Open Joint Stock Company HALOPOLYMER

Consolidated Financial Statements
for the Year Ended 31 December 2011

OPEN JOINT STOCK COMPANY HALOPOLYMER

TABLE OF CONTENTS

OPEN JOINT STOCK COMPANY HALOPOLYMER

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Open Joint Stock Company HaloPolymer and its subsidiaries ("the Group") as at 31 December 2011 and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- Properly selecting and applying 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 an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy the consolidated financial position of the Group, and to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Russian legislation and accounting standards;
- Taking such steps as are reasonably available 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 31 December 2011 were approved on behalf of the management on 26 July 2012 by:

Maksim V. Doroshkevich	Tatyana A. Uzhva
Chief Executive Officer	Deputy Chief Financial Officer

Moscow, Russia
26 July 2012

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

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Open Joint Stock Company Halopolymer:

We have audited the accompanying consolidated financial statements of Open Joint Stock Company HaloPolymer and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2011, 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' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Open Joint Stock Company HaloPolymer and its subsidiaries as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Moscow, Russia
26 July 2012

OPEN JOINT STOCK COMPANY HALOPOLYMER

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts are in thousands of US Dollars

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Revenue			
Sales of polymers and products of inorganic chemistry		297 012	217 707
Sales of emission reduction units		199 107	56 573
Sales of services		12 940	10 273
Total revenue		**509 059**	**284 553**
Cost of sales	5	(235 917)	(182 970)
Gross profit		**273 142**	**101 583**
Selling expenses	6	(26 062)	(18 730)
General and administrative expenses	7	(55 807)	(43 089)
Other operating income		8 795	5 233
Other operating expenses		(2 414)	(1 899)
Operating profit		**197 654**	**43 098**
Interest income		310	291
Government grants		479	941
Interest expense	8	(5 594)	(13 471)
Foreign exchange gain/(loss) from financing activities		259	(267)
Profit before income tax		**193 108**	**30 592**
Income tax expense	9	(37 863)	(3 672)
PROFIT FOR THE YEAR		**155 245**	**26 920**
Attributable to:			
Equity holders of the parent		154 851	26 691
Non-controlling interests		394	229
		155 245	**26 920**
OTHER COMPREHENSIVE LOSS			
Effect of translation to presentation currency		(16 779)	(544)
Other comprehensive loss for the year		**(16 779)**	**(544)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**138 466**	**26 376**
Attributable to:			
Equity holders of the parent		138 072	26 165
Non-controlling interests		394	211
		138 466	**26 376**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
All amounts are in thousands of US Dollars

	Notes	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	10	125 592	97 504
Goodwill	11	3 426	3 620
Intangible assets		603	1 255
Accounts receivable		604	-
Inventories	12	5 842	2 088
Deferred tax assets	19	1 005	1 393
Current assets		**137 072**	**105 860**
Inventories	12	70 922	34 256
Trade and other receivables	13	17 309	7 652
Advances paid and prepaid expenses		11 633	11 985
Income tax receivable		17 672	57
Other taxes receivable	14	18 296	6 972
Other financial assets		1 128	1 395
Cash and cash equivalents	15	29 619	68 473
		166 579	**130 790**
TOTAL ASSETS		**303 651**	**236 650**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	21	21
Additional paid-in-capital		114 293	104 615
Foreign currency translation reserve		(21 241)	(4 462)
Retained earnings / (Accumulated deficit)		105 875	(32 086)
Equity attributable to shareholders of the parent		**198 948**	**68 088**
Non-controlling interests		3 437	2 509
		202 385	**70 597**
Non-current liabilities			
Loans and borrowings	17	27 166	125
Retirement benefit obligations	18	772	853
Deferred tax liabilities	19	8 459	5 558
Other non-current financial liabilities		1 347	1 389
		37 744	**7 925**
Current liabilities			
Loans and borrowings	17	27 261	117 618
Trade and other payables	20	16 364	17 710
Advances received		15 315	15 876
Income tax payable		152	4 513
Other taxes payable	21	4 430	2 411
		63 522	**158 128**
TOTAL LIABILITIES		**101 266**	**166 053**
TOTAL EQUITY AND LIABILITIES		**303 651**	**236 650**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

