



**REPORT ARCHIVE COPY**



## **JSC RG BRANDS AND ITS SUBSIDIARIES**

**Consolidated Financial Statements**  
For the year ended December 31, 2015

# JSC RG BRANDS AND ITS SUBSIDIARIES

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## JSC RG BRANDS AND ITS SUBSIDIARIES

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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Management is responsible for preparation of the consolidated financial statements that present fairly the consolidated financial position of the Joint Stock Company RG Brands ("the Company") and its subsidiaries ("the Group") as at December 31, 2015, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

- properly selecting and applying suitable accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making assessment of the Group's ability to continue as a going concern.

Management is also responsible for:


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

The consolidated financial statements of the Group for the year ended December 31, 2015 were approved by management on February 1, 2016.

On behalf of the Group's management:

  
Agybayev A. Ye.  
Acting Chief Executive Officer

February 1, 2016

  
Ivanova N. A.  
Chief Accountant

February 1, 2016

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Joint Stock Company RG Brands:

We have audited the accompanying consolidated financial statements of JSC RG Brands and its subsidiaries (collectively - "the Group"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors' judgment, including an assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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 controls. 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 provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Andrew Weekes  
Engagement Partner  
Chartered Accountant,  
Certificate of Public Practice  
License No.78586, Australia



Daulet Kuantbekov  
Qualified Auditor  
Qualification certificate  
Republic of Kazakhstan  
No.0000523  
dated February 15, 2002

*Deloitte, LLP*

Deloitte, LLP  
State license for audit activities in the Republic of Kazakhstan  
No.0000015, type MFU-2, issued by the  
Ministry of Finance of the Republic of Kazakhstan  
dated September 13, 2006



Nurlan Bekenov  
General Director  
Deloitte, LLP

March 15, 2016  
Almaty, Republic of Kazakhstan

## JSC RG BRANDS AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge)

	Note	2015	2014
Revenue	5	41,215,586	39,931,116
Cost of sales	6	<u>(23,886,429)</u>	<u>(24,240,475)</u>
Gross profit		17,329,157	15,690,641
Selling expenses	7	(9,247,169)	(8,065,596)
General and administrative expenses	8	<u>(3,269,222)</u>	<u>(3,046,949)</u>
<b>OPERATING PROFIT</b>		<u>4,812,766</u>	<u>4,578,096</u>
Finance costs	9	(1,197,817)	(1,084,934)
Foreign exchange gain/(loss)	24	327,668	(1,621,668)
Investment income/(loss), net	10	17,919	(154,984)
Other (expenses)/income	8	<u>(1,776,936)</u>	<u>41,679</u>
Profit before tax		2,183,600	1,758,189
Income tax expense	11	<u>(486,998)</u>	<u>(456,342)</u>
<b>PROFIT FOR THE YEAR</b>		<u>1,696,602</u>	<u>1,301,847</u>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property, plant and equipment	13	-	603,078
		-	603,078
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(288,334)</u>	<u>(7,647)</u>
		<u>(288,334)</u>	<u>(7,647)</u>
Other comprehensive income for the year, net of income tax		<u>(288,334)</u>	<u>595,431</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>1,408,268</u>	<u>1,897,278</u>
<b>Earnings per share</b>			
Basic and diluted earnings per common share, in tenge	12	538	412

Signed on behalf of Group's management

Agybayev A. Yr.  
Acting Chief Executive Officer

February 1, 2016

Ivanova N. A.  
Chief Accountant

February 1, 2016

The notes on pages 9 to 46 form an integral part of these consolidated financial statements.

# JSC RG BRANDS AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015 (in thousands of tenge)

	Note	December 31, 2015	December 31, 2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	13	17,504,469	17,685,705
Advances paid	14	53,307	220,098
Goodwill		68,026	68,026
Intangible assets		50,955	50,583
<b>Total non-current assets</b>		<b>17,676,757</b>	<b>18,024,412</b>
<b>CURRENT ASSETS:</b>			
Inventories	15	4,731,612	6,780,179
Trade accounts receivable	16	1,453,046	1,591,948
Advances paid	14	316,802	222,481
Other financial assets	17	2,683,160	244,758
Other current assets	18	492,979	1,547,990
Bank deposits		804	2,394
Cash	19	10,541,082	1,907,359
		20,219,485	12,297,109
Assets classified as held for sale	20	1,585,284	1,585,284
<b>Total current assets</b>		<b>21,804,769</b>	<b>13,882,393</b>
<b>TOTAL ASSETS</b>		<b>39,481,526</b>	<b>31,906,805</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Issued capital	21	2,787,696	2,787,696
Treasury shares	21	(152,436)	(152,427)
Preferred shares, held within the Group	21	(947,400)	(947,400)
Reserves	22	910,632	2,357,050
Retained earnings		5,979,437	5,238,219
<b>Total equity</b>		<b>8,577,929</b>	<b>9,283,138</b>
<b>NON-CURRENT LIABILITIES:</b>			
Borrowings	23	13,620,698	9,179,015
Deferred tax liabilities	11	1,484,072	1,352,417
Accounts payable	25	84,520	116,811
<b>Total non-current liabilities</b>		<b>15,189,290</b>	<b>10,648,243</b>
<b>CURRENT LIABILITIES:</b>			
Accounts payable	25	6,827,349	6,867,523
Borrowings	23	7,330,074	4,045,755
Obligations under finance leases		-	136,703
Corporate income tax payable		91,388	-
Taxes payable	26	1,055,075	491,000
Other accounts payable and accrued liabilities		410,421	434,443
<b>Total current liabilities</b>		<b>15,714,307</b>	<b>11,975,424</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39,481,526</b>	<b>31,906,805</b>
Book value per common share, in tenge	12	2,706	2,922
Book value per preferred share, in tenge	12	1,200	1,200

Signed on behalf of Group's management

Agybayev A. Yg  
Acting Chief Executive Officer

February 1, 2016

Ivanova N. A.  
Chief Accountant

February 1, 2016

The notes on pages 9 to 46 form an integral part of these consolidated financial statements.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge)

	Issued capital	Treasury shares	Preferred shares, held within the Group	Properties revaluation reserve	Equity settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Total equity
As at January 1, 2014	2,787,696	(152,427)	(947,400)	1,020,052	944,599	706	4,820,513	8,473,739
Profit for the year	-	-	-	-	-	-	1,301,847	1,301,847
Other comprehensive income, net of income tax	-	-	-	603,078	-	(7,647)	-	595,431
Total comprehensive income for the year	-	-	-	603,078	-	(7,647)	1,301,847	1,897,278
Dividends paid	-	-	-	-	-	-	(1,087,879)	(1,087,879)
Transfer to retained earnings	-	-	-	(203,738)	-	-	203,738	-
As at December 31, 2014	2,787,696	(152,427)	(947,400)	1,419,392	944,599	(6,941)	5,238,219	9,283,138
Profit for the year	-	-	-	-	-	-	1,696,602	1,696,602
Other comprehensive income, net of income tax	-	-	-	-	-	(288,334)	-	(288,334)
Total comprehensive income for the year	-	-	-	-	-	(288,334)	1,696,602	1,408,268
Dividends paid	-	-	-	-	-	-	(2,073,626)	(2,073,626)
Transfer to retained earnings	-	-	-	(213,485)	(944,599)	-	1,158,084	-
Fair value adjustment of the loan issued to the shareholder	-	-	-	-	-	-	(17,979)	(17,979)
Repurchase of own shares	-	(9)	-	-	-	-	(21,863)	(21,872)
As at December 31, 2015	2,787,696	(152,436)	(947,400)	1,205,907	-	(295,275)	5,979,437	8,577,929

Signed on behalf of Group's management:

Agybayev A. Ye.  
Acting Chief Executive Officer

February 1, 2016

Ivanova N. A.  
Chief Accountant

February 1, 2016

The notes on pages 9 to 46 form an integral part of these consolidated financial statements.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge)

	Note	2015	2014
<b>OPERATING ACTIVITIES:</b>			
Profit before tax		2,183,600	1,758,189
Adjustments for:			
Depreciation and amortization	6, 7, 8	1,566,411	1,527,728
Finance costs	9	1,197,817	1,084,934
Foreign exchange (gain)/loss, net	24	(327,668)	1,621,668
(Gain)/loss from disposal of property, plant and equipment		(12,571)	21,918
Gain from previously recognized loss on revaluation of property, plant and equipment		-	(1,789)
Other gain		-	(6,837)
Reimbursement of selling expenses incurred without cash settlement	7	(321,599)	(665,152)
Investment income/(loss), net	10	(17,919)	154,984
Waste goods write-off	7, 8	204,642	193,274
Provision for slow-moving and obsolete inventory	8	20,437	1,186
Employee vacation and other accrued expenses		48,849	6,221
Provision for doubtful debts	8	18,294	2,190
Operating cash flows before movements in working capital		4,560,293	5,698,514
Change in inventories		1,823,488	(2,220,048)
Change in trade accounts receivable		1,173,201	(198,119)
Change in advances paid		(23,067)	(247,310)
Change in other current assets		673,399	(429,362)
Change in accounts payable		(2,046,282)	1,262,395
Change in corporate income tax payable		91,388	-
Change in taxes payable		500,895	65,863
Change in other accounts payable and accrued liabilities		(85,713)	54,729
Cash from operations		6,667,602	3,986,662
Interest paid		(1,020,099)	(993,903)
Income tax paid		(292,163)	(272,383)
Net cash generated by operating activities		5,355,340	2,720,376
<b>INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment and intangible assets		(1,450,490)	(1,627,845)
Advances paid for purchase of investment assets	18	-	(715,000)
Return of advances paid for purchase of investment assets	18	715,000	-
Loan settled by related party	29	28,394	2,349,045
Loan issued to related party		-	(223,469)
Proceeds on sale of other investments		7,350,595	513,565
Purchase of other investments		(9,771,078)	(667,308)
Proceeds on disposal of property, plant and equipment, intangible assets and assets, classified as held for sale		17,422	49,660
Withdrawal of deposits		1,435,024	-
Money placed to deposit		(1,433,434)	(535)
Net cash used in investing activities		(3,108,567)	(321,887)

## JSC RG BRANDS AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge)

	Note	2015	2014
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		13,168,677	18,670,363
Repayment of borrowings		(8,085,239)	(17,246,379)
Repayment of notes payable		-	(1,574,125)
Repayment of obligations under finance leases		(124,722)	(267,365)
Dividends paid	21	(2,073,626)	(1,087,879)
Repurchase of preferred shares from third party		-	(646,195)
Proceeds from sale of preferred shares to third party		-	504,840
Repurchase of common shares from related parties		(21,872)	-
Repayment of loan to related party		-	(730,300)
		<u>2,863,218</u>	<u>(2,377,040)</u>
Net cash generated by/(used in) financing activities			
<b>NET CHANGE IN CASH</b>		<b>5,109,991</b>	<b>21,449</b>
CASH, at the beginning of the year	19	1,907,359	1,947,568
Effect of changes in foreign exchange rates in relation to cash		<u>3,523,732</u>	<u>(61,658)</u>
CASH, at the end of the year	19	<u>10,541,082</u>	<u>1,907,359</u>

Signed on behalf of Group's management:

Agybayev A. Ye.  
Acting Chief Executive Officer

February 1, 2016

Ivanova N. A.  
Chief Accountant

February 1, 2016

The notes on pages 9 to 46 form an integral part of these consolidated financial statements.

