 2019, revenue from JSC Russian Fish Company amounted to 5,618,990 (64%), as at 31 December 2019; trade receivables from JSC Russian Fish Company amounted to 487,478 (77%). Group expects a significant reduction of the credit risk concentration and dependence on the customer.

30.8. Capital risk management

Capital represents residual value in the Group's net assets attributable to its stakeholders after deducting all liabilities. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintainan optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

30.9. Biological risk

Biological assets of the Group are subject to the biological risk – the risk of live fish mortality as a result of the outbreak of different fish diseases as well as significant deterioration of weather conditions. In order to reduce the risks, the Group constantly monitors compliance with the internally generated regulations on biological safety and controls the defined water area; the Group also regularly runs water tests in order to timely detect any adverse changes.

Besides, on the regular basis the Group concludes insurance contracts to secure its live fish. So as at 31 December 2019, all the Group's biological assets were insured.

31. EVENTS AFTER THE REPORTING PERIOD

As at the date when these consolidated financial statements were authorised for issue, no material events after the reporting period have taken place that would require disclosure in the consolidated financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by management on 10 April 2020.

I. Sosnov
General Director

A. Baranov
Deputy General Director for Economics and Finance