All amounts are in thousands of US Dollars

	Year ended 31 December 2011	Year ended 31 December 2010
Operating activities		
Profit before income tax	193 108	30 592
Adjustments for:		
Depreciation and amortization	11 625	11 062
Share-based arrangements	8 831	13 227
Gain on disposal of property, plant and equipment	(349)	(155)
Foreign currency exchange (gain)/loss, net	(160)	1 302
Interest income	(310)	(291)
Interest expense	4 362	12 742
Loss on disposal of intangible assets	369	-
Change in provisions and allowances	(880)	(273)
Change in retirement benefit obligations	(39)	24
Operating profit before working capital changes	**216 557**	**68 230**
(Increase)/decrease in inventories	(44 563)	1 053
(Increase)/decrease in trade and other receivables	(11 330)	4 048
Increase in advances paid and prepaid expenses	(504)	(7 103)
(Increase)/decrease in other taxes receivable	(12 813)	947
Decrease in trade and other payables	(1 319)	(1 787)
Decrease in advances received	13	11 747
Increase/(decrease) in other taxes payable	2 352	(1 574)
Cash generated from operating operations	**148 393**	**75 561**
Income tax paid	(57 749)	(403)
Interest paid	(5 246)	(14 609)
Net cash generated from operating activities	**85 398**	**60 549**
Investing activities		
Acquisition of property, plant and equipment	(44 434)	(6 557)
Proceeds from sale of property, plant and equipment	616	79
Purchase of intangible assets	-	(378)
Acquisition of subsidiary	(478)	-
Proceeds from repayment of loans issued	-	(184)
Acquisition of promissory notes	(4 961)	(8 116)
Repayment of promissory notes	5 231	4 542
Interest received	277	45
Net cash used in investing activities	**(43 749)**	**(10 569)**
Financing activities		
Proceeds from loans and borrowings	199 811	222 300
Repayment of loans and borrowings	(262 457)	(210 911)
Repayment of notes payable	(544)	(296)
Proceeds from notes payable	-	240
Repayment of financial leases	(26)	(219)
Dividends paid	(16 890)	-
Net cash (used in)/generated from financing activities	**(80 106)**	**11 114**
Net (decrease)/increase in cash and cash equivalents	**(38 457)**	**61 094**
Cash and cash equivalents at beginning of the year	68 473	8 025
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies	(397)	(646)
Cash and cash equivalents at end of the year	**29 619**	**68 473**

OPEN JOINT STOCK COMPANY HALOPOLYMER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts are in thousands of US Dollars

		Equity attributable to shareholders of the parent						
	Notes	Share capital	Additional paid-in capital	Translation reserve	(Accumulated deficit)/ retained earnings	Total	Non-controlling interests	Total
Balance at 31 December 2009		**21**	**91 388**	**(3 936)**	**(58 777)**	**28 696**	**2 298**	**30 994**
Total comprehensive (loss)/income for the year		-	-	(526)	26 691	**26 165**	211	**26 376**
Share-based payments	22	-	13 227	-	-	**13 227**	-	**13 227**
Balance at 31 December 2010		**21**	**104 615**	**(4 462)**	**(32 086)**	**68 088**	**2 509**	**70 597**
Total comprehensive (loss)/income for the year		-	-	(16 779)	154 851	**138 072**	394	**138 466**
Share-based payments	22	-	8 831	-	-	**8 831**	-	**8 831**
Acquisition of subsidiary		-	-	-	-	**-**	534	**534**
Effect from discounting		-	847	-	-	**847**	-	**847**
Dividends		-	-	-	(16 890)	**(16 890)**	-	**(16 890)**
Balance at 31 December 2011		**21**	**114 293**	**(21 241)**	**105 875**	**198 948**	**3 437**	**202 385**

All amounts are in thousands of US Dollars unless otherwise stated

1. GENERAL INFORMATION

Open Joint Stock Company HaloPolymer (the "Company") was incorporated in Moscow, Russian Federation, on 21 April 2008. At 31 December 2011, the Company was 79.75% owned by Ftorchem Limited, Treasury Finance Limited – 1.43%, CI – Chemical Invest Limited – 1%. All these entities are ultimately owned and controlled by Mr. Dmitry A. Mazepin. The remaining 17.82% of the Company's shares were held by management.

Principal business activities

The principal business activities of the Company and its subsidiaries (the "Group") are production and distribution of polymers and products of inorganic chemistry and provision of lease and sub-lease services to its customers and other related parties of the Group. The main polymers and fluoroplastics products of the Group are monomers, polymers, flouropolymers, flourorubber, special gases such as freon and others. In addition, the Group receives income from the sale of Emission Reduction Units ("ERU") generated within environmental investment projects related to its ongoing opeating activities.

The major operational facilities of the Group are located in the Perm and Kirov regions of the Russian Federation. The principal business activities and effective ownership in significant subsidiaries are presented below:

			Effective ownership, %	
Subsidiary	**Principal activity**	**Location**	**31 December 2011**	**31 December 2010**
OJSC HaloPolymer Perm	Production of polymers and products of inorganic chemistry	Russia	99.19%	99.19%
LLC HaloPolymer Kirovo-Chepetsk	Production of polymers and products of inorganic chemistry	Russia	100.00%	100.00%
LLC HaloPolymer Repair	Services	Russia	100.00%	100.00%
LLC HaloPolymer Pashia	Mining	Russia	100.00%	100.00%
LLC HaloPolymer Logistics	Transportation and logistical services	Russia	66.64%	66.64%
LLC Devyatiy Element	Sales of polymers and products of inorganic chemistry	Russia	100.00%	100.00%
LLC MIMC	Processing of fluorspar concentrate	Mongolia	51.00%	-

Basis of presentation

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which includes standards and interpretations approved by the International Accounting Standards Board.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

All amounts are in thousands of US Dollars unless otherwise stated

Adoption of new and revised standards and interpretations

Standards and interpretations effective in the current period

In the current year, the Group has adopted all revised and new standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee that are mandatory for adoption in the annual periods beginning on 1 January 2011.

Standards and interpretations adopted with no effect on the consolidated financial statements

- Amendments to IAS 1 “Presentation of Financial Statements”;
- Amendments to IAS 24 “Related Parties: Disclosures”;
- Amendments to IAS 27 “Consolidated and Separate Financial Statements”;
- Amendments to IAS 32 “Financial Instruments: Presentation”;
- Amendments to IAS 34 “Interim Financial Reporting”;
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”;
- Amendments to IFRS 3 “Business Combinations”;
- Amendments to IFRS 7 “Financial Instruments: Disclosures”;
- Revised to IAS 19 “Employee Benefits”;
- IFRIC 13 “Customer Loyalty Programmes”;
- IFRIC 14 “The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction” (amended); and
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”.