## JSC RG BRANDS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(in thousands of tenge, unless otherwise stated)

### I. GENERAL INFORMATION

The principal activity of JSC RG Brands and its subsidiaries (together "the Group") is the production, sale and distribution of juices, carbonated soft drinks, milk, bottled drinking water, chips, as well as the packing, sale and distribution of tea. The Group's operations are primarily in the Republic of Kazakhstan (hereafter – "the Republic of Kazakhstan" or "Kazakhstan").

#### Ownership of the Company

The holding company, JSC RG Brands (hereafter – "RG Brands" or "the Company") was initially registered on June 22, 1998 as a limited liability partnership. The Company was re-registered as a joint stock company on March 27, 2001.

Shareholders of the Company as at December 31, 2015 and 2014 are disclosed in Note 21.

#### Group structure and operations

The Group includes the Company and the following subsidiaries:

	Ownership interest		Voting power	
	2015	2014	2015	2014
LLP RG Brands Kazakhstan	100%	100%	100%	100%
LLP Uni Commerce Ltd.	100%	100%	100%	100%
LLC RG Brands Kyrgyzstan	100%	100%	100%	100%
LLC RG Brands Tashkent	100%	100%	100%	100%
LLP PRG Bottlers Kazakhstan	100%	100%	100%	100%

RG Brands carries out the management functions in terms of organization of the activities of its subsidiaries.

LLP RG Brands Kazakhstan (hereinafter – RG Brands Kazakhstan) performs the following types of activity:

- production of juices under trademarks "Gracio", "Da-Da" and "Nektar Solnechnyi";
- production of carbonated soft drinks under trademarks "Pepsi", "Seven -Up", "Mirinda", and "Aport";
- packing, distribution and sale of various brands of tea processed from imported raw tea, including the "Piala" and "Assortea" brand;
- production of packaged milk under the "Moye" trademark;
- processing of agricultural products, into, among others potato chips under "Grizli" trademark;
- production of bottled drinking water under trademark "A'SU";
- production of drinks contained juice and cold tea under trademarks "DaDa Day", "CiTi" and "Lipton";
- production of energetic drink "Yeti";
- sale and distribution on the territory of Republic of Kazakhstan and close-bordering countries products of the Group.

The principal activity of LLP Uni Commerce Ltd. is the management of the Group's investment portfolio.

LLC RG Brands Tashkent (hereinafter – RG Brands Tashkent) and LLC RG Brands Kyrgyzstan (hereinafter – RG Brands Kyrgyzstan) perform sales and distribution roles in the Republic of Uzbekistan and the Kyrgyz Republic, respectively, for the Group's products.

All subsidiaries, other than RG Brands Kyrgyzstan and RG Brands Tashkent, which are registered in the Kyrgyz Republic and the Republic of Uzbekistan, are registered in the Republic of Kazakhstan.

The Group's head office is located in Almaty and its production facilities are located in Almaty city, Almaty region and Kostanay city, all in the Republic of Kazakhstan. The Group also has sales and distribution operations in Kyrgyz Republic and the Republic of Uzbekistan.

Legal address: 212 B, Raimbek ave., Almaty, Republic of Kazakhstan

Ownership status: Private

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

As at December 31, 2015 and 2014, the number of employees was 2,000 and 1,896, respectively.

#### Bottling agreements with Pepsi and Seven-Up International

The Group operates its carbonated soft drinks production under an exclusive bottling appointment agreement, concluded between RG Brands Kazakhstan and Pepsico Inc. and between RG Brands Kazakhstan and Seven-Up International. Under these agreements, RG Brands Kazakhstan received the rights for bottling, sale and distribution of PepsiCo and Seven-Up products in Kazakhstan until July 21, 2010 with automatic prolongation for 5 years and subsequently for 5 years at the end of each 5-year period.

The rights for distribution of Pepsico Inc., Pepsi Lipton International Limited and Seven-Up products in Kyrgyz Republic are provided under agreements concluded with these companies till December 31, 2018 inclusive. At the date of issuance of these consolidated financial statements issuance, further prolongation of these agreements in those countries are under negotiation.

## 2. ADOPTION OF NEW AND REVISED STANDARDS

#### Amendments to IFRS and the new Interpretations that are mandatory effective for the current period

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2015:

- Amendments to IAS 19 - *Defined Benefit Plans: Employee contributions*;
- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle;

The adoption of the above mentioned Standards and Interpretations has not led to any changes in the Group's accounting policies. The amendments did not materially affect the consolidated financial statements of the Group.

#### New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<b>New or amended standard or interpretation</b>	<b>Effective date<sup>1</sup> - for annual periods beginning on or after</b>
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
Amendments to IFRS 11 - <i>Accounting for Acquisition of Interests in Joint Operations</i>	1 January 2016
Amendments to IAS 1 - <i>Disclosure Initiative</i>	1 January 2016
Amendments to IAS 16 and IAS 38 - <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to IAS 16 and IAS 41 - <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to IFRS 10 and IAS 28 - <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28 - <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to IAS 27 - <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 12 - <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

<sup>1</sup> Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

<sup>2</sup> The amendment was initially issued in September 2014 with the effective date on 1 January 2016. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 *(in thousands of tenge, unless otherwise stated)*

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The Group's current accounting and recognition of revenue for bundled offerings and allocation of the consideration between equipment and service is in line with IFRS 15. However, possibly the model currently used must be refined. Management anticipates that the adoption of the standards listed above will not have a material impact on the consolidated financial statements of the Group in the period of initial application.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and land and buildings and constructions which are measured at fair value or at revalued amounts, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

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

#### Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of the Group's assets and discharge of its liabilities in the normal course of business within the foreseeable future.

**The principal accounting policies are set out below.**

#### Basis of consolidation

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

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

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 *(in thousands of tenge, unless otherwise stated)*

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

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

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

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

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

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

#### **Segmental reporting**

Based on the information contained in the internal reports which are reviewed by key management responsible for decision making on operational activity for the purpose of allocation of resources to segments and assessment of operational results, the Group identifies the following operating segments, which are: own brands: juices and beverages, own brands: food, franchise, and wholesale activity.

The Group monitors multiple profitability such as: profit before tax, profit for the year and gross profit. Despite this, profit for the year is the measure reported to the operating decision makers for the purposes of resource allocation and assessment of segment performance.

#### **Foreign currencies**

The consolidated financial statements are expressed in Kazakhstani tenge ("tenge" or "KZT"), which is the functional currency of the Company and its subsidiaries in Kazakhstan and the presentation currency for these consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency, tenge, are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items measured at historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise, except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 *(in thousands of tenge, unless otherwise stated)*

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For the purpose of preparing consolidated financial statements, the financial statements of RG Brand Kyrgyzstan and RG Brands Tashkent (the Group's foreign operations) were translated from Kyrgyz Som and Uzbek Sum, the functional currency of these entities, into tenge using the following exchange rates:

- assets and liabilities were translated using exchange rates at the reporting date;
- revenue and expenses were translated at the average exchange rate for the period provided that exchange rate has not substantially changed during the annual period, otherwise the exchange rate as of the transaction date is applied; and
- gain/(loss) arising from this translation is recorded as foreign exchange differences arising on translation of foreign operations in other comprehensive income/(loss).

#### **Revenue recognition**

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

#### **Leases**

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

#### **Retirement benefit costs**

In accordance with the legislative requirements of the Republic of Kazakhstan, the Group pays an amount equivalent to 10% of each employee's wage into an accumulation pension fund. However, in accordance with Kazakhstan legislation, from January 1, 2015, the contribution per employee should not exceed 160,230 tenge per month. Prior to this date, the maximum monthly contribution per employee was 149,745 tenge. These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other payroll costs in profit or loss.

#### **Income taxes**

The income tax expense represents the sum of tax currently payable and deferred income tax.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

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#### *Current tax*

Tax currently payable is based on taxable income for the year. Taxable income differs from net profit as reported in the consolidated statement of profit or loss and other comprehensive income as it excludes income or expense items that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates effective at the reporting date.

#### *Deferred tax*

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized.

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

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

#### **Earnings per share**

Basic earnings per share is calculated by dividing net profit attributable to the equity holders of the Group for the period by the weighted average number of issued common stocks, while diluted earnings per share is calculated considering the weighted average number of diluting share options in addition to the number of issued common stocks.

#### **Property, plant and equipment**

##### *Property, plant and equipment, other than land, buildings and constructions*

Items of property, plant and equipment other than land, buildings and constructions are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor costs and an appropriate proportion of construction related overheads. Interest is capitalized in accordance with the accounting policy in respect of borrowings and borrowing costs outlined below. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.



