



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

**Consolidated Financial Statements**  
For the year ended December 31, 2014

# 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, 2014

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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, 2014, 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, 2014 were approved by management on April 10, 2015.

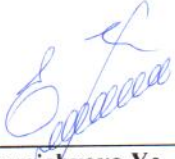
On behalf of the Group's management:

  
Westall D. P.  
Chief Executive Officer

April 10, 2015

  
Agybayev A. Ye.  
Chief Financial Officer

April 10, 2015

  
Chumichyova Ye. V.  
Chief Accountant

April 10, 2015



## 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, 2014 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 auditor considers 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**

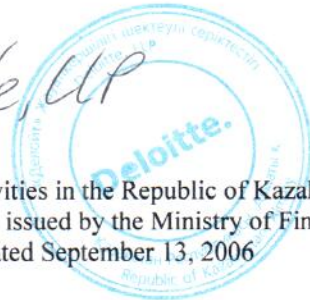
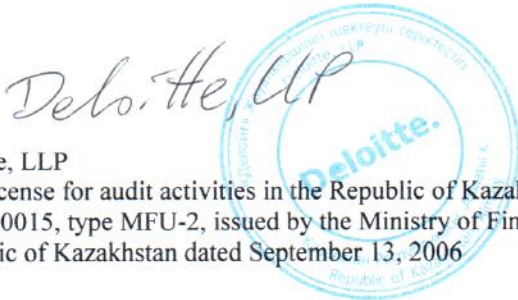
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



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



Daulet Kuatbekov  
Qualified Auditor  
Republic of Kazakhstan  
Certificate No.0000523  
February 15, 2002



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

April 10, 2015

## JSC RG BRANDS AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge)

	Note	2014	2013
Revenue	5	39,931,116	36,025,537
Cost of sales	6	(24,240,475)	(22,259,828)
Gross profit		15,690,641	13,765,709
Selling expenses	7	(8,065,596)	(6,780,072)
General and administrative expenses	8	(3,046,949)	(3,105,843)
<b>OPERATING PROFIT</b>		<b>4,578,096</b>	<b>3,879,794</b>
Finance costs	9	(1,084,934)	(1,019,976)
Foreign exchange loss	33	(1,621,668)	(287,585)
Investment (loss)/income, net	10	(154,984)	237,873
Other income/(expenses)		41,679	(175,220)
Profit before tax		1,758,189	2,634,886
Income tax expense	11	(456,342)	(613,691)
<b>PROFIT FOR THE YEAR</b>		<b>1,301,847</b>	<b>2,021,195</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property, plant and equipment, net of deferred income tax of 150,770 thousand Tenge	13	603,078	-
		603,078	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(7,647)	(374)
		(7,647)	(374)
Other comprehensive income for the year, net of income tax		595,431	(374)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,897,278</b>	<b>2,020,821</b>
<b>Earnings per share</b>			
Basic and diluted earnings per common share, in tenge	12	412	640

Signed on behalf of Group's management:

Westall D. P.  
Chief Executive Officer

Agybayev A.Ye.  
Chief Financial Officer

Chumichyova Ye. V.  
Chief Accountant

April 10, 2015

April 10, 2015

April 10, 2015

The notes on pages 9 to 49 form an integral part of these consolidated financial statements.

# JSC RG BRANDS AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014 (in thousands of tenge)

	Note	December 31, 2014	December 31, 2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	13	17,685,705	16,999,612
Advances paid	14	220,098	76,192
Goodwill		68,026	68,026
Intangible assets		50,583	82,778
Total non-current assets		18,024,412	17,226,608
<b>CURRENT ASSETS:</b>			
Inventories	15	6,780,179	4,695,536
Trade accounts receivable	16	1,591,948	1,357,819
Advances paid	14	222,481	210,370
Other financial assets	17	244,758	104,644
Other current assets	18	1,547,990	3,227,553
Bank deposits		2,394	1,857
Cash	19	1,907,359	1,947,568
Assets classified as held for sale	20	12,297,109	11,545,347
		1,585,284	1,273,878
Total current assets		13,882,393	12,819,225
<b>TOTAL ASSETS</b>		<b>31,906,805</b>	<b>30,045,833</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Issued capital	21	2,787,696	2,787,696
Treasury shares	21	(152,427)	(152,427)
Preferred shares, held within the Group	21	(947,400)	(947,400)
Reserves	22	2,357,050	1,965,357
Retained earnings		5,238,219	4,820,513
Total equity		9,283,138	8,473,739
<b>NON-CURRENT LIABILITIES:</b>			
Borrowings	23	9,179,015	8,253,999
Deferred tax liabilities	11	1,352,417	1,062,740
Accounts payable	27	116,811	125,640
Loan from related parties	29	-	714,999
Total non-current liabilities		10,648,243	10,157,378
<b>CURRENT LIABILITIES:</b>			
Accounts payable	25	6,867,523	6,170,557
Borrowings	23	4,045,755	2,565,258
Notes payable		-	1,574,125
Obligations under finance leases	24	136,703	331,493
Taxes payable	26	491,000	380,085
Other accounts payable and accrued liabilities		434,443	393,198
Total current liabilities		11,975,424	11,414,716
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>31,906,805</b>	<b>30,045,833</b>
Book value per common share, in tenge	12	2,922	2,656
Book value per preferred share, in tenge	12	1,200	1,200

Signed on behalf of Group's management:

Westall D. P.  
Chief Executive Officer



Agybayev A. Ye.  
Chief Financial Officer

April 10, 2015

April 10, 2015

Chumichyova Ye. V.  
Chief Accountant

April 10, 2015

The notes on pages 9 to 49 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, 2014

(in thousands of tenge)

	Issued capital	Treasury shares	Preferred shares, held within the Group	Preferred shares liability	Properties revaluation reserve	Equity settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Total equity
As at January 1, 2012	2,787,696	(152,427)	(47,400)	(900,000)	1,188,618	944,599	1,080	5,991,135	9,813,301
Profit for the year	-	-	-	-	-	-	-	2,021,195	2,021,195
Other comprehensive loss, net of income tax	-	-	-	-	-	-	(374)	-	(374)
Total comprehensive income for the year	-	-	-	-	-	-	(374)	2,021,195	2,020,821
Repurchase of own shares	-	-	(900,000)	900,000	-	-	-	(3,360,383)	(3,360,383)
Transfer to retained earnings	-	-	-	-	(168,566)	-	-	168,566	-
As at December 31, 2013	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

