PJSC Russian Aquaculture

Consolidated Financial Statements
and Independent Auditor’s Report
for the year ended 31 December 2016

PJSC RUSSIAN AQUACULTURE

CONTENTS

PJSC RUSSIAN AQUACULTURE

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Management is responsible for the preparation and fair presentation of the consolidated statement of financial position of PJSC Russian Aquaculture (the "Company") and its subsidiaries (collectively – the "Group") as at 31 December 2016 and the related consolidated statements of comprehensive income, cash flows and changes in shareholders' equity/ (deficit) for the year ended 31 December 2016 in accordance with International Financial Reporting Standards.

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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 statements of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with International Financial Reporting Standards;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions 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 fraud and other irregularities.

On behalf of the Group's management, the consolidated financial statements for the year ended 31 December 2016 were authorised for issue on 25 April 2017 by:

I. Sosnov
Chief Executive Officer

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

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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 (collectively – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity/ (deficit) 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 2016, 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 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 a key audit matter	How the matter was addressed in the audit
Valuation of biological assets	
At 31 December 2016 the carrying value of biological assets was RUB 3 353 805 thousand (31 December 2015: RUB 946 895 thousand), represented by salmon and trout. Biological assets are stated at fair value less estimated costs to sell. Further details are provided in Note 4 "Critical accounting judgements and key sources of estimation uncertainty" and Note 9 "Biological assets" to the consolidated financial statements. We focused on this area as a key audit matter because the assessment of the fair value using valuation techniques involves complex and significant judgements about future salmon and trout prices and other assumptions of the valuation model.	Our procedures were focused on verification of management's assumptions used in valuation models. The assumptions to which the models are most sensitive and likely to lead to material errors include the following: • future selling prices; • expected mortality rate; and • deviation of standard fish weight from actual. We assessed inputs to the models against the actual (after the reporting date) and historical data and available external benchmarks, to ensure that the assumptions remain within an acceptable range. We considered the adequacy of the Company's disclosures regarding key unobservable inputs and the related sensitivity analysis.
Existence of biological assets	
As described in the Note 9 "Biological assets" to the consolidated financial statements, the Group had significant volume of live fish at the reporting date. Past events indicated that the Group's activities are exposed to climatic, disease and other natural factors affecting fish farming. Further details are provided in Note 9 "Biological assets" and Note 32 "Financial instruments and financial risk management objectives and policies" to the consolidated financial statements. We focused on this area as a key audit matter due to significant losses incurred by the Group in the prior years, caused by fish virulent diseases.	The audit procedures addressing the risk of biological assets' existence included: • fish farms' site visits and observation of the fishing process; • test of controls over the identification and recording of losses from fish mortality, exceeding natural level; • sample review of fishing reports; • analytical procedures to determine closing balance of the biological assets; and • review of test results prepared by independent laboratories on water and fish samples.

Why the matter was determined a key audit matter	How the matter was addressed in the audit
Compliance with covenants	
As described in the Note 17 "Short-term borrowings" to the consolidated financial statements, the Group should comply with certain covenants stipulated by the loan agreements with Gazprombank. In the event of non-compliance with the covenants, the bank may demand early repayment of the loans. Further details are provided in Note 16 "Long-term borrowings" and Note 17 "Short-term borrowings" to the consolidated financial statements. We consider potential non-compliance with the covenants to be a key audit matter because the Group is highly dependent on external sources of financing and because there had been several cases of breaches in the past.	We assessed completeness of the covenants, analysed by the Group, by: • reviewing all loan agreements for the purpose of identifying covenants stipulated by those agreements; • reviewing minutes of board of directors meetings held during the reporting period to identify new loan agreements with the covenants, if any. We recalculated the covenants for all applicable loans and borrowings and ensured that there was no breach of covenants at 31 December 2016.

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 consolidated 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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 to 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, which constitute the key audit matters included herein.

Sedov Andrey, partner

Deloitte & Touche

25 April 2017

The Entity: PJSC Russian Aquaculture

Certificate of state registration 78 № 006024638, issued on 10.12.2007.

Primary State Registration Number: 1079847122332

Certificate of registration in the Unified State Register №7157746005080 of 24.03.2015, issued by Moscow Inspectorate of the Russian Federal Tax Service № 46.

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

Audit Firm: ZAO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016
(in thousands of Russian Roubles)

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,722,708	1,777,481
Advances paid to suppliers for property, plant and equipment		-	24,280
Intangible assets	7	1,553	2,448
Deferred tax assets	26	11,329	67,789
		1,735,590	**1,871,998**
Current assets			
Inventories	8	143,781	118,235
Biological assets	9	3,353,805	946,895
Trade and other receivables, net	10	314,496	859,596
VAT recoverable		5,107	12,851
Advances paid to suppliers, net	11	348,469	93,871
Short-term investments	12	10	168,000
Income tax receivable		9,804	10,923
Cash and cash equivalents	13	33,887	458,112
Assets classified as held for sale	27	-	3,915,290
		4,209,359	**6,583,773**
Total assets		**5,944,949**	**8,455,771**
SHAREHOLDERS' EQUITY/ (DEFICIT) AND LIABILITIES			
Shareholders' equity/ (deficit)			
Share capital	28	7,953,765	7,953,765
Share premium		654,035	654,035
Effect from reorganization of the Group under common control	28	-	(5,187,469)
Accumulated deficit		(6,241,074)	(4,939,171)
		2,366,726	**(1,518,840)**
Non-current liabilities			
Long-term borrowings	16	346,874	894,217
		346,874	**894,217**
Current liabilities			
Short-term borrowings	17	2,853,126	5,058,387
Trade payables	14	77,352	38,281
Other payables	15	56,266	110,993
Advances received from customers		3,707	142
VAT and other taxes payable	18	240,898	42,004
Liabilities directly associated with assets classified as held for sale	27	-	3,830,587
		3,231,349	**9,080,394**
Total liabilities		**3,578,223**	**9,974,611**
Total shareholders' equity/ (deficit) and liabilities		**5,944,949**	**8,455,771**

On behalf of the Group's management, the consolidated financial statements for the year ended 31 December 2016 were authorised for issue on 25 April 2017 by:

I. Sosnov
Chief Executive Officer

The notes on pages 12 to 48 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Russian Roubles)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Continuing operations			
Revenue	19	2,475,528	864,841
Cost of sales	20	(1,381,260)	(931,703)
Gross profit/ (loss) before revaluation of biological assets		**1,094,268**	**(66,862)**
Fair value profit/ (loss) on revaluation of biological assets	9	1,738,741	(154,955)
Gross profit/ (loss)		**2,833,009**	**(221,817)**
Selling and distribution costs	21	(53,635)	(14,187)
General and administrative expenses	22	(202,172)	(111,913)
Other operating income	24	167,030	11,054
Other operating expenses	25	(128,618)	(1,130,654)
Interest income		17,858	17,349
Interest expense	17	(452,355)	(471,504)
Foreign exchange gain		9,529	59,119
Profit/ (loss) before income tax		**2,190,646**	**(1,862,553)**
Income tax (expense)/ benefit	26	(57,572)	1,400
Net profit/ (loss) for the year, being total comprehensive profit/ (loss) for the year from continuing operations		**2,133,074**	**(1,861,153)**
Discontinued operations			
Net profit for the year from discontinued operations	27	1,752,492	522,317
NET PROFIT/ (LOSS) FOR THE YEAR, BEING TOTAL COMPREHENSIVE PROFIT/ (LOSS) FOR THE YEAR		**3,885,566**	**(1,338,836)**
Basic and diluted earnings/ (loss) per share (Russian Roubles) from continuing operations	29	**26.87**	**(23.44)**
Basic and diluted earnings per share (Russian Roubles) from discontinued operations	29	**22.08**	**6.58**
Basic and diluted earnings/ (loss) per share (Russian Roubles) from continuing and discontinued operations	29	**48.95**	**(16.86)**

On behalf of the Group's management, the consolidated financial statements for the year ended 31 December 2016 were authorised for issue on 25 April 2017 by:

I. Sosnov
Chief Executive Officer

The notes on pages 12 to 48 are an integral part of these consolidated financial statements.