The application of these new and revised IFRSs may affect the accounting for future transactions or arrangements.

Standards and interpretations in issue but not yet adopted

At the date of authorisation of these consolidated financial statements, the following standards and interpretations were in issue but not yet effective:

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 1 “Presentation of Financial Statements” (amended)	1 July 2012
IAS 12 “Income Taxes” (limited scope amendments)	1 January 2012
IAS 19 “Employee Benefits” (amended)	1 January 2013
IAS 27 “Separate financial Statements” (amended)	1 January 2013
IAS 28 “Investments in Associates and Joint Ventures” (amended)	1 January 2013
IAS 32 “Financial Instruments: Presentation”	1 January 2014
IFRS 7 “Financial Instruments: Disclosures”	1 January 2013
IFRS 9 “Financial Instruments”	1 January 2015
IFRS 10 “Consolidated Financial Statements”	1 January 2013
IFRS 11 “Joint Arrangements”	1 January 2013
IFRS 12 “Disclosure of Interest in Other Entities”	1 January 2013
IFRS 13 “Fair Value Measurement”	1 January 2013

Management anticipates that all of the above standards and interpretations will be adopted in the Group’s consolidated financial statements for the respective periods. The impact of their adoption in the preparation of the consolidated financial statements in future periods is currently being assessed by management.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group’s interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group’s interest and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 “Financial Instruments: Recognition and Measurement” or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of subsidiaries and businesses, other than those arising from entities under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

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

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

Common control transactions

The assets and liabilities of subsidiaries acquired from entities under common control are recorded at the carrying values recognised by the transferor. Any difference between the carrying value of the net assets of subsidiaries acquired, and the consideration paid by the Group is accounted for as an adjustment to shareholders' equity. The net assets of the subsidiaries and their results are recognised from the date on which control of the subsidiaries was obtained by the transferor.

The cost of assets acquired from entities under common control is measured as the carrying value of the asset given up by the transferor at the date of the transaction. Any difference between the carrying value of the assets acquired, and the consideration paid by the Group is accounted for as an adjustment to shareholders' equity.

The cost of assets and liabilities disposed off to entities under common control is measured as the carrying value of the asset or liability given up by the transferor at the date of the transaction. Any difference between the carrying value of the assets disposed off, and the consideration paid by the transferee as well as the carrying value of liabilities disposed off, and the consideration paid by the transferor are accounted for as an adjustment to shareholders' equity.

Revenue recognition

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

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue and costs incurred or to be incurred in respect of transaction can be reliably measured.

Cash received in advance from customers is not included in current year revenue, and is recognised within advances received.

Sales of goods

Revenue from sale of goods comprises sales of polymers, fluoroplastics and their by-products, and is recognised when significant risks and rewards of ownership are transferred to the buyer in accordance with the shipping terms specified in the sales agreements.

Sales of emission reduction units

ERU are generated over the period and are credited to the special accounts after verification by the regulators. Revenue from sale of emission reduction units is recognised when they are transferred to the customer's account.

Rendering of services

The Group provides the following principal types of services:

- Production of heat energy;
- Construction, repairs and maintenance services;
- Transportation services; and
- Agent services.

Revenue from contracts to provide services are recognised when the services are rendered or by reference to the stage of completion of construction contracts.

Dividend and interest income

Dividend income from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

The functional currency of the Company and its subsidiaries operating on the territory of the Russian Federation is the Russian Rouble ("RUB"), which reflects the economic substance of its operations.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Goodwill and fair value adjustments arising on business combinations are treated as assets and liabilities of the respective operation and translated at the reporting date.

Exchange rates used in the preparation of the consolidated financial statements, as quoted by the Central Bank of the Russian Federation, were as follows (RUB to 1 U.S. Dollar (“USD”)):

	31 December 2011	31 December 2010
Year-end rates	32.1961	30.4769
Average for the year ended	29.3874	30.3692

Management of the Group has chosen to present consolidated financial statements in USD for the convenience of the users of these consolidated financial statements.

The translation from functional currency into presentation currency is performed as follows:

- Assets and liabilities are expressed in USD using exchange rates prevailing at the reporting date;
- Income and expense items are translated at exchange rates that approximate the exchange rates at the dates of the transactions, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used;
- Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity; and
- In the consolidated statement of cash flows, cash balances at the beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at exchange rates that approximate the exchange rates at the dates of the transactions, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Resulting exchange differences, if any, are presented as effect of exchange rate changes on the balance of cash held in foreign currencies.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such as, time when the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such deferred tax assets and liabilities are not recognised if the 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 the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the in profit or loss as incurred.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the in profit or loss.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Assets held under finance lease arrangements are depreciated over the shorter of their estimated useful lives and lease terms. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset. Land is not depreciated.

The estimated useful lives for the major classes of assets are as follows:

Buildings and structures	20-40 years
Machinery, equipment and transport	3-19 years
Other	1-4 years

Construction-in-progress

Construction-in-progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Construction-in-progress is reviewed regularly to determine whether its carrying value is fairly stated and an appropriate provision for impairment is made, if necessary.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The estimated useful lives for the major classes of intangible assets are as follows:

Software	1-5 years
Licences	1-5 years

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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.

