JOINT STOCK COMPANY
“ACRON”

Consolidated Financial Statements and Auditors’ Report for the year ended 31 December 2013

Contents

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Auditors' Report

To the Shareholders and Board of Directors

JSC Acron

We have audited the accompanying consolidated financial statements of JSC Acron (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Audited entity: JSC Acron

Registered by administration of Veliky Novgorod on 19 November 1992, Registration No. 3835rz.

Entered in the Unified State Register of Legal Entities on 16 October 202 by the Veliky Novgorod Inter-Regional Tax Inspectorate No.9, Registration No. 1025300786610

Acron site, Veliky Novgorod, 173012

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.

Ilya O. Belyatski

Director, (power of attorney dated 3 October 2012 No. 35/11)

ZAO KPMG

15 April 2014

Moscow, Russian Federation

Joint Stock Company "Acron"
Consolidated Statement of Financial Position at 31 December 2013
(in millions of Russian Roubles)

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	11	61,068	47,866
Exploration and Evaluation Licences and Expenditure	12	27,393	26,371
Leasehold land	10	481	460
Goodwill	13	1,267	1,267
Available-for-sale investments	14	10,449	4,824
Long-term loans receivable	8	98	23
Deferred tax assets	29	892	827
Long-term derivative financial instruments	15	2,030	-
Other non-current assets		1,141	961
Total non-current assets		**104,819**	**82,599**
Current assets			
Inventories	9	10,937	12,968
Short-term loans receivable	8	28	1,363
Accounts receivable	7	7,175	9,622
Available-for-sale investments	14	8,949	19,857
Trading Investments	16	247	860
Irrevocable bank deposits	6	767	1,435
Cash and cash equivalents	6	12,787	27,453
Other current assets		395	462
Total current assets		**41,285**	**74,020**
TOTAL ASSETS		**146,104**	**156,619**
EQUITY			
Share capital	20	3,046	3,046
Treasury shares		-	(4)
Retained earnings		52,944	43,742
Revaluation reserve		9,374	16,047
Other reserves		(110)	(171)
Cumulative currency translation difference		992	762
Share capital and reserves attributable to the Company's owners		**66,246**	**63,422**
Non-controlling interests	21	13,231	15,698
TOTAL EQUITY		**79,477**	**79,120**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	19	22,720	38,176
Finance lease liability		-	10
Long-term derivative financial instruments	15	2,052	256
Deferred tax liabilities	29	3,497	5,635
Other non-current liabilities		853	500
Total non-current liabilities		**29,122**	**44,577**
Current liabilities			
Accounts payable	17	4,973	5,349
Notes payable		187	629
Current income tax payable		128	175
Other taxes payable	18	491	493
Short-term borrowings	19	27,467	23,383
Advances received		3,343	2,554
Finance lease liabilities		11	16
Short-term derivative financial instruments	15	411	7
Other current liabilities		494	316
Total current liabilities		**37,505**	**32,922**
TOTAL LIABILITIES		**66,627**	**77,499**
TOTAL LIABILITIES AND EQUITY		**146,104**	**156,619**

Approved for issue and signed on behalf of the Board of Directors on 15 April 2014.

Открытое акционерное общество «АКРОН» * г. Великий Новгород * № 2

V.Y. Kunitskiy
President

A.V. Milenkov
Finance Director

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

(in millions of Russian Roubles, except for per share amounts)

	Note	2013	2012
Revenue	4	67,904	71,112
Cost of sales	23	(42,009)	(40,440)
Gross profit		**25,895**	**30,672**
Transportation expenses	25	(7,578)	(6,751)
Selling, general and administrative expenses	24	(5,271)	(5,476)
Gain on exploration permits	12	199	-
Other operating expenses, net	27	735	(25)
Operating profit		**13,980**	**18,420**
Gain on disposal of investments		5,392	309
Finance income, net	26	(2,437)	1,560
Interest expense		(906)	(1,152)
Loss on derivatives, net		(101)	(178)
Profit before taxation		**15,928**	**18,959**
Income tax expense	29	(2,909)	(4,098)
Profit for the year		**13,019**	**14,861**
Other comprehensive income/(loss) on items that are or may be reclassified to profit or loss			
Available-for-sale investments:			
- (Losses)/Gains arising during the year	14	(4,462)	1,067
- Reclassification of revaluation gain on disposal to profit and loss	14	(5,452)	(248)
- Change in the recognized temporary differences		156	-
- Income tax recorded directly in other comprehensive income	29	2,153	(164)
Currency translation differences		1,251	(56)
Other comprehensive income/(loss) for the year		**(6,354)**	**599**
Total comprehensive income for the year		**6,665**	**15,460**
Profit is attributable to:			
Owners of the Company		12,225	14,195
Non-controlling interests		794	666
Profit for the year		**13,019**	**14,861**
Total comprehensive income is attributable to:			
Owners of the Company		5,782	14,921
Non-controlling interests		883	539
Total comprehensive income for the year		**6,665**	**15,460**
Earnings per share			
Basic (expressed in Russian Roubles)	28	**301.60**	**350.52**
Diluted (expressed in Russian Roubles)	28	**284.37**	**350.52**

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

(in millions of Russian Roubles)

	Note	2013	2012
Cash flows from operating activities			
Profit before taxation		**15,928**	**18,959**
Adjustments for:			
Depreciation and amortisation	23	2,566	1,970
Impairment losses/(reversal of impairment) of property, plant and equipment, net	11	29	(89)
Provision for impairment of accounts receivable	7	10	1
Provision/(reversal of provision) for inventory obsolescence	9	156	(2)
Gain on disposal of investments		(5,392)	(309)
Gain on disposal of exploration permits	12	(199)	-
Loss on disposal of property, plant and equipment	11	151	31
Interest expense		906	1,152
Interest income		(219)	(255)
Loss on derivatives, net		101	178
Dividend income		(652)	(683)
Unrealised foreign exchange effect on non-operating balances	26	2,422	(1,676)
Operating cash flows before working capital changes		**15,807**	**19,277**
Decrease in gross trade receivables		233	861
Decrease in advances to suppliers		426	630
Decrease/(increase) in other receivables		1,425	(528)
Decrease/(increase) in inventories		2,060	(3,644)
Decrease/(increase) in other current assets		67	(75)
Increase in trade payables		6	682
(Decrease)/increase in other payables		(848)	497
Increase/(decrease) in advances from customers		789	(970)
Increase in other current liabilities		178	27
Cash generated from operations before income taxes and interest paid		**20,143**	**16,757**
Income taxes paid		(2,605)	(4,028)
Interest paid		(3,178)	(3,435)
Net cash generated from operating activities		**14,360**	**9,294**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(14,443)	(16,122)
Loans provided		(2,165)	(1,802)
Proceeds from loans repaid		3,478	1,404
Interest received		520	76
Dividends received		884	618
Proceeds from sale of available-for-sale investments		5,541	248
Purchase of available-for-sale investments		(3,840)	(3,876)
Proceeds from sale of trading investments		1,553	1,488
Purchase of trading investments		(948)	(1,942)
Net change in other non-current assets and liabilities		173	-
Net cash used in investing activities		**(9,247)**	**(19,908)**
Cash flows from financing activities			
Proceeds from issue of capital to non-controlling shareholders	20	-	12,755
Acquisition of non-controlling interest	22	(3,685)	(116)
Dividends paid to shareholders of the Company	20	(2,598)	(1,863)
Dividends paid to non-controlling shareholders		(94)	(100)
Acquisition of treasury shares	20	-	(65)
Sale of treasury shares	20	65	-
Irrevocable deposits proceeds/ (made)	6	668	(314)
Proceeds from borrowings		30,453	48,752
Repayment of borrowings		(45,832)	(33,040)
Proceeds from financial liabilities		671	-
Repayment of financial liabilities		(692)	-
Payment (made)/ received from derivative		69	(531)
Net cash (used in)/generated from financing activities		**(20,975)**	**25,478**
Net (decrease)/increase in cash and cash equivalents		**(15,862)**	**14,864**
Effect of exchange rate changes on cash and cash equivalents		1,196	(920)
Cash and cash equivalents at the end of the year	6	**12,787**	**27,453**

(in millions of Russian Roubles)

	Capital and reserves attributable to the Company's owners							
	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other reserves	Cumulative currency translation difference	Non-controlling interests	Total equity
Balance at 1 January 2012	**3,125**	**(79)**	**36,726**	**15,392**	**(5,588)**	**691**	**2,781**	**53,048**
Comprehensive income								
Profit for the year	-	-	14,195	-	-	-	666	14,861
Other comprehensive income								
Fair value gains on investment in JSC Sberbank (Note 16)	-	-	-	45	-	-	7	52
Disposal of investment in JSC Sberbank (Note 16)	-	-	-	(241)	-	-	(7)	(248)
Fair value gains on available-for-sale securities (Note 16)	-	-	-	1,015	-	-	-	1,015
Currency translation differences	-	-	-	-	-	71	(127)	(56)
Income tax recorded in other comprehensive income (Note 29)	-	-	-	(164)	-	-	-	(164)
Total other comprehensive income	**-**	**-**	**-**	**655**	**-**	**71**	**(127)**	**599**
Total comprehensive income	**-**	**-**	**14,195**	**655**	**-**	**71**	**539**	**15,460**
Transactions with Company's owners								
Dividends declared (Note 20)	-	-	(1,862)	-	-	-	(100)	(1,962)
Redemption of treasury shares (Note 20)	(79)	79	(5,478)	-	5,478	-	-	-
Acquisition of treasury shares	-	(4)	-	-	(61)	-	-	(65)
Shares issued to non-controlling interests (Note 20)	-	-	-	-	-	-	12,755	12,755
Acquisition of non-controlling interest	-	-	161	-	-	-	(277)	(116)
Total transactions with Company's owners	**(79)**	**75**	**(7,179)**	**-**	**5,417**	**-**	**12,378**	**10,612**
Balance at 31 December 2012	**3,046**	**(4)**	**43,742**	**16,047**	**(171)**	**762**	**15,698**	**79,120**
Balance at 1 January 2013	**3,046**	**(4)**	**43,742**	**16,047**	**(171)**	**762**	**15,698**	**79,120**
Comprehensive income								
Profit for the year	-	-	12,225	-	-	-	794	13,019
Other comprehensive income								
Fair value gains on available-for-sale investments (Note 16)	-	-	-	(4,462)	-	-	-	(4,462)
Disposal of investments (Note 16)	-	-	-	(5,452)	-	-	-	(5,452)
Currency translation differences	-	-	-	932	-	230	89	1,251
Change in the recognized taxable temporary differences	-	-	-	156	-	-	-	156
Income tax recorded in other comprehensive income (Note 29)	-	-	-	2,153	-	-	-	2,153
Total other comprehensive income	**-**	**-**	**-**	**(6,673)**	**-**	**230**	**89**	**(6,354)**
Total comprehensive income	**-**	**-**	**12,225**	**(6,673)**	**-**	**230**	**883**	**6,665**
Dividends declared (Note 20)	-	-	(2,594)	-	-	-	(94)	(2,688)
Acquisition of treasury shares	-	-	(429)	-	-	-	(3,256)	(3,685)
Shares issued to non-controlling interests	-	4	-	-	61	-	-	65
Total transactions with Company's owners	**-**	**4**	**(3,023)**	**-**	**61**	**-**	**(3,350)**	**(6,308)**
Balance at 31 December 2013	**3,046**	**-**	**52,944**	**9,374**	**(110)**	**992**	**13,231**	**79,477**

1 Acron Group and its Operations

These consolidated financial statements for the year ended 31 December 2013 comprises Joint Stock Company “Acron” (the “Company” or “Acron”) and its subsidiaries (together referred to as the “Group” or “Acron Group”). The Company’s shares are traded on the Moscow and London Stock Exchange.