## JSC RG BRANDS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(in thousands of tenge, unless otherwise stated)

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### *Land and buildings and constructions*

Subsequent to initial recognition, land, buildings and construction are carried at revalued amounts being their fair value at the date of the revaluation. Revaluations are made with sufficient regularity such that the carrying amount of property, plant and equipment does not differ materially from that which would be determined using estimated fair values at the reporting date. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is recognized in other comprehensive income, except to the extent it reverses a revaluation decrease of the carrying amount of the same asset previously recognized in profit or loss. In this case a surplus is debited within the amount of expenses previously recognized. A revaluation deficit is recognized in profit or loss, except when a deficit directly decreases a previous surplus on the same asset. In such cases a deficit decreases the reserve amount for the assets recognized in other comprehensive income.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation charged to the revalued assets and depreciation charged to the assets' original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### *Construction-in-progress*

Capital construction in progress includes costs incurred on specific assets that have not been completed or placed into service. When such assets are completed and are ready for their intended use, they are transferred to the relevant property, plant and equipment category and depreciated on the basis described below.

### *Assets received on free of charge basis*

Assets received free of charge or for which a partial rebate is received are recognized as items of property, plant and equipment at the fair market value of the asset received. Such assets are subsequently depreciated over the useful life of a typical asset of that class. The value of the portion of the asset which was received free of charge through a rebate is recognized as deferred income and amortized over the useful life of the asset received.

### *Assets acquired with deferred payment*

Assets acquired with payment deferred beyond normal credit term are recognized as items of property, plant and equipment at the amount of cash or cash equivalents paid or at the fair value of the other consideration given to acquire an asset at the time of its acquisition. The difference between the cost of acquisition and the total payment is recognized as interest over the period of credit unless such interest is capitalized on the basis of the policy on borrowings described below.

### *Subsequent expenditures*

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalized at the present value of the component being depreciated. Other subsequent expenditure is capitalized only when it increases the future economic benefits of the item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income as an expense when incurred.

### *Depreciation other than depreciation of production assets*

Depreciation is charged and recorded in profit or loss on a straight-line basis over the estimated useful lives of the individual assets.

Depreciation starts from the date of acquisition or, in respect of internally-constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The following average useful economic lives are used:

Buildings and constructions	13 to 20 years
Machinery and equipment	5 to 14 years
Vehicles	7 to 14 years
Other	3 to 14 years

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

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The estimated useful life and depreciation methodology are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Leasehold improvements are depreciated over the lesser of useful life and the lease term of the relevant asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the relevant lease term.

#### *Depreciation of production assets*

Production method of depreciation is used in production divisions of the Group, and is applied to property, plant and equipment directly involved into production of finished goods of the Group. Depreciation is charged and recorded in profit or loss on units of production method, assessed based on technical life of the asset and its relative efficiency.

#### *Disposal of property, plant and equipment*

An item of property, plant and equipment is derecognized after it is disposed of or when the receipt of future economic benefits from its use or disposal is no longer expected. Any income or expenses arising upon derecognition of an asset (calculated as a difference between the net proceeds from the disposal and carrying value of the asset) are included into the consolidated statement of profit or loss and other comprehensive income in the reporting period in which the asset is derecognized.

#### **Impairment of property, plant and equipment**

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

The recoverable amount is the higher of fair value less selling costs, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

#### **Assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

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Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### **Inventory**

Inventory is stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads which have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out ("FIFO") method. Net realizable value represents the estimated selling price less all estimated costs to complete production and costs to be incurred in marketing, selling and distribution. The Group creates provisions for slow moving and obsolete inventory based on inventory turnover ratios and current marketing plans.

#### **Financial instruments**

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

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

#### **Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit and loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

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

#### *Financial assets at FVTPL*

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

A financial asset is classified as held-for-trading if:

- it has been acquired principally to be sold in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

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

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. Net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in a manner described in Note 30.

#### *Held-to-maturity investments*

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

#### *Available-for-sale ("AFS") financial assets*

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 30. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the reporting date. A change in fair value attributable to translation differences that result from a change in the amortized cost of the asset is recognized in profit or loss, while other changes are recognized in other comprehensive income.

#### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

#### *Cash*

Cash include cash on hand, cash in banks and fixed-term deposits with an original maturity of three months or less. Where restricted for use, cash and cash equivalents are disclosed appropriately in the notes to the consolidated financial statements.

## JSC RG BRANDS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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### *Impairment of financial assets*

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

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

With the exception of AFS equity instruments, if, in a subsequent period, an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

### **Financial liabilities and equity instruments issued by the Group**

#### **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded as proceeds are received, net of direct issue costs.

Consideration paid for reacquisition of own equity instruments are recognized directly in equity. The Group recognizes the proportion of the shares that are purchased out of share capital of the Group (i.e. at par value) as treasury shares and reduce its retained earnings for the proportion of shares that are purchased out of the profit of the Group (i.e. excess of par value).

#### **Compound instruments**

The component parts of compound instruments (preferred shares with cumulative, mandatory dividends) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt instruments. The residual amount, if any, determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole, attributed to equity component. Afterwards, liability component is valued in accordance with the same principles as loans, and equity component, if any, is valued in accordance with principles of authorized capital.

#### **Financial liabilities**

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### *Financial liabilities at FVTPL*

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

## JSC RG BRANDS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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A financial liability is classified as held-for-trading if:

- it has been incurred principally to be repurchased in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that has not been designated and is not effective as a hedging instrument.

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

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

Financial liabilities at FVTPL are stated at fair value, with any gain or loss arising on remeasurement in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest paid on the financial liability.

### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

### **Provisions**

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as at the date of the consolidated statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of an economic benefit required to settle a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions for restructuring costs are recognized when the Group has a detailed formal restructuring plan which has been notified to the parties concerned. A restructuring provision measures only the direct expenditure arising from the restructuring, including those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

## **4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

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

#### **Critical judgments in applying accounting policies**

##### *Classification of receivables from related parties*

Management's determination of the appropriateness of classification of receivables from related parties requires the management to review contractual terms, as well as the intention and ability of a counterparty to settle these receivables within agreed timeframes. Management's classification of receivables from related parties reflects all relevant information available to them as at the date of these consolidated financial statements.

##### *Assets held for sale*

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, an asset may remain in this categorization for longer than one year if it remains unsold due to events or circumstances beyond the Group's control. The Group has assets classified as held for sale of 1,585,284 thousand tenge which remains unsold for more than 1 year. The management of the Group signed contract of intent with LLP Property Retail and LLP Retail Management according to which these entities have intention to buy these assets. The management of the Group believes that assets classified as held for sale will be sold in 2016.

#### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the date of the statement of consolidated financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Provision for doubtful debts and obsolete inventories*

Management's determination of provisions for doubtful debt and for slow-moving and obsolete inventories requires the management to make assumptions based on their best estimates of the Group's ability to realise these assets. Management may, as a result of changes in the general economic or other similar circumstances subsequent to the date of the consolidated statement of financial position, draw conclusions which could be different to those made in preparing these consolidated financial statements.

##### *Revaluation of property, plant and equipment*

The Group's buildings and constructions are carried at a revalued amount. The valuation of the Group's land, buildings and constructions was performed by an independent appraiser as at March 31, 2014. The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach and (b) the market for similar or comparable assets, adjusted for differences with the asset under valuation. Adjustment of the prices of similar or comparable assets requires analysis of such factors as location, size, functional use and condition of the asset. Management's assessment of the cash flow forecast, the discount rate and adjustments applied to similar or comparable assets reflects relevant information available to them as at the valuation date.

##### *Useful lives of property, plant and equipment*

As described in Note 3, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The assessment of the useful life of an asset is dependent upon factors such as economic use, repair and maintenance programs, technological advancements and other business conditions. Management's assessment of the useful lives of property, plant and equipment reflects relevant information available to them as at the date of these consolidated financial statements.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### 5. REVENUE

	2015	2014
Sales of carbonated soft drinks	12,667,264	13,895,878
Sales of packed tea	11,873,507	10,749,890
Sales of juices and juice containing drinks	11,432,495	8,891,583
Sales of packed milk	4,482,872	5,879,878
Sales of chips	503,576	502,102
Sales of wholesale products	255,872	11,785
	<u>41,215,586</u>	<u>39,931,116</u>

#### 6. COST OF SALES

	2015	2014
Raw and other materials	21,034,047	21,517,042
Depreciation and amortization	848,437	887,121
Payroll and related taxes	835,862	826,257
Utilities	554,908	585,313
Repairs	366,402	389,096
Cost of sales of wholesale products	211,579	7,969
Other costs	35,194	27,677
	<u>23,886,429</u>	<u>24,240,475</u>

#### 7. SELLING EXPENSES

	2015	2014
Transportation	2,533,195	2,774,083
Advertising campaigns and market research	1,997,979	1,516,580
Sales agents expenses	1,625,072	1,235,896
Advertising and promotional materials	1,086,579	1,185,836
Payroll and related taxes	727,075	678,367
Depreciation of marketing equipment	623,361	588,468
Lease of vehicles, warehouses and office premises	358,318	283,682
Write-off of materials	75,345	37,169
Taxes, other than income tax	19,852	32,600
Business trip expenses	10,588	9,282
Reimbursement of selling expenses	(321,599)	(665,152)
Other selling expenses	511,404	388,785
	<u>9,247,169</u>	<u>8,065,596</u>



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### 8. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Payroll and related taxes	1,655,979	1,510,098
Consulting services	348,062	321,300
Taxes, other than income tax	172,840	172,078
Bank charges	141,914	167,708
Waste goods write-off	129,297	156,105
Transportation expenses	104,746	121,712
Depreciation and amortization	94,613	52,139
Rent	90,639	47,815
Utilities	75,246	95,875
Business trip expenses	62,862	46,943
Representative expenses	53,633	83,655
Repairs	39,194	24,283
Security services	38,520	1,167
Communication services	37,430	31,588
Training	32,587	2,895
Legal services	28,053	48,444
Penalties and fines	10,602	10,218
Insurance	8,666	22,182
Provision for slow-moving and obsolete inventory	20,437	1,186
Provision for doubtful debts	18,294	2,190
Others	105,608	127,368
	<u>3,269,222</u>	<u>3,046,949</u>

Other expenses provided in consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2015 mainly represents 20% fines of the declared, but not executed purchase plan in accordance with supply contract with Asian Tea Company Private Limited of 1,704,619 thousands tenge.