PJSC RUSSIAN AQUACULTURE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Russian Roubles)

	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from continuing operating activities:		
Profit/(loss) before income tax	2,190,646	(1,862,553)
Adjustments to reconcile loss before income tax to cash used in operating activities:		
Depreciation of property, plant and equipment (Notes 20, 22)	81,201	51,023
Amortisation of intangible assets (Note 7)	1,877	2,377
Interest income	(17,858)	(17,349)
Interest expense (Note 17)	638,136	667,666
Government subsidies (Note 17)	(185,781)	(196,162)
Foreign exchange gain	(9,529)	(59,119)
Loss on disposal of property, plant and equipment	2,896	2,804
Loss on write-off of property, plant and equipment (Note 25)	-	111,029
Loss on write-off of intangible assets (Note 25)	-	38,738
Stocktake shortages and live fish mortality (Notes 21, 25)	133,208	966,488
Change in allowance for doubtful accounts receivable (Note 21)	3,097	(13,840)
Impairment/ (reversal of impairment) of advances paid (Note 21)	39,293	(5,724)
Fair value (profit)/ loss on revaluation of biological assets	(1,738,741)	154,955
Other	-	(4,455)
Operating profit/ (loss) before working capital changes	**1,138,445**	**(164,122)**
Movements in working capital:		
Increase in inventory and biological assets	(704,901)	(692,910)
Increase in trade and other receivables	(141,048)	(448,526)
Decrease in VAT recoverable	7,744	24,348
(Increase)/ decrease in advances paid to suppliers, net	(269,611)	165,411
Increase in trade payables	35,444	11,125
Increase/ (decrease) in other payables	131,687	(14,658)
Increase/ (decrease) in advances received from customers	3,565	(650)
Increase in other taxes payable	12,480	3,218
Cash generated from/ (used in) continuing operations	**213,805**	**(1,116,764)**
Income tax paid	-	(60)
Interest received	37,656	5,153
Interest paid	(412,130)	(405,338)
Net cash used in continuing operating activities	**(160,669)**	**(1,517,009)**
Net cash generated from discontinued operating activities	**323,285**	**268,726**
Net cash generated from/ (used in) continuing and discontinued operating activities	**162,616**	**(1,248,283)**
Cash flows from continuing investing activities:		
Payments for property, plant and equipment	(150,070)	(843,921)
Proceeds from disposal of property, plant and equipment	(1,276)	92,862
Purchase of intangible assets	(982)	(1,872)
Loans repaid	168,000	495,448
Loans issued	(310,010)	(139,149)
Net proceeds from disposal of subsidiary (Note 27)	1,774,980	-
Dividends received	650,042	-
Net cash generated from/ (used in) continuing investing activities	**2,130,684**	**(396,632)**
Net cash generated from/ (used in) discontinued investing activities	**367,613**	**(226,884)**
Net cash generated from/ (used in) continuing and discontinued investing activities	**2,498,297**	**(623,516)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Russian Roubles)

	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from continuing financing activities:		
Repayment of bonds	-	(629,446)
Proceeds from short-term loans	2,408,388	2,218,193
Repayment of short-term loans	(4,877,999)	(269,650)
Net cash (used in)/ generated from continuing financing activities	**(2,469,611)**	**1,319,097**
Net cash (used in)/ generated from discontinued financing activities	(738,650)	161,622
Net cash (used in)/ generated from continuing and discontinued financing activities	**(3,208,261)**	**1,480,719**
Net decrease in cash and cash equivalents	**(547,348)**	**(391,080)**
Effect of exchange rate fluctuations on cash and cash equivalents	45,225	131,715
Disposal of subsidiary	77,898	-
Reclassification to assets held for sale	-	(77,898)
Cash and cash equivalents at the beginning of the year	**458,112**	**795,375**
Cash and cash equivalents at the end of the year	**33,887**	**458,112**

On behalf of the Group's management, the consolidated financial statements for the year ended 31 December 2016 were authorised for issue on 25 April 2017 by:

I. Sosnov
Chief Executive Officer

The notes on pages 12 to 48 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY/ (DEFICIT)
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Russian Roubles)

	Share capital	Share premium	Effect from reorganization of the Group under common control	Accumulated deficit	Total (deficit)/ equity
Balance at 31 December 2014	**7,953,765**	**654,035**	**(5,187,469)**	**(3,600,335)**	**(180,004)**
Total comprehensive loss for the year	-	-	-	(1,338,836)	(1,338,836)
Balance at 31 December 2015	**7,953,765**	**654,035**	**(5,187,469)**	**(4,939,171)**	**(1,518,840)**
Total comprehensive income for the year	-	-	-	3,885,566	3,885,566
Reclassification of effect from reorganization of the Group under common control to retained earnings (Note 28)	-	-	5,187,469	(5,187,469)	-
Balance at 31 December 2016	**7,953,765**	**654,035**	**-**	**(6,241,074)**	**2,366,726**

On behalf of the Group's management, the consolidated financial statements for the year ended 31 December 2016 were authorised for issue on 25 April 2017 by:

I. Sosnov
Chief Executive Officer

The notes on pages 12 to 48 are an integral part of these consolidated financial statements.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

1. CORPORATE INFORMATION

These consolidated financial statements are 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.

The companies of the Group are located in Russia, except for RSEA CYPRUS LIMITED, which is registered in Cyprus.

The Company is registered under the laws of Russia in Moscow. The Company's headquarter address is: 121353, Russia, Moscow, 4 Belovezhskaya Street, Western gate.

As at 31 December 2016 LLC Svinin and partners (company registered in the Russian Federation), Maxim Vorobiev (Russian citizen) and Mikhail Kenin (Russian citizen) are direct shareholders of the Group (owing 23.4%, 47.3% and 22.6% of shares respectively). Thus the Group does not have a single ultimate controlling party. 6.7% of shares were in free float.

As at 31 December 2015 the Group was owned by Gleb Frank (37.1%) and Maxim Vorobiev (31.5%); 21.8% were held by individuals (including 10.2% held by Mikhail Kenin) and 9.6% were in free float.

These consolidated financial statements were authorised for issue by the Board of Directors of the Company on 25 April 2017.

The principal activities and entities of the Group as of 31 December 2016 and 31 December 2015 were as follows:

		Ownership and voting interest, %	
Name	**Principal activity**	**31 December 2016**	**31 December 2015**
PJSC Russian Aquaculture	Holding/ managing company	n/a	n/a
LLC Aquaculture	Dormant	100	100
LLC Russian Sea Delivery	Dormant	100	100
LLC Russian Sea Aquaculture	Fish farming	100	100
RSEA CYPRUS LIMITED	Distribution/ export	-	100
JSC Russian Fish Company	Distribution	-	100
LLC Russian Sea – Kaliningrad	Fish and seafood processing, distribution	-	100

On 4 August 2016 the Group closed the sale of its distribution business represented by JSC Russian Fish Company and its two subsidiaries – LLC Russian Sea – Kaliningrad and RSEA CYPRUS LIMITED.