The Group’s principal activities include the manufacture, distribution and sale of chemical fertilizers and related by-products. The Group’s manufacturing facilities are primarily based in the Novgorod, Smolensk and Murmansk regions of Russia and also in China.

The Company’s registered office is at Veliky Novgorod, 173012, Russian Federation.

The Group’s ultimate parent is Subero Associates Inc (British Virgin Islands). As at 31 December 2013 and 2012 the Group was ultimately controlled by Mr. Viatcheslav Kantor.

2 Basis of accounting

Basis of preparation. These consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (“IFRS”) under the historical cost convention except as modified by the fair value revaluation of derivatives, available-for-sale and trading investments.

Functional and presentation currency. Functional currency of the Group's consolidated financial statements is the currency of the primary economic environment in which the Group operates. Company's functional currency and presentation currency is the national currency of the Russian Federation - Russian Rouble (RUB). The functional currency of the Company's subsidiary Shandong Hongri Acron Chemical Joint Stock Company Limited (China) is the Chinese yuan.

Unless otherwise indicated, all financial information presented in these consolidated financial statements are presented in millions of Russian Roubles (RUB). These consolidated financial statements have been prepared based on the statutory records, with adjustments and reclassifications recorded for the fair presentation in accordance with IFRS.

3 Critical Accounting Estimates, and Judgments in Applying Accounting Policies

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Estimated impairment of goodwill . The Group tests goodwill for impairment at least once a year. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less costs to sell or value in use (Note 13) . These calculations require the use of estimates .

Evaluation of put/call options for JSC VPC shares. The fair value of stock options is estimated based on Black–Scholes Option Pricing Model which was developed for use in estimating the fair value of short and medium term options on quoted shares. Option pricing method requires use of subjective inputs and assumptions including expected volatility of the share price and share spot price at the date of valuation. Since JSC VPC shares are not publicly traded, expected volatility was determined based on historical stock quotes of companies in the same industry, and an estimate of the spot price of the shares was made on the basis of discounted cash flows attributable to JSC VPC. The value of the long-term options calculated using the model was further adjusted to exclude the effect of presumed overestimation (Notes 15 and 32).

Accounting treatment for put options, that will be regulated by the Company’s shares. In 2012 the Group sold shares of JSC VPC to the non-controlling shareholders linked to put options, which gave the right to the non-controlling shareholders to sell their shares back to the Group in exchange for the variable amount of shares in JSC Acron. Because at the option exercise date the Group does not have obligation to deliver cash or another financial asset, the subsidiary’s shares that are held by non-controlling interest holders were presented in equity as non-controlling interests and the put options were recognised as derivative financial liabilities (Note 20).

Impairment of exploration rights. The Group performed annual impairment test of mining and exploration rights of JSC Verkhnekamsk Potash Company (JSC VPC). The recoverable amount of the cash-generating unit (CGU) was determined based on value-in-use calculations as at 30 September 2013 . These calculations used cash flow projections based on financial budgets approved by management and covering a 5-year period incorporating expected market prices for key fertilizers for the same period according to leading industry publications. The growth rate did not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. The discount rate used reflected the risks inherent in this CGU, as further disclosed in Note 12.

Consolidation of subsidiaries. Although the Company has only 50% interest in JSC Acron-Trans, it has the power to cast the majority of votes at meetings of the board of directors as per charter. Accordingly, the Company has consolidated this entity in these financial statements. At 31 December 2013, total net assets of the JSC Acron-Trans were approximately RUB 200 (2012: RUB 183).

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Capitalisation of borrowing costs for exploration rights. Exploration rights represent part of investment projects for development of mineral deposits that necessarily take a substantial time to get ready for intended use. Accordingly, management considers exploration rights as qualifying assets for capitalization of borrowing costs (Note 12).

Continuance of recognition of investment in JSC Silvinit as result of its reorganisation. In second quarter of 2011 JSC Silvinit was reorganized by merger with JSC Uralkali. The management has exercised significant judgement in the analysis of this event to make a decision to continue the recognition of investment in JSC Silvinit. In performing the analysis, management considered comparability of expected cash flows and market valuations of shares in JSC Silvinit and in united company JSC Uralkali as well as proximity of their economic characteristics and insignificance of changes in JSC Silvinit's management upon its merger. Thus, the management of the Group decided not to derecognize the investment in JSC Silvinit and to keep the revaluation reserve, accumulated to the date of the merger, in equity.

4 Segment Information

The Group prepares its segment analysis in accordance with IFRS 8, Operating Segments. Operating segments are components that engage in business activities that capable to earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (s) ("CODM") and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Management Board of the Group.

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the current segment structure of the Group:

- Acron – representing manufacturing and distribution of chemical fertilisers by JSC Acron;
- Dorogobuzh – representing manufacturing and distribution of chemical fertilisers by JSC Dorogobuzh;
- Hongri Acron – representing manufacturing and distribution of chemical fertilisers by Shandong Hongri Acron Chemical Joint Stock Company Ltd.;
- Mining NWPC – representing production of apatite-nepheline ore and subsequent processing in apatite concentrate;
- Mining (excluding NWPC) - comprise mining entities JSC VPC and North Atlantic Potash Inc., both under being at the stage of development, exploration and evaluation;
- Logistics – representing transportation an logistic services rendered by Estonian ports of the Group and some minor transportation companies in Russia. Constitutes an aggregation of a number of operating segments;
- Trading – representing overseas & domestic distribution companies of the Group;
- Other – representing certain logistic (other than included in logistic segment), service, agriculture and management operations.

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit has significant business and risk profile.

(in millions of Russian Roubles, except for per share amounts)

Segment financial information is presented and reviewed by the CODM based on the IFRS and includes revenues from sales and EBITDA.

The CODM evaluates performance of each segment based on measure of operating profit adjusted by depreciation and amortisation, foreign exchange gain or loss, other non-cash and extraordinary items (EBITDA). Since this term is not a standard IFRS measure Acron Group's definition of EBITDA may differ from that of other companies.

Information for the reportable segments for the year ended 31 December 2013 is set out below:

	Segment sales	Eliminable intersegment sales	External sales	EBITDA
Acron	33,421	(26,977)	6,444	9,080
Dorogobuzh	17,497	(11,141)	6,356	4,611
Hongri Acron	10,234	(75)	10,159	622
Logistics	2,970	(2,250)	720	656
Trading	45,102	(1,782)	43,320	(156)
Mining NWPC	4,115	(3,675)	440	719
Mining excluding NWPC	-	-	-	(116)
Other	2,830	(2,365)	465	(30)
Total	**116,169**	**(48,265)**	**67,904**	**15,386**

Information for the reportable segments for the year ended 31 December 2012 is set out below:

	Segment sales	Eliminable intersegment sales	External sales	EBITDA
Acron	36,059	(29,484)	6,575	13,524
Dorogobuzh	15,226	(11,148)	4,078	4,587
Hongri Acron	11,432	(373)	11,059	565
Logistics	3,181	(2,013)	1,168	878
Trading	49,515	(2,391)	47,124	1,042
Mining	681	(91)	590	(671)
Other	2,580	(2,062)	518	(1)
Total	**118,674**	**(47,562)**	**71,112**	**19,924**

Reconciliation of EBITDA to Profit Before Tax:

	2013	2012
Profit Before Tax	15,928	18,959
Loss on derivatives; net	101	178
Gain on disposal of investments	(5,392)	(309)
Interest expense	906	1,152
Finance (expense)/income, net	2,437	(1,560)
Operating Profit	**13,980**	**18,420**
Depreciation and amortisation	2,566	1,970
Foreign currency losses on operating activities	(1,112)	(497)
Gain on exploration permits	(199)	-
Loss on disposal of property, plant and equipment	151	31
Total consolidated EBITDA	**15,386**	**19,924**

Information about geographical areas:

The geographic information below analyses the Group's revenue and non-current assets. In presenting the following information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

(in millions of Russian Roubles, except for per share amounts)

	2013	2012
Revenue		
Russia	12,756	13,138
European Union	7,671	8,570
Commonwealth of Independent States	5,085	3,327
USA and Canada	7,518	5,943
Latin America	9,445	10,983
China	14,825	18,605
Asia (excluding China)	6,060	9,279
Other regions	4,544	1,267
Total	**67,904**	**71,112**

	2013	2012
Non-current assets		
Russia	84,284	67,888
China	2,942	3,163
Canada	1,685	1,468
Estonia	3,327	4,351
Europe	-	37
USA	4	18
Total	**92,242**	**76,925**

Non-current assets represent non-current assets other than financial instruments and deferred tax assets.

There are no individual customers contributing 10% or more to the total revenues.

5 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2013 and 2012 are detailed below.

The following turnovers and balances arise from transactions with related parties:

i Balances with related parties

Statement of financial position caption	Note	Relationship	2013	2012
Trade receivables, gross	7	Companies under common control	9	8
Trade payables	17	Companies under common control	(11)	(12)

ii Transactions with related parties

	Note	Relationship	2013	2012
Sales of chemical fertilisers	4	Companies under common control	30	50
Purchases of raw materials	23	Companies under common control	(164)	(458)
Charity	27	Companies under common control	139	(80)
Acquisition of land	11	Companies under common control	(287)	(1,383)

iii Key management personnel compensation

Total key management personnel compensation in the amount of RUB 272 (2012: RUB 531) was recorded in general and administrative expenses. Related state social and pension costs amounted to RUB 3 (2012: RUB 3).

(in millions of Russian Roubles, except for per share amounts)

6 Cash, Cash Equivalents and irrevocable deposits

	2013	2012
Cash on hand and bank balances denominated in RUB	1,780	10,179
Bank balances denominated in USD	9,691	14,811
Bank balances denominated in EUR	459	1,406
Bank balances denominated in CAD	8	24
Bank balances denominated in CHF	7	4
Bank balances denominated in PLN	83	-
Bank balances denominated in CNY	759	1,029
Total cash and cash equivalents	**12,787**	**27,453**
Irrevocable bank deposits in USD	767	1,435
Total	**13,554**	**28,888**

Cash and cash equivalents include term deposits of RUB 9,104 (2012: RUB 2,047).

Current irrevocable bank deposits include certain bank deposits of the Group which are restricted as guarantees in relation to the credit agreement between HSBC Bank (China), Raiffeisen Bank International AG and one of the subsidiaries of JSC Acron in China. These deposits are classified as current in the consolidated Group financial statements based on maturities of respective loans.