#### 9. FINANCE COSTS

	2015	2014
Interest paid/payable on borrowings	1,195,909	892,665
Interest paid/payable on notes payable	-	148,910
Interest paid/payable on obligations under finance leases	-	43,359
Preferred shares dividends	1,908	-
	<u>1,197,817</u>	<u>1,084,934</u>

#### 10. INVESTMENT INCOME/(LOSS), NET

	2015	2014
Income on investments held for trading	17,919	28,877
Loss from repurchase of preferred shares from third party	-	(141,355)
Other investment losses, net	-	(42,506)
	<u>17,919</u>	<u>(154,984)</u>

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### II. TAXATION

	2015	2014
Current income tax expense	355,343	317,435
Deferred income tax expense	<u>131,655</u>	<u>138,907</u>
<b>Total income tax expense</b>	<b><u>486,998</u></b>	<b><u>456,342</u></b>

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred income tax assets and liabilities are calculated at the rate expected to apply in the period when assets are realized or liabilities are settled.

The tax effect on the major temporary differences that give rise to deferred tax assets and liabilities as at December 31, 2015 and 2014 is presented below:

	2015	2014
<b>Deferred tax assets:</b>		
Provision for unused vacation and bonuses	49,654	39,884
Provision for doubtful debt	29,695	46,587
Provision for slow-moving and obsolete inventory	6,725	2,140
Taxes	<u>3,221</u>	<u>2,979</u>
	<u>89,295</u>	<u>91,590</u>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment and intangible assets	<u>(1,573,367)</u>	<u>(1,444,007)</u>
	<u>(1,573,367)</u>	<u>(1,444,007)</u>
<b>Deferred tax liabilities, net</b>	<b><u>(1,484,072)</u></b>	<b><u>(1,352,417)</u></b>

In 2015 and 2014 the statutory tax rate effective in the Republic of Kazakhstan, the location of the majority of the Group's entities, was 20%.

Below is a reconciliation of theoretical income tax at 20% to the actual tax expense recorded in the Group's consolidated statement of profit or loss and other comprehensive income:

	2015	2014
Profit before tax	<u>2,183,600</u>	<u>1,758,189</u>
Income tax at the statutory tax rate of 20%	436,720	351,638
Effect of permanent differences	<u>50,278</u>	<u>104,704</u>
<b>Income tax expense</b>	<b><u>486,998</u></b>	<b><u>456,342</u></b>

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

The change in deferred tax was presented as follows:

	January 1, 2015	Recognised in profit and loss	Recognised in other comprehensive income	December 31, 2015
Provision for unused vacation and bonuses	39,884	9,770	-	49,654
Provision for doubtful debt	46,587	(16,892)	-	29,695
Taxes	2,979	242	-	3,221
Provision for slow-moving and obsolete inventory	2,140	4,585	-	6,725
Property, plant and equipment and intangible assets	(1,444,007)	(129,360)	-	(1,573,367)
	<u>(1,352,417)</u>	<u>(131,655)</u>	<u>-</u>	<u>(1,484,072)</u>
	January 1, 2014	Recognised in profit and loss	Recognised in other comprehensive income	December 31, 2014
Tax losses carried forward	29,387	(29,387)	-	-
Provision for unused vacation and bonuses	22,516	17,368	-	39,884
Provision for doubtful debt	53,634	(7,047)	-	46,587
Taxes	2,911	68	-	2,979
Provision for slow-moving and obsolete inventory	1,781	359	-	2,140
Property, plant and equipment and intangible assets	(1,172,969)	(120,268)	(150,770)	(1,444,007)
	<u>(1,062,740)</u>	<u>(138,907)</u>	<u>(150,770)</u>	<u>(1,352,417)</u>

## 12. EARNINGS PER SHARE AND BOOK VALUE PER SHARE

Earnings per share is calculated as the profit for the year attributable to equity holders divided by the weighted average number of common shares issued and outstanding during the year, as shown below.

	2015	2014
<b>Calculation of basic and diluted earnings per share</b>		
Profit for the year	1,696,602	1,301,847
Weighted average number of common shares	<u>3,152,843</u>	<u>3,159,593</u>
Basic and diluted earnings per share, in tenge	<u>538</u>	<u>412</u>

As at December 31, 2015 and 2014, there are no dilutive financial instruments or other financial instruments that may require the Group to issue common shares.

On November 8, 2010, the Kazakhstan Stock Exchange introduced new rules for companies included into trade listings which require presentation of book value per share in the financial statements.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 *(in thousands of tenge, unless otherwise stated)*

The book value per one common share is presented below:

	2015	2014
<b>Calculation of book value per common share</b>		
Net assets, excluding intangible assets as at December 31	8,526,974	9,232,555
Number of issued common shares	<u>3,150,593</u>	<u>3,159,593</u>
Book value per common share, in tenge	<u>2,706</u>	<u>2,922</u>

The book value per one preferred share is presented below:

	2015	2014
<b>Calculation of book value per preferred share</b>		
Outstanding balance of preferred shares held within the Group as at December 31	947,400	947,400
Number of issued preferred shares	<u>789,500</u>	<u>789,500</u>
Book value per preferred share, in tenge	<u>1,200</u>	<u>1,200</u>

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
<b>Cost or revalued amount</b>							
At January 1, 2014	1,122,088	5,365,763	17,796,629	280,827	705,018	664,623	25,934,948
Additions	9,404	2,100	1,106,627	65,511	110,439	4,190	1,298,271
Revaluation increase	110,431	645,205	-	-	-	-	755,636
Reclassification from assets held for sale	6,000	314,277	-	-	-	-	320,277
Internal transfers	-	-	4,693	-	-	(4,693)	-
Disposals	-	(834,612)	(185,589)	(7,608)	(21,346)	-	(1,049,155)
At December 31, 2014	1,247,923	5,492,733	18,722,360	338,730	794,111	664,120	27,259,977
Additions	-	3,036	1,259,812	17,368	128,112	11,406	1,419,734
Internal transfers	-	-	51,822	-	(30,130)	(21,692)	-
Disposals	(13,534)	(15,890)	(351,984)	(12,154)	(81,711)	-	(475,273)
At December 31, 2015	1,234,389	5,479,879	19,682,010	343,944	810,382	653,834	28,204,438
<b>Accumulated depreciation</b>							
At January 1, 2014	-	(795,027)	(7,469,501)	(160,405)	(510,403)	-	(8,935,336)
Reclassification from assets held for sale	-	(124,087)	-	-	-	-	(124,087)
Charge for the year	-	(549,467)	(853,063)	(38,919)	(100,637)	-	(1,542,086)
Disposals	-	834,612	177,075	6,412	9,138	-	1,027,237
At December 31, 2014	-	(633,969)	(8,145,489)	(192,912)	(601,902)	-	(9,574,272)
Charge for the year	-	(531,800)	(872,744)	(39,007)	(85,938)	-	(1,529,489)
Disposals	-	4,922	348,849	8,275	41,746	-	403,792
At December 31, 2015	-	(1,160,847)	(8,669,384)	(223,644)	(646,094)	-	(10,699,969)
<b>Net book value</b>							
At December 31, 2015	1,234,389	4,319,032	11,012,626	120,300	164,288	653,834	17,504,469
At December 31, 2014	1,247,923	4,858,764	10,576,871	145,818	192,209	664,120	17,685,705

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

As at December 31, 2015 and 2014, property, plant and equipment with a carrying value of 14,208,085 thousand tenge and 14,348,215 thousand tenge, respectively, has been pledged to secure borrowings (see Note 23). The Group is not allowed to pledge these assets as security for other borrowings or to sell them.

The Group's land, buildings and constructions are carried at revalued amounts. On March 31, 2014 a valuation of the Group's land and buildings and constructions was performed by an independent appraiser. As a result the Group recognized a gain on revaluation of land, buildings and constructions in the amount of 755,636 thousand tenge less deferred tax liability of 150,770 thousand Tenge in other comprehensive income. The fair value of property, plant and equipment at the valuation date was determined using comparative valuation approach which is an estimate of the Level 3 fair value in the fair value hierarchy. In estimating the fair value of property, plant and equipment, their current use is considered the best and most profitable form of use. Had the Group's land and buildings and constructions been measured on a historical cost basis, their carrying amount as at December 31, 2015 and 2014 would have been 4,347,514 thousand tenge and 4,776,029 thousand tenge, respectively.

#### 14. ADVANCES PAID

	December 31, 2015	December 31, 2014
<b>Non-current:</b>		
Advances paid for property, plant and equipment	12,427	183,827
Other	40,880	36,271
	<u>53,307</u>	<u>220,098</u>
<b>Current:</b>		
Advances paid for services and inventory	336,750	241,526
Less: Provision for impairment	(19,948)	(19,045)
	<u>316,802</u>	<u>222,481</u>

#### 15. INVENTORIES

	December 31, 2015	December 31, 2014
Finished goods	2,086,520	3,289,333
Raw materials	1,400,926	1,985,632
Packing materials	602,828	933,883
Spare parts	200,535	232,805
Other	474,430	356,434
Less: Provision for slow-moving and obsolete inventory	(33,627)	(17,908)
	<u>4,731,612</u>	<u>6,780,179</u>

As at December 31, 2015 inventories with an assessed value of not less than 5,890 thousand US Dollars (equivalent in tenge to 1,999,530 thousand tenge) and 592,021 thousand tenge (December 31, 2014: 13,244 thousand US Dollars, equivalent in tenge to 2,415,185 thousand tenge, and 1,528,639 thousand tenge) have been pledged to secure borrowings (see Note 23).

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### 16. TRADE ACCOUNTS RECEIVABLE

	December 31, 2015	December 31, 2014
Trade accounts receivable	1,454,103	1,647,179
Less: provision for doubtful debts	<u>(1,057)</u>	<u>(55,231)</u>
	<u>1,453,046</u>	<u>1,591,948</u>

As at December 31 trade accounts receivable were denominated in the following currencies:

	December 31, 2015	December 31, 2014
In Tenge	1,247,976	1,498,445
In Russian Roubles	163,570	38,071
In Kyrgyz Soms	41,222	28,029
In US Dollars	<u>278</u>	<u>27,403</u>
	<u>1,453,046</u>	<u>1,591,948</u>

In determining the recoverability of trade accounts receivable, the Group considers any change in the credit quality of trade receivables from the date of origination of receivables to the reporting date. The concentration of credit risk is limited due to the existence of a large customer base, not related with the Group.