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 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company and its subsidiaries maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAS") and Cyprus. The statutory financial statements have been adjusted to present these consolidated financial statements in accordance with IFRS. These adjustments principally relate to valuation and depreciation of tangible fixed assets, valuation 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 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") and International Financial Reporting Standard 13 "Fair value measurement" ("IFRS 13") and valuation of biological assets (IAS 41 "Agriculture" ("IAS 41") and inventory measured at fair value less estimated point-of-sale costs in accordance with International Accounting Standard "Inventories" ("IAS 2").

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

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.

In general, the following conditions must be met for an asset to be classified as held for sale:

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active programme to locate a buyer is initiated;
- The sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions);
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

A discontinued operation is a component of a Group that either has been disposed of or is classified as held for sale, and:

- Represents either a separate major line of business or a geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

In the consolidated financial statements of the Group for the year ended 31 December 2015 the assets and liabilities of JSC Russian Fish Company were classified as assets held for sale and liabilities directly associated with the assets held for sale. The operations and cash flows relating to JSC Russian Fish Company were classified as discontinued operations in the consolidated statement of comprehensive income and consolidated statement of cash flows for the years ended 31 December 2016 and 2015.

As discussed in the Note 27 the Group closed the sale of JSC Russian Fish Company.

These consolidated financial statements unless expressly indicated otherwise are presented in the national currency of the Russian Federation, RR, which is the functional currency of the Company and its subsidiaries.

2.2. 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 its returns.

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

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

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

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

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

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

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

2.3. 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.

2.4. Trade and other receivables

Trade receivables, which generally are short term, are carried at original invoice amount less an allowance for doubtful accounts receivable. Allowance is made when there is objective evidence that the Group will not be able to collect the debts.

2.5. Financial instruments

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

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

2.6. Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity investments, or available for sale financial assets ("AFS"), as appropriate. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.7. Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2.8. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

2.9. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

2.10. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2.11. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

2.12. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, loans and borrowings, bonds payable and held for trading derivatives that are not designated in hedge accounting derivatives.

2.13. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

2.14. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) 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 net carrying amount on initial recognition.

2.15. Held for trading derivatives that are not designated in hedge accounting relationships

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward and option contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Level 1 approach of the fair value hierarchy was used for the purpose of presentation held for trading derivatives that are not designated in hedge accounting relationships at fair value.

2.16. Value added tax

The tax authorities permit the settlement of sales and purchases value added tax (VAT) on a net basis.

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

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

2.17. 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 raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18. 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 IFRS (herein referred to as cost) less accumulated depreciation and impairment losses. Deemed cost was determined for land and buildings at 1 July 2006 by reference to their fair value through valuation by an independent appraisal company.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised 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
Plant and machinery	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 comprehensive income as incurred.

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

2.20. 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"). The Group records interest subsidies as an offset to interest expense during the period to which they relate.

2.21. Income taxes

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.

2.22. 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.

2.23. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

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

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

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

2.24. Share capital

Ordinary shares are classified as equity.

2.25. 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.

2.26. Treasury shares

The Company's equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

2.27. Revenue recognition

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are dispatched and legal title is passed.

Revenues are measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

2.28. 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.

Advertising costs are expensed when incurred.

2.29. Pension costs

Under provisions of Russian legislation, social contributions are made through a special security tax ("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.

2.30. 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.

2.31. 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.

2.32. Biological assets

The accounting treatment of live fish by the companies applying IFRS 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 produce is defined as the harvested product of the Group's biological assets and a biological asset is defined as a living fish. The Group has determined the groups of its biological assets to be live fish – trout and salmon – and smolt.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

In accordance with IAS 41, 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, unless the fair value cannot be measured reliably. Point-of-sale costs 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 point-of-sale costs at the point of harvest and is subsequently recorded as inventories and measured in accordance IAS 2 (Note 2.17).

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs 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.

For more details on the valuation model refer to Note 4.6.

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

Adoption of the new standards and interpretations

The accounting policies applied by the Group is consistent with those of the previous financial year.

IFRS and IFRIC interpretations adopted in the current year

The Group has adopted all IFRS and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2016. The adoption did not have a material impact on the Group's consolidated financial statements.

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 2016 or later periods and which the entity has not early adopted:

Standards and Interpretations	**Effective for annual periods beginning on or after**
IFRS 9 "Financial Instruments"	1 January 2018
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IFRS 16 "Leases"	1 January 2019
Amendments to IAS 7 – Disclosure Initiative	1 January 2017
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IAS 40 – Transfers of Investment Property	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018

IFRS 9 "Financial Instruments"

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets**. All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 15 "Revenue from Contracts with Customers"

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

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

The five steps in the model are as follows:

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

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 16 Leases

IFRS 16 Leases brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognises a right-of-use asset and the lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IAS 17, lessors classify leases as operating of finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Group is currently assessing the impact of the new standards on its consolidated financial statements and plans to adopt these pronouncements when they become effective or earlier if early application is permitted and it enhances fair presentation of the 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. Going concern

In 2016 the Group managed to stop the distribution of fish diseases and increased the volume of fish biomass by more than 12,500 tones. The catching and sale of the fish raised, started at the end of August 2016, made it possible to receive the revenues in the amount of 2,475,528 and operating profit of 1,094,268 in the year ended 31 December 2016, compared to 864,841 of revenues and 66,862 of operating losses for the same period of 2015.

On 4 August 2016 the transaction of sale of JSC Russian Fish Company was closed. Proceeds from the transaction amounted to 1,837,194; out of which 836,064 were used to settle the Group’s short-term debt before JSC Russian Fish Company. The profit from sale amounted to 1,457,195; raising Group’s net profit to 3,885,566 (compared to 1,861,153 of loss in the prior year).

The Group overcame the difficulties associated with the violation of the financial covenants, stipulated by the loan agreements with Gazpombank. As of the date of the approval of the accompanying financial statements for issue the Group is compliant with all the bank covenants.

As at 31 December 2016 the Group reduced its total debt to the bank to the amount of 3,200,000, compared to 4,823,787 as at 31 December 2015. Moreover, as at 25 April 2017 the total debt to the bank was reduced to 1,784,654.

The Group is in the process of negotiating with the bank terms of the long-term financing.

In 2017 group is planning to catch and sale more than 9,000 tones of fish from the existing farms, which should enable to accumulate the revenues of at least 4,500,000. Also group plans seeding of atlantic salmon and trout smolt in the Barents Sea and Segozerskoe lake. Contracts for purchase and delivery of smolt have already been concluded and paid for more than 60% as at the reporting date.

Based on the circumstances described above the management of the Group believes in the Group’s ability to continue operating; and these consolidated financial statements are prepared on the assumption that the Group will continue to operate in the foreseeable future, its assets will be realized and liabilities will be repaid in the ordinary course of business.

4.2. Impairment of property, plant and equipment

Management of the Group reviewed property, plant and equipment in fish farming segment for potential impairment where the majority of property, plant and equipment belongs to and concluded that fair value of the assets exceeds its carrying value, as most of these assets have been purchased in 2013-2016 for Euro, and as such carrying values expressed in Russian Rubles are well below the fair value.

4.3. Allowance for doubtful accounts receivable

The Group creates an allowance for doubtful accounts receivable to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As at 31 December 2016 allowances for doubtful accounts receivable and advances paid have been created in the amount of 46,584 (as at 31 December 2015 – 6,096) – Notes 10 and 11.

4.4. Litigation

The Group exercises considerable judgment in measuring and recognizing provisions and the exposure to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates may significantly affect future operating results.

4.5. 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.