Signed on behalf of Group management's  
Westall D. P.  
Chief Executive Officer  
April 10, 2015



Agybayev A. Ye.  
Chief Financial Officer  
April 10, 2015

Chumichyova Ye.V.  
Chief Accountant  
April 10, 2015

The notes on pages 9 to 49 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, 2014 (in thousands of tenge)

	Note	2014	2013
<b>OPERATING ACTIVITIES:</b>			
Profit before tax		1,758,189	2,634,886
Adjustments for:			
Depreciation and amortization	6, 7, 8	1,527,728	1,401,999
Finance costs	9	1,084,934	1,019,976
Foreign exchange loss, net		1,621,668	287,585
Loss from disposal of property, plant and equipment		21,918	99,152
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	(665,152)	(324,156)
Investment income, net	10	154,984	(237,873)
Waste goods write-off	7, 8	193,274	227,998
Provision for impairment of advances paid	8	-	576
Provision/(reversal of provision) for slow-moving and obsolete inventory	8	1,186	(45,955)
Employee vacation and other accrued expenses		6,221	1,710
Provision/(reversal of provision) for doubtful debts	8	2,190	(54,466)
Operating cash flows before movements in working capital		5,698,514	5,011,432
Change in inventories		(2,220,048)	(203,016)
Change in trade accounts receivable		(198,119)	(280,833)
Change in advances paid		(247,310)	39,762
Change in other current assets		(429,362)	230,856
Change in accounts payable		1,262,395	391,288
Change in taxes payable		65,863	(183,567)
Change in other accounts payable and accrued liabilities		54,729	40,665
Cash from operations		3,986,662	5,046,587
Interest paid		(993,903)	(1,075,515)
Income tax paid		(272,383)	(265,686)
Net cash generated by operating activities		2,720,376	3,705,386
<b>INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment and intangible assets		(1,627,845)	(1,546,528)
Advances paid for purchase of investment assets	18	(715,000)	-
Loan settled by related party	29	2,349,045	1,562,000
Loan issued to related party	29	(223,469)	(2,735,869)
Purchase of notes of related party		-	(264,790)
Proceeds from sale of notes of related party	29	-	2,602,717
Net cash inflow from purchase and sale of other investments		(153,743)	277,313
Proceeds on disposal of property, plant and equipment, intangible assets and assets, classified as held for sale		49,660	-
Withdrawal of deposits		-	153,170
Money placed to deposit		(535)	-
Interest received from deposits		-	1,570
Net cash (used in)/generated by investing activities		(321,887)	49,583


## JSC RG BRANDS AND ITS SUBSIDIARIES


### CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge)

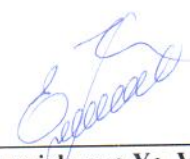
	Note	2014	2013
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		18,670,363	16,015,483
Repayment of borrowings		(17,246,379)	(14,334,178)
Repayment of notes payable		(1,574,125)	-
Repayment of obligations under finance leases	24	(267,365)	(417,333)
Dividends paid		(1,087,879)	-
Repurchase of preferred shares from third party		(646,195)	(127,271)
Proceeds from sale of preferred shares to third party		504,840	45,454
Repurchase of preferred shares from related parties		-	(4,200,000)
Repurchase of common shares from related parties		-	(983)
Proceeds of loan from related party		-	746,708
Repayment of loan to related party		(730,300)	(16,408)
Net cash used in financing activities		<u>(2,377,040)</u>	<u>(2,288,528)</u>
NET CHANGE IN CASH		21,449	1,466,441
CASH, beginning of the year	19	1,947,568	470,739
Effect of changes in foreign exchange rates in relation to cash		<u>(61,658)</u>	<u>10,388</u>
CASH, end of the year	19	<u>1,907,359</u>	<u>1,947,568</u>

Significant non-cash transactions are disclosed in Note 32.

Signed on behalf of Group's management:

  
Westall D. P.  
Chief Executive Officer

  
Agybayev A. Ye.  
Chief Financial Officer

  
Chumichyova Ye. V.  
Chief Accountant

April 10, 2015

April 10, 2015

April 10, 2015

The notes on pages 9 to 49 form an integral part of these consolidated financial statements.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 1. 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, 2014 and 2013 are disclosed in Note 21.

#### Group structure and operations

The Group includes the Company and the following subsidiaries:

	Ownership interest		Voting power	
	2014	2013	2014	2013
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%	-

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 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 role 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.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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

As at December 31, 2014 and 2013, the number of employees was 1,896 and 1,727 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, Tajikistan and Turkmenistan are provided under agreements concluded with these companies till December 31, 2014 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, 2014:

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements, Investment Entities
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 Levies

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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 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:

	<u>Effective for annual periods beginning on or after</u>
IFRS 9 Financial Instruments	January 1, 2018, with earlier application permitted
IFRS 14 Regulatory Deferral Accounts	January 1, 2016, with earlier application permitted
IFRS 15 Revenue from Contracts with Customers	January 1, 2017, with earlier application permitted
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016, with earlier application permitted
Amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible Assets	January 1, 2016, with earlier application permitted
Clarification of Acceptable Methods of Depreciation and Amortisation	July 1, 2014, with earlier application permitted
IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014, with limited exceptions; earlier application is permitted
Amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014, with earlier application permitted
Amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014, with earlier application permitted

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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 *(in thousands of tenge, unless otherwise stated)*

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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.

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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 *(in thousands of tenge, unless otherwise stated)*

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#### **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.

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 Som, 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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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#### 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 a accumulation pension fund. However, in accordance with Kazakhstan legislation, from January 1, 2014, the contribution per employee should not exceed 149,745 tenge per month. Prior to this date, the maximum monthly contribution per employee was 139,750 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.

##### *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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that 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.

##### *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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### *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

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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
*(in thousands of tenge, unless otherwise stated)*

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**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.

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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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#### 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.

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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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#### *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.

#### *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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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#### 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.

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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### *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.

### **RECLASSIFICATIONS OF PRIOR YEAR CONSOLIDATED FINANCIAL STATEMENTS**

#### **Reclassifications**

The Group's management determined that certain reclassifications should be made to the consolidated financial statements as the new classification amounts are considered more appropriate for understanding by users of the Group's consolidated financial statements. The below reclassifications on comparative information as at and for the year ended December 31, 2014 and December 31, 2013 didn't have any effect on consolidated statement of profit or loss and other comprehensive income.