Financial assets

All financial assets of Group are included in “a loans and receivables” category. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Loans and receivables

Trade receivables, loans issued, 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 amortised cost using the effective interest method less any impairment.

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

Impairment of loans and receivables

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

For loans and receivables objective evidence of impairment could include:

- Significant financial difficulty of the counterparty; or
- Default or delinquency in interest or principle payments; or
- It is becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

For loans and receivables carried at amortised 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 the loans is reduced by the impairment loss directly. For trade receivables 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 recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial assets and substantially all the risk and rewards of ownership of the asset to another entity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the weighted average method. The cost of finished goods and work in progress includes direct cost and the allocation of related production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the net realisable value is lower than costs, an allowance for obsolete and slow-moving raw materials is recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts and cash deposits with banks and highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

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 and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the issue of these financial liabilities. They are subsequently measured at amortised cost using the effective interest method.

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

Provisions and contingencies

Provisions

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements unless they arise as a result of a business combination. Contingencies attributable to specific events are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Deferred income

Deferred income attributable to grants obtained either from government and/or from other non-government organisations are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them.

Grants whose primary conditions is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss as a reduction of depreciation expense on a systematic and rational basis over the useful lives of the related assets.

Other grants are recognised as income over the period necessary to match them with the cost for which they are intended to compensate. Grants received as compensation for expenses or losses already incurred with no future related costs are recognised in the profit or loss as a deduction to underlying expenses or losses in the period in which such grants become receivable.

Employee benefit obligations

Remuneration to employees in respect of services rendered during the reporting period, including accruals for unused vacation and bonuses and related social security tax, is recognised as an expense in the period when it is earned.

Defined contribution plan

Subsidiaries registered in the Russian Federation are legally obliged to make defined contributions to the State Pension Fund. This defined contribution plan is financed on a pay-as-you-earn basis.

In the Russian Federation all obligatory social contributions, including contributions to the State Pension Fund, are collected through Social security charges calculated by the application of a rate of 34.0% for annual gross remuneration of each employee not exceeding RUB 463 thousand. For remuneration exceeding the set amount the rate drops to 0%.

Defined benefit plans

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period and with immediate recognition of all actuarial gains and losses in profit or loss. Past service cost is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the shares at the grant date. The fair value of the shares granted to employees is determined based on Company's fair value at grant date.

The fair value of shares determined at the grant date is expensed in a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with a correspondent increase of additional paid-in capital in equity. At the end of each reporting period, the Group revises its estimate of the number of shares that expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a correspondent adjustment to the additional paid-in capital.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The most significant areas requiring the use of management estimates and assumptions relate to:

- Useful economic lives of property, plant and equipment;
- Impairment property, plant and equipment and intangible assets excluding goodwill;
- Impairment of goodwill;
- Allowances for doubtful receivables;
- Allowances for obsolete and slow-moving raw materials;
- Employee benefit obligations;
- Valuation of shares; and
- Taxation.

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the Group's experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and condition of the assets (including operational factors and utilisation of maintenance programs), often will result in a change of the economic benefit from these assets.

Management periodically reviews the appropriateness of the remaining useful lives of property, plant and equipment. Revisions to estimates of the useful lives of items of property, plant and equipment are recognised prospectively in the period of the revision and where applicable, future periods. Accordingly, this may impact the amount of depreciation expense and carrying amount of property, plant and equipment to be recognised in the future.

Impairment of property, plant and equipment and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate cash-generating units, and also in estimating the timing and value of underlying cash flows within the value in use calculation. In determining the value in use calculation, future cash flows are estimated at each cash-generating unit is based on a cash flows projection utilising the latest budgeted information available.

Future cash flows model involves significant estimates and assumptions regarding the market growth, market demand for the products, profitability of products, expected changes in foreign currency (especially USD to RUB) and discount rates.

Impairment of goodwill

Goodwill is tested for impairment annually, or more frequently when there is an indication that a cash generating unit may be impaired, by comparing the carrying amount of the goodwill to its estimated recoverable amount. An impairment is recorded if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. Value in use is determined using discounted cash flow models involving several assumptions. The key assumptions include (i) present value factors used in determining the fair value of the cash-generating units; (ii) projected average revenue growth rates used in the cash-generating unit cash flow model; (iii) projected long-term growth rates used in the derivation of terminal year values; and (iv) the exchange rates used in the cash-generating unit cash flow model. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period specific facts and circumstances. Changes in the management's assumptions could materially impact the fair value estimates.

Allowances for doubtful receivables

Accounts receivable are stated at amortised cost after deducting an allowance for doubtful receivables. The allowance for doubtful receivables is the Group's best estimate of probable credit losses in the Group's existing accounts receivable balances. When evaluating the adequacy of the allowance for doubtful receivables, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms.

Uncertainties regarding changes in the financial condition of customers, either adverse or positive, could impact the amount and timing of allowances for doubtful receivables that may be required.

Allowances for obsolete and slow-moving raw materials

Inventories are stated at the lower of cost or net realisable value. Cost is determined by using the weighted average method of accounting. Allowances for excess or obsolete inventory are recorded based on a variety of factors, including product changes and improvements, changes in raw material availability, new product introductions, estimated future demand and market conditions.

In addition, certain finished goods and raw materials of the Group are carried at net realisable value. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the reporting period. The adequacy of the Group's reserves could be materially affected by changes in the supply and demand for products, subsequent changes to prices or costs or regulatory actions.