Management estimated that the possible risks on tax issues, provided they are implemented, will not exceed 28% of the Group's net profit after tax. 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.

4.6. 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 the Group's live fish is determined by using valuation techniques, as there are no observable market price for live fish.

Key assumptions of the valuation model

The fair value of biological assets was calculated for the year ended 31 December 2016 based on the following key assumptions:

- The best estimate of the fair value of smolt, salmon under 1,000 g and trout under 200 g is considered to approximate the accumulated cost;
- The best estimate of the fair value of salmon above 1,000 g and under 2,000 g and trout above 200 g and below 800 g is the accumulated cost adjusted by the proportionate estimated profit;
- The best estimate of the fair value of salmon above 2,000 g and trout above 800 g is considered to be the actual selling price;
- Actual selling prices at the reporting date were used for valuation;
- The prices were adjusted for expected selling expenses which include eviscerating and packing costs;
- The volume was adjusted for actual and expected losses: 1) gutting coefficient of 16% (loss of weight on gutting); 2) coefficient of expected mortality (3% for salmon and 11% for trout) and 3) coefficient of expected shortage (9% for salmon and 2% for trout). Expected mortality for the year ended 31 December 2016 reflects accumulated actual waste calculated starting from the stocking date till the reporting date. Expected shortage reflects accumulated actual shortage revealed on fully finished cages throughout ongoing fish harvesting. The related ratios were equal to 30% for salmon and 2% for trout for the year ended 31 December 2015.

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

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties include shareholders, key management, 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 2016 and for the year ended 31 December 2015 or had balances outstanding as of 31 December 2016 and as at 31 December 2015 is detailed below.

Balances with related parties:

Description	Trade and other receivables	Short-term borrowings	Long-term borrowings	Other payables
31 December 2016				
Entities under control of shareholders (A)	2,561	-	-	-
31 December 2015				
Entities under control of shareholders (A)	663,406	-	-	-
Entities under control of shareholders (B)	153,201	-	-	-
Entities under control of shareholders (C)	-	-	894,217	-
Entities under control of shareholders (D)		-	-	48,717
Entities under control of shareholders (H)	-	234,600	-	-

Transactions with related parties:

Description	Relationship	Year ended 31 December 2016	Year ended 31 December 2015
Other operating income	Entity under control of shareholders (A)	25,999	169,278
Other operating expenses	Entity under control of shareholders (F)	949	8,623
Interest income	Entity under control of shareholders (G)	13,175	15,854
Interest expense	Entity under control of shareholders (C)	69,145	112,201

A. Purchases represented by consulting services, rent, as well as dividends receivable;
B. Purchases of chilled and frozen fish;
C. Loan agreements with interest rates of 11.0-12.0%;
D. Interest payable to related parties;
E. Purchase of ready-to eat production;
F. Purchases represented by rent of office equipment;
G. Short-term investment;
H. Loan agreement with interest rate of 11.5%.

Compensation to key management personnel

Key management personnel comprised 2 persons as at 31 December 2016 (31 December 2015: 4 persons). Total compensation to key management personnel, all of which represented short-term employee benefits (monthly payroll and bonuses), included in general and administrative expenses in the consolidated statement of comprehensive income amounted to 47,214 for the year ended 31 December 2016 (28,792 for the year ended 31 December 2015).

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

Shareholders of the Group

As of 31 December 2016 and as of 31 December 2015 the registered shareholders of PJSC Russian Aquaculture and their respective ownership and voting rights were as follows:

	31 December 2016	31 December 2015
Maxim Vorobiev	47.3%	31.5%
LLC Svinin and partners	23.4%	-
Mikhail Kenin	22.6%	10.2%
Gleb Frank	-	37.1%
Individuals	-	11.6%
Free float	6.7%	9.6%
	100.0%	**100.0%**

All shares bear equal voting rights.

6. PROPERTY, PLANT AND EQUIPMENT

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

	Buildings	Plant and machinery	Other	Assets under construction	Total
Cost					
Balance at 1 January 2016	**79,792**	**1,777,785**	**115,737**	**99,534**	**2,072,848**
Additions	18,562	110,664	5,788	19,933	154,947
Disposals	-	(10,127)	(1,779)	(4,878)	(16,784)
Balance at 31 December 2016	**98,354**	**1,878,322**	**119,746**	**114,589**	**2,211,011**
Accumulated depreciation					
Balance at 1 January 2016	**(11,929)**	**(250,570)**	**(32,868)**	**-**	**(295,367)**
Depreciation charge	(2,663)	(189,261)	(11,299)	-	(203,223)
Depreciation on disposals	-	9,501	786	-	10,287
Balance at 31 December 2016	**(14,592)**	**(430,330)**	**(43,381)**	**-**	**(488,303)**
Net Book Value					
Balance at 1 January 2016	**67,863**	**1,527,215**	**82,869**	**99,534**	**1,777,481**
Balance at 31 December 2016	**83,762**	**1,447,992**	**76,365**	**114,589**	**1,722,708**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

	Buildings	Plant and machinery	Other	Assets under construction	Total
Cost					
Balance at 1 January 2015	**79,394**	**1,062,694**	**130,737**	**188,727**	**1,461,552**
Additions	398	970,341	23,143	(89,193)	**904,689**
Disposals	-	(253,166)	(26,005)	-	**(279,171)**
Reclassification to assets held for sale	-	(2,084)	(12,138)	-	**(14,222)**
Balance at 31 December 2015	**79,792**	**1,777,785**	**115,737**	**99,534**	**2,072,848**
Accumulated depreciation					
Balance at 1 January 2015	**(7,712)**	**(180,039)**	**(47,582)**	**-**	**(235,333)**
Depreciation charge	(4,217)	(124,868)	(10,752)	**-**	**(139,837)**
Depreciation on disposals	-	52,278	14,439		66,717
Reclassification to assets held for sale	-	2,059	11,027	**-**	13,086
Balance at 31 December 2015	**(11,929)**	**(250,570)**	**(32,868)**	**-**	**(295,367)**
Net Book Value					
Balance at 1 January 2015	**71,682**	**882,655**	**83,155**	**188,727**	**1,226,219**
Balance at 31 December 2015	**67,863**	**1,527,215**	**82,869**	**99,534**	**1,777,481**

There were no idle or fully depreciated items as at 31 December 2016 and 2015.

Property, plant and equipment of 515,122 were pledged as at 31 December 2016 (2015: nill) to secure borrowings of the Group (Notes 16, 17).

For the year ended 31 December 2016 depreciation charge in the amount of 122,614 was capitalized in biological assets (for the year ended 31 December 2015: 88,814).

7. INTANGIBLE ASSETS

	Computer software licenses	Total
Cost		
Balance at 1 January 2016	**4,298**	**4,298**
Additions	982	982
Disposals	(883)	(883)
Balance at 31 December 2016	**4,397**	**4,397**
Accumulated amortization		
Balance at 1 January 2016	**(1,850)**	**(1,850)**
Amortization charge	(1,877)	**(1,877)**
Disposals	883	**883**
Balance at 31 December 2016	**(2,844)**	**(2,844)**
Net Book Value		
Balance at 1 January 2016	**2,448**	**2,448**
Balance at 31 December 2016	**1,553**	**1,553**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

	Land lease rights	Computer software licenses	Total
Cost			
Balance at 1 January 2015	**47,139**	**29,202**	**76,341**
Additions		9,822	9,822
Disposals	(47,139)	(21,208)	(68,347)
Reclassification to assets held for sale	-	(13,518)	(13,518)
Balance at 31 December 2015	**-**	**4,298**	**4,298**
Accumulated amortization			
Balance at 1 January 2015	**(8,401)**	**(23,112)**	**(31,513)**
Amortization charge	-	(2,377)	(2,377)
Disposals	8,401	21,207	29,608
Reclassification to assets held for sale	-	2,432	2,432
Balance at 31 December 2015	**-**	**(1,850)**	**(1,850)**
Net Book Value			
Balance at 1 January 2015	**38,738**	**6,090**	**44,828**
Balance at 31 December 2015	**-**	**2,448**	**2,448**

8. INVENTORIES

	31 December 2016	31 December 2015
Raw materials	133,506	108,078
Finished goods	10,275	10,157
	143,781	**118,235**

No inventories have been pledged as at 31 December 2016 and at 31 December 2015 to secure borrowings of the Group (Notes 16, 17).