#### **Presentation of the statement of cash flows**

<i>Comprehensive statement of cash flows</i>	Year ended December 31, 2013		
	As previously reported	Reclassification	As restated
Net cash generated by operating activities	<u>3,691,136</u>	<u>14,250</u>	<u>3,705,386</u>
Change in trade accounts receivable	(407,584)	126,751	(280,833)
Change in other current assets	<u>343,357</u>	<u>(112,501)</u>	<u>230,856</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,452,191</u>	<u>14,250</u>	<u>1,466,441</u>

The effect of reclassifications on the consolidated statement of financial position as at December 31, 2013 and January 1, 2014 is presented below.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

<i>Consolidated statement of financial position</i>	December 31, 2013			January 1, 2014		
	As previously reported	Reclassification	As restated	As previously reported	Reclassification	As restated
Trade accounts receivable	1,484,570	(126,751)	1,357,819	1,484,570	(126,751)	1,357,819
Cash and cash equivalents	1,933,318	14,250	1,947,568	1,933,318	14,250	1,947,568
Other current assets	3,115,052	112,501	3,227,553	3,115,052	112,501	3,227,553
<b>TOTAL ASSETS</b>	<b>6,532,940</b>	<b>-</b>	<b>6,532,940</b>	<b>6,532,940</b>	<b>-</b>	<b>6,532,940</b>

#### 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.

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 INNOVA INVESTMENT, related party, and LLP Property Retail 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 2015.

##### **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.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### *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. A 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.

#### 5. REVENUE

	2014	2013
Sales of carbonated soft drinks	13,895,878	12,611,525
Sales of packed tea	10,749,890	9,065,236
Sales of juices and juice containing drinks	8,891,583	8,627,228
Sales of packed milk	5,879,878	5,248,382
Sales of chips	502,102	473,166
Sales of wholesale products	11,785	-
	<u>39,931,116</u>	<u>36,025,537</u>

#### 6. COST OF SALES

	2014	2013
Raw and other materials	21,517,042	19,787,621
Depreciation and amortization	887,121	827,374
Payroll and related taxes	826,257	795,250
Utilities	585,313	528,604
Repairs	389,096	290,282
Cost of sales of wholesale products	7,969	-
Other costs	27,677	30,697
	<u>24,240,475</u>	<u>22,259,828</u>



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 7. SELLING EXPENSES

	2014	2013
Transportation	2,774,083	2,376,136
Advertising campaigns and market research	1,516,580	1,113,871
Sales agents expenses	1,235,896	901,497
Advertising and promotional materials	1,185,836	960,778
Payroll and related taxes	678,367	708,471
Depreciation of marketing equipment	588,468	507,750
Lease of vehicles, warehouses and office premises	283,682	284,177
Write-off of materials	37,169	-
Taxes, other than income tax	32,600	10,799
Business trip expenses	9,282	13,061
Reimbursement of selling expenses	(665,152)	(324,156)
Other selling expenses	388,785	227,688
	<u>8,065,596</u>	<u>6,780,072</u>

#### 8. GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
Payroll and related taxes	1,510,098	1,535,979
Consulting services	321,300	366,171
Taxes, other than income tax	172,078	204,415
Bank charges	167,708	198,116
Waste goods write-off	156,105	227,998
Transportation expenses	121,712	117,421
Utilities	95,875	89,439
Representative expenses	83,655	24,485
Depreciation and amortization	52,139	66,875
Legal services	48,444	26,561
Rent	47,815	40,924
Business trip expenses	46,943	44,430
Communication services	31,588	27,542
Repairs	24,283	42,612
Insurance	22,182	13,850
Penalties and fines	10,218	58,235
Training	2,895	12,221
Security services	1,167	38,270
Provision/(reversal of provision) for doubtful debts	2,190	(54,466)
Provision /(reversal of provision) for slow-moving and obsolete inventory	1,186	(45,955)
Provision for impairment of advances paid	-	576
Other expenses	127,368	70,144
	<u>3,046,949</u>	<u>3,105,843</u>

#### 9. FINANCE COSTS

	2014	2013
Interest paid/payable on borrowings	892,665	590,117
Interest paid/payable on notes payable	148,910	173,906
Interest paid/payable on obligations under finance leases	43,359	75,953
Preferred shares dividends	-	180,000
	<u>1,084,934</u>	<u>1,019,976</u>

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 10. INVESTMENT INCOME, NET

	2014	2013
Income on investments in debt and equity securities	28,877	229,324
Loss from repurchase of preferred shares from third party	(141,355)	(81,817)
Other investment (losses)/income, net	<u>(42,506)</u>	<u>90,366</u>
	<u>(154,984)</u>	<u>237,873</u>

#### 11. TAXATION

	2014	2013
Current income tax expense	317,435	265,686
Deferred income tax expense	<u>138,907</u>	<u>348,005</u>
<b>Total income tax expense</b>	<u>456,342</u>	<u>613,691</u>

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, 2014 and 2013 is presented below:

	2014	2013
<b>Deferred tax assets:</b>		
Provision for doubtful debt	46,587	37,510
Provision for unused vacation and bonuses	39,884	38,640
Taxes	2,979	2,911
Provision for slow-moving and obsolete inventory	2,140	1,781
Tax losses carried forward	-	29,387
Property, plant and equipment and intangible assets	<u>-</u>	<u>381</u>
	<u>91,590</u>	<u>110,610</u>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment and intangible assets	<u>(1,444,007)</u>	<u>(1,173,350)</u>
	<u>(1,444,007)</u>	<u>(1,173,350)</u>
<b>Deferred tax liabilities, net</b>	<u>(1,352,417)</u>	<u>(1,062,740)</u>

In 2014 and 2013 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:

	2014	2013
Profit before tax	<u>1,758,189</u>	<u>2,634,886</u>
Income tax at the statutory tax rate of 20%	351,638	526,977
Effect of permanent differences	<u>104,704</u>	<u>86,714</u>
Income tax expense	<u>456,342</u>	<u>613,691</u>



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

The change in deferred tax was presented as follows:

	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)
	<b>(1,062,740)</b>	<b>(138,907)</b>	<b>(150,770)</b>	<b>(1,352,417)</b>
	January 1, 2013	Recognised in profit and loss	Recognised in other comprehensive income	December 31, 2013
Tax losses carried forward	478,100	(448,713)	-	29,387
Provision for unused vacation and bonuses	38,298	(15,782)	-	22,516
Provision for doubtful debt	54,422	(788)	-	53,634
Taxes	2,470	441	-	2,911
Provision for slow-moving and obsolete inventory	11,034	(9,253)	-	1,781
Property, plant and equipment and intangible assets	(1,299,059)	126,090	-	(1,172,969)
	<b>(714,735)</b>	<b>(348,005)</b>	<b>-</b>	<b>(1,062,740)</b>

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 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.