#### 17. OTHER FINANCIAL ASSETS

	December 31, 2015	December 31, 2014
Investments held-for-trading	2,678,963	197,638
Available-for-sale investments	<u>4,197</u>	<u>47,120</u>
	<u>2,683,160</u>	<u>244,758</u>

##### Investments held-for-trading:

	December 31, 2015	December 31, 2014
Debt securities	<u>2,678,963</u>	<u>197,638</u>
	<u>2,678,963</u>	<u>197,638</u>

Investments in debt securities offer the Group the opportunity for returns through interest income and fair value gains. The fair values of these securities are determined by reference to quoted market prices.

Investments in equity securities are quoted on a stock exchange and offer the Group the opportunity for returns through dividend income and fair value gains. They have no fixed maturity date or coupon rate. The fair values of these securities are determined by reference to quoted market prices.

As at December 31, 2014, investments held-for-trading included investments in securities of related parties of 16,934 thousand tenge. As at December 31, 2015, the Group did not hold securities of related parties.

##### Available-for-sale investments:

These investments have no fixed maturity date or coupon rate and are mainly represented by shares of Kazakhstani companies.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

Fair value measurements of unlisted shares with a carrying value of 4,197 thousand tenge (December 31, 2014: 47,119 thousand tenge) classified as available-for-sale are derived from valuation techniques in accordance with generally accepted pricing models based on discounted cash flow analysis.

#### 18. OTHER CURRENT ASSETS

	December 31, 2015	December 31, 2014
Other receivables from related parties (see Note 29)	209,523	219,509
Other taxes receivable	75,643	30,940
Receivables from employees	55,560	46,731
Prepaid expenses	13,901	79,731
Other receivables	265,821	532,517
Advances paid for purchase of investment assets	-	797,220
Less: Provision for doubtful debts	(127,469)	(158,658)
	<u>492,979</u>	<u>1,547,990</u>

In 2014 the Group made an advance payment of 715,000 thousand tenge to LLP Retail Management under property sale-purchase agreement for purchase of trade center, located on B.10, micro district Kulager, Almaty. In 2014 the Group classified these advances as other current assets, since the Group had planned to sell this property after its acquisition. However, in 2015 the advance was returned by LLP Retail Management due to the fact that the sale-purchase did not proceed.

As at December 31, 2014, other receivables include amounts due from Pepsi-Cola International Cork in the amount of 340,975 thousand tenge and due from Tetra Pak Global Distribution SA in the amount of 69,331 thousand tenge. In 2015 these amounts were settled with accounts payable due to these suppliers.

As at December 31, 2015 and 2014, other current assets were denominated in tenge.

#### 19. CASH

	December 31, 2015	December 31, 2014
Cash in foreign currency bank accounts	10,181,997	652,963
Cash in bank settlement accounts, tenge	267,823	261,694
Cash in transit	45,381	10,698
Petty cash, tenge	25,065	2,111
Cash in other bank accounts, tenge	16,007	15,513
Cash in broker's account	4,809	949,132
Petty cash, foreign currency	-	15,248
	<u>10,541,082</u>	<u>1,907,359</u>

As at December 31 cash were denominated in the following currencies:

	December 31, 2015	December 31, 2014
In US Dollars	10,051,872	1,393,117
In Tenge	359,030	335,368
In Russian Roubles	129,426	71,188
In Euro	641	23,493
In Kyrgyz Soms	110	52,594
In Korean Wons	3	-
In Uzbek Sums	-	31,599
	<u>10,541,082</u>	<u>1,907,359</u>



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 *(in thousands of tenge, unless otherwise stated)*

Cash in broker's account represent cash held by JSC Investicionnyi Financovyi Dom Resmi, which is a related party (see Note 29). According to the agreement, JSC Investicionnyi Financovyi Dom Resmi acts as a market maker on behalf of the Group. Money on the broker's account is used for investment purposes of the Group, which are the sale and purchase of securities.

As at December 31, 2015, cash with value of 71,761 has been pledged in JSC Development Bank of Kazakhstan to secure liabilities of the Group under the pledge agreement #DZIZ17-A/05-03 dated November 27, 2015 (see Note 23).

#### 20. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2015	December 31, 2014
Property located on 212 B, Raiymbek Ave., Almaty	1,075,760	1,075,760
Complex located on 110 E, Al-Farabi Ave, Almaty	507,596	507,596
Other	1,928	1,928
	<u>1,585,284</u>	<u>1,585,284</u>

##### Property located on 212 B, Raiymbek Ave., Almaty

In November 2011, the Group decided to sell the property, located on 212 B, Raiymbek Ave., Almaty, comprising office buildings, a tea packing plant and a finished goods warehouse. The Group has undertaken several actions to identify potential purchasers and has developed a detailed plan to move personnel and equipment. In 2014, the Group signed a non-binding agreement with a potential purchaser of this property which is a related party – LLP Innova Investment, in accordance with which LLP Innova Investment agreed to purchase this property at its cost.

During 2015 LLP Innova Investment has notified the Group about its inability to purchase this property.

On November 26, 2015, the Group signed a new preliminary agreement with a potential purchaser LLP Property Retail, according to which the buyer had agreed to repay the assets from the pledge agreement from Asian Development bank within 6 months from the signing of the preliminary agreement. The Company and LLP Property Retail had agreed to purchase the property at its cost through the conclusion of the main contract of sale within 30 days from the repayment of the pledged assets.

##### Property located on 110 E, Al-Farabi Ave, Almaty

On December 15, 2014, the Group purchased property, located on 110 E Al-Farabi from LLP Resmi "Pryamyie investicii", which is a related party (see Note 29) for the total amount of 511,073 (VAT inclusive) thousand tenge. Property included an office building with underground parking of 44,650 thousand tenge and land of 466,423 thousand tenge.

As at December 31, 2014, the Group decided to sell property, located on 110 E, Al-Farabi Ave., Almaty. In the same month, the Group signed a non-binding agreement with a potential purchaser of this property which is not a related party – LLP Property Retail, in accordance with which LLP Property Retail agreed to purchase this property at its cost. No impairment loss was recognized on reclassification of this property as an asset held for sale as at December 31, 2014. During 2015 LLP Property Retail has notified the Group about its refuse to purchase the property.

On October 1, 2015, the Group signed a new preliminary agreement with a potential purchaser LLP Retail Management, according to which the buyer had agreed to purchase the property at its cost through the conclusion of the main contract of sale within 10 months from the signing of the preliminary agreement.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### 21. CAPITAL

The Company's registered and issued share capital as at December 31, 2015 and 2014 is 2,787,696 thousand tenge. As at December 31, 2015 and 2014, share capital was fully paid.

Issued share capital as at December 31, 2015 and 2014 consisted of 1,800,000 common shares with a par value of 1,000 tenge each, 1,642,092 common shares with a par value of 1 tenge each and 10,638 common shares at a par value of 3,633.54 tenge each and 789,500 preferred shares at a par value of 1,200 tenge each.

During 2015, the Group concluded agreements with Mr. Kaltayev T.S. for the repurchase of 9,000 common shares for a total consideration of 21,872 thousand tenge.

As at December 31, 2015 and 2014, the shareholders of the Company were as follows:

Shareholder	Ownership		Number of common shares		Amount	
	2015	2014	2015	2014	2015	2014
Mazhibayev K.K.	61.72%	61.55%	1,944,771	1,944,771	944,726	944,574
Koshkinbayev Y.Z.	26.74%	26.66%	842,384	842,384	397,751	397,903
LLP Successful Investment Trust	8.89%	8.86%	279,968	279,968	258,948	258,948
Kaltayev T.S.	1.14%	1.42%	36,024	45,024	34,375	34,384
Bayazero R.D.	0.78%	0.78%	24,653	24,653	26,779	26,779
Agybaev A.E.	0.72%	0.72%	22,655	22,655	24,780	24,780
Khalyapin A.V.	0.01%	0.01%	138	138	501	501
	<u>100.00%</u>	<u>100.00%</u>	<u>3,150,593</u>	<u>3,159,593</u>	<u>1,687,860</u>	<u>1,687,869</u>

As at December 31, 2015 and 2014, treasury shares amounted to 152,436 thousand tenge or 302,137 common shares and 152,427 thousand tenge or 293,137 common shares, respectively.

In 2010, the shareholders authorized for issue by the Company 1,200,000 preferred shares with cumulative mandatory annual dividends of 240 tenge per share. 789,500 shares were placed during 2010 at 1,200 tenge each. There were no issues of preferred shares during 2015 and 2014.

In 2015, the shareholders authorized dividends based on the results of 2008, 2013 and 2014 of 1,097,226 thousand tenge, 220,258 thousand tenge and 756,142 thousand tenge, respectively. In 2014, the shareholders authorized dividends based on the results of 2012 and 2013 of 569,927 thousand tenge and 517,952 thousand tenge, respectively.

#### 22. RESERVES

	December 31, 2015	December 31, 2014
Revaluation of properties	1,205,907	1,419,392
Equity settled employee benefits reserve	-	944,599
Foreign currency translation	(295,275)	(6,941)
	<u>910,632</u>	<u>2,357,050</u>

In February 2005, the Group executed employee incentive agreements with senior management, as a result of which senior management became entitled, upon the achievement of certain key performance indicators, to receive shares of the Company at a price of 1 tenge per share. The terms of the agreement were defined such that management had certain ownership rights upon issuance of shares, in accordance with agreements to be executed on a later date, to purchase the number of shares defined therein. In 2006 and 2005, contracts were executed with management for their acquisition of 148,781 and 53,409 shares, respectively. But these agreements were not implemented.