9. BIOLOGICAL ASSETS

Biological assets as at 31 December 2016 comprise 10,561 tones of live fish (2,810 tones as at 31 December 2015) and nil tones of smolt (1,904 tones as at 31 December 2015):

Tones	Year ended 31 December 2016	Year ended 31 December 2015
Balance at the beginning of the year	4,712	4,948
Increase due to growth	12,590	7,531
Transferred to inventories	(6,201)	(3,400)
Mortality and shortages	(540)	(4,367)
Balance at the end of the year	**10,561**	**4,712**

Thousands of Russian Roubles	Year ended 31 December 2016	Year ended 31 December 2015
Balance at the beginning of the year	946,895	1,278,846
Increase due to incurred expenses	2,195,117	1,688,637
Transferred to inventories	(1,381,260)	(931,703)
Write-off as a result of mortality and shortages	(145,688)	(933,930)
Fair value gain/ (loss) on revaluation of biological assets	1,738,741	(154,955)
	3,353,805	**946,895**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

Details on salmon biological transformation and status at 31 December 2016 are presented below:

			Thousands of Russian Roubles		
Status of biological assets as at 31 December 2016	**Number of fish**	**Biological assets (tones)**	**Accrued cost of production**	**Fair value adjustment**	**Book value**
Smolt/salmon, round weight < 1,000 g	-	-	-	-	-
Salmon with round weight 1,000-2,000 g	-	-	-	-	-
Salmon with round weight > 2,000 g	1,987,804	9,195	1,517,718	1,472,017	2,989,735
	1,987,804	**9,195**	**1,517,718**	**1,472,017**	**2,989,735**

Details on trout (including caviar) biological transformation and status at 31 December 2016 are presented below:

			Thousands of Russian Roubles		
Status of biological assets as at 31 December 2016	**Number of fish**	**Biological assets (tones)**	**Accrued cost of production**	**Fair value adjustment**	**Book value**
Smolt/trout, round weight < 200 g	-	-	-	-	-
Trout with round weight 200-800 g	662,766	373	103,873	(14,976)	88,897
Trout with round weight > 800 g	759,103	993	203,050	72,123	275,173
	1,421,869	**1,366**	**306,923**	**57,147**	**364,070**

Details on salmon biological transformation and status at 31 December 2015 are presented below:

			Thousands of Russian Roubles		
Status of biological assets as at 31 December 2015	**Number of fish**	**Biological assets (tones)**	**Accrued cost of production**	**Fair value adjustment**	**Book value**
Smolt/salmon, round weight < 1,000 g	2,483,799	1,862	500,910	(204,622)	296,288
Salmon with round weight 1,000-2,000 g	1,244,461	1,400	317,961	(84,164)	233,797
Salmon with round weight > 2,000 g	3,500	9	3,923	(2,059)	1,864
	3,731,760	**3,271**	**822,794**	**(290,845)**	**531,949**

Details on trout (including caviar) biological transformation and status at 31 December 2015 are presented below:

			Thousands of Russian Roubles		
Status of biological assets as at 31 December 2015	**Number of fish**	**Biological assets (tones)**	**Accrued cost of production**	**Fair value adjustment**	**Book value**
Smolt/trout, round weight < 200 g	267,432	40	13,222	(2,221)	11,001
Trout with round weight 200-800 g	1,207,659	564	124,571	(3,993)	120,578
Trout with round weight > 800 g	496,956	837	141,179	142,188	283,367
	1,972,047	**1,441**	**278,972**	**135,974**	**414,946**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

The table below shows the sensitivity to a reasonably possible change in the main variables of the fair value model for biological assets of the Group in 2016:

	Increase/ decrease in variable	**Effect on fair value adjustment of biological assets, RR**
Gutting coefficient	+5%	(196,403)
Gutting coefficient	-5%	196,403
Selling price	+5%	170,482
Selling price	-5%	(171,156)
Coefficient of expected mortality	+5%	(175,124)
Coefficient of expected mortality	-5%	122,406
Coefficient of difference between recorded volume of fish and the actual volume	+5%	(184,346)
Coefficient of difference between recorded volume of fish and the actual volume	-5%	171,115

On 31 December 2016 total amount of commitments for the acquisition of biological assets (smolt) for 2017 amounted to 317,287 (on 31 December 2015: 172,280).

No biological assets have been pledged as at 31 December 2016 and at 31 December 2015 to secure borrowings of the Group (Notes 16, 17).

10. TRADE AND OTHER RECEIVABLES, NET

	31 December 2016	**31 December 2015**
Trade receivables	308,122	178,872
Other receivables	13,578	3,676
Dividends receivable from JSC Russian Fish Company	-	650,042
Interest receivable	-	33,015
Less: Allowance for doubtful accounts receivable	(7,204)	(6,009)
	314,496	**859,596**

The following table summarises the changes in the allowance for doubtful accounts receivable for the years ended 31 December 2016 and 2015:

	Year ended 31 December 2016	**Year ended 31 December 2015**
Balance at the beginning of the year	6,009	41,424
Reversal of allowance	-	(22,098)
Recognition of allowance for doubtful accounts receivable	1,195	4,215
Reclassification to assets held for sale	-	(17,532)
Balance at the end of the year	**7,204**	**6,009**

Trade receivables are non-interest bearing and are normally settled within 90-120 days.

Maturity profile of trade and other receivables is summarised in the Note 32.6.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

11. ADVANCES PAID TO SUPPLIERS, NET

	31 December 2016	31 December 2015
Advances for feed and smolt	271,478	-
Other	116,371	93,958
Less: Impairment of advances paid	(39,380)	(87)
	348,469	**93,871**

12. SHORT-TERM INVESTMENTS

Short-term investments as at 31 December 2016 were denominated in RR and comprised loan issued in the amount of 10.

Short-term investments as at 31 December 2015 were denominated in RR and comprised promissory notes issued to the Group by Rosselkhozbank in April 2013 in the amount of 168,000 and pledged for the loans payable to Gazprombank

13. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Russian Roubles denominated cash in banks and on hand	33,237	210,007
Foreign currency denominated cash in banks:	384	248,105
- US dollars	*55*	*247,805*
- NOK	*13*	*206*
- Euro	*316*	*94*
Restricted cash	266	-
	33,887	**458,112**

Current accounts in banks carry no interest.

14. TRADE PAYABLES

	31 December 2016	31 December 2015
Trade payables for services	77,352	38,281
	77,352	**38,281**

The average credit period approximates 30 days for the year ended 31 December 2016 and 2015. No interest is charged on the outstanding balance of trade payables during or after the credit period.