	2014	2013
<b>Calculation of basic and diluted earnings per share</b>		
Profit for the year	1,301,847	2,021,195
Weighted average number of common shares	<u>3,159,593</u>	<u>3,159,593</u>
Basic and diluted earnings per share, in tenge	<u>412</u>	<u>640</u>

As at December 31, 2014 and 2013, 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.

The book value per one common share is presented below:

	2014	2013
<b>Calculation of book value per common share</b>		
Net assets, excluding intangible assets as at December 31	9,232,555	8,390,961
Number of issued common shares	<u>3,159,593</u>	<u>3,159,593</u>
Book value per common share, in tenge	<u>2,922</u>	<u>2,656</u>

The book value per one preferred share is presented below:

	2014	2013
<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, 2014 (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, 2013	1,122,088	5,320,877	16,841,926	267,693	654,188	649,162	24,855,934
Additions	-	20,718	1,103,984	28,490	199,046	128,204	1,480,442
Internal transfers	-	24,168	88,475	-	-	(112,643)	-
Disposals	-	-	(237,756)	(15,356)	(148,216)	(100)	(401,428)
At December 31, 2013	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
<b>Accumulated depreciation</b>							
At January 1, 2013	-	(271,896)	(6,960,987)	(129,805)	(484,707)	-	(7,847,395)
Charge for the year	-	(523,131)	(726,563)	(43,668)	(96,855)	-	(1,390,217)
Disposals	-	-	218,049	13,068	71,159	-	302,276
At December 31, 2013	-	(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)
<b>Net book value</b>							
At December 31, 2014	1,247,923	4,858,764	10,576,871	145,818	192,209	664,120	17,685,705
At December 31, 2013	1,122,088	4,570,736	10,327,128	120,422	194,615	664,623	16,999,612

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014

(in thousands of tenge, unless otherwise stated)

The Group has property, plant and equipment received under finance leases at December 31, 2014 and 2013 with a net book value of 1,636,181 thousand tenge and 1,721,037 thousand tenge, respectively. The lessor's rights for these leased assets are the collateral for the Group's finance lease obligations (see Note 24).

As at December 31, 2014 and 2013, property, plant and equipment with a carrying value of 14,348,215 thousand tenge and 14,098,965 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 the result the Group recognized 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. 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, 2014 and 2013 would have been 4,776,029 thousand tenge and 4,761,425 thousand tenge, respectively.

#### 14. ADVANCES PAID

	December 31, 2014	December 31, 2013
<b>Non-current:</b>		
Advances paid for property, plant and equipment	183,827	76,000
Other	36,271	192
	<u>220,098</u>	<u>76,192</u>
<b>Current:</b>		
Advances paid for services and inventory	241,526	226,493
Less: Provision for impairment	(19,045)	(16,123)
	<u>222,481</u>	<u>210,370</u>

#### 15. INVENTORIES

	December 31, 2014	December 31, 2013
Finished goods	3,289,333	2,018,118
Raw materials	1,985,632	1,513,691
Packing materials	933,883	776,768
Spare parts	232,805	177,327
Other	356,434	218,537
Less: Provision for slow-moving and obsolete inventory	(17,908)	(8,905)
	<u>6,780,179</u>	<u>4,695,536</u>

As at December 31, 2014 inventories with an assessed value of not less than 13,244 thousand US Dollars (equivalent in tenge to 2,415,185 thousand tenge) and 1,528,639 thousand tenge (December 31, 2013: 13,975 thousand US Dollars, equivalent in tenge to 2,152,989 thousand tenge, and 1,512,656 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, 2014 (in thousands of tenge, unless otherwise stated)

#### 16. TRADE ACCOUNTS RECEIVABLE

	December 31, 2014	December 31, 2013
Trade accounts receivable	1,647,179	1,368,238
Less: provision for doubtful debts	<u>(55,231)</u>	<u>(10,419)</u>
	<u>1,591,948</u>	<u>1,357,819</u>

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

	December 31, 2014	December 31, 2013
In Tenge	1,498,445	1,259,594
In Russian Roubles	38,071	32,686
In Kyrgyz Soms	28,029	24,490
In US Dollars	27,403	38,391
In Euro	<u>-</u>	<u>2,658</u>
	<u>1,591,948</u>	<u>1,357,819</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, 2014	December 31, 2013
Investments held-for-trading	197,638	38,508
Available-for-sale investments	<u>47,120</u>	<u>66,136</u>
	<u>244,758</u>	<u>104,644</u>

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

	December 31, 2014	December 31, 2013
Debt securities	197,638	20,422
Equity securities	<u>-</u>	<u>18,086</u>
	<u>197,638</u>	<u>38,508</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 (December 31, 2013: 22,034 thousand tenge).

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### Available-for-sale investments:

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

Fair value measurements of unlisted shares with a carrying value of 47,119 thousand tenge (December 31, 2013: 66,136 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, 2014	December 31, 2013
Other receivables from related parties (see Note 29)	219,509	3,155,867
Advances paid for purchase of investment assets	797,220	-
Prepaid expenses	79,731	33,621
Receivables from employees	46,731	10,756
Other taxes receivable	30,897	61,564
VAT receivable	43	-
Other receivables	532,517	126,751
Less: Provision for doubtful debts	<u>(158,658)</u>	<u>(161,006)</u>
	<u>1,547,990</u>	<u>3,227,553</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. The Group classified these advances as other current assets, since the Group plans to sale this property after its acquisition.

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 (2013: 126,751 thousand tenge was due from PEPSI-COLA INTERNATIONAL CORK). These amounts will be settled with accounts payable due to these suppliers.

As at December 31, 2014 and 2013, other current assets were denominated in tenge.