In 2015, it was decided to transfer equity settled employee benefits reserve to retained earnings due to expiration of statute of limitation of the incentive agreements.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### 23. BORROWINGS

	December 31, 2015	December 31, 2014
<b>Borrowings:</b>		
Long-term loans – non-current portion	13,620,698	9,179,015
Long-term loans – current portion	<u>7,187,206</u>	<u>3,996,560</u>
Total long-term loans	<u>20,807,904</u>	<u>13,175,575</u>
Short-term bank loans	<u>142,868</u>	<u>49,195</u>
Total borrowings	<u><u>20,950,772</u></u>	<u><u>13,224,770</u></u>

As at December 31, 2015 and 2014, the borrowings are subject to repayment as follows:

	December 31, 2015	December 31, 2014
On demand or within one year	7,330,074	4,045,755
In the second to fifth year inclusive	12,617,764	8,959,864
After 5 years	<u>1,002,934</u>	<u>219,151</u>
	<u><u>20,950,772</u></u>	<u><u>13,224,770</u></u>

#### **Borrowings:**

##### *Long-term loans*

- (a) In 2013, the Group entered into a loan facility agreement with EBRD for 25,000 thousand US Dollars with a right to take a loan in tenge. The purpose of the loan is to replenish working capital. On November 1, 2013, the Group received 3,856,000 thousand tenge under this agreement. The loan facility is repayable in August 2016 in one amount. The interest rate is 8-9% and interest is payable quarterly.
- (b) In 2011, the Group signed an agreement with JSC Islamic Bank Al Hilal and obtained a loan of 1,477,371 thousand tenge with the purpose of refinancing existing borrowings of the Group and/or repayment of notes payable outstanding for 5 years. The loans obtained under this agreement are repayable in 20 equal quarterly installments commencing on the date of the receipt of loan. The interest rate is 7.5% per annum. Principal and interest are repayable quarterly.

In 2012, the Group signed a further agreement with JSC Islamic Bank Al Hilal for 198,000 thousand tenge for purchase of refrigerator equipment with maturity till May 2017. The interest rate is 7.5% and interest is payable quarterly.

In 2014, the Group signed a further agreement with JSC Islamic Bank Al Hilal for 1,086,943 thousand tenge to replenish working capital with maturity till January 2019. The interest rate is 7.5% and interest is payable quarterly.

- (c) In 2013, the Group signed an agreement on opening a credit line with JSC Kazinvestbank for 740,000 thousand tenge with maturity till December 2015 with a grace period for commencement of repayment of the principal amount of 1 year. In 2015, the Group signed an additional agreement about providing a grace period for 2015 with prolongation of maturity till December 2016. The interest rate is 8.5%. The principal amount and interest is payable by equal installments monthly.
- (d) In 2013, the Group signed an agreement with Asian Development Bank (hereinafter – “ADB”) for 40,200 thousand US Dollars with option to obtain loans in tenge or US Dollars by Group’s preference and with availability of funds within 2 years from the date of the agreement’s signing for (1) refinancing of existing borrowings of the Group up to 10,000 thousand US Dollars and (2) financing of purchase of property, plant and equipment for amount of 30,200 thousand US Dollars. The loan facility is repayable on point (1) in 12 equal semiannual installments and on point (2) in 10 equal semiannual installments commencing after 2 years following the receipt of loan facility. The interest rate is LIBOR+2.5% and interest is payable semiannually.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

- (e) In 2014, the Group signed an agreement on opening credit line with JSC Nurbank for 2,000,000 thousand Tenge to replenish working capital. The maturity of the credit line is 2 years, maturity of tranches within this credit line from 1 month till 13 months. The interest rate is 8%.
- (f) In 2015, the Group entered into a loan agreement with the International Finance Corporation of the non-revolving line of credit totaling 30,000 thousand US Dollars with option to obtain loans in tenge or US Dollars by Group's preference to refinance short-term debt and purchase of fixed assets. The term of the credit facility is 7 years. The interest rate is 9.5%. Interest is payable semiannually.

#### *Short-term bank loans*

In 2013, the Group concluded a loan agreement with SB Alfa-Bank JSC about opening of a credit line of 1,500,000 thousand tenge for replenishment of working capital. Maturity of credit line is 3 years, maturity of tranches within this credit line from 1 month till 1 year. The interest rate is 8%.

The Group also holds trade financing lines opened in Altyn Bank JSC, CITI Bank JSC and Sberbank of Russia SB JSC used to issue letters used as a means of financing primarily to acquire raw materials and equipment.

Also, the Group has an overdraft credit line in Kazinvestbank JSC of 450,000 thousand tenge at an interest rate of 8.5% per annum.

In 2014, the Group concluded a loan agreement with South Korean JSC Shinhan Bank Kazakhstan on opening of an unconditional credit line of 750,000 thousand tenge for replenishment of working capital. Maturity of credit line is 3 years, maturity of tranches within this credit line from 1 month till 12 months. The interest rate is 7%. Principal amount is repayable by the end of the term of agreements and interest is payable on a monthly basis.

In 2015, the Group signed a loan agreement on the non-revolving credit line in the amount of 750,000 thousand tenge with JSC ATF Bank for the refinancing of existing loans of the Group. Interest rate is 5.5%. The principal amount is repaid in equal installments semiannually, interest is payable on a monthly basis.

Also in 2015, the Group signed a credit line agreement with the Development Bank of Kazakhstan (hereinafter - "DBK") in the amount of 3,000,000 thousand tenge for replenishment of working capital. Interest rate is 6%, maturity is 3 years.

As at December 31, 2015, loans are secured by property plant and equipment of the Group with a carrying value of 14,208,085 thousand tenge (December 31, 2014: 14,348,215 thousand tenge) (see Note 13), inventory with assessed value of not less than 5,890 thousand US Dollars (equivalent in tenge 1,999,530 thousand tenge) and 592,021 thousand tenge (December 31, 2014: 13,244 thousand US Dollars, equivalent in tenge 2,415,185 thousand tenge and 1,528,639 thousand tenge) (see Note 15).

As at December 31, 2015, cash with a value of 71,761 has been pledged in JSC Development Bank of Kazakhstan to secure liabilities of the Group under the pledge agreement #DZIZ17-A/05-03 dated November 27, 2015 (see Note 19).

As at December 31, 2015 and 2014, the weighted average interest rates of the Group's bank loans were 7.31% and 6.41% per annum, respectively.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

As at December 31, borrowings were denominated in the following currencies:

	December 31, 2015	December 31, 2014
In Tenge	16,420,154	8,624,915
In US Dollars	3,791,764	4,438,931
In Russian Roubles	738,854	-
In Euro	-	160,924
	<u>20,950,772</u>	<u>13,224,770</u>

As at December 31, 2015 and 2014, the amount of interest accrued, but not paid, included in borrowings was 142,868 thousand tenge and 49,195 thousand tenge, respectively.

#### 24. FOREX EXCHANGE LOSS

	2015	2014
Accounts payable	(2,181,238)	(666,550)
Short-term borrowings	(624,730)	(478,738)
Long-term borrowings	(1,840,116)	(373,735)
Cash	3,523,732	(61,658)
Obligations under finance lease	11,981	(36,013)
Long-term accounts payable	(57,336)	(21,115)
Other current assets	361,782	(3,641)
Trade accounts receivable	1,052,593	(1,165)
Other accounts payable and accrued liabilities	(12,842)	4,404
Advances paid	93,842	16,543
	<u>327,668</u>	<u>(1,621,668)</u>

#### 25. ACCOUNTS PAYABLE

	December 31, 2015	December 31, 2014
Raw materials	5,166,346	3,334,548
Services	747,098	1,152,056
Packing materials	476,798	1,659,980
Property, plant and equipment	214,467	235,672
Goods	123,510	332,107
Current portion of long-term accounts payable for equipment	99,130	153,160
	<u>6,827,349</u>	<u>6,867,523</u>

Long-term accounts payable for equipment represents amounts due for assets acquired with payment deferred in average from 5 to 7 years. The Group revalued this payable to fair value on the date of inception, which is estimated to be the amount of discounted future payments at rate of 7.69%, which was the prevailing market interest rate for similar financial liabilities.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

Long-term accounts payable for equipment are subject to repayment as follows:

	December 31, 2015	December 31, 2014
On demand or within one year	99,130	153,160
1-2 years	84,520	116,811
	<u>183,650</u>	<u>269,971</u>
Less: Amount due for settlement within 12 months (presented in current liabilities)	(99,130)	(153,160)
Non-current payables for acquisition of equipment	<u>84,520</u>	<u>116,811</u>

As at December 31, 2015, accounts payable to a related party of 27,518 thousand tenge (December 31, 2014: 59,421 thousand tenge) (see Note 29).

At December 31, accounts payable were denominated in the following currencies:

	December 31, 2015	December 31, 2014
In Tenge	1,001,258	3,057,129
In US Dollars	4,591,460	2,854,350
In Euro	1,054,669	976,087
In Russian Roubles	123,460	36,332
In Chinese yuans	77,174	-
In Uzbek Soms	35,663	25,535
In Kyrgyz Soms	28,185	34,901
	<u>6,911,869</u>	<u>6,984,334</u>

#### 26. TAXES PAYABLE

	December 31, 2015	December 31, 2014
Value added tax	1,002,281	393,027
Other taxes	52,794	97,973
	<u>1,055,075</u>	<u>491,000</u>

#### 27. BUSINESS AND GEOGRAPHICAL SEGMENTS

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of the 'own brands: juices and beverages', 'own brands: food', 'franchise' and 'wholesale activity', the information is further analysed based on the different classes of customers. The directors of the Group have chosen to organize the Group around differences in products. No operating segments have been aggregated in arriving at the reportable segments of the Group.

- Own brands juices and beverages – production, distribution and sale of beverages under the Group's brand name, including the juices "Gracio", "Da-Da", "Nectar Solnechniy", juice-containing drink "DaDa Day", carbonated juice-containing drink "APORT", water "A'SU", cold tea "CiTi" and "Piala Ice Tea" and energetic drink "Yeti";
- Own brands food: milk – production, distribution and sale of milk under the Group's brand name "Moye"; as well as production, distribution and sale of weighing and packaged tea under the Group's brand name "Piala" and "Assortea"; production, distribution and sale of production under the brand name "Grizli";
- Franchise – production, distribution and sale of products with franchised trademarks, including carbonated soft drinks "Pepsi", "Mirinda", "Seven-Up" and "Lipton Ice Tea"; and
- Wholesale of imported products – biscuits "Shokomishki" and "Domachika", chocolate bars "Hershey's" and milk "Moye".