The fair value of cash, cash equivalents and irrevocable deposits is equal to their carrying amount. All bank balances and term deposits are neither past due nor impaired. Analysis of the credit quality of bank balances and term deposits is as follows:

	2013	2012
A to AAA* rated	594	6,308
BB- to BBB+* rated	12,000	21,333
Chinese banks with top internal credit ratings	760	1,030
Unrated	200	217
Total	**13,554**	**28,888**

* Based on the credit ratings of Fitch Ratings, an independent rating agency.

7 Accounts Receivable

	2013	2012
Trade accounts receivable	1,391	1,624
Notes receivable	173	314
Other accounts receivable	614	796
Impairment provision	(213)	(199)
Total financial assets	**1,965**	**2,535**
Advances to suppliers	1,803	2,229
Value-added tax recoverable	3,120	4,467
Income tax prepayments	82	327
Other taxes receivable	217	80
Impairment provision	(12)	(16)
Total accounts receivable	**7,175**	**9,622**

The fair value of accounts receivable does not differ significantly from their carrying amounts.

As of 31 December 2013, trade and other accounts receivable of RUB 213 (2012: RUB 199) were individually impaired and an impairment provision was recognised. The individually impaired receivables mainly relate to customers that are in unexpectedly difficult economic situations.

The aging of trade and other accounts receivable is as follows:

	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	1,371	-	2,085	-
Past due for less than 3 months	94	-	117	-
Past due from 3 to 9 months	292	(18)	17	(9)
Past due from 9 to 12 months	17	(12)	13	(7)
Past due over 12 months	231	(183)	188	(183)
Total	**2,005**	**(213)**	**2,420**	**(199)**

(in millions of Russian Roubles, except for per share amounts)

The movements in the provision for impairment of trade and other accounts receivable are as follows:

	2013	2012
	Trade and other receivables	**Trade and other receivables**
Provision for impairment at 1 January	(199)	(101)
Provision for impairment	(22)	(104)
Provision used	7	1
Provision reversed	1	5
Provision for impairment at 31 December	**(213)**	**(199)**

The Group does not hold any collateral as security for trade and other accounts receivable.

Besides trade accounts receivable and advances to suppliers, the other classes within accounts receivable do not contain impaired assets.

8 Loans Receivable

	2013	2012
Short-term loans receivable		
Loans issued to third parties	28	1,363
	28	**1,363**
Long-term loans receivable		
Loans issued to third parties	98	23
	98	**23**

At 31 December 2013 and 2012 short-term loans totalled RUB 28 and RUB 1,363, respectively, at interest rates in the range of 5.25% to 8.25% (2012: 5.31% to 8.25%). The loans were unsecured.

At 31 December 2013 and 2012 long-term loans totalled RUB 98 and RUB 23, respectively, at interest rates of 10% (2012: 10%). The loans were unsecured.

In 2013 the Group accrued interest income on loans receivable of RUB 50 (2012: RUB 58).

At 31 December 2012 the Group had one counterparty with aggregated loans receivable balances in excess of 98% of the Group's loans receivable balances. The loans were issued to parties, with whom the Group had standing business relationship as lending business is not Group's primary activity.

9 Inventories

	2013	2012
Raw materials and spare parts, including	6,405	7,324
- Apatite-nepheline ore	647	546
- Apatite concentrate	26	45
Work in progress	421	505
Finished products	4,111	5,139
	10,937	**12,968**

Raw materials are shown net of obsolescence provision of RUB 585 (2012: RUB 305). No inventory was pledged as security at 31 December 2013 and 2012.

(in millions of Russian Roubles, except for per share amounts)

10 Leasehold Land

	2013	2012
Cost		
Balance at 1 January	514	566
Additions	3	-
Disposal	(26)	-
Translation difference	54	(52)
Balance at 31 December	**545**	**514**
Accumulated amortisation		
Balance at 1 January	54	51
Amortisation for the year	5	7
Translation difference	5	(4)
Balance at 31 December	**64**	**54**
Net book value		
Balance at 1 January	**460**	**515**
Balance at 31 December	**481**	**460**

At 31 December 2013, the Group's leasehold land with net book value of RUB 330 (2012: RUB 300) was held and represent prepayments for land use rights with terms of 27 to 30 years expiring from March 2023 to November 2028. The leasehold land related to location of buildings and production facilities of Shandong Hongri Acron Chemical Joint Stock Company Ltd., the Group's subsidiary in the People's Republic of China.

At 31 December 2013, land use right with a net book value of RUB 254 (2012: RUB 424) had been pledged as security for long-term loans (Note 19).

(in millions of Russian Roubles, except for per share amounts)

11 Property, Plant and Equipment

	Buildings and constructions	Plant and equipment	Transport	Other	Land	Mining and primary ore dressing assets	Mining assets under construction	Assets under construction	Total
Cost									
Balance at 1 January 2013	**20,027**	**24,378**	**4,124**	**1,886**	**2,365**	**4,890**	**16,712**	**8,131**	**82,513**
Additions	-	-	-	-	-	-	7,091	8,446	**15,537**
Transfers	2,353	2,111	104	199	238	3,845	(3,845)	(5,005)	-
Disposals	(216)	(487)	(84)	(44)	-	(2)	-	-	**(833)**
Translation difference	420	489	133	16	-	-	-	38	**1,096**
Balance at 31 December 2013	**22,584**	**26,491**	**4,277**	**2,057**	**2,603**	**8,733**	**19,958**	**11,610**	**98,313**
Accumulated Depreciation									
Balance at 1 January 2013	**12,928**	**18,618**	**1,428**	**645**	**-**	**570**	**-**	**-**	**34,189**
Depreciation charge	513	1,255	275	54	-	649	-	-	**2,746**
Disposals	(187)	(386)	(68)	(40)	-	(1)	-	-	**(682)**
Translation difference	117	293	32	11	-	-	-	-	**453**
Balance at 31 December 2013	**13,371**	**19,780**	**1,667**	**670**	**-**	**1,218**	**-**	**-**	**36,706**
Accumulated Impairment Loss									
Balance at 1 January 2013	**212**	**239**	-	**1**	-	**-**	**-**	**6**	**458**
Impairment	-	46	-	1	-	-	-	-	**47**
Reversal of impairment	(17)	(1)	-	-	-	-	-	-	**(18)**
Translation difference	23	28	-	-	-	-	-	1	**52**
Balance at 31 December 2013	**218**	**312**	**-**	**2**	**-**	**-**	**-**	**7**	**539**
Net Book Value									
Balance at 1 January 2013	**6,887**	**5,521**	**2,696**	**1,240**	**2,365**	**4,320**	**16,712**	**8,125**	**47,866**
Balance at 31 December 2013	**8,995**	**6,399**	**2,610**	**1,385**	**2,603**	**7,515**	**19,958**	**11,603**	**61,068**

(in millions of Russian Roubles, except for per share amounts)

	Buildings and constructions	Plant and equipment	Transport	Other	Land	Mining and primary ore dressing assets	Mining assets under construction	Assets under construction	Total
Cost									
Balance at 1 January 2012	**20,031**	**23,521**	**4,130**	**1,321**	**911**	**1,260**	**10,397**	**5,192**	**66,763**
Additions	-	**-**	**-**	**-**	**-**	**-**	9,945	6,826	**16,771**
Transfers	235	1,520	84	588	1,454	3,630	(3,630)	(3,881)	-
Disposals	(85)	(435)	(48)	(16)	-	-	-	-	**(584)**
Translation difference	(154)	(228)	(42)	(7)	-	-	-	(6)	**(437)**
Balance at 31 December 2012	**20,027**	**24,378**	**4,124**	**1,886**	**2,365**	**4,890**	**16,712**	**8,131**	**82,513**
Accumulated Depreciation									
Balance at 1 January 2012	**12,617**	**18,046**	**1,312**	**550**	**-**	**192**	**-**	**-**	**32,717**
Depreciation charge	431	1,116	171	108	-	378	-	-	**2,204**
Disposals	(81)	(417)	(47)	(8)	-	-	-	-	**(553)**
Translation difference	(39)	(127)	(8)	(5)	-	-	-	-	**(179)**
Balance at 31 December 2012	**12,928**	**18,618**	**1,428**	**645**	**-**	**570**	**-**	**-**	**34,189**
Accumulated Impairment Loss									
Balance at 1 January 2012	**210**	**355**	-	**3**	-	**-**	**-**	**6**	**574**
Impairment	13	-	-	-	-	-	-	-	**13**
Reversal of impairment	-	(102)	-	-	-	-	-	-	**(102)**
Translation difference	(11)	(14)	-	(2)	-	-	-	-	**(27)**
Balance at 31 December 2012	**212**	**239**	**-**	**1**	**-**	**-**	**-**	**6**	**458**
Net Book Value									
Balance at 1 January 2012	**7,204**	**5,120**	**2,818**	**768**	**911**	**1,068**	**10,397**	**5,186**	**33,472**
Balance at 31 December 2012	**6,887**	**5,521**	**2,696**	**1,240**	**2,365**	**4,320**	**16,712**	**8,125**	**47,866**

(in millions of Russian Roubles, except for per share amounts)

Included in the 2013 additions to assets under constructions is approximately RUB 1,086 of capitalized borrowing costs in accordance with IAS 23, Borrowing costs (2012: RUB 944) at the average borrowing rate of 4.57% (2012: 6.14%).

At 31 December 2013, assets under property, plant and equipment with a net book value of RUB 1,452 (2012: RUB 1,534) had been pledged as security for long-term loans (Note 19).

Non-current assets impairment test. Cash-generating units (CGUs) represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment.

Management concluded that there are no impairment indicators for CGUs as at on 31 December 2013, except for JSC VPC. Goodwill is tested for impairment subject to IFRS requirements to perform annual impairment test for goodwill.

12 Exploration and Evaluation Licences and Expenditure

Licence of JSC Verkhnekamsk Potash Company (JSC VPC)

In May 2008 the Group's subsidiary, JSC VPC, following an auction process, acquired a license for the exploration and development of the Talitsky section of the Verkhnekamsk potash deposit, located in Perm region, Russian Federation. The license expires in April 2028.

The Group initially recognised the license at cost of RUB 16,829 and additionally capitalised borrowing costs less interest income from temporarily invested funds of RUB 808 at 4.57% (2012: RUB 1,446 at 6.14%).

In October 2013, the Group applied to the Office of Mineral Resources for the Perm region and agreed on the changes associated with prolongation of terms of development of the Talitsky section of the Verkhnekamsk potash deposit. In accordance with the new conditions of the license JSC VPC has the following commitments:

- no later than 2016 a technical project of Talitsky area shall be agreed with authorities (initial term - 2014);
- no later than 2021 the mine shall be put into operation (initial term - 2016);
- no later than 2023 the mine output shall be brought to a designed capacity levels (initial term - 2018).