15. OTHER PAYABLES

	31 December 2016	31 December 2015
Payroll-related payables	56,266	29,900
Interest payable (to JSC Russian Fish Company)	-	48,717
Customs payable	-	32,376
	56,266	**110,993**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

16. LONG-TERM BORROWINGS

Long-term borrowings as at 31 December 2016 and at 31 December 2015 were denominated in RR and comprised the following credit facilities:

Bank	Outstanding balance as at 31 December 2016	Maturity date	Credit facility limit
Gazprombank	346,874	March 2018- December 2018	6,940,000
	346,874		

Lender	Type	Outstanding balance as at 31 December 2015	Maturity date	Credit facility limit
JSC Russian Fish Company	promissory note	750,000	September 2021	750,000
JSC Russian Fish Company	interest	136,767	September 2021	136,767
JSC Russian Fish Company	loan	7,450	April 2021	7,450
		894,217		

All long-term borrowings have fixed interest rate. The weighted average interest rate on these borrowings is 12.69% per annum in the range of 12.50% – 13.50% (2015: weighted average interest rate on these borrowings is 13.00% per annum).

Weighted average interest rate, adjusted by the effect of government subsidies, is 9.02% per annum (2015: 7.82%).

17. SHORT-TERM BORROWINGS

Short-term borrowings as at 31 December 2016 and at 31 December 2015 were denominated in RR and comprised the following credit facilities:

Bank/ lender	Outstanding balance as at 31 December 2016	Maturity date	Credit facility limit
Gazprombank	2,853,126	January 2017- December 2017	6,940,000
	2,853,126		

Bank/ lender	Outstanding balance as at 31 December 2015	Maturity date	Credit facility limit
Gazprombank	4,823,787	September 2016- June 2021	8,003,750
JSC Russian Fish Company	234,600	June 2016	288,000
	5,058,387		

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

As at 31 December 2016 Gazprombank credit facilities were secured by pledge of:

- 100% interest in LLC Russian Sea – Aquaculture;
- Property, plant and equipment in the amount of 515,122;
- Guarantee issued by PJSC Russian Aquaculture.

All short-term borrowings have fixed interest rate. The weighted average interest rate on these borrowings is 12.69% per annum in the range of 12.50% – 13.50% (2015: weighted average interest rate on these borrowings is 13.00% per annum).

Weighted average interest rate, adjusted by the effect of government subsidies, is 9.02% per annum (2015: 7.82%).

Total interest expense net of government grants received was as follows:

	31 December 2016	31 December 2015
Interest expense	638,136	667,666
Government grants	(185,781)	(196,162)
	452,355	**471,504**

18. VAT AND OTHER TAXES PAYABLE

	31 December 2016	31 December 2015
VAT payable	228,078	41,666
Social security contributions payable	12,820	338
	240,898	**42,004**

19. REVENUE

	Year ended 31 December 2016	Year ended 31 December 2015
Revenue from sale of salmon	2,014,027	516,582
Revenue from sale of trout	398,514	274,838
Revenue from sale of caviar	57,066	73,421
Revenue from sale of other products	5,921	-
	2,475,528	**864,841**

20. COST OF SALES

	Year ended 31 December 2016	Year ended 31 December 2015
Materials and components used in production	1,116,197	732,220
Production overheads	110,565	85,884
Direct labour costs	73,889	63,999
Depreciation	80,609	49,600
	1,381,260	**931,703**

The amount of cost of sales includes the reclassification of fair value profit/ (loss) on revaluation of fish harveseted in 2016 of 54,623 (2015: 193,839).

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

21. SELLING AND DISTRIBUTION COSTS

	Year ended 31 December 2016	Year ended 31 December 2015
Impairment of advances paid	39,293	1,742
Inventory write-offs as a result of stock-take, net	4,218	2,354
Transport	3,579	7,978
Change in allowance for doubtful accounts receivable	3,097	(695)
Advertising	1,843	167
Other	1,605	2,641
	53,635	**14,187**

22. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2016	Year ended 31 December 2015
Payroll and related taxes	121,083	74,501
Audit and consulting	22,543	6,935
Rent and maintenance of buildings	13,822	9,082
Travel expenses	11,094	5,912
Communication services	3,783	483
Transport	3,544	815
Office expenses	3,315	2,016
Insurance	2,946	1,502
Bank charges	2,172	684
Taxes other than income tax	1,795	1,732
Depreciation and amortization	1,754	1,270
Other	14,321	6,981
	202,172	**111,913**

23. RETIREMENT BENEFIT PLANS

The statutory retirement age is 55 for women and 60 for men, in accordance with the Russian Federation Labour Code.

The Group does not offer a private pension plan to its employees. In accordance with Russian tax legislation, the Group pays statutory social security contributions (at maximum rate 30.2%). These contributions are regressive and comprise social insurance, contributions to the State Pension Fund and the State Medical Fund. The total contribution paid to the State Pension Fund during the year ended 31 December 2016 and during the year ended 31 December 2015 was equal to 46,606 and 49,811 respectively. The Group has not reserved or accrued for pension, retirement or similar benefit obligations to directors or senior executives. No directors or senior executives have service contracts with the Group which offers them benefits upon termination of their respective appointments.

Total contributions for social security funds amounted to 68,004 during the year ended 31 December 2016 (for the year ended 31 December 2015: 73,531).

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

24. OTHER OPERATING INCOME

	Year ended 31 December 2016	**Year ended 31 December 2015**
Insurance compensation	125,102	-
Refund from customs	24,666	-
Participation in antiepizootic measures	12,585	-
Income from sub-rent	401	2,214
Other	4,276	8,840
	167,030	**11,054**

Compensation in the amount of 125,102 was received from the insurance company for the partial set off of losses from insured fish mortality.

25. OTHER OPERATING EXPENSES

	Year ended 31 December 2016	**Year ended 31 December 2015**
Inventory and biological assets write-offs	93,615	964,134
Fines and penalties	12,932	1,574
Charity	4,264	-
Fixed assets disposal and write-off (fire)	2,895	111,029
Intangible assets write-offs	-	38,738
Other	14,912	15,179
	128,618	**1,130,654**

The amount of other operating expenses for 2015 includes the reclassification of fair value profit/(loss) on revaluation of fish lost in 2015 of 93,261.

Material losses due to inventory write-offs in 2015 were caused by live fish deseases.

26. INCOME TAX

	Year ended 31 December 2016	**Year ended 31 December 2015**
Income tax expense – current	(1,112)	-
Deferred tax expense – origination and reversal of temporary differences	(56,460)	1,400
Income tax (expense)/ benefit	**(57,572)**	**1,400**

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 do 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.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

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 comprehensive income is as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Profit/ (loss) before income tax	**3,647,841**	**(1,862,553)**
Theoretical tax (expense)/ benefit at statutory rate (20%)	(729,568)	372,511
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	429,321	(366,032)
Effect of disposal of subsidiary	291,439	-
Effect of expenses that are not deductible in determining taxable profit	(48,298)	(4,425)
Other	(466)	(654)
Income tax benefit/ (expense)	**(57,572)**	**1,400**

Movements in deferred tax balances were as follows:

		Differences recognition and reversal					
	31 December 2014	**Continued operations**	**Discontinued operations**	**Reclassification to assets held for sale**	**31 December 2015**	**Differences recognition and reversal**	**31 December 2016**
Tax effects of deductible temporary differences – asset/ (liability):							
Accruals	23,034	(4,771)	(8,547)	(4,859)	4,857	(1,176)	3,681
Trade and other receivables	4,837	(3,134)	(1,254)	(432)	17	533	550
Intangible assets	4	(3)	(1)	(1)	(1)	84	83
Inventories	2,771	17,573	9,770	(11,856)	18,258	(21,145)	(2,887)
Property, plant and equipment	(4,889)	3,461	(134)	(115)	(1,677)	(15)	(1,692)
Tax losses carried forward	58,061	(11,726)	874	(874)	46,335	(34,741)	11,594
Total net deferred tax asset	**83,818**	**1,400**	**708**	**(18,137)**	**67,789**	**(56,460)**	**11,329**

The recognition and reversals of temporary differences primarily relates to the following:

- Depreciation of property, plant and equipment in excess of depreciation for tax purposes;
- Impairment of trade receivables;
- Difference in inventory valuation between accounting and tax books; and
- Tax losses carried forward.