Employee benefit obligations

The Group's employees participate in pension benefit plans. The costs of pension benefits and related liabilities with respect to the Group's employees participating in defined-benefit plans have been determined based upon actuarial computations. The Group records the unfunded status associated with these plans in accordance with the requirements of IAS 19 "Employee Benefits" and records the actuarially determined pension costs during each period. Pension costs in respect of defined-benefit pension plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years.

In calculating the obligation and expense, the Group is required to select certain actuarial assumptions. These assumptions include discount rate, expected salary and pension increases and mortality projection. The assumptions are determined based on current market conditions, historical information and consultation with and input from the Group's actuaries. Changes in the key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost incurred.

Valuation of shares

As described in note 22, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of shares granted to key management. Note 22 provides detailed information about the key assumptions used in the determination of the fair value of shares.

Taxation

The Group is subject to income taxes in the Russian Federation. Russian tax, currency and customs legislation is subject to varying interpretations. The Group recognises liabilities for anticipated additional tax assessments as a result of tax audits based on estimates of whether it is probable that additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. The estimation of that probability includes judgements based on the expected performance of the Group. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

4. BUSINESS COMBINATIONS

On 27 December 2011, the Group acquired 51% of Mongolia International Minerals Corporation LLC ("MIMC"), for a total cash consideration of USD 478 thousand. MIMC is located in Mongolia and is involved in the processing of fluorspar concentrate and produce of 95% and 97% fluorite concentrate. As a result of this acquisition, the Group recognised the excess of the Group's share in the provisional amounts of net assets acquired over consideration paid in the amount of USD 24 thousand in the consolidated statement of comprehensive income. MIMC contributed USD nil of revenue, profit before tax and net profit from the date of acquisition to 31 December 2011.

All amounts are in thousands of US Dollars unless otherwise stated

5. COST OF SALES

	Year ended 31 December 2011	Year ended 31 December 2010
Raw materials and other inventories	84 218	68 132
Energy and utilities	63 668	51 743
Staff costs	29 665	24 069
Depreciation	9 508	9 104
Social security tax	9 412	5 846
Transportation	8 855	3 717
Repair and maintenance	5 202	2 163
Taxes, other than income tax	1 636	1 519
Rent	524	627
Change in work-in-progress and finished goods balances	(27 082)	4 169
Other	50 311	11 881
Total	**235 917**	**182 970**

6. SELLING EXPENSES

	Year ended 31 December 2011	Year ended 31 December 2010
Transportation	12 460	11 565
Staff costs	1 751	1 457
Depreciation	798	769
Custom clearance expenses	562	382
Social security tax	530	372
Other	9 961	4 185
Total	**26 062**	**18 730**

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2011	Year ended 31 December 2010
Staff costs	27 286	23 089
Legal and consulting services	9 601	4 701
Rent	2 410	2 273
Social security tax	2 301	1 199
Repair and maintenance	1 503	1 122
Taxes, other than income tax	1 487	815
Security	1 290	1 153
Depreciation	1 047	1 189
Insurance	943	2 252
Transportation	815	641
Bank charges	735	1 321
Social expenses	465	494
Change in allowance for doubtful receivables and impairment of advances paid and prepaid expenses	(280)	409
Other	6 204	2 431
Total	**55 807**	**43 089**

Staff costs for the year ended 31 December 2011 include share based payments in the amount of USD 8 831 thousand (2010: USD 13 227 thousand) (refer to note 22).

All amounts are in thousands of US Dollars unless otherwise stated

8. INTEREST EXPENSE

	Year ended 31 December 2011	Year ended 31 December 2010
Interest on loans and borrowings	6 422	13 580
Other finance costs	36	47
	6 458	**13 627**
Less: Capitalised interest	(864)	(156)
Total	**5 594**	**13 471**

9. INCOME TAX

	Year ended 31 December 2011	Year ended 31 December 2010
Current income tax expense	(33 933)	(4 888)
Deferred tax benefit	(3 930)	1 216
Total	**(37 863)**	**(3 672)**

The corporate income tax rates in the Kirov and Perm regions of the Russian Federation, the primary locations of the Group's production entities, are 20% and 15.5%, respectively (2010: 20% and 15.5%). The corporate income tax rate applicable to the Company, which is registered in Moscow, is 20% (2010: 20%).

A reconciliation of the statutory income tax, calculated at the rate effective in the Russian Federation, the location of the Group's head office and the primary locations of the Group's production entities, to the amount of actual income tax expense is as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Profit before income tax	**193 108**	**30 592**
Income tax calculated at statutory rate (20%)	(38 622)	(6 118)
Effect of different tax rates of subsidiaries operating in other jurisdictions	4 631	710
Effect of expenses that are non-deductable	(3 872)	(4 450)
Effect of prior year tax losses identified and utilized in current period	-	1 754
Effect of previously unrecognised deferred tax asset on tax losses utilised in current period	-	4 432
Total income tax expense	**(37 863)**	**(3 672)**