Permits for exploration

At 31 December 2013 the Group's subsidiary North Atlantic Potash Inc. (former 101109718 Saskatchewan Ltd.) had 18 permits to explore for potash deposits in the Canadian province of Saskatchewan for RUB 1,680. Permits expire in 2016. Following exploration results the Group have a preferential right for purchase of exploration licenses.

In 2011, the Group entered into the agreement with RIO Tinto Exploration Canada Inc ("Rio Tinto") to sell 40% interest in 9 permits to explore potash deposits together with an option allowing RIO Tinto to purchase additional 40% interest in permits before March 2013.

Upon expiration of the initial term of the option the parties agreed to extend its validity until 31 August 2013 on condition that the Group shall receive 8% interest in deposit in case the option is not exercised by RIO Tinto before the specified date. Subsequently, RIO Tinto did not exercise the option and, consequently the Group increased its stake in the deposit by 8% and recognised respective RUB 199 as income in profit or loss.

At the reporting date, the Group is in the process of establishing a joint arrangement with RIO Tinto.

In 2013 the Group capitalised exploration and evaluation expenses including costs related to compliance with permit terms in the amount of RUB 15 (2012: RUB 295).

	2013	**2012**
Cost		
Balance at 1 January	**26,371**	**24,345**
Additions	1,027	1,741
Disposals		-
Currency translation difference	-	285
Balance at 31 December	**27,398**	**26,371**
Accumulated Amortisation		
Balance at 1 January	**-**	-
Amortisation charge	(5)	-
Disposals	-	-
Balance at 31 December	**(5)**	**-**
Net Book Value		
Balance at 1 January	**26,371**	**24,345**
Balance at 31 December	**27,393**	**26,371**

(in millions of Russian Roubles, except for per share amounts)

Exploration and evaluation expenditure comprise of:

	2013	2012
Apatite-nepheline deposits (production / development stage)	676	681
Potash deposits (development stage)	25,032	24,225
Permits for exploration (exploration and evaluation stage)	1,685	1,465
	27,393	**26,371**

Impairment test of JSC VPC

The Group management has concluded that in respect of JSC VPC there are indicators of impairment and has performed annual testing of this cash-generating unit (CGU) for impairment as at 30 September 2013.

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections, prepared in nominal terms, based on financial budgets approved by management. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Based on the results of these calculations the Group concluded that no impairment charge was required. The key assumptions used for value-in-use calculations are as follows:

	30 September 2013	31 December 2012
EBITDA margin range over the forecast period	46-68%	62-70%
Growth rate beyond forecast period	2-5%	2-3%
Start of production	2018	2016
Discount rate	13.8%	12.5%

Management determined budgeted EBITDA margin based on peers performance and its most realistic expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax, reflect specific risks relating to the relevant segments and were estimated on the weighted average cost of capital basis.

The estimated recoverable amount of the CGU exceeded its carrying value by approximately RUB 16,975. Management identified that the recoverable amount is strongly dependent on changes in discount rates. Increase of 2% in the discount rate used would have caused the discounted amount of future cash flows to equal the carrying amount.

13 Goodwill

	2013	2012
Cost and carrying amount at 1 January	1,267	1,267
Cost and carrying amount at 31 December	1,267	1,267

Goodwill is allocated to cash-generating units (CGUs) which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment as follows:

	2013	2012
LLC Andrex	52	52
JSC Dorogobuzh / CGU Dorogobuzh	972	972
AS DBT / CGU DBT	243	243
Total carrying amount of goodwill	**1,267**	**1,267**

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections, prepared in nominal terms, based on financial budgets approved by management covering a five year period. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Based on the results of these calculations the Group concluded that no impairment charge was required for major CGUs in 2013.

The key assumptions used for value-in-use calculations in 2013 are as follows:

- EBITDA margin range over the forecast period: 19%-34% (2012: 5.1%-22%)
- Growth rate beyond five years: 1%-2% (2012: 1%)
- Discount rate: 13% (2012: 8%)

Management determined budgeted EBITDA margin based on past performance and its most realistic expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax, reflect specific risks relating to the relevant segments and were estimated on the weighted average cost of capital basis.

(in millions of Russian Roubles, except for per share amounts)

As the result of the annual testing there was no need to recognize impairment of goodwill , as there would be no such need if the projected sales growth rate used in calculating the value in use for each cash-generating unit would be to 2.0% (2012: 2.0%) less than management estimates. Impairment would also be not recognized if the estimated after-tax discount rate applied to the discounted cash flows for any CGU to 6% (2012: 6%) more than management expectations .

14 Available-for-Sale Investments

	2013	2012
Balance at 1 January	**24,681**	**19,950**
Additions	3,840	3,876
Fair value (loss)/gain on JSC Uralkali recognised directly in OCI	(5,315)	241
Fair value gain on Grupa Azoty S.A. recognised directly in OCI	853	826
Disposals of Uralkali	(5,593)	-
Other disposals	-	(248)
Currency translation difference	932	36
Balance at 31 December	**19,398**	**24,681**

The Group has investments in the following companies:

Name	Activity	Country of registration	2013	2012
Current				
JSC Uralkali	Potash mining	Russia	8,949	19,857
Total current			**8,949**	**19,857**
Non-current				
Grupa Azoty S.A.	Fertilizers production	Poland	10,309	4,684
Other			140	140
Total non-current			**10,449**	**4,824**
Total			**19,398**	**24,681**

As at 31 December 2013 the investment in JSC Uralkali was classified as current according to management intention to dispose this investment within 12 months from the reporting date.

Fair value of all investments was determined by reference to the current market value at the close of business on the date of a transaction or on 31 December 2013. At 31 December 2013 the share price quoted by Moscow Stock Exchange for JSC Uralkali amounted to 171.99 roubles for 1 share (2012: 234.75 roubles for 1 share).

In the first quarter Polish company Azoty Tarnów (Zakłady Azotowe w Tarnowie-Mościcach SA) made an additional issue of its shares in order to pay for acquisition of another Polish company Zakłady Azotowe „Puławy” S.A. As a result of the acquisition, the company Azoty Tarnów changed its name to Grupa Azoty S.A.

During the reporting period, the Group acquired additional 6,382,434 shares of the Polish company in the open market for RUB 3 840. Accordingly, the Group's stake in the authorized capital of Grupa Azoty S.A. increased to 15.34 % as at 31 December 2013 (31 December 2012: 13.78%). At 31 December 2013 the share price quoted at Warsaw Stock Exchange for Grupa Azoty S.A. was 677.56 roubles (31 December 2012: 530.21 roubles).

15 Derivative Financial Assets and Liabilities

In June 2011 the Group transacted a USD/RUB cross currency swap agreement whereby the Group pays USD fixed 3.83% based on the nominal amount of USD 80,732 thousand and receives Russian roubles fixed 7.95% interest based on the nominal amount of RUB 2,250. The swap matures on 2 June 2014. At 31 December 2013 the fair value of the contract was liability RUB 411 (2012: liability RUB 256). The total impact of the revaluing this contract included in profit or loss for 2013 was RUB 155 loss (2012: RUB 66 loss).

(in millions of Russian Roubles, except for per share amounts)

Put and call options on JSC VPC shares are recognised within the shares issue to non-controlling interests. The liabilities comprise the put options giving the non-controlling shareholders the right to sell their 29.1% of JSC VPC shares back to the Group in 2019-2024. Assets comprise the call options, which give the Group the right to buy 9.1% of JSC VPC shares from non-controlling shareholders before 2018 (Note 20).

	2013			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	2,030	-	2,052	-
USD/RUB Cross currency interest rate swap	-	-	-	411
	2,030	**-**	**2,052**	**411**

	2012			
	Assets		Liabilities	
	Non Current	Current	Non Current	Current
USD/RUB Cross currency interest rate swap	-	-	256	-
USD non deliverable interest rate swap	-	-	-	7
	-	**-**	**256**	**7**

16 Trading Investments

	2013	2012
Eurobonds	146	355
US bonds	98	30
Corporate bonds	3	3
Promissory notes	-	472
Total debt securities	**247**	**860**
Total trading investments	**247**	**860**

Trading investments are carried at fair value which also reflects any credit risk related write-downs. As trading investments are carried at their fair values based on observable market data using bid prices from Moscow Stock Exchange, the Group does not analyse or monitor impairment indicators. The total gain on trading investments recognised in the statement of profit or loss and other comprehensive income was RUB 2 (2012: RUB 61 gain).

Analysis by credit quality of debt trading securities outstanding at 31 December 2013 is as follows:

	US and Eurobonds	Corporate bonds	Total
B1 rated	60	-	60
B2 rated	41	-	41
B3 rated	18	-	18
B+ rated	-	-	-
BBB (BBB-) rated	98	3	101
B rated	-	-	-
C rated	27	-	27
Total debt securities	**244**	**3**	**247**

Analysis by credit quality of debt trading securities outstanding at 31 December 2012 is as follows:

	US and Eurobonds	Corporate bonds	Promissory notes	Total
B1 rated	35	-	-	35
B2 rated	38	-	-	38
B3 rated	58	-	-	58
B+ rated	22	-	-	22
BBB (BBB-) rated	152	-	472	624
B rated	69	-	-	69
C rated	11	-	-	11
Unrated	-	3	-	3
Total debt securities	**385**	**3**	**472**	**860**

None of the debt securities are impaired as of 31 December 2013 and 2012.

(in millions of Russian Roubles, except for per share amounts)

17 Accounts Payable

	2013	2012
Trade accounts payable	3,653	3,647
Dividends payable	9	13
Total financial payables	**3,662**	**3,660**
Payables to employees	884	806
Accrued liabilities and other creditors	427	883
Total accounts payable and accrued expenses	**4,973**	**5,349**

18 Other Taxes Payable

	2013	2012
Value-added tax payable	204	225
Payroll taxes	167	137
Property and other taxes payable	120	131
	491	**493**

19 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	2013	2012
Bonds issued	8,113	11,150
Credit lines	8,510	10,067
Term loans	33,564	40,342
	50,187	**61,559**

The Group's borrowings mature as follows:

	2013	2012
Borrowings due:		
- within 1 year	27,467	23,383
- between 1 and 5 years	22,294	38,060
- after 5 years	426	116
	50,187	**61,559**

The Group's borrowings are denominated in currencies as follows:

	2013	2012
Borrowings denominated in:		
- RUB	8,175	14,194
- EUR	3,147	1,735
- USD	36,683	41,757
- CNY	2,182	3,873
	50,187	**61,559**

Bank loans denominated in CNY and EUR were collateralised by buildings, machinery and equipment with a net book value of RUB 1,452 (2012: RUB 1,534) (Note 11) and land use right with a net book value of RUB 254 (2012: RUB 424) (Note 10). The loans obtained from banks in China are secured by guarantees issued by third parties totalled RUB 838 (2012: RUB 1,889).

With the exception of interest rate and cross currency swap agreements (Note 15), the Group has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

At 31 December 2013 unused credit lines available under the long-term loan facilities were RUB 1,185 (2012: RUB 13,644). The terms and conditions of unused credit lines are consistent with other borrowings.