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

	Own brands: juices and beverages	Own brands: food	Franchise	Wholesale activity	Consolidated
<b>2015:</b>					
Revenue	14,163,445	17,237,750	9,558,519	255,872	41,215,586
Cost of sales	(8,186,518)	(9,963,476)	(5,524,856)	(211,579)	(23,886,429)
Selling expenses	(3,197,575)	(3,891,638)	(2,157,956)	-	(9,247,169)
Profit before tax	458,556	1,462,391	218,360	44,293	2,183,600
Income tax expense	(102,269)	(336,029)	(48,700)	-	(486,998)
Profit for the year	356,287	1,126,362	169,660	44,293	1,696,602
Depreciation and amortization	532,580	673,557	360,274	-	1,566,411
Acquisition of property, plant and equipment and intangible assets	141,973	383,327	894,434	-	1,419,734
<b>2014:</b>					
Revenue	8,891,583	17,131,869	13,895,878	11,786	39,931,116
Cost of sales	(5,397,519)	(10,399,676)	(8,435,311)	(7,969)	(24,240,475)
Selling expenses	(1,796,521)	(3,461,449)	(2,807,626)	-	(8,065,596)
Profit before tax	356,431	1,211,023	186,919	3,816	1,758,189
Income tax expense	(101,645)	(195,845)	(158,852)	-	(456,342)
Profit for the year	254,786	1,015,178	28,067	3,816	1,301,847
Depreciation and amortization	513,252	454,756	559,720	-	1,527,728
Acquisition of property, plant and equipment and intangible assets	313,686	564,310	420,275	-	1,298,271

Revenue reported above represents revenue generated from third parties. There were no inter-segment sales during the years ended December 31, 2015 and 2014. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment. This is the measure reported to the operating decision makers for the purposes of resource allocation and assessment of segment performance.

	Own brands: juices and beverages	Own brands: food	Franchise	Wholesale activity	Consolidated
<b>As at December 31, 2015:</b>					
Segment assets	15,975,723	9,235,040	14,199,473	71,290	39,481,526
Total assets	15,975,723	9,235,040	14,199,473	71,290	39,481,526
Segment liabilities	13,577,343	6,704,107	9,080,585	57,490	29,419,525
Deferred income tax liabilities	445,542	609,143	429,387	-	1,484,072
Total liabilities	14,022,885	7,313,250	9,509,972	57,490	30,903,597
<b>As at December 31, 2014:</b>					
Segment assets	12,883,514	7,520,853	11,474,972	27,466	31,906,805
Total assets	12,883,514	7,520,853	11,474,972	27,466	31,906,805
Segment liabilities	10,025,276	4,645,171	6,591,694	9,110	21,271,251
Deferred income tax liabilities	406,017	555,104	391,296	-	1,352,417
Total liabilities	10,431,293	5,200,275	6,982,990	9,110	22,623,668

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments. General corporate assets and assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Revenue of the Group from sales to external customers by countries is presented below:

	Revenue from sales to external customers	
	2015	2014
Republic of Kazakhstan	34,687,915	35,291,804
Kyrgyz Republic	3,289,645	3,043,603
Russian Federation	3,011,515	1,152,234
Turkmenistan	161,221	310,262
Tajikistan	41,137	104,767
Mongolia	20,872	25,494
France	3,281	-
Luxembourg	-	2,952
	<u>41,215,586</u>	<u>39,931,116</u>

#### 28. EMPLOYEE BENEFITS

In accordance with the Law of the Republic of Kazakhstan “On Pensions in the Republic of Kazakhstan” effective January 1, 1998, and replacing the previous unified system of pension provisioning, employees have the right to receive guaranteed pension benefits provided they have recorded working time from January 1, 1998 in proportion to the historical data. They also have the right to receive pension payments from savings pension funds generated from individual pension savings accounts provided by compulsory pension contributions amounting to 10% of their salary.

As at December 31, 2015 and 2014, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

#### 29. RELATED PARTIES

The Group's related parties include the companies controlled by and associated with Mazhibayev K.K. and Koshkinbayev Y.Z., being the major shareholders of the Company – see Note 21.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

Transactions with related parties include:

- sales of carbonated soft drinks, natural juices and tea;
- sales/purchase of other inventories, property, plant and equipment and securities; and
- loans and borrowings.

Trading transactions:

	Sales		Purchases	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
JSC Group of Companies RESMI	20,610	1,776	-	180,301
Entities under common control	364,017	6,151	219,705	22,826



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### Other transactions:

As at December 15, 2014, the Group purchased property, located on 110 E Al-Farabi from LLP Resmi "Pryamyie investicii", for the total amount of 511,073 thousand tenge (VAT inclusive) (see Note 20). Property included an office building with underground parking of 44,650 thousand tenge and land of 466,423 thousand tenge.

#### Other current assets, accounts payable and loans

The following balances were outstanding at the end of the reporting period as a result of the above transactions:

	Amounts owed by related parties		Amounts owed to related parties	
	As at December 31, 2015	As at December 31, 2014	As at December 31, 2015	As at December 31, 2014
<i>Entities under common control:</i>				
- Due from broker (see Note 18)	56,968	1,388	-	-
- Cash in broker's account (see Note 19)	4,809	949,132	-	-
- Interest-free financial aid (see Note 18)	49,945	78,339	-	-
- Trading and other operations (see Note 18 and 25)	102,610	139,782	27,518	59,421
	<u>214,332</u>	<u>1,168,641</u>	<u>27,518</u>	<u>59,421</u>

Outstanding amounts due to/from related parties will be settled by cash transactions. No expense has been recognized in the reporting period for bad debts in respect of amounts owed by related parties.

On June 1, 2013, the Group concluded an agreement with LLP Resmi "Pryamyie investicii" to provide that entity with interest-free financial aid of 2,735,864 thousand tenge which is repayable after 12 months. In 2015 the Group prolonged maturity date for unpaid balance of 49,945 thousand tenge till May 30, 2016.

#### Compensation of key management personnel

Key management compensation is set at shareholders' meetings according to human resource policies, staff schedules, individual labor agreements, shareholders' resolutions and bonus accrual orders.

Total compensation paid to the Group's key management personnel during the years ended December 31, 2015 and 2014, amounted to short-term benefits of 219,147 thousand tenge and 247,863 thousand tenge, respectively.

## 30. FINANCIAL INSTRUMENTS

#### Capital management

Businesses in fast-moving consumer goods and food packaging industries are subject to risks related to rapid changes in markets and customer demands. It is the Group's policy to maintain a strong financial position as this provides the best balance of risk and reward for the shareholders. The Board of Directors reviews the Group's capital structure regularly taking into account available cash balances and credit lines, trends in markets and investment opportunities generally, but especially in the development of new products to enhance the existing portfolio, and the development of new distribution channels and geographical markets. The Group's overall strategy remains unchanged from 2014.

#### Significant accounting policies

Information regarding significant accounting policies and accepted methods, including recognition criteria, estimation basis, and basis for gain and losses recognition related to each class of financial assets, financial liabilities, and securities are disclosed in Note 3.

## JSC RG BRANDS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2015  
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### General risk management principles

The Group's overall risk management concept is based on visibility of the key risks preventing the Group from reaching its business objectives. This covers all risks areas; strategic, operational, financial, and hazard risks. The Group's risk management is a systematic and pro-active process to analyze, review and manage all opportunities, threats and risks related to the Group's objectives.

The principles documented in the Group's Risk Policy and accepted by the Audit Committee of the Board of Directors require risk management and its elements to be integrated into business processes. One of the main principles is that the business unit or function owner is also the risk owner.

Key risks are reported to business unit and Group level management to create assurance on business risks and to enable prioritization of risk management implementation in the Group. In addition to general principles there are specific risk management policies covering, for example, treasury and customer finance risks.

### Categories of financial instruments

As at December 31, financial instruments were as follows:

	2015	2014
<b>Financial assets</b>		
Investments held-for-trading	2,678,963	197,638
Available-for-sale investments	4,197	47,120
Receivables and other current assets	1,856,481	2,232,047
Cash	10,541,082	1,907,359
Bank deposits	804	2,394
<b>Financial liabilities</b>		
Accounts payable	6,911,869	6,984,334
Borrowings	20,950,772	13,224,770
Obligations under finance leases	-	136,703
Other accounts payable and accrued liabilities (excluding advances received)	400,222	356,311

### Financial risk management objectives

The key financial targets for the Group are stable and profitable growth, generation of cash flows, operational efficiency and a strong balance. The objectives for the Group's treasury function are twofold: to guarantee cost efficient funding for the Group at all times and to identify, evaluate and hedge financial risks in close cooperation with the business groups. There is a strong focus in the Group on creating shareholder value. The Treasury function supports this aim by minimizing the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses and by managing the balance sheet structure of the Group.

The treasury policy provides principles for overall financial risk management and determines the allocation of responsibilities for financial risk management in the Group. Operating policies cover specific areas such as foreign currency risk, interest rate risk as well as liquidity and credit risk. The Group has detailed Standard Operating Procedures supplementing Treasury Policy in financial risk management related issues.

The treasury function reports quarterly to the Group's Crisis Management Committee, a body that monitors risks and policies implemented to mitigate risk exposure. The Crisis Management Committee comprises various members of the Executive Board, directors and representatives from Finance and Human Resources Functions. The committee meets once a year but in circumstances of rapidly changing business conditions, the main risks are monitored and controlled monthly or weekly. Risks under consideration include internal and external factors which are evaluated according to the risk map showing gravity and probability of occurrence. Each risk is assigned to a responsible person for monitoring. The Risk Management System has a clear algorithm for execution and communication.

### Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### Foreign currency risk

The Group undertakes transactions denominated in foreign currencies, which lead to exposures to exchange rate fluctuations. The Group reduced this exposure by decreasing foreign currency operations share, using of hedge and concluding of forward contracts.