All amounts are in thousands of US Dollars unless otherwise stated

10. PROPERTY, PLANT AND EQUIPMENT

	Building and structures	Machinery, equipment and transport	Other	Construction in-progress	Total
Cost					
At 1 January 2010	**49 983**	**60 046**	**1 655**	**22 916**	**134 600**
Additions	540	324	228	5 472	6 564
Transfers	115	2 842	70	(3 027)	-
Disposals	(7)	(26)	(8)	(67)	(108)
Effect of translation to presentation currency	(362)	(288)	(176)	51	(775)
At 31 December 2010	**50 269**	**62 898**	**1 769**	**25 345**	**140 281**
Additions	42	3 060	201	43 671	46 974
Transfers	320	7 925	158	(8 403)	-
Acquisition of subsidiary	546	1 127	73	48	1 794
Disposals	(751)	(874)	(24)	(96)	(1 745)
Effect of translation to presentation currency	(2 698)	(4 340)	(130)	(4 427)	(11 595)
At 31 December 2011	**47 728**	**69 796**	**2 047**	**56 138**	**175 709**
Accumulated depreciation					
At 1 January 2010	**(8 816)**	**(22 460)**	**(472)**	**-**	**(31 748)**
Charge for the year	(3 060)	(7 807)	(295)	-	(11 162)
Eliminated on disposals	1	18	7	-	26
Effect of translation to presentation currency	62	43	2	-	107
At 31 December 2010	**(11 813)**	**(30 206)**	**(758)**	**-**	**(42 777)**
Charge for the year	(2 964)	(8 084)	(305)	-	(11 353)
Eliminated on disposals	226	569	14	-	809
Effect of translation to presentation currency	870	2 268	66	-	3 204
At 31 December 2011	**(13 681)**	**(35 453)**	**(983)**	**-**	**(50 117)**
Carrying value					
At 31 December 2010	**38 456**	**32 692**	**1 011**	**25 345**	**97 504**
At 31 December 2011	**34 047**	**34 343**	**1 064**	**56 138**	**125 592**

At 31 December 2011, construction in-progress included advances paid for acquisition of the property, plant and equipment in the amount of USD 6 739 thousand (2010: USD 2 368 thousand).

At 31 December 2011, the carrying values of property, plant and equipment pledged to secure loans and borrowings granted to the Group amounted to USD 23 402 thousand (2010: USD 40 374 thousand).

All amounts are in thousands of US Dollars unless otherwise stated

11. GOODWILL

	31 December 2011	31 December 2010
Balance at beginning of the year	**3 620**	**3 648**
Effect of translation to presentation currency	(194)	(28)
Balance at end of the year	**3 426**	**3 620**

Allocation of goodwill to cash-generating units and annual impairment test

The carrying amount of goodwill is allocated to LLC HaloPolymer Kirovo-Chepetsk (separate cash generated unit), a subsidiary of the Group. The recoverable amount is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on budgets approved by the Group and covering a five-year period. Cash flows beyond the five-year period are extrapolated by using the expected forecasts stated below.

The summary of key assumptions used for value in use determination was as follows:

	31 December 2011	31 December 2010
Expected exchange rate RUB/USD	30.9	30.5
Discount rate	15.6%	12.0%
Inflation	3.0%-7.0%	5.0%-8.0%

12. INVENTORIES

	31 December 2011	31 December 2010
Non-current		
Mercury	5 842	2 088
	5 842	**2 088**
Current		
Raw materials	29 206	16 482
Finished goods	26 212	7 158
Work-in-progress	14 371	9 400
Goods for resale	1 133	1 216
	70 922	**34 256**
Total	**76 764**	**36 344**

During the year ended 31 December 2011, the Group recognised a write-down of USD 1 360 thousand to reduce the carrying amount of inventories to net realisable value (2010: USD 974 thousand). At 31 December 2011, inventories in the amount of USD 2 723 thousand were stated at net realisable value (2010: USD 2 316 thousand).

At 31 December 2011, raw materials were presented net of allowances for obsolete and slow-moving raw materials of USD 430 thousand (2010: USD 2 047 thousand).

At 31 December 2011, there were no pledged inventories (2010: USD 8 194 thousand).

All amounts are in thousands of US Dollars unless otherwise stated

13. TRADE AND OTHER RECEIVABLES

	31 December 2011	**31 December 2010**
Trade receivables	11 942	6 425
Other receivables	6 054	2 473
	17 996	**8 898**
Less: Allowance for doubtful receivables	(687)	(1 246)
Total	**17 309**	**7 652**

The average credit period for the Group's customers is 15 days. During this period no interest is charged on the outstanding balances.

The Group has provided fully for all receivables over 360 days because historical experience is such that receivables that are outstanding beyond 360 days are generally not recoverable except for some customers who repay their debt within 540 days in accordance with contact terms. Before accepting any new customer, the Group assesses the potential customer's credit quality and establishes credit limits separately for each individual customer. These credit limits are reviewed on an annual basis.

At 31 December 2011, amounts receivable from the Group's five largest customers were USD 1 466 thousand (2010: USD 525 thousand), which represented approximately 8.5% (2010: 6.9%) of the total outstanding balance of accounts receivable.

Included in the Group's receivables balance are debtors of USD 3 850 thousand (2010: USD 2 008 thousand) which were past due but not impaired. The Group did not hold any collateral over these outstanding balances.