(in millions of Russian Roubles, except for per share amounts)

The details of the significant short-term loan balances are summarised below:

	2013	2012
Short-term borrowings		
RUB		
Loans with fixed interest rates of 8.75% to 11% per annum	-	3,010
Bond Issue with fixed interest rate of 7.95% per annum	3,113	3,037
EUR		
Loans with floating interest rates of 3M EURIBOR + 1.35% per annum	1,708	16
Loans with fixed interest rate of 2% per annum	118	-
USD		
Loans with fixed interest rate of 4.35% to 6.82% per annum	740	1,189
Loans with floating interest rates of LIBOR + 3% to LIBOR+5.5% per annum	19,725	12,391
CNY		
Loans with fixed interest rates of 4.62% to 9.8% per annum	2,063	3,740
Total short-term borrowings	**27,467**	**23,383**

The details of the significant long-term loan balances are summarised below:

	2013	2012
Long-term borrowings		
RUB		
Loans with fixed interest rates of 6.32% to 8.85% per annum	62	34
Bonds with coupon payments of 9.75% to 14.05% per annum	5,000	8,113
EUR		
Loans with floating interest rates of 3M EURIBOR + 1.35% to +1.75%	731	1,560
Loans with fixed interest rate of 4.35% to 4.9% per annum	589	159
USD		
Loans with fixed interest rates of 4.35% to 6.75% per annum	378	888
Loans with floating interest rates of LIBOR +3.5% to LIBOR + 5.5% per annum	15,841	27,289
CNY		
Loans with fixed interest rates of 6.2% to 7.98% per annum	119	133
Total long-term borrowings	**22,720**	**38,176**

Significant loan agreements contain certain covenants including those which require the Group and Group entities to maintain a minimum level of net assets, equity/total assets ratio, debt/equity ratio, debt/EBITDA ratio and EBITDA/ interest expense ratio. The loan agreements provide for the borrower's obligation to maintain the required level of inflows through the accounts opened with the lending banks and stipulate acceleration clauses in case of the borrower's failure to fulfil or appropriately fulfil its obligations to the bank. The loan agreements also contains a number of covenants and acceleration clause in case of the borrower's failure to fulfil its obligations under the loan agreements which include restrictions on material transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the borrowings.

In September 2009 the Group placed through an offering to the public under an open subscription RUB denominated 14.05% non-convertible bonds with a face value of RUB 3,500 redeemed in September 2013.

In May 2011 the Group placed through an offering to the public under an open subscription RUB denominated 7.95% non-convertible bonds with a face value of RUB 7,500 to be redeemed in May 2021. The holders of this bonds issue were granted an option to redeem the bonds beginning in May 2014. In the first quarter of 2012 the Group redeemed bonds in the amount of RUB 3,377. At 31 December 2013 the Group's subsidiary JSC Dorogobuzh held bonds of this issue in the amount of RUB 1,010.

In October 2012 the Group placed through an offering to the public under an open subscription RUB denominated 9.75% non-convertible bonds with a face value of RUB 5,000 to be redeemed in October 2015. No option to redeem these bonds were granted.

All of the above bonds have been admitted to the quotation list B and are traded on Moscow Stock Exchange. The fair value of the outstanding bonds balance at 31 December 2013 was RUB 8,186 with reference to Moscow Stock Exchange quotations as of this date (2012: RUB 11,258).

(in millions of Russian Roubles, except for per share amounts)

20 Capital and reserves

The total authorised number of ordinary shares is 40,534,000 shares (2012: 40,534,000) with a par value of RUB 5 per share. All authorised shares have been issued and fully paid.

Total number of outstanding shares comprises (par value is expressed in roubles per one share):

	No. of outstanding ordinary shares	No. of treasury shares	Total share capital	Treasury share capital	Outstanding share capital
At 31 December 2011	**47,687,600**	**(7,153,600)**	**3,125**	**(79)**	**3,046**
Redemption of treasury shares	(7,153,600)	7,153,600	(79)	79	-
Acquisition	-	(56,263)	-	(4)	(4)
At 31 December 2012	**40,534,000**	**(56,263)**	**3,046**	**(4)**	**3,042**
Redemption of treasury shares	-	56 263	-	4	4
Acquisition	-	-	-	-	-
At 31 December 2013	**40,534,000**	**-**	**3,046**	**-**	**3,046**

In May 2012 JSC Acron finished reorganisation through merger of JSC Granit and reducing share capital through redemption of ordinary shares of JSC Acron owned by JSC Granit. As the result of reorganisation the number of voting shares of JSC Acron reduced by 15% and totalled 40,534,000 shares.

In 2013 dividends for 2012 of 64 roubles per ordinary share were declared in addition to interim dividends of 46 roubles per ordinary share declared in 2012.

Shares issue to non-controlling interest

In October 2012 the Group attracted three third-party bank institutions (the banks) to financially co-invest in the project for the development of the Verkhnekamsk potassium-magnesium salts deposit located in Perm region of Russian Federation. The banks purchased equity interests in the Group subsidiary JSC VPC totalling 38.05% for RUB 12,755 linked to put/call option agreements.

Under terms of agreements one bank has the right, exercisable in October 2024, to sell the JSC VPC shares back to the Group with the premium equivalent to interest income of the bank loans with comparable terms on the amount and duration of cash provided (thereafter "Premium"). Likewise, other two banks have the options to sell JSC VPC shares with certain premium in 2019-2020. Furthermore, the premium is subject to upward pricing adjustment within initial public offering of JSC VPC if that takes place during 6-months post-completion period.

Under terms of agreements with the banks the Group has an unconditional right to discharge its obligations by transferring its own equity instruments (ordinary shares of JSC Acron) in the quantity providing a fair value equal to the amount payable at the date of future settlement. Giving regard to these terms, at 31 December 2013 the financing received by the Group was recorded in equity of the Group as a non-controlling interests in amount of RUB 12,755.

In December 2013 the Group repurchased for RUB 4,177 10.95% of shares of JSC VPC, of which a major part was previously recognized as non-controlling interests (see Note 22). Respectively, related call/put option agreements were also cancelled. As a result, the Group's ownership of JSC VPC increased to 70.90%.

Derivative financial instruments related to above share issues are disclosed in Notes 15, 32.

In accordance with the agreement with the banks the Group will also have to meet technical conditions during project development, including meeting deadlines for key project milestones. The Group is also obliged to attract or support attracting additional financing if currently approved investment budget would not be sufficient to complete the project. Failure to meet those technical conditions in the future enable the banks to sell the equity of JSC VPC to the Group at a premium. Management does not believe that the technical risks of the project are significant.

(in millions of Russian Roubles, except for per share amounts)

21 Non-controlling Interests

The following table summarises the information as at 31 December 2013 relating to each of the Group's subsidiaries that has material non-controlling interest, before any intra group eliminations.

	JSC VPC	JSC Dorogobuzh	Other individually immaterial subsidiaries	Intra-group elimination	Total
Non-controlling interest percentage	**29.10%**	**11.16%**			
Non-current assets	22,759	16,943			
Current assets	14,134	17,022			
Long-term liabilities	(1,298)	(5,187)			
Current liabilities	(582)	(2,487)			
Net assets	**35,013**	**26,291**			
Carrying amount of non-control interests	10,189	2,934	113	(5)	13,231
Revenue	-	17,497			
Profit and total comprehensive income	906	3,984			
Profit attributed to non-controlling interest	336	458			794
Other comprehensive income attributed to non-control interest	-	-	89		89
Cash flows from operating activities	-	4,488	-	-	-
Cash flows from investment activities	(6,574)	(4,319)			
Cash flows from financing activities (dividends to non-controlling interests:94)	(1,181)	(666)			
Net decrease in cash and cash equivalents	(7,755)	(497)			
Effect of exchange rate changes	-	125			

22 Acquisition of Non-controlling Interest

In 2013, the Group acquired 8.95% interest in JSC VPC, increasing its ownership from 61.95% to 70.9%. The Group recognized a decrease in non-controlling interests of RUB 3,072 and decrease in retained earnings of RUB 414.
The following summarises the effect of changes in the Company's ownership interest in JSC VPC that do not result in a loss of control on the equity attributable to the parent:

	2013
Company's ownership interest at 1 January	**21,129**
Effect of increase in Company's ownership interest	3,125
Share of comprehensive income	570
Company's ownership interest at 31 December	**24,824**

23 Cost of Sales

	2013	2012
Change in inventories of finished goods and work in progress	1,112	(1,908)
Staff costs	5,466	4,585
Materials and components used, including:	13,185	18,901
-Phosphate	*2,920*	*4,951*
-Potash	*5,652*	*6,643*
-Coal	*848*	*1,175*
-Sulfur	*789*	*1,109*
-Other	*2,976*	*5,023*
Fuel and energy	4,705	4,081
Natural gas	9,674	7,884
Depreciation and amortisation	2,566	1,970
Impairment (reversal)/loss	217	(102)
Services	421	495
Production overheads	482	536
Repairs and maintenance	3,214	3,256
Drilling and blasting	204	224
Social expenditure	763	518
	42,009	**40,440**

(in millions of Russian Roubles, except for per share amounts)

24 Selling, General and Administrative Expenses

	2013	2012
Staff costs	2,238	2,345
Change in provision for bad debts	-	8
Business trip expenses	136	170
Research and development costs	18	37
Taxes other than income tax	453	469
Marketing services	135	242
Audit, legal and consulting services	445	413
Bank services	185	282
Insurance	86	90
Buildings maintenance and rent	480	314
Security	325	266
Telecommunication costs	82	87
Representation expenses	352	428
Commission fees	122	147
Other expenses	214	178
	5,271	**5,476**

25 Transportation Expenses

	2013	2012
Railway tariff	2,638	2,177
Freight	990	929
Maintenance of rolling stock	542	669
Container transportation	975	974
Handling of goods	1,765	1,516
Other	668	486
	7,578	**6,751**

26 Finance Income/(Costs), net

	2013	2012
Interest income from loans provided and term deposits	219	255
Commission expense	(378)	(150)
Dividend income	652	683
Other finance costs	-	(450)
Foreign exchange gain on financial transactions	3,766	8,292
Foreign exchange loss on financial transactions	(6,696)	(7,070)
	(2,437)	**1,560**

27 Other Operating Income/(Expenses), net

	2013	2012
Charity expenses	(182)	(279)
Other income	(44)	(212)
Foreign exchange gain on operating transactions	3,728	7,111
Foreign exchange loss on operating transactions	(2,616)	(6,614)
Loss on disposal of property, plant and equipment	(151)	(31)
	735	**(25)**

(in millions of Russian Roubles, except for per share amounts)

28 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. At 31 December 2013 the shares of the Company have dilutive potential related right to settle in own shares (Note 20).