#### 19. CASH

	December 31, 2014	December 31, 2013
Cash in broker's account	949,132	14,250
Cash in foreign currency bank accounts	652,963	171,102
Cash in bank settlement accounts, tenge	261,694	1,716,306
Cash in other bank accounts, tenge	15,513	11,409
Petty cash, foreign currency	15,248	2,160
Cash in transit	10,698	32,341
Petty cash, tenge	<u>2,111</u>	<u>-</u>
	<u>1,907,359</u>	<u>1,947,568</u>



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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

	December 31, 2014	December 31, 2013
In US Dollars	1,393,117	71,351
In Tenge	335,368	1,779,747
In Russian Roubles	71,188	39,872
In Kyrgyz Soms	52,594	23,226
In Uzbek Soms	31,599	33,319
In Euro	23,493	53
	<u>1,907,359</u>	<u>1,947,568</u>

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 sale and purchase of securities.

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

	December 31, 2014	December 31, 2013
Property located on 212 B, Raiymbek Ave., Almaty	1,075,760	1,271,950
Complex located on 110 E, Al-Farabi Ave, Almaty	507,596	-
Other	1,928	1,928
	<u>1,585,284</u>	<u>1,273,878</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 2013, the Group signed a non-binding agreement with a potential purchaser of this property which is a related party – LLP INNOVA INVESTMENT (see Note 29), in accordance with which LLP INNOVA INVESTMENT agreed to purchase this property at its cost.

During 2014 LLP INNOVA INVESTMENT has notified the Group about its inability to purchase an office building, tea packaging plant and a land plot, which is located on 212 B, Raiymbek Ave., Almaty for the total amount of 196,190 thousand tenge and the Group reclassified this property back in Property, Plant and Equipment.

A non-binding agreement on purchase of other property located on 212 B, Raiymbek Ave was prolonged in the current year until June 19, 2015.

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

As at 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.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 21. CAPITAL

The Company's registered and issued share capital as at December 31, 2014 and 2013 is 2,787,696 thousand tenge. At December 31, 2014 and 2013 share capital was fully paid.

Issued share capital as at December 31, 2014 and 2013 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 2013, the Group concluded agreements with several shareholders for the repurchase of 270,435 common shares for a total consideration of 616,500 thousand tenge.

As at December 31, 2014 and 2013, the shareholders of the Company were as follows:

Shareholder	Ownership		Number of common shares		Amount	
	2014	2013	2014	2013	2014	2013
Mazhibayev K.K.	61.55%	56.75%	1,944,771	1,793,103	944,574	944,574
Koshkinbayev Y.Z.	26.66%	31.46%	842,384	994,052	397,903	397,903
LLP SUCCESSFUL INVESTMENT TRUST	8.86%	8.86%	279,968	279,968	258,948	258,948
Kaltayev T.S.	1.42%	1.42%	45,024	45,024	34,384	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>3,159,593</u>	<u>3,159,593</u>	<u>1,687,869</u>	<u>1,687,869</u>

As at December 31, 2014 and 2013, treasury shares amounted to 152,427 thousand tenge or 293,137 common shares.

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 2014 and 2013.

In 2013, the Group repurchased 750,000 issued preferred shares at 5,600 tenge from LLP Resmi "Pryamyie investicii" and major shareholders, Mazhibayev K.K. and Koshkinbayev Y.Z. for total consideration of 4,200,000 thousand tenge. The Group recognized difference between purchase price and nominal value of 3,360,383 thousand tenge in retained earnings.

In 2014, the shareholders authorized dividends based on the results of 2013 and 2012 of 569,927 thousand tenge and 517,952 thousand tenge, respectively.

In 2014, the Group sold 120,200 preferred shares to LLP Bi-Agro – 12 for 4,200 tenge per share of 504,840 thousand tenge and purchased them back for 5,376 tenge of 646,195 thousand tenge. A loss of 141,355 thousand tenge was recognized on this transaction (see Note 10).

#### 22. RESERVES

	December 31, 2014	December 31, 2013
Revaluation of properties	1,419,392	1,020,052
Equity settled employee benefits reserve	944,599	944,599
Foreign currency translation	(6,941)	706
	<u>2,357,050</u>	<u>1,965,357</u>



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 23. BORROWINGS

	December 31, 2014	December 31, 2013
<b>Borrowings:</b>		
Long-term loans – non-current portion	9,179,015	8,253,999
Long-term loans – current portion	<u>3,996,560</u>	<u>2,470,469</u>
Total long-term loans	<u>13,175,575</u>	<u>10,724,468</u>
Short-term bank loans	<u>49,195</u>	<u>94,789</u>
Total borrowings	<u><u>13,224,770</u></u>	<u><u>10,819,257</u></u>

As at December 31, 2014 and 2013, the borrowings are subject to repayment as follows:

	December 31, 2014	December 31, 2013
On demand or within one year	4,045,755	2,565,258
In the second to fifth year inclusive	8,959,864	7,784,592
After 5 years	<u>219,151</u>	<u>469,407</u>
	<u><u>13,224,770</u></u>	<u><u>10,819,257</u></u>

#### **Borrowings:**

##### *Long-term loans*

(a) In 2008, the Group entered into a loan agreement with the Development Bank of Kazakhstan (hereinafter – “DBK”) for the construction of buildings and infrastructure of a plant located in the Almaty region (hereinafter – “Greenfield plant”) of 10,000 thousand US Dollars for 5 years. In March 2010, the Group concluded an addendum with DBK, according to which the maturity period was increased to 7 years to March 5, 2015 and the grace period for commencement of repayment of the principal amount was prolonged to March 2011. In 2010, the interest rate on the loan was decreased from 12% to 8% per annum. In February 2012 the loan agreement was amended and the currency of the loan was changed from US Dollars to tenge at the rate of the National Bank of the Republic of Kazakhstan on the date of decision of 147.95 tenge per 1 US Dollar. Principal and interest were payable in semi-annual installments. In June 2014 this loan was fully repaid.

(b) In 2008, the Group signed two loan agreements with CATERPILLAR FINANCIAL SERVICES CORPORATION (hereinafter – “CATERPILLAR”) for purchase of equipment of 1,867 thousand Euro and 247 thousand Euro, respectively, for 7 years. The loans were repayable in quarterly installments commencing in July 2009. The interest rate was EURIBOR+3% and interest was payable monthly.