At 31 December 2016 deferred tax assets related to net operating losses incurred amounted to 11,594 (at 31 December 2015: 46,335). The management considers that the full amount of deferred tax assets recognized at 31 December 2016 will be utilized and is confident that any remaining unutilized tax losses will be utilized in the future.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

27. DISCONTINUED OPERATIONS

As at 4 August 2016 the Group closed the sale of its distribution business presented by JSC Russian Fish Company and its two subsidiaries – LLC Russian Sea – Kaliningrad and RSEA CYPRUS LIMITED.

The operations relating to JSC Russian Fish Company and its subsidiaries were classified as discontinued operations in the consolidated statement of comprehensive income for the years ended 31 December 2016 and 2015.

The major classes of assets and liabilities of JSC Russian Fish Company and subsidiaries at the date of sale were as follows:

Assets disposed	**Date of sale (04/08/2017)**
Property, plant and equipment	784
Intangible assets	9,834
Deferred tax assets	14,987
Long-term investment	-
Long-term receivables	-
Inventory	1,294,035
Trade and other receivables, net	562,603
VAT recoverable	52,034
Advances paid to suppliers, net	527,694
Short-term investment	760,456
Income tax receivable	27,728
Cash and cash equivalents	62,214
	3,312,369
Liabilities disposed	
Short-term borrowings	2,311,351
Trade payables	401,470
Other payables	96,132
Advances received	43,935
Other taxes payable	79,482
	2,932,370
Net assets disposed	**379,999**

The components of profit from disposal of JSC Russian Fish Company are presented below:

	Date of sale (04/08/2017)
Proceeds from disposal of JSC Russian Fish Company	1,837,194
Net assets of JSC Russian Fish Company	(379,999)
Profit from disposal of subsidiary	**1,457,195**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

Net profit for the year from discontinued operations is presented below:

	From 01/01/2016 till 04/08/2016	**For the year ended 31 December 2015**
Revenue*	7,563,927	15,405,235
Cost of sales	(6,248,524)	(12,712,692)
Gross profit	**1,315,403**	**2,692,543**
Selling and distribution costs	(624,645)	(1,239,891)
General and administrative expenses	(222,460)	(319,575)
Other operating income	46,586	40,285
Other operating expenses	(18,609)	(38,110)
Interest income	73,774	122,681
Interest expense	(207,871)	(386,438)
Foreign exchange profit/ (loss)	820	(130,983)
Profit before income tax	**362,998**	**740,512**
Income tax expense	(67,701)	(218,195)
Net profit earned by JSC Russian Fish Company for the period from 1 January 2016 till 3 August 2016	**295,297**	**522,317**
Profit on disposal of subsidiary, the operations of which were shown as discontinued operatoions	1,457,195	-
Net profit for the year from discontinued operations	**1,752,492**	**522,317**

* Revenue line above includes the amount of margin earned by JSC Russian Fish Company on the sales of fish produced by the entities of continued operations of 39,741 (2015: 70,635).

Net cash proceeds from the sale of JSC Russian Fish Company is shown below:

	Date of sale (03/08/2017)
Proceeds from disposal of JSC Russian Fish Company	1,837,194
Cash and equivalents of JSC Russian Fish Company at the date of sale	(62,214)
Net proceeds from disposal of subsidiary	**1,774,980**

28. SHARE CAPITAL AND EQUITY

As at 31 December 2015 and 2016 the share capital of the Group comprised 79,385,617 shares.

Effect from reorganization of the Group under common control of 5,187,469 was reclassified to retained earnings upon disposal of JSC Russian Fish Company (as it was related to the disposed subsidiary).

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

29. EARNINGS/ (LOSS) PER SHARE

Earnings/ (loss) per share is calculated by dividing the net profit/ (loss) 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 loss per share equal basic loss per share.

Earnings/ (loss) per share calculated for the periods are as follows:

Continuing operations	**Year ended 31 December 2016**	**Year ended 31 December 2015**
Weighted average number of ordinary shares outstanding	79,385,617	79,385,617
Profit/ (loss) for the year from continuing operations attributable to owners of the parent	2,133,074	(1,861,153)
Basic and diluted profit/(loss) per share from continuing operations, RR	26.87	(23.44)
Discontinued operations		
Weighted average number of ordinary shares outstanding	79,385,617	79,385,617
Profit for the year from discontinued operations attributable to owners of the parent	1,752,492	522,317
Basic and diluted earnings per share from discontinued operations, RR	22.08	6.58
Continuing and discontinued operations		
Weighted average number of ordinary shares outstanding	79,385,617	79,385,617
Profit/ (loss) for the year attributable to owners of the parent	3,885,566	(1,338,836)
Basic and diluted profit/ (loss) per share from continuing and discontinued operations, RR	48.95	(16.86)

Dividends

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

No dividends were declared or paid during the year ended 31 December 2016 and 2015 and subsequent to 31 December 2016 up to the date of authorization of these consolidated financial statements for issue.

30. ADJUSTED EBITDA

Adjusted EBITDA is calculated based on the Group's audited consolidated financial statements and is used to assess how profitable is the business of the Group. Management of the Group calculates this indicator as an important additional information characterizing the Group's operating activities.

Management of the Group determines adjusted EBITDA as the sum of the following indicators:

- profit/(loss) before tax for the year;
- foreign exchange gain/ (loss);
- interest income/ (expense), net;
- depreciation of fixed assets and amortization of intangible assets;
- fair value profit/ (loss) on revaluation of biological assets;
- profit on disposal of subsidiary.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

	Year ended 31 December 2016	Year ended 31 December 2015
Profit/ (loss) before tax for the year	2,553,644	(1,122,041)
Foreign exchange gain/ (loss)	(10,349)	71,864
Interest income/ (expense), net	568,594	717,912
Depreciation of fixed assets and amortization of intangible assets	83,078	53,400
Fair value profit/ (loss) on revaluation of biological assets*	(1,684,118)	442,055
Adjusted EBITDA	**1,510,849**	**163,190**

* The amount of fair value profit/ (loss) on revaluation of biological assets shown above does not include the reclassification of fair value profit/ (loss) on revaluation of fish harvested and lost (Notes 20 and 25).

The adjusted EBITDA indicator has limitations for its use as an analysis tool and should not be considered separately or as a replacement for the analysis of the Group's operating results presented in accordance with IFRS:

- Adjusted EBITDA does not reflect the impact of financial costs that could be material;
- Adjusted EBITDA does not reflect the impact of income tax on the Group's operating results;
- Adjusted EBITDA does not reflect the impact of depreciation of fixed assets on the Group's operating results. Assets of the Group for which amortization is charged will require replacement in the future, and the depreciation amount can approximately equal the cost of replacing these assets in the future. Because of this exception, EBITDA does not reflect the Group's need for cash for such substitution;
- Adjusted EBITDA does not reflect the impact of changes in working capital on cash flows from operating activities of the Group.