	2013	2012
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	-	(37,509)
Weighted average number of shares outstanding (basic)	**40,534,000**	**40,496,491**
Effect of right to settle in own ordinary shares	2,455,730	-
Weighted average number of shares outstanding (diluted)	**42,989,730**	**40,496,491**
Profit attributable to the equity holders of the Company	12,225	14,195
Basic (in Russian Roubles)	**301.60**	**350.52**
Diluted (in Russian Roubles)	**284.37**	**350.52**

29 Income Tax

	2013	2012
Income tax expense – current	2,803	3,551
Deferred tax charge – origination and reversal of temporary differences	106	547
Income tax charge	**2,909**	**4,098**

Profit before taxation for financial reporting purposes is reconciled to tax charge as follows:

	2013		2012	
Profit before taxation	**15,928**	**100%**	**18,959**	**100%**
Theoretical tax charge at statutory rate of 20%	3,186	20%	3,792	20%
Effects of different tax rates	(103)	(1%)	(94)	-
Effect of Novgorod region tax incentive of 4.5%	(488)	(3%)	-	-
Tax effect of items which are not deductible or assessable for taxation purposes	197	1%	349	2%
Change in unrecognized deductible temporary differences	117	1%	51	-
Income tax charge	**2,909**	**18%**	**4,098**	**22%**

In the context of the Group's current structure, tax losses and current tax assets of different group subsidiaries may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity. Differences between IFRS and Russian and other countries statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded for major Russian subsidiaries at the rate of 20% (2012: 20%).

Unrecognised deferred tax liabilities

At 31 December 2013, a deferred tax liability of RUB 6,186 (2012: RUB 5,186) for temporary differences of RUB 30,923 (2012: RUB 25,931) related to an investment in a subsidiary was not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(in millions of Russian Roubles, except for per share amounts)

Movement in deferred tax balances

	1 January 2012	Charged/ (credited) to profit or loss	Charged to OCI	31 December 2012	Charged/ (credited) to profit or loss	Credited to OCI	31 December 2013
Tax effects of taxable temporary differences:							
Property, plant and equipment	761	460	-	1,221	312	-	1,533
Investments	3,987	(110)	164	4,041	31	(2,309)	1,763
Exploration rights	1,798	731	-	2,529	199	-	2,728
Inventory	1	20	-	21	(103)	-	(82)
Gross deferred tax liability	**6,547**	**1,101**	**164**	**7,812**	**439**	**(2,309)**	**5,942**
Offset	(1,888)			(2,177)			(2,445)
Recognised net deferred tax liability	**4,659**	**1,101**	**164**	**5,635**	**439**	**(2,309)**	**3,497**
Tax effects of deductible temporary differences and tax loss carry-forwards:							
Derivatives	(113)	70	-	(43)	(30)	-	(73)
Tax loss carry-forwards	(2,182)	(638)	-	(2,820)	(123)	-	(2,943)
Accounts receivable	(7)	34	-	27	(56)	-	(29)
Accounts payable	(3)	10	-	7	(26)	-	(19)
Staff costs payable	(120)	5	-	(115)	32	-	(83)
Other temporary differences	(25)	(35)	-	(60)	(130)	-	(190)
Gross deferred tax asset	**(2,450)**	**(554)**	**-**	**(3,004)**	**(333)**	**-**	**(3,337)**
Offset	1,888			2,177			2,445
Recognised net deferred tax asset	**(562)**	**(554)**	**-**	**(827)**	**(333)**	**-**	**(892)**
Recognised net deferred tax liability	**4,097**	**547**	**164**	**4,808**	**106**	**(2,309)**	**2,605**

Substantially all deferred assets and liabilities presented in the statement of financial position are expected to be realised after more than 12 months from the reporting date.

30 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 31 December 2013 the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 6,586 (2012: RUB 1,913).

In accordance with the conditions of the exploration licenses the Group has to commence the extraction of certain mineral resources by certain dates as stipulated by license agreements (Note 12).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 31 December 2013 and 2012, the Group has issued financial guarantees to third parties in respect of borrowings by the Group's counterparties in the amount of RUB 2,132 and RUB 3,062, respectively. No amount has been accrued in the consolidated financial statements for the Group's obligation under these guarantees as no outflows are expected from such guarantees.

ii Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims.

iii Operating environment of the Group

Russian Federation

The Group operates mainly in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

People’s Republic of China

The Group’s major subsidiary, Shandong Hongri Acron Chemical Joint Stock Company Ltd., is located in the People’s Republic of China. The People’s Republic of China (the “PRC”) economic and legal system is not fully developed and has inherent uncertainties. The economy of PRC differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange, and allocation of resources.

Since 1978, the PRC Government has promulgated various reforms of its economic system and government structure. These reforms have resulted in significant economic growth and social progress for PRC in the last two decades. Many of the reforms are unprecedented or experimental and are expected to be modified from time to time.

The business and operations of the Group in PRC are governed by the PRC legal system. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of a dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit legal protections available to the Group. In addition, any litigation in PRC may be protracted and result in substantial costs and diversion of resources and management attention.

iv Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transactions on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

As at 31 December 2013 management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Accordingly, at 31 December 2013 no provision for potential tax liabilities had been recorded (2012: no provision).

Management estimates that the Group has no possible obligations from exposure to other than remote tax risks (2012: no obligations).

(in millions of Russian Roubles, except for per share amounts)

v Environmental matters

The environmental regulation in the Russian Federation continues to evolve. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

31 Financial and Capital Risk Management

31.1 Financial risk management

Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; and (c) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2013:

	2013			
	Loans and receivables	**Available-for-sale assets**	**Trading Assets**	**Total**
Assets				
Cash, cash equivalents and irrevocable deposits (Note 6)				
- Cash on hand and bank balances	12,787	-	-	12,787
- Irrevocable deposits	767	-	-	767
Trade and other receivables (Note 7)				
- Trade receivables, net of provision	1,178	-	-	1,178
- Notes receivable	173	-	-	173
- Other financial receivables	614	-	-	614
Loans receivable (Note 8)				
- Short term loans receivable	28	-	-	28
- Long term loans receivable	98	-	-	98
Trading Investments (Note 16)			247	247
Available-for-sale investments (Note 14)				
- Corporate shares	-	19,398	-	19,398
Total financial assets	**15,645**	**19,398**	**247**	**35,290**

All of the Group's financial liabilities except for derivatives are carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category as designated.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2012:

	2012			
	Loans and receivables	**Available-for-sale assets**	**Trading Assets**	**Total**
Assets				
Cash, cash equivalents and irrevocable deposits (Note 6)				
- Cash on hand and bank balances	27,453	-	-	27,453
- Irrevocable deposits	1,435	-	-	1,435
Trade and other receivables (Note 7)				
- Trade receivables, net of provision	1,425	-	-	1,425
- Notes receivable	314	-	-	314
- Other financial receivables	796	-	-	796
Loans receivable (Note 8)				
- Short term loans receivable	1,363	-	-	1,363
- Long term loans receivable	23	-	-	23
Trading Investments (Note 16)	-	-	860	860
Available-for-sale investments (Note 14)				
- Corporate shares	-	24,681	-	24,681
Total financial assets	**32,809**	**24,681**	**860**	**58,350**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

(in millions of Russian Roubles, except for per share amounts)

(a) Market risk

(i) Foreign currency risk

Foreign currency risk is the risk of losses resulting from adverse movements in different currency exchange rates against the Group functional currency. Foreign currency risk arises from the international operations of the Group, future commercial transactions in foreign currencies, including repayment of foreign currency denominated borrowings and recognition of assets and liabilities denominated in a currency which is not a functional currency of the Group.

The objective of the Group’s foreign exchange risk management activities is to minimise the volatility of the Group’s financial results by matching the same foreign currency denominated assets and liabilities.

Group’s policies for attracting foreign exchange denominated borrowings depend on current and forward rates of foreign currencies to Russian Rouble. Credit lines denominated in various currencies allow the Group to be flexible in reaction to foreign currency rate shocks and minimise foreign currency exposure.

The tables below summarise the Group’s exposure to foreign currency exchange rate risk at the reporting date:

At 31 December 2013	**USD**	**EUR**	**CNY**
Financial assets:			
Cash, cash equivalents and irrevocable deposits	10,458	459	759
Accounts Receivable	772	81	212
	11,230	**540**	**971**
Financial liabilities:			
Accounts payable and other liabilities	(92)	(284)	(1,733)
Borrowings and notes payable	(36,683)	(3,147)	(2,182)
Notional of cross-currency swaps USD/RUB	2,250	-	-
	(34,525)	**(3,431)**	**(3,915)**
Net position	**(23,295)**	**(2,891)**	**(2,944)**

At 31 December 2012	**USD**	**EUR**	**CNY**
Financial assets:			
Cash, cash equivalents and irrevocable deposits	16,246	1,406	1,029
Accounts receivable	3,355	63	988
	19,601	**1,469**	**2,017**
Financial liabilities:			
Accounts payable and other liabilities	(206)	(129)	(659)
Borrowings and notes payable	(41,757)	(1,735)	(4,502)
Notional of cross-currency swaps USD/RUB	2,250	-	-
	(39,713)	**(1,864)**	**(5,161)**
Net position	**(20,112)**	**(395)**	**(3,144)**

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange risk exposure and primarily arises from cash and cash equivalents, accounts receivable and borrowings.

	2013	**2012**
Impact on post-tax profit and on equity of:		
USD strengthening by 10%	(1,864)	(1,609)
USD weakening by 10%	1,864	1,609

The Group relies on export sales to generate foreign currency earnings. As the Group sells outside the Russian Federation a significant portion of its production, it is exposed to foreign currency risk arising primarily on volatility of USD rate, in which major export sales are denominated.

Since the Group does not hold any foreign currency denominated equity securities and other financial instruments revalued through equity, the effect of a change in the exchange rate on equity would be the same as that on the post-tax profit.

(ii) Interest rate risk

Interest rate risk arises from movements in interest rates which could affect the Group’s financial results or the value of the Group’s equity. A change in interest rates may cause variations in interest income and expense. The primary objective of the Group’s interest rate management is to protect the net interest result. Interest risk management is carried out by the corporate finance and corporate treasury functions of the Group.

All entities of the Group obtain any required financing through the corporate treasury function of the Group in the form of loans. Generally, the same concept is adopted for deposits of cash generated by the units.

Monitoring of current market interest rates and analysis of the Group’s interest-bearing position is performed by the corporate treasury and corporate finance functions as a part of interest rate risk management procedures. Monitoring is performed taking into consideration refinancing, renewal of existing positions and alternative financing.

The Group’s income and operating cash flows are substantially independent of changes in market interest rates. The Group interest rate risk arises from various debt facilities. Borrowings at variable rates expose the Group’s cash flow to an interest rate risk. At 31 December 2013 and 2012 borrowings at variable rates amounted to RUB 38,005 and RUB 41,256 respectively (Note 19).

At 31 December 2013, if interest rates at that date had been 5% higher with all other variables held constant, profit for the year would have been RUB 1,688 (2012: RUB 1,259) lower, mainly as a result of higher interest expense on variable interest liabilities. The effect of a change for the year in the interest rate on equity would be the same as that on post-tax profit.

(iii) Price risk

The Group is exposed to an equity securities price risk, since it has an investment in equity stakes of JSC Uralkali and Grupa Azoty S.A., which are classified in the consolidated statement of financial position as available-for-sale as of 31 December 2013 and 2012, respectively (Note 14). Monitoring of the fair value of the stakes is performed on a regular basis to assess risk of impairment of the stakes. No impairment of these investments was recognised as of 31 December 2013 and 31 December 2012.