As at December 31, 2015 and 2014, the carrying value of monetary assets and liabilities of the Group was as follows:

	Assets		Liabilities	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
In US Dollars	10,052,150	1,420,520	8,383,224	7,293,281
In Euro	641	23,493	1,054,669	1,273,714
In Russian Ruble	292,996	109,259	862,314	36,332
In Kyrgyz Soms	41,332	80,623	28,185	34,901
In Uzbek Sums	-	31,599	35,663	25,535
In Korean Wons	3	-	-	-
In Chinese yuans	-	-	77,174	-

#### Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 40% increase and decrease in tenge against the relevant foreign currencies. 40% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 40% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the tenge strengthens 40% against the relevant currency. For a 40% weakening of the tenge against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Impact of US Dollars (i)		Impact of Euro (ii)	
	2015	2014	2015	2014
Profit/(loss) before tax and equity	667,570	(2,349,104)	(421,611)	(500,088)

(i) This is mainly attributable to the exposure on the Group's cash in US Dollars bank accounts as at year ended December 31, 2015 and outstanding US Dollars denominated borrowings as at year ended December 31, 2014.

(ii) This is mainly attributable to the exposure the Group's outstanding Euro denominated accounts payable as at year end.

#### Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items (i.e. price risk) or through changes in interest income or expenses (i.e. re-investment risk). Interest rate risk mainly arises through interest-bearing liabilities and assets. Estimated future changes in cash flows and balance sheet structure also expose the Group to interest rate risk.

Treasury is responsible for monitoring and managing the interest rate exposure of the Group. Due to the current balance sheet structure of the Group, emphasis is placed on managing the interest rate risk in relation to borrowings. The interest payments on the majority of loans are represented as considerations calculated as LIBOR+ margin, and it allows the Group using low LIBOR rate due to volatility on global financial markets. The Group is considering the use of interest rate swaps in future periods to fix current low level of LIBOR rate by converting floating rate debt into fixed rate debt.

## JSC RG BRANDS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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### *Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the date of the consolidated statement of financial position was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2015 would decrease/increase by 11,978 thousand tenge (in 2014: decrease/increase by 10,849 thousand tenge). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

### **Credit risks**

#### *Customer Finance Credit Risk*

The Group has maintained a financing policy aimed at close cooperation with banks, financial institutions and other agencies to support distributors and selected customers in their financing of working capital investments, mainly for purchase of the Group's products. The Group monitors closely the extent of the borrowings in relation to the turnover of the key customers.

Credit risks related to customer financing are systematically analyzed, monitored and managed by the Group's Credit Manager, reporting to the Head of Financial Control. Significant changes to credit risks are approved by the Group's Credit Committee along principles defined in the Company's credit policy and according to the credit approval process. The Credit Committee consists of the Head of Financial Control, Head of Group Treasury and Credit Manager.

As at December 31, 2015, customer finance credit risk exposure of the Group totaled 1,454,103 thousand tenge (December 31, 2014: 1,647,179 thousand tenge).

#### *Financial credit risk*

Financial instruments contain an element of risk that its counterparties would be unable to meet their obligations. This risk is measured and monitored by the treasury function. The Group minimizes financial credit risk by limiting its counterparties to a sufficient number of major banks and financial institutions.

Direct credit risk represents the risk of loss resulting from counterparties' default in relation to the items of the consolidated statement of financial position. Decision on investments to the fixed income instruments and short-term debt securities are based on strict creditworthiness criteria. The outstanding investments are also constantly monitored by the treasury function. The Group does not expect the counterparties to default given their credit quality. The carrying amount of financial assets recognized in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

#### *Liquidity risk*

The Group guarantees sufficient liquidity at all times by efficient cash management and by investing in liquid interest bearing securities. Due to the dynamic nature of the underlying business, Treasury also aims at maintaining flexibility in funding by keeping credit lines available. The credit facilities are intended to be used for working capital and capital investment funding purposes.

The Group's international creditworthiness facilitates the efficient use of international capital and loan markets. Due to the fact that in 2014 RG Brands delivered on financial targets, including a reduction in leverage in last 12 months and the maintenance of 1) an adjusted EBITDA margin and 2) funds from operations in the past 18 months the ratings of RG Brands from the Moody's credit rating agency has been upgraded to B2/stable. In 2015 this rating was confirmed. Given the unstable macroeconomic situation in the country and the region, it is considered by the Group as a high assessment of its work by the Moody's agency.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### Table on liquidity risk

The following table presents contractual maturity of non-derivative financial assets and liabilities of the Group based on the undiscounted cash flows of financial assets and liabilities (both interest and principal cash flows) based on the earliest date on which (a) the Group expects to receive payments; and (b) the Group can be required to pay.

	Interest rate	Within 1 year	1-5 years	Over 5 years	Total
<b>2015</b>					
<b>Financial assets:</b>					
Trade accounts receivable	-	1,453,046	-	-	1,453,046
Other financial assets	5%-12%	2,683,160	-	-	2,683,160
Other current assets	-	137,614	-	-	137,614
Bank deposits	1%	804	-	-	804
Cash	-	10,541,082	-	-	10,541,082
		<u>14,815,706</u>	<u>-</u>	<u>-</u>	<u>14,815,706</u>
<b>Financial liabilities:</b>					
Accounts payable	-	6,827,349	84,520	-	6,911,869
Loans	3.5%-19%	8,483,449	14,665,219	1,109,767	24,258,435
Other accounts payable and accrued liabilities	-	400,223	-	-	400,223
		<u>15,711,021</u>	<u>14,749,739</u>	<u>1,109,767</u>	<u>31,570,527</u>
<b>2014</b>					
<b>Financial assets:</b>					
Trade accounts receivable		1,591,948	-	-	1,591,948
Other financial assets		244,758	-	-	244,758
Other current assets		107,582	-	-	107,582
Bank deposits	1%	2,394	-	-	2,394
Cash		1,907,359	-	-	1,907,359
		<u>3,854,041</u>	<u>-</u>	<u>-</u>	<u>3,854,041</u>
<b>Financial liabilities:</b>					
Accounts payable		6,867,523	116,811	-	6,984,334
Loans	3.9%-12.5%	4,504,792	9,434,669	229,939	14,169,400
Finance lease obligations	4.5%	137,669	-	-	137,669
Other accounts payable and accrued liabilities		356,312	-	-	356,312
		<u>11,866,296</u>	<u>9,551,480</u>	<u>229,939</u>	<u>21,647,715</u>

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

The Group has access to funds, as described below, amounting to 26,939,000 thousand tenge as at December 31, 2015 (December 31, 2014: 10,863,762 thousand tenge).

<b>Unsecured short-term borrowings with different maturities till 2016</b>	<b>2015</b>
Amount used	2,755,091
Amount unused	1,722,000
	<u>4,477,091</u>
<b>Secured short-term borrowings with different maturities till 2016</b>	
Amount used	4,753,000
Amount unused	904,000
	<u>5,657,000</u>
<b>Secured long-term borrowings with different maturities till 2021</b>	
Amount used	13,299,812
Amount unused	24,313,000
	<u>37,612,812</u>

As at December 31, 2015 and 2014, the Group also had authorized for issue but not placed 410,500 preferred shares at 1,200 tenge each at total amount of 492,600 thousand tenge.

#### *Fair value of financial instruments measured at fair value*

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Information about the valuation techniques and inputs used in determining the fair value are disclosed in Note 17.

#### *Fair value of financial instruments carried at amortized cost*

For assets and liabilities maturing within twelve months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

Except for disclosed below, the management believes that the carrying value of financial assets and liabilities carried at amortized cost in the financial statements approximates their fair value.

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
<b>Financial liabilities:</b>				
Loans	20,950,772	20,950,772	13,224,770	13,224,770

The fair values of the financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 (in thousands of tenge, unless otherwise stated)

#### Hierarchy of fair value

	Level 1	Level 2	Level 3	Total
<i>Financial liabilities</i>				
Loans	-	20,950,772	-	20,950,772
<b>Totals</b>	-	20,950,772	-	20,950,772
<i>Financial assets</i>				
Other financial assets	2,678,963	-	4,197	2,683,160
<b>Totals</b>	2,678,963	-	4,197	2,683,160
<i>Other assets</i>				
Land and buildings	-	-	5,553,421	5,553,421
<b>Totals</b>	-	-	5,553,421	5,553,421

#### Valuation technique(s) and key input(s)

##### *Financial liabilities*

##### Loans

Level 2: Discounted cash flow at a discount rate that reflects the issuer's current borrowing rate at the end of the reporting period

##### *Financial assets*

##### Other financial assets

Level 1: Quoted bid prices in an active market  
Level 3: Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees

##### *Other assets*

##### Land and buildings

Level 3: Cost approach and market for similar or comparable assets, adjusted for differences with the assets under valuation. Adjustment of the prices of similar or comparable assets requires analysis of such factors as location, size, functional use and condition of the asset.

##### *Hazard risk*

The Group strives to ensure that all financial, reputation, and other losses of the Group and its customers are minimized through preventive risk management measures or purchase of insurance. Insurance is purchased for risks which cannot be internally managed. The Group's Economic Security function's objective is to ensure that Group's hazard risks, whether related to physical assets (e.g. buildings) or intellectual assets (e.g. "RG Brands" brand) or potential liabilities (e.g. product liability) are properly insured.

## 31. COMMITMENTS AND CONTINGENCIES

### Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to a significant decrease in national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, the tenge depreciated significantly against major foreign currencies.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2015 *(in thousands of tenge, unless otherwise stated)*

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Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and the financial position of the Group is at this stage difficult to determine.

#### **Tax and regulatory environment**

The government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities.

The tax period remains open for audit by tax authorities within five calendar years; however, in certain conditions, the tax period may be extended. Consequently, the Group may be subject to additional tax liabilities, which may arise as a result of tax audits. The Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation.

#### **Compliance with loan covenants**

Some of the Group's loan agreements are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators. The Group complied with all covenants of loan agreements with lenders as at December 31, 2015 and 2014.

#### **Legal issues**

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which have had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all such matters will not have a material impact on the Group's consolidated statement of financial position or consolidated operating results.

## **32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved and authorized for issue by the Group's management on February 1, 2016.