In 2008, the Group signed a further loan agreement with CATERPILLAR for purchase of equipment of 2,363 thousand Euro for 7 years. The loan was repayable in quarterly installments commencing in August 2009. The interest rate was EURIBOR+3% and interest was payable monthly. In April 2014 both loans were fully repaid.

(c) In 2008, the Group entered into a loan facility agreement with the European Bank for Reconstruction and Development (hereinafter – “EBRD”) for 50,000 thousand US Dollars for (1) the construction, purchase of equipment and placing into operation of, and the provision of working capital for “Greenfield” plant and (2) refinancing of existing borrowings of the Group up to 15,000 thousand US Dollars. The loan facility is repayable in 11 equal semiannual installments commencing after 2 years following the receipt of loan facility. The interest rate is LIBOR+3.5% and interest is payable semiannually.

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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

(d) 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.

(e) 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 2014, the Group signed an additional agreement about providing a grace period for 2014 with prolongation of maturity till December 2015. The interest rate is 8.5%. The principal amount and interest is payable by equal installments monthly.

(f) 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.

(g) 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%.

#### *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.

As at December 31, 2014, loans are secured by property plant and equipment of the Group with a carrying value of 14,348,215 thousand tenge and 14,098,965 thousand tenge, respectively (see Note 13), inventory with assessed value of not less than 13,244 thousand US Dollars (equivalent in tenge 2,415,185 thousand tenge) and 1,528,639 thousand tenge (December 31, 2013: 13,975 thousand US Dollars, equivalent in tenge 2,152,989 thousand tenge and 1,512,656 thousand tenge) (see Note 15), and property plant and equipment of related parties with a carrying value of 2,634,888 thousand tenge as at December 31, 2013 (see Note 29).

As at December 31, 2014 and 2013, the weighted average interest rates of the Group’s bank loans were 6.41% and 6.95% per annum, respectively.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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

	December 31, 2014	December 31, 2013
In Tenge	8,624,915	6,014,408
In US Dollars	4,438,931	4,643,590
In Euro	160,924	161,259
	<u>13,224,770</u>	<u>10,819,257</u>

As at December 31, 2014 and 2013, the amount of interest accrued, but not paid, included in borrowings was 49,195 thousand tenge and 47,785 thousand tenge, respectively.

#### 24. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease some of its fixtures and equipment under finance leases. The average lease term is five years. For the years ended December 31, 2014 and 2013, the average effective borrowing rate was 3.28%. Interest rates are fixed as at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All such lease obligations are denominated in Euro and tenge.

Management has assessed the fair value of the equipment obtained under finance lease agreements as not being materially different from its carrying value.

The Group's finance lease obligations are secured by the lessors' title for the leased assets.

At December 31, 2014 and 2013, obligations under finance leases were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Amounts payable under finance leases				
Within one year	137,669	340,334	136,703	331,493
In the second to fifth years, inclusive	-	-	-	-
More than five years	-	-	-	-
	<u>137,669</u>	<u>340,334</u>	<u>136,703</u>	<u>331,493</u>
Less: future finance charges	<u>(966)</u>	<u>(8,841)</u>		
Present value of lease obligations	<u>136,703</u>	<u>331,493</u>	<u>136,703</u>	<u>331,493</u>
Less: Amount due for settlement within 12 months (presented as current liabilities)			<u>(136,703)</u>	<u>(331,493)</u>
Amount due for settlement after 12 months (presented as non-current liabilities)			<u>-</u>	<u>-</u>

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

Details of the major lease obligations are set out below:

*Tetra Laval Credit AB* (hereinafter - "Tetra Laval")

In 2006, the Group executed a finance lease agreement for juice processing and bottling equipment of 1,631 thousand Euro. The finance lease agreement is due to expire seven years from the commissioning date of December 1, 2007. The interest rate stated in the agreement is the 3-month LIBOR+3% per annum. In accordance with the terms of the lease, the initial payment for the equipment was 163 thousand Euro, while 1,386 thousand Euro is paid in quarterly installments throughout the lease term and final payment of 82 thousand Euro – upon the expiry of the lease term. In accordance with the lease agreement the lease payments are made on the principal amounts due and at the interest rate determined in accordance with the abovementioned rate as at the date of invoice issued by the supplier.

In 2007, the Group executed a finance lease agreement for juice processing and bottling equipment of 6,169 thousand Euro. The finance lease agreement was due to expire five years from the date the equipment was delivered to the customs station in Kazakhstan, December 31, 2009.

The interest rate stated in the agreement is the 3 month LIBOR+2.25% per annum. In accordance with the terms of the lease, the initial payment for the equipment was 617 thousand Euro, while 5,244 thousand Euro is paid in quarterly installments throughout the lease term and final payment of 308 thousand Euro – upon the expiry of the lease term. In accordance with the lease agreement the lease payments are made on the principal amounts due and at the interest rate determined in accordance with the abovementioned rate as at the date of invoice issued by the supplier.

As at December 31, 2014, the Group was not able to pay final tranche under finance lease agreements with Tetra Laval due to technical problems. At the date of consolidated financial statements issuance, the final payment date is being negotiated with Tetra Laval.

At the end of each lease term, Tetra Laval grants the lessee the opportunity to acquire the relevant assets under the agreement upon the terms of transfer of ownership of the leased assets. The Group is required to notify the lessor of its intention to acquire the leased assets, in writing, within ninety days prior to the expiry of the lease term or any other term as is agreed as and between the parties. If the parties do not agree on the terms of acquisition by the expiry date of the lease agreement, the right of acquisition automatically expires.

## 25. ACCOUNTS PAYABLE

	December 31, 2014	December 31, 2013
Raw materials	3,334,548	3,361,841
Packing materials	1,659,980	860,642
Services	1,152,056	1,198,250
Goods	332,107	41,127
Property, plant and equipment	235,672	223,030
Current portion of long-term accounts payable for equipment	153,160	485,667
	<u>6,867,523</u>	<u>6,170,557</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, 2014 (in thousands of tenge, unless otherwise stated)

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

	December 31, 2014	December 31, 2013
On demand or within one year	153,160	485,667
1-2 years	<u>116,811</u>	<u>125,640</u>
	269,971	611,307
Less: Amount due for settlement within 12 months (presented in current liabilities)	<u>(153,160)</u>	<u>(485,667)</u>
Non-current payables for acquisition of equipment	<u><u>116,811</u></u>	<u><u>125,640</u></u>

As at December 31, 2014, accounts payable to a related party of 59,421 thousand tenge (December 31, 2013: 65,382 thousand tenge) (see Note 29).