Ageing of past due but not impaired trade and other receivables was as follows:

	31 December 2011	**31 December 2010**
Less than three months	3 081	1 460
From three to six months	319	104
From six to twelve months	23	161
More than twelve months	427	283
Total	**3 850**	**2 008**

Movements in the allowance for doubtful receivables were as follows:

	31 December 2011	**31 December 2010**
Balance at beginning of the year	**1 246**	**710**
Impairment loss recognised	69	542
Amounts written off during the year as uncollectible	(286)	
Impairment loss reversed	(322)	-
Effect of translation to presentation currency	(20)	(6)
Balance at end of the year	**687**	**1 246**

All amounts are in thousands of US Dollars unless otherwise stated

14. OTHER TAXES RECEIVABLE

	31 December 2011	31 December 2010
Value added tax reimbursable	15 552	5 206
Other taxes receivable	2 744	1 766
Total	**18 296**	**6 972**

15. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Current accounts, including:		
RUB-denominated	4 267	6 027
USD-denominated	192	10
EUR-denominated	1 697	25
Bank deposits, including:		
RUB-denominated	18 026	62 072
USD-denominated	5 313	-
Other cash and cash equivalents	124	339
Total	**29 619**	**68 473**

Deposits placed bear interest from 0.50% to 6.25% (2010: 4%) per annum and mature within 3 months after the date of origination.

16. SHARE CAPITAL

Authorised, issued and fully paid share capital

At 31 December 2011 and 2010, the share capital of the Company consisted of 500,000 authorised, issued and fully paid ordinary shares with a par value of RUB 1, carrying one vote per share and a right to dividends.

Retained earnings and dividends

The statutory financial statements of the Group entities are the basis for the profit distribution and other appropriations. The statutory financial statements of the Group entities are the basis for the profit distribution and other appropriations. The Group accrued and paid dividends in the amount of USD 16 890 thousand for the year ended 31 December 2010.

All amounts are in thousands of US Dollars unless otherwise stated

17. LOANS AND BORROWINGS

	Interest rates	31 December 2011	31 December 2010
Secured bank loans			
Loans denominated in RUB at fixed rates	7.90%-11.20%	34 618	82 728
Loans denominated in USD at fixed rates	9.00%-9.10%	-	31 700
Interest payable on loans and borrowings	7.75%-7.90%	54	306
Unsecured bank loans			
Loans denominated in RUB at fixed rates	10.00%-10.75%	18 638	1 641
Loans denominated in USD at fixed rates	21.60%	113	-
Loans denominated in MNT at fixed rates	2.00%-4.00%	61	-
Interest payable on loans and borrowings	4.90%-11.20%	92	8
Obligations under finance lease		313	266
Other financial liabilities	n/a	538	1 094
Total		**54 427**	**117 743**
Less: current portion repayable within twelve months and shown under current liabilities		**(27 261)**	**(117 618)**
Long term portion of loans and borrowings		**27 166**	**125**

Loans and borrowings were repayable as follows:

	31 December 2011	31 December 2010
Due within three months	622	18 518
Due from three to six months	20 247	42 513
Due from six to twelve months	6 392	56 587
Total current portion repayable within twelve months	**27 261**	**117 618**
Due in second year	13 362	104
Due in third year	12 489	21
Due in fourth year	1 315	-
Total long-term portion of loans and borrowings	**27 166**	**125**

Certain bank loans are subject to the restrictive covenants, including but not limited to:

- Limits on the total amount of borrowings of certain Group subsidiaries;
- Prohibition of issuance of additional promissory notes and other Group's debentures;
- Pre-approval of guarantees issued; and
- Limits on the amount of cash collections of certain Group subsidiaries that have to be transferred to the accounts at defined banks.

All loan agreements have acceleration clauses, allowing the creditors to request early repayment of outstanding amounts in case of non-compliance with these covenants.
The following items of property, plant and equipment and inventories were pledged to secure loans and borrowings:

	31 December 2011	31 December 2010
Property, plant and equipment (refer to note 10)	23 402	40 374
Inventories (refer to note 12)	-	8 194
Total	**23 402**	**48 568**

As at 31 December 2011, RUB-denominated loans in the amount of USD 26 900 thousand (2010: USD 106 445) are secured by 75.0% of OJSC HaloPolymer Perm's shares.

All amounts are in thousands of US Dollars unless otherwise stated

18. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

The total expense recognised in the statement of comprehensive income for the year ended 31 December 2011 of USD 9 142 thousand (2010: USD 5 912 thousand) represented contributions to the State Pension Fund.

At 31 December 2011, outstanding contributions to the State Pension Fund amounted to USD 708 thousand (2010: USD 465 thousand).

Defined benefit plans

The Group operates a number of unfunded defined benefit plans for the qualified employees of subsidiaries located in the Russian Federation. The actuarial valuation of the Group's defined benefit obligations as at 31 December 2011 was performed by an independent actuary.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December 2011	**31 December 2010**
Discount rate	8.5%	8.0%
Expected salary increase	9.7%	9.7%
Expected pension increase	5.5%	5.5%
Expected turnover rate	5.0%	5.0%
Age of retirement		
Male	53 years	53 years
Female	50 years	50 years
Average life expectancy of members from the date of retirement		
Male	20 years	20 years
Female	31 years	31 years

Amounts presented in the statement of financial position, movement in the present value of the unfunded defined benefit obligations and amounts recognised in profit or loss in respect of these defined benefit plans were as follows:

	31 December 2011	**31 December 2010**
Present value of unfunded defined benefit obligations at beginning of the year	**853**	**836**
Pension costs recognised in profit or loss, including:		
Actuarial gains	(85)	(64)
Interest on obligations	70	75
Current service cost	16	11
Past service cost	-	19
Benefit paid	(41)	(18)
Effect of translation to presentation currency	(41)	(6)
Present value of unfunded defined benefit obligations at end of the year	**772**	**853**