The Adjusted EBITDA is not a standard calculation in accordance with IFRS, and is not required for disclosure in accordance with IFRS. Adjusted EBITDA is not an indication of the Group's operating performance in accordance with IFRS and should not be used as an alternative to net profit for the year, gross profit for the year or any other performance indicator under IFRS, or an alternative to net cash provided from operating activities.

31. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

31.1. Russian Federation 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.

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.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is difficult to determine at this stage.

31.2. 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 assessments 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 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.

In 2015, amendments were introduced into the Russian tax legislation in respect of taxation of profit of controlled foreign companies. According to these changes, the 2016 undistributed profits of the Group foreign subsidiaries, recognized as controlled foreign companies, may result in an increase of the tax base of the controlling entities in 2017. The Group is formulating its tax planning strategy with regard to the foreign subsidiaries.

31.3. Operating leases

The Group had no non-cancellable operating leases as at 31 December 2016 and 31 December 2015.

31.4. Capital expenditure commitments

As at 31 December 2016 the Group has contracted 91,992 in respect of acquisition of property, plant and equipment (as at 31 December 2015: 32,076).

On 31 December 2016 total amount of commitments for the acquisition of biological assets (smolt) for 2017 amounted to 317,287 (on 31 December 2015: 172,280).

31.5. 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.

31.6. Environmental matters

The Group's management believes that it is in compliance with applicable legislation and is not aware of any potential environmental claims. Therefore, no liabilities associated with such costs are recorded as of 31 December 2016 and 31 December 2015.

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

32.1. 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 2016		31 December 2015	
	Fair value	**Net carrying value**	**Fair value**	**Net carrying value**
Financial assets				
Cash and cash equivalents (Note 13)	33,887	33,887	458,112	458,112
Trade and other receivables, net (Note 10)	314,496	314,496	859,596	859,596
Short-term investments (Note 12)	10	10	168,000	168,000
Financial liabilities				
Long-term borrowings (note 16)	346,874	346,874	894,217	894,217
Trade payables (Note 14)	77,352	77,352	38,281	38,281
Other payables (Note 15)	56,266	56,266	110,993	110,993
Short-term borrowings (Note 17)	2,853,126	2,853,126	5,058,387	5,058,387

The fair value of financial assets and financial liabilities approximates their carrying amounts due to their short maturity.

32.2. 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, derivative financial assets and liabilities held for trading, 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.

32.3. Foreign exchange risk

As described below, the Group has substantial US$, Euro and Norwegian krone ("NOK") 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 Group enters into derivative contracts (foreign currency forward contracts) that aim to reduce the foreign currency exchange risk.

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

	Increase/ decrease in US$ rate	**Effect on profit/ (loss) before tax, RR**
At 31 December 2016		
US$/Roubles exchange rate	+20%	(35)
US$/Roubles exchange rate	-20%	35
At 31 December 2015		
US$/Roubles exchange rate	+20%	49,457
US$/Roubles exchange rate	-20%	(49,457)

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

	Increase/ decrease in EUR rate	Effect on profit/ (loss) before tax, RR
At 31 December 2016		
Euro/Roubles exchange rate	+20%	(8,038)
Euro/Roubles exchange rate	-20%	8,038
At 31 December 2015		
Euro/Roubles exchange rate	+20%	(155)
Euro/Roubles exchange rate	-20%	155

	Increase/ decrease in NOK rate	Effect on profit/ (loss) before tax, RR
At 31 December 2016		
NOK/Roubles exchange rate	+20%	(412)
NOK/Roubles exchange rate	-20%	412
At 31 December 2015		
NOK/Roubles exchange rate	+20%	(433)
NOK/Roubles exchange rate	-20%	433

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

	US$		Euro		NOK	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Assets						
Cash and cash equivalents	55	247,805	316	94	13	206
Total assets	**55**	**247,805**	**316**	**94**	**13**	**206**
Liabilities						
Trade and other payables	(232)	(521)	(40,504)	(867)	(2,072)	(2,373)
Total liabilities	**(232)**	**(521)**	**(40,504)**	**(867)**	**(2,072)**	**(2,373)**
Total net liabilities	**(177)**	**247,284**	**(40,188)**	**(773)**	**(2,059)**	**(2,167)**

32.4. Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group adopts a policy of limiting its exposure to changes in interest rates by borrowing on a fixed rate basis and therefore the interest rate risk is not considered material to the Group (Notes 16, 17).

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

	Increase/ decrease in interest rate	Effect on profit/ (loss) before tax, RR
At 31 December 2016		
Interest rate	+5%	(227,819)
Interest rate	-5%	227,819
At 31 December 2015		
Interest rate	+5%	(192,864)
Interest rate	-5%	192,864

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

32.5. 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 2016

	Weighted average effective interest rate	Total	Less than 3 months	3 to 6 months	6 to 12 months
Trade payables	-	77,352	77,352	-	-
Short-term borrowings	12.69%	3,107,221	610,857	588,848	1,907,516
Total		**3,184,573**	**688,209**	**588,848**	**1,907,516**

	Weighted average effective interest rate	Total	1 to 2 years	2 to 3 years	3 to 7 years
Long-term borrowings	12.69%	368,668	368,668	-	-
Total		**368,688**	**368,688**	**-**	**-**

31 December 2015

	Weighted average effective interest rate	Total	Less than 3 months	3 to 6 months	6 to 12 months	1 to 6 years
Trade payables	-	38,281	38,281	-	-	
Short-term borrowings	13.30%	6,952,021	-	261,785	5,006,182	1,684,054
Total		**6,990,302**	**38,281**	**261,785**	**5,006,182**	**1,684,054**

	Weighted average effective interest rate	Total	1 to 2 years	2 to 3 years	3 to 7 years
Long-term borrowings	13.00%	1,319,756	-	-	1,319,756
Total		**1,319,756**	**-**	**-**	**1,319,756**

(All amounts in thousands of Russian Roubles, if not otherwise indicated)

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

32.6. Credit risk

Financial assets, which potentially are subject to credit risk, consist principally of trade receivables and short-term financial assets including loans given to third parties and held for trading derivatives. 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 short-term financial assets, 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.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings and are considered to have minimal risk of default.

The table below summarises the Group’s trade receivables ageing.

		Neither impaired	Not impaired but past due				
	Total	nor past due	less 1 month	1-2 months	2-3 months	3 to 6 months	> 6 months
31 December 2016	314,496	314,496	-	-	-	-	-
31 December 2015	859,596	859,596	-	-	-	-	-

The table below summarises the ageing of Group’s short-term financial assets.

		Neither impaired	Not impaired but past due				
	Total	nor past due	less 1 month	1-2 months	2-3 months	3 to 6 months	> 6 months
31 December 2016	10	10	-	-	-	-	-
31 December 2015	168,000	168,000	-	-	-	-	-

32.7. Concentration of credit risk

The Group has significant concentrations of credit risk to the largest customer in 2016 – JSC Russian Fish Company. At 31 December 2016 accounts receivable from JSC Russian Fish Company amounted to 292,197 (92.91%); revenue from JSC Russian Fish Company for the year ended 31 December 2016 amounted to 2,194,113 (88.63%). In 2015 JSC Russian Fish Company was part of the Group and its turnovers were eliminated on consolidation.

32.8. 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 maintain an 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.

32.9. 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 deaseses 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 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 of 31 December 2016 all Group's biological assets were insured.

33. EVENTS AFTER THE REPORTING PERIOD

The Group has evaluated events after the reporting period through 25 April 2017, which is the date of issuance of these consolidated financial statements. 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.

On behalf of the Group's management, the consolidated financial statements for the year ended 31 December 2016 were authorised for issue on 25 April 2017 by:

I. Sosnov
Chief Executive Officer