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

	December 31, 2014	December 31, 2013
In Tenge	3,057,129	993,752
In US Dollars	2,854,350	2,916,143
In Euro	976,087	1,417,044
In Russian Roubles	36,332	18,586
In Kyrgyz Soms	34,901	926,844
In Uzbek Soms	<u>25,535</u>	<u>23,828</u>
	<u><u>6,984,334</u></u>	<u><u>6,296,197</u></u>

#### 26. TAXES PAYABLE

	December 31, 2014	December 31, 2013
Value added tax	393,027	332,871
Other taxes	<u>97,973</u>	<u>47,214</u>
	<u><u>491,000</u></u>	<u><u>380,085</u></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. One operation (the wholesale of imported goods) appeared in the current year.

- 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", 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".

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

	Own brands: juices and beverages	Own brands: food	Franchise	Wholesale activity	Consolidated
<b>2014:</b>					
Revenue	8,891,583	17,131,869	13,895,878	11,786	39,931,116
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
<b>2013:</b>					
Revenue	10,815,445	14,786,784	10,423,308	-	36,025,537
Profit before tax	690,323	1,652,067	292,496	-	2,634,886
Income tax expense	(184,240)	(251,891)	(177,560)	-	(613,691)
Profit for the year	506,083	1,400,176	114,936	-	2,021,195
Depreciation and amortization	510,912	382,574	508,513	-	1,401,999
Acquisition of property, plant and equipment and intangible assets	594,042	543,457	342,943	-	1,480,442

Revenue reported above represents revenue generated from third parties. There were no inter-segment sales during the years ended December 31, 2014 and 2013. 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, 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
<b>As at December 31, 2013:</b>					
Segment assets	13,570,007	6,807,638	9,668,188	-	30,045,833
Total assets	13,570,007	6,807,638	9,668,188	-	30,045,833
Segment liabilities	8,753,392	5,737,493	6,018,469	-	20,509,354
Deferred income tax liabilities	319,052	436,204	307,484	-	1,062,740
Total liabilities	9,072,444	6,173,697	6,325,953	-	21,572,094

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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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

	Revenue from sales to external customers	
	2014	2013
Republic of Kazakhstan	35,291,804	31,827,584
Kyrgyz Republic	3,043,603	2,687,119
Russian Federation	1,152,234	798,729
Turkmenistan	310,262	430,841
Tajikistan	104,767	250,572
Mongolia	25,494	30,692
Luxembourg	2,952	-
	<u>39,931,116</u>	<u>36,025,537</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, 2014 and 2013, 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. Until October 2012, JSC Group of Companies RESMI (also owned by Mazhibayev K.K. and Koshkinbayev Y.Z.) was the parent company of the Group.

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, tea;
- sales/purchase of other inventories, property, plant and equipment and securities; and
- loans and borrowings.

#### Trading transactions:

	Sales		Purchases	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
JSC Group of Companies RESMI	1,776	8,278	180,301	167,332
Entities under common control	6,151	249,418	22,826	153,077

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### Other transactions:

In 2013, the Group purchased 26,430,000 notes issued by JSC Group of Companies RESMI for 264,790 thousand tenge. By the end of 2013 248,628,200 notes were sold to related parties for 2,602,717 thousand tenge.

In 2013, the Group purchased investments of related parties of 420,655 thousand tenge and sold investments of related parties of 410,690 thousand tenge.

As at December 15, 2014, the Group purchased property, located on 110 E Al-Farabi from LLP Resmi "Pryamyie investicii", (see Note 20) for the total amount of 511,073 thousand tenge (VAT inclusive). 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, 2014	As at December 31, 2013	As at December 31, 2014	As at December 31, 2013
<i>JSC Group of Companies RESMI:</i>				
Trading and other operations	-	-	-	-
<i>Entities under common control:</i>				
- Due from broker (see Note 18)	1,388	10,211	-	-
- Cash in broker's account (see Note 19)	949,132	14,250	-	-
- Interest-free financial aid (see Note 18)	78,339	2,735,869	-	714,999
- Trading and other operations (see Note 18)	139,782	409,787	59,421	65,382
	<u>1,168,641</u>	<u>3,170,117</u>	<u>59,421</u>	<u>780,381</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 2014 the Group prolonged maturity date for unpaid balance of 78,339 thousand tenge till May 30, 2015.

On May 3, 2013, the Group concluded an interest-free financial aid agreement with LLP Resmi "Pryamyie investicii" of 714,999 thousand tenge with maturity date on November 20, 2013. On November 1, 2013, an additional agreement was concluded to prolong the maturity date until July 1, 2015. In 2014 financial aid was fully repaid by the Group.

#### Other disclosures

In 2013, the Group signed a non-binding agreement with a potential purchaser of property, related party – LLP INNOVA INVESTMENT, in accordance with which, LLP INNOVA INVESTMENT agreed to purchase this property at its cost. The letter was prolonged till June 19, 2015 (see Note 20).

#### 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, 2014 and 2013, amounted to short-term benefits of 247,863 thousand tenge and 348,245 thousand tenge, respectively.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 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 2013.

##### 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.

##### 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:

	2014	2013
<b>Financial assets</b>		
Investments held-for-trading	197,638	38,508
Available-for-sale investments	47,120	66,136
Receivables and other current assets	2,232,047	4,490,187
Cash	1,907,359	1,947,568
Bank deposits	2,394	1,857
<b>Financial liabilities</b>		
Accounts payable	6,984,334	6,296,197
Loans from related parties	-	714,999
Borrowings	13,224,770	10,819,257
Obligations under finance leases	136,703	331,493
Notes payable	-	1,574,125
Other accounts payable and accrued liabilities (excluding advances received)	356,311	332,941

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 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.

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. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

#### 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, 2014 and 2013, the carrying value of monetary assets and liabilities of the Group was as follows:

	Assets		Liabilities	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
In US Dollars	1,420,520	109,742	7,293,281	7,559,733
In Euro	23,493	2,711	1,273,714	1,909,796
In Russian Ruble	109,259	72,558	36,332	18,586
In Kyrgyz Soms	80,623	47,716	34,901	926,844
In Uzbek Soms	31,599	33,319	25,535	23,828



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### *Foreign currency sensitivity analysis*

The following table details the Group's sensitivity to a 20% increase and decrease in tenge against the relevant foreign currencies. 20% 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 20% 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 20% against the relevant currency. For a 20% 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)	
	2014	2013	2014	2013
Profit/loss before tax and equity	1,174,552	1,489,998	250,044	381,417

(i) This is mainly attributable to the exposure on the Group's outstanding US Dollars denominated borrowings as at year end.