All the Group’s listed equity investments are listed on Moscow, Warsaw and London Stock Exchanges. For investments in JSC Uralkali, a 10% increase in the FTSE 100 at the end of the reporting period would have increased equity by RUB 773 after tax (2012: an increase by RUB 1,716). For investments in Grupa Azoty S.A., a 10% increase in the WIG Poland at the end of the reporting period would have increased equity by RUB 607 after tax (2012: an increase by RUB 275). An equal change of these indexes in the opposite direction would have decreased corresponding captions by the same amounts.

From time to time the Group makes investments in entities with high upside market potential. Investments are assessed by corporate treasury department and accepted provided that internal rate of return for investment exceeds current weighted average cost of capital.

The Group does not enter into any transactions with financial instruments whose value is exposed to the value of any commodities traded on a public market.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, cash and bank deposits and loans receivable. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables.

The maximum exposure to credit risk of RUB 15,891 (2012: RUB 33,669) resulting from financial assets is equal to the carrying amount of the Group’s financial assets, including loans receivable, cash and cash equivalents. The amount does not include equity investments and financial guarantees disclosed in Note 30(i). As of 31 December 2013 cash and cash equivalents in the amount RUB 6,752 was held in Russian bank with credit rating BB. The Group has no significant concentrations of credit risk for other financial assets.

Cash and cash equivalents. Cash and short-term deposits are placed in major multinational and Russian banks with independent credit ratings and Chinese banks with top internal credit ratings. All bank balances and term deposits are neither past due nor impaired. See analysis by credit quality of bank balances and term deposits in Note 6.

Trade receivables and loans receivable. Trade receivables and loans receivable are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of receivables is to sustain the growth and profitability of the Group by optimising asset utilisation whilst maintaining risk at an acceptable level.

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of customers or borrowers. The credit quality of each new customer is analysed before the Group provides it with the standard terms of goods supply and payments. The credit quality of new borrowers is analysed before the Group provides it with the loan. The credit quality of customers and borrowers is assessed taking into account their financial position, past experience and other factors. Customers which do not meet the credit quality requirements are supplied on a prepayment basis only.

Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to counterparties with aggregated balances in excess of 10% of the Group’s gross accounts receivable balances. At 31 December 2013 and 2012 the Group had no counterparties with aggregated receivables balances in excess of 10% of the Group’s gross accounts receivable balances.

(in millions of Russian Roubles, except for per share amounts)

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 7).

(c) Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, such as settlements of financial debt and payments to suppliers. The Group's approach to liquidity risk management is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

The Group seeks to maintain a stable funding base primarily consisting of borrowing, trade and other payables and debt securities. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group's liquidity portfolio comprises cash and cash equivalents (Note 6), trading investments (Note 16) and available-for-sale investments (Note 14). Management estimates that the liquidity portfolio can be realised in cash within a day in order to meet unforeseen liquidity requirements.

Weekly liquidity planning is performed by the corporate treasury function and reported to the management of the Group. Beyond cash management, the Group mitigates liquidity risk by keeping committed credit lines available.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the time remaining from the reporting date to the contractual maturity date.

	Carrying amount	**On demand and less than 3 months**	**From 3 to 12 months**	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**	**Total**
As of 31 December 2013							
Bonds issued *	8,113	-	3,724	5,488	-	-	**9,212**
Credit lines *	8,510	736	227	302	8,107	-	**9,372**
Term loans *	33,564	2,641	21,840	7,826	1,971	2,842	**37,120**
Notes payable	187	-	187	-	-	**-**	**187**
Trade payables	4,973	4,973	-	-	-		**4,937**
Derivatives	2,463	-	411	-	-	**14,449	**14,860**
Finance lease minimum lease payments	11	4	7	-	-	-	**11**
Financial guarantees	-	-	2,132	-	-	-	**2,132**
Total	**57,821**	**8,354**	**28,528**	**13,616**	**10,078**	**17,291**	**75,867**

	Carrying amount	**On demand and less than 3 months**	**From 3 to 12 months**	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**	**Total**
As of 31 December 2012							
Bonds issued *	11,150	15	4,051	3,724	5,487	-	**13,277**
Credit lines *	10,067	867	3,756	3,073	3,222	32	**10,950**
Term loans *	40,342	2,991	14,671	12,150	13,286	94	**43,192**
Notes payable	629	-	629	-	-	-	**629**
Trade payables	5,349	5,349	-	-	-	-	**5,349**
Derivatives	263	-	7	256	-	**14,449	**14,712**
Finance lease minimum lease payments	26	4	12	10	-	-	**26**
Financial guarantees	-	-	3,062	-	-	-	**3,062**
Total	**67,826**	**9,226**	**26,188**	**19,213**	**21,995**	**14,575**	**91,197**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as of 31 December 2013 and 31 December 2012, respectively.

** Cash outflow relates to possible sales of JSC VPC's shares linked to put option by the minority shareholder in 2024 (Note 20).

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group. Such cash balances are represented by current cash balances on bank accounts and bank deposits. Group's policy for financing its working capital is aimed at maximum reliance on own operating cash flows, availability of short-term bank and other external financing to maintain sufficient liquidity.

At 31 December 2013 unused credit lines available under long-term loan facilities were RUB 1,185 (2012: RUB 13,637).

(in millions of Russian Roubles, except for per share amounts)

31.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, to have available the necessary financial resources for investing activities and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital under management. The Group considers total capital under management to be equity as shown in the IFRS consolidated statement of financial position. This is considered more appropriate than alternative methods available, such as the value of equity shown in the Company's statutory financial (accounting) reports. In 2013, the Group's strategy, which was unchanged from 2012, was to maintain the gearing ratio at the level not exceeding 150%.

The gearing ratio as of 31 December 2013 and 31 December 2012 is shown in the table below:

	2013	**2012**
Long-term borrowings	22,720	38,176
Short-term borrowings	27,467	23,383
Total debt	**50,187**	**61,559**
Shareholders' equity	**79,477**	**79,120**
Gearing ratio, %	**63%**	**78%**

The Group also maintains an optimal capital structure by tracing certain capital requirements based on the minimum level of EBITDA/net interest expense ratio.

In 2013, the Group's strategy, which was unchanged from 2010, was to maintain EBITDA/net interest expense ratio at the level not lower than 4:1. For this purpose EBITDA is defined as earnings before tax, interest, depreciation and amortisation adjusted for operating foreign exchange gain or loss, result on disposal of property, plant and equipment and investments and extraordinary items. Net interest expense is defined as interest expense less interest income. This ratio is included as a covenant in the loan agreements (see Note 19).

The ratios of EBITDA over net interest expense are shown in the table below:

	2013	**2012**
Operating profit	13,980	18,420
Depreciation and amortisation	2,566	1,970
Add: foreign currency losses (Note 27)	(1,112)	(497)
Add: gain on sale of mining licenses	(199)	-
Add: loss on disposal of property, plant and equipment	151	31
EBITDA	**15,386**	**19,924**
Interest income (Note 26)	(219)	(255)
Interest expense	906	1,152
Interest expense capitalized (Note 11,12)	1,894	2,390
Net interest expense	**2,581**	**3,287**
EBITDA/Net interest expense	**6:1**	**6:1**

The Group's capital management includes compliance with the externally imposed minimum capital requirements arising from the Group's borrowings (Note 19) and imposed by the statutory legislation of the Russian Federation, the People's Republic of China and Estonia. Since EBITDA is not standard IFRS measure the Group's definition of EBITDA may differ from that of other companies.

32 Fair Value of Financial Instruments

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.

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

Financial instruments carried at fair value. Trading**,** Available-for-sale investments and derivatives are carried in the consolidated statement of financial position at their fair value.

(in millions of Russian Roubles, except for per share amounts)

This Group discloses the value of financial instruments that are measured in the consolidated statement of financial position at fair value by three levels in accordance with IFRS 7.

The level in the fair value hierarchy into which the fair values are categorised as one of the three categories:

Level 1: quoted price in an active market;
Level 2: valuation technique with inputs observable in markets;
Level 3: valuation technique with significant non-observable inputs.

All available-for-sales and trading financial instruments of the Group were included in level 1 category in the amount of RUB 19,645 (2012: RUB 25,541).

All liabilities on bonds issued were included in level 1 category in the amount of RUB 8,186 (2012: RUB 11,258)

Fair values of cross-currency swaps was determined based on valuation technique with inputs observable in markets and was included in level 2.

The fair value of the call/put options on shares of JSC VPC was determined based on the Black–Scholes Option Pricing Model with the adjustments and using of unobservable inputs , and included in level 3 .

The spot price of JSC VPC is one of the inputs to the valuation using Black–Scholes Option Pricing Model. Since the shares are not quoted, management applied discounted cash flows method using risk-adjusted discount rate. The calculation was based on the cash flow forecast prepared in nominal terms and derived from financial budgets.

Significant unobservable inputs	Inter-relationship between significant unobservable inputs data and fair value measurement
• Forecast annual revenue growth rate: 2 – 5%. • Forecast EBITDA margin: 46-68%. • Risk-adjusted discount rate: 13.8%. • Production start year: 2018.	The estimated fair value of the shares of JSC VPC would increase (decrease) if: • The annual revenue growth rate were higher (lower); • The EBITDA margin were higher (lower); or • risk-adjusted discount rate were lower (higher) ; or • production began earlier (later). Generally, EBITDA margin follows any changes in the trend set by the annual revenue growth rate.

Significant unobservable inputs of Black–Scholes Option Pricing Model are shown in the following table:

Financial instrument	Significant unobservable inputs	Inter-relationship between significant unobservable inputs data and estimate of fair value
Call option on shares of JSC VPC (asset)	• The current fair value of the shares (calculated as above) • Volatility: 36%. • Risk-free rate of return: 1.8-3.1%. • Empirical overestimation percentage for 'up to more than 5-years' options: 34% • No dividends assumed	The estimated fair value would increase (decrease) if: • spot price of the shares were higher (lower); • volatility were higher (lower); or • the risk-free rate of return were higher (lower); or • empirical overestimation percentage for 5-year olds and more options were lower (higher).
Put option on shares of JSC VPC (liability)	• Spot price of the shares (calculated above) • Volatility: 35%. • Risk-free rate of return: 4.6%. • Empirical overestimation percentage for 'up to more than 5-years' options: 34% • No dividends assumed	The estimated fair value would increase (decrease) if: • current fair value of the shares were lower (higher); or • volatility were higher (lower); or • the risk-free rate of return were lower (higher); or • empirical overestimation percentage for 'up to more than 5-years' options was lower (higher).

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables and loans receivable approximate fair values.

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. At 31 December 2013 the fair value of borrowings was RUB 234 lower than their carrying amounts. At 31 December 2012 the fair value of borrowings was RUB 114 higher than their carrying amounts.

The fair value of payables does not differ significantly from their carrying amounts.

33 Subsequent Events

In February 2014, the Group attracted an third party bank to co-finance the project to develop the Talitsky area of Verkhnekamsk potassium and magnesium salts in the Perm region. Bank acquired 19.9% of the capital of the Group subsidiary JSC VPC for RUB 6,672 and signed respective put/call option agreements similar to those described in notes 15 and 32.

34 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 35 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

a. Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
b. IFRS 10 Consolidated Financial Statements (2011)
c. IFRS 11 Joint Arrangements
d. IFRS 12 Disclosure of Interests in Other Entities
e. IFRS 13 Fair Value Measurement
f. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
g. IAS 19 Employee Benefits (2011)

The nature and effects of the changes are explained below.

Disclosure of interests in other entities

As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (see Notes 21 and 22).

Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (see Notes 3, 32).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

Presentation of items of OCI

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

35 Significant Accounting Policies

35.1 Group accounting

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence of possibility when the Group has existing rights that give it the current ability to direct the relevant activities of other entity, i.e. the activities that significantly affect the other entity's returns, is considered when assessing whether the Group controls another entity. The Group can have power over other entity even if other entities have existing rights that give them the current ability to participate in the direction of the relevant activities. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries except for those acquired as the result of the business combinations under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

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

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

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

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

Purchases of non-controlling interests. The Group applies economic entity model to account for transactions with non-controlling shareholders. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as capital transaction directly in equity.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries as the result of business combinations under common control are accounted for using the predecessor values method. Under this method the financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these financial statements. The consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

Investments in associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in profit or loss for the year as share of result of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

(in millions of Russian Roubles, except for per share amounts)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

35.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Bank overdrafts are shown within borrowings in the current liabilities statement of financial position. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

35.3 Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the original effective rate of interest. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income. The primary factors that the Group considers whether a receivable is impaired is its overdue status. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

35.4 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

35.5 Inventories

Inventories comprise raw materials, finished goods, work in progress, catalytic agents, spare parts and other materials and supplies. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, 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 the cost of completion and selling expenses.

35.6 Property, plant and equipment

Property, plant and equipment are recorded at cost, restated where applicable to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the statement of profit or loss and other comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the assets recoverable amount. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit or loss.

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated to allocate cost of property, plant and equipment to their residual values on a straight-line basis. The depreciation periods, which approximate the estimated useful economic lives of the respective assets, are as follows:

	Number of years
Buildings	40 to 50
Plant and machinery	10 to 20
Other equipment and motor vehicles	5 to 20

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

Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and the estimated period during which these assets will bring economic benefit to the Group.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised and the assets replaced are retired. Gains and losses arising from the retirement or disposal of property, plant and equipment are included in profit or loss.

Borrowing costs on specific or general funds borrowed to finance the construction of qualifying asset are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

35.7 Leasehold land

Leases of land are classified as operating leases. The pre-paid lease payments are amortised over the lease period of 30 years on a straight-line basis.

35.8 Intangible assets

Goodwill. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill is carried at cost less accumulated impairment losses, if any.

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

Other intangible assets. The entire Group's other intangible assets have definite useful lives and primarily include capitalised computer software, patents, acquired trademarks and licences. They are capitalised on the basis of the costs incurred to acquire and bring them to use. Intangible assets are amortised using the straight-line method over their useful lives, but not exceeding 20 years.

35.9 Amortisation of exploration and evaluation licenses and expenditure

Exploration and evaluation licenses and expenditure are amortised on a straight-line basis over expected term of site development, commencing upon readiness of processing facilities to produce ore usable for production of complex mineral fertilizers or for external sale.

35.10 Borrowings

Borrowings are stated at amortised cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

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

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

35.11 Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with the legislation of the countries, where most significant subsidiaries of the Group are located, enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current income tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

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

35.12 Foreign currency transactions

Foreign currency translation. For the Company and its subsidiaries monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank at the respective ends of the reporting periods. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the Central Bank are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Foreign exchange gains and losses on operating items are presented within other operating expenses, foreign exchange gain and losses on finance items are presented within net finance income.

Translation from functional to presentation currency. The results and financial position of each group entity (functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) components of equity are translated at the historic rate; and
(iv) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in equity are reclassified from other comprehensive income to profit or loss.

At 31 December 2013 the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 32.7292, USD 1 = CNY 6.1104, EUR 1 = RUB 44.9699 (2012: USD 1 = RUB 30.3727, USD 1 = CNY 6.2855, EUR 1 = RUB 40.2286). Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies.

35.13 Provisions for liabilities and charges

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

Provisions are evaluated and re-estimated annually, and are included in the financial statements at their expected net present values using discount rates appropriate to the Company or its subsidiaries in applicable economic environment at each end of the reporting period.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reassessed annually and changes in provisions resulting from the passage of time are reflected in the consolidated income statement each year within interest expense. Other changes in provisions related to a change in the expected repayment plan, in the estimated amount of the obligation or in the discount rates, are treated as a change in an accounting estimate in the period of the change and, with the exception of provision for restoration liabilities, reflected in the consolidated income statement.

Provisions for restoration liability are recognised when the Group has a present legal or constructive obligation to dismantle, remove and restore items of property, plant and equipment. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the liability, determined using pretax risk free discount rates adjusted for risks specific to the liability. Changes in the provision resulting from the passage of time are recognised as interest expense. Changes in the provision, which is reassessed at each reporting date, related to a change in the expected pattern of settlement of the liability, or in the estimated amount of the provision or in the discount rates, are treated as a change in an accounting estimate in the period of change. Such changes are reflected as adjustments to the carrying value of property, plant and equipment and the corresponding liability.

35.14 Shareholders’ equity

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium.

Treasury shares. Where any Group company purchases the Company’s equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s owners. Treasury shares are stated at weighted average cost. Any gains/losses arising from the transactions with treasury shares are included in other reserves.

Dividends. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared and approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Accounting treatment for put options to be settled in shares of Company. The subsidiaries sell to non-controlling shareholders own shares linked to put option. This gives to non-controlling shareholders the right to sell the Group those shares in exchange for a variable number of Company’s shares. If at the option exercise date the Group has no obligation to deliver cash or another financial asset, the subsidiary’s shares that are held by non-controlling interest holders are presented as equity and the put options are recognised as derivative financial liabilities. Such options are accounted at fair value with changes recognised in profit or loss for the period in accordance with IAS 39.

On initial recognition of the liability, the debit entry it to other equity. The interests of non-controlling shareholders that hold the written put options or forwards (in respect of those shares) are not derecognized when the financial liability is recognized.

Accounting treatment for call options over subsidiary shares. The Group buys the call options issued by third parties, which entitle to buy (from this third party) the shares in a subsidiary. Initially the call option is recognized in capital of the owner’s of the Company for credit side and on as a derivative financial asset for debit side. Further it is accounted at fair value with changes are recognised in profit or loss in accordance with IAS 39.

35.15 Revenue recognition

Revenues from sales of chemical fertilisers and related by-products are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales are shown net of VAT, custom duties and discounts, and after eliminating sales within the Group. Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

35.16 Mutual cancellations

A portion of sales and purchases are settled by mutual settlements or non-cash settlements. These transactions are generally in the form of direct settlements through cancellation of mutual trade receivables and payables balances within the operational contracts. Non-cash settlements include promissory notes or bills of exchange, which are negotiable debt obligations. Sales and purchases that are expected to be settled by mutual settlements or other non-cash settlements are recognised based on the estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to various market information. Non-cash transactions have been excluded from the consolidated cash flow statement, so investing activities, financing activities and the total of operating activities represent actual cash transactions.

The Group also accepts bills of exchange from its customers (both issued by customers and third parties) as a settlement of receivables. A provision for impairment of bills of exchange is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

35.17 Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group and are included within labour costs in operating expenses.

Social costs. The Group incurs significant costs on social activities. These costs include the provision of health services, kindergartens, and the subsidy of worker holidays. These amounts represent an implicit cost of employing principally production workers and other staff and, accordingly, have been charged to operating expenses.

Pension costs. In the normal course of business the Group contributes to state pension schemes on behalf of its employees. Mandatory contributions to the governmental pension scheme are accrued in the year in which the associated services are rendered by the employees of the Group. The Group recognises these contributions as part of labour costs.

35.18 Financial assets and liabilities

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Trading investments are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader’s margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading investments if it has an intention to sell them within a short period after purchase, i.e. within 12 months.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Initial recognition of financial instruments. Financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group’s right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Derivative financial instruments. As part of its financing activities the Group is also party to derivative financial instruments including foreign currency and interest rate swap contracts and put/call option on shares. The Group's policy is to measure these instruments at fair value with resultant gains or losses being reported within the profit and loss. The fair value of derivative financial instruments is determined using actual market data information and valuation techniques based on prevailing market interest rate for similar instruments as appropriate. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. The Group has no derivatives accounted for as hedges.

35.19 Finance lease liabilities

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

35.20 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share repurchase option.

35.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segments which external and inter-segment sales, assets, profit and loss are 10% or more from appropriate operational segments measure are reported separately.

35.22 Exploration and evaluation expenditure

Exploration and evaluation costs are capitalized. Capitalized costs are directly related to exploration and evaluation activities in the relevant area of interest and include acquisition of rights to explore, including cost related to compliance with license terms; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching and sampling; and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. In accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources, exploration assets are measured applying the cost model described in IAS 16, Property, Plant and Equipment, after initial recognition. Exploration assets are not depreciated until the production phase.

The Group tests exploration and evaluation assets for impairment when there are facts and circumstances that suggest that the carrying value of the asset may not be recoverable.

35.23 Development expenditure

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the expenditure in respect of the area of interest is classified in "mining assets under construction" category and separately disclosed in Note 11. Costs incurred are tested for impairment upon commencement of development phase.

Development expenditure is reclassified as a "Mining and primary ore dressing assets" at the end of the commissioning phase, when the mine and surface infrastructure are capable of operating in the manner intended by management. No depreciation is recognised in respect of development expenditures until they are reclassified as "Mining and primary ore dressing assets".

36 New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2013, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- IFRS 9 Financial Instruments is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase was issued in November 2013 and relates to general hedge accounting. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. The IASB has issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the disclosure of information about the recoverable amount of impaired assets will be required only when the recoverable amount is based on fair value less costs of disposal. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. Early application is permitted, which means that the amendments can be adopted at the same time as IFRS 13.

- IFRIC 21 Levies provides guidance on accounting for levies in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. Levies do not arise from executory contracts or other contractual arrangements. However, outflows within the scope of IAS 12 Income taxes, fines and penalties, and liabilities arising from emission trading schemes are explicitly excluded from the scope. The interpretation confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. An entity does not recognise a liability at an earlier date, even if it has no realistic opportunity to avoid the triggering event. The interpretation is effective for annual periods commencing on or after 1 January 2014. The interpretation is applied on a retrospective basis. Early adoption is permitted.

- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted.

- Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning on or after 1 July 2014. Entities are permitted to apply them earlier.

The Group has not yet analysed the likely impact of the improvements on its financial position or performance.