(ii) This is mainly attributable to the exposure the Group's outstanding Euro denominated accounts payable and finance lease liabilities 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.

#### *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, 2014 would decrease/increase by 10,849 thousand tenge (in 2013: decrease/increase by 10,200 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.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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, 2014 customer finance credit risk exposure of the Group totaled 1,647,179 thousand tenge (December 31, 2011: 1,368,238 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 2013 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 2014 this rating was confirmed.

#### 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.

2014	Interest rate	Within 1 year	1-5 years	Over 5 years	Total
<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, 2014 (in thousands of tenge, unless otherwise stated)

2013	Interest rate	Within 1 year	1-5 years	Over 5 years	Total
<b>Financial assets:</b>					
Trade accounts receivable		1,357,819	-	-	1,357,819
Other financial assets		104,644	-	-	104,644
Other current assets		3,005,617	-	-	3,005,617
Bank deposits	1%	1,876	-	-	1,876
Cash		1,947,568	-	-	1,947,568
		<u>6,417,524</u>	<u>-</u>	<u>-</u>	<u>6,417,524</u>
<b>Financial liabilities:</b>					
Accounts payable		6,170,557	125,640	-	6,296,197
Loans	3.9%-12.5%	3,193,300	8,669,813	481,136	12,344,249
Loan from related party		-	714,999	-	714,999
Finance lease obligations	4.5%	340,334	-	-	340,334
Notes payable	8%	1,674,869	-	-	1,674,869
Other accounts payable and accrued liabilities		332,941	-	-	332,941
		<u>11,712,001</u>	<u>9,510,452</u>	<u>481,136</u>	<u>21,703,589</u>

The Group has access to funds, as described below, amounting to 10,863,762 thousand tenge as at December 31, 2014 (December 31, 2013: 5,423,100 thousand tenge).

	2014
<b>Unsecured short-term borrowings with different maturities till 2015</b>	
Amount used	1,994,333
Amount unused	<u>1,955,667</u>
	<u>3,950,000</u>
<b>Secured long-term borrowings with different maturities till 2015</b>	
Amount used	540,000
Amount unused	<u>210,000</u>
	<u>750,000</u>
<b>Secured long-term borrowings with different maturities till 2020</b>	
Amount used	10,641,241
Amount unused	<u>8,698,095</u>
	<u>19,339,336</u>

As at December 31, 2014 and 2013, 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.

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

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.

	December 31, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial liabilities:</b>				
Notes payable	-	-	1,574,125	1,586,297
Loans	13,224,770	13,224,770	10,819,257	10,823,849

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.

#### Hierarchy of fair value

	Level 1	Level 2	Level 3	Total
<i>Financial liabilities</i>				
Loans	-	13,224,770	-	13,224,770
<b>Totals</b>	-	<b>13,224,770</b>	-	<b>13,224,770</b>
	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Other financial assets	197,638	-	-	197,638
<b>Totals</b>	<b>197,638</b>	-	-	<b>197,638</b>
	Level 1	Level 2	Level 3	Total
<i>Other assets</i>				
Land and buildings	-	-	6,106,687	6,106,687
<b>Totals</b>	-	-	<b>6,106,687</b>	<b>6,106,687</b>

Valuation of fixed assets at fair value Level 3 is carried out mainly with the use of the cost approach and comparative methods. Determining the fair value of fixed assets is based on a large number of factors, such as changes in market expectations, changes in the availability of financing in the future and other conditions change.

#### 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, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's consolidated statement of financial position.



## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 (in thousands of tenge, unless otherwise stated)

#### 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 management believes that the Group complied with all covenants of loan agreements with lenders as at December 31, 2014 and 2013.

#### 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. SIGNIFICANT NON-CASH TRANSACTIONS

In 2014, an interest free loan from related party of 531,954 thousand tenge was offset with purchase of property, plant and equipment.

In 2014, property, plant and equipment of 511,073 thousand tenge was reclassified as assets held for sale (see Note 20).

In 2014, the Group reclassified assets held for sale of 196,190 thousand tenge to property, plant and equipment (see Note 20).

On March 31, 2014 revaluation of land, buildings and constructions of 755,636 thousand tenge was prepared by an independent appraiser.

### 33. FOREX EXCHANGE LOSS

	2014	2013
Accounts payable	(666,550)	(152,957)
Short-term borrowings	(478,738)	(40,157)
Long-term borrowings	(373,735)	(49,564)
Cash	(61,658)	(15,006)
Obligations under finance lease	(36,013)	(19,804)
Long-term accounts payable	(21,115)	(14,920)
Other current assets	(3,641)	(175)
Trade accounts receivable	(1,165)	174
Other accounts payable and accrued liabilities	4,404	166
Advances paid	16,543	148
Bank deposits	-	4,510
	<u>(1,621,668)</u>	<u>(287,585)</u>

## JSC RG BRANDS AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2014 *(in thousands of tenge, unless otherwise stated)*

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#### 34. EVENTS AFTER THE REPORTING DATE

In January 2015, the Group signed an agreement with the International Finance Corporation (IFC – subsidiary of a World Bank) on a credit line of 30,000 thousand US Dollars with a maturity of 7.5 years with the possibility for refinancing of existing short-term loans of the Group and financing of the purchase of property, plant and equipment in Tenge. The interest rate is 8.88% per annum in Tenge or 3-3.5% in US Dollars. Principal and interest are repayable semiannually.

On January 8, 2015, the first tranche was obtained of 1,601,226 thousand tenge with maturity 7 years.

In March 2015, under the State program of business funding support provided to commercial banks through Development Bank of Kazakhstan, the Group received a loan from JSC Kazinvestbank with maturity of 5 years for 1,200,000 thousand tenge. Purpose of the loan is to replenish working capital and financing of purchase of capital investment. The interest rate is 6% per annum for tenge loan.

In January 2015, the Group has made full early repayment of a loan taken from JSC Sberbank of 160,553 thousand tenge.

#### 35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by the Group's management on April 10, 2015.