All amounts are in thousands of US Dollars unless otherwise stated

19. DEFERRED TAX

	31 December 2010	Recognised in profit or loss	Translation to presentation currency	31 December 2011
Property, plant and equipment	4 863	(359)	(316)	4 188
Inventories	1 225	3 878	(404)	4 699
Accounts receivable and other prepaid expenses	(564)	213	11	(340)
Accounts payable	(510)	(700)	101	(1 109)
Finance leases	(10)	(8)	2	(16)
Tax loss carryforward	(820)	654	(13)	(179)
Other	(19)	252	(22)	211
	4 165	**3 930**	**(641)**	**7 454**

	1 January 2010	Recognised in profit or loss	Translation to presentation currency	31 December 2010
Property, plant and equipment	5 291	(390)	(38)	4 863
Inventories	1 309	(73)	(11)	1 225
Accounts receivable, advances paid and other prepaid expenses	(791)	221	6	(564)
Accounts payable and advances received	(216)	(296)	2	(510)
Finance leases	(102)	92	-	(10)
Tax loss carryforward	-	(823)	3	(820)
Other	(73)	53	1	(19)
	5 418	**(1 216)**	**(37)**	**4 165**

Deferred tax balances

	31 December 2011	31 December 2010
Deferred tax assets	1 005	1 393
Deferred tax liabilities	(8 459)	(5 558)
Total	**(7 454)**	**(4 165)**

Temporary differences in relation to investments in subsidiaries for which deferred tax liabilities have not been recognised as at 31 December 2011 were USD 48 021 thousand (2010: USD 321 thousand).

20. TRADE AND OTHER PAYABLES

	31 December 2011	31 December 2010
Trade accounts payable	6 338	9 626
Other accounts payable	3 852	5 443
Provision for unused vacation	2 580	1 864
Obligations for the acquisition of property, plant and equipment	2 266	777
Provision for legal claims	1 328	-
Total	**16 364**	**17 710**

The average credit period on the purchase of inventories and services in the Russian Federation is 28 days.

All amounts are in thousands of US Dollars unless otherwise stated

21. OTHER TAXES PAYABLE

	31 December 2011	31 December 2010
Excise tax	1 093	-
Value added tax	1 014	966
Other taxes payable	1 177	608
Social security tax	820	513
Property tax	326	324
Total	**4 430**	**2 411**

22. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders, entities under common ownership and control with the Group and members of key management personnel. The Group enters into transactions with related parties in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing arrangements to and from its parent entity or entities under common ownership.

The Group had the following outstanding balances with related parties:

	31 December 2011	31 December 2010
Parent company		
Loans and borrowings	(208)	-
Entities under common ownership and control with the Group		
Trade and other receivables	599	275
Advances paid and prepaid expenses	70	74
Loans and borrowings	(330)	(349)
Trade and other payables	(4 840)	(4 585)
Advances received	(512)	(130)

The Group entered into the following transactions with related parties:

	Year ended 31 December 2011	Year ended 31 December 2010
Parent company		
Dividends paid	13 562	-
Repayment of loans and borrowings	544	8 492
Interest paid	3	3 080
Entities under common ownership and control with the Group		
Purchase of goods and services	44 773	36 879
Sales of goods and services	9 104	6 179
Dividends paid	3 328	-
Repayment of loans and borrowings	-	1 519
Interest paid	-	565

All amounts are in thousands of US Dollars unless otherwise stated

The amounts outstanding were unsecured and expected to be settled in cash. No allowance has been recognised during the years ended 31 December 2011 and 2010 in respect of amounts owed by related parties.

Purchases of goods and services from related parties primarily included purchases of electricity and heat energy at prices established by the Federal Utility Committee, a government regulator responsible for establishing and monitoring the prices on the utility market in the Russian Federation.

Compensation of key management personnel

The remuneration of key management personnel of the Group for the year ended 31 December 2011 comprised salaries and bonuses in the amount of USD 4 990 thousand (2010: USD 578 thousand).

On 9 July 2010, the immediate shareholder of the Group entered into agreements with companies owned by members of key management of the Group to sell 15% or 75 000 of the Company's ordinary shares to them for a total cash consideration of USD 750.

On 9 March 2011, the agreements with the members of key management were amended. Under these amendments the total number of shares granted to the entities owned by members of key management of the Group was decreased to 14.25% or 71 250 of the Company's ordinary shares.

Under the agreement shares vested in installments, as follows:

Vesting period	**Number of shares**
At grant date	47 500
During the first year	5 000
During the second year	6 250
During the third year	12 500
	71 250

On 11 March 2011, the immediate shareholder of the Group granted in addition 5% or 25 000 of the Company's ordinary shares to entities owned by members of Board of Directors of the Company. The shares vested immediately and were transferred in April 2011.

The shares of the Company are not traded on the open markets therefore management used valuation techniques to determine fair value of shares. The summary of key assumptions used for determination of fair value of shares granted was as follows:

Exchange rate RUB/USD	30.0-31.5
Discount rate	15.6%
Inflation	3.0%-7.0%
Non-controlling interest discount	20%

The total amount of compensation of key management personnel in the amount of USD 13 821 thousand (2010: USD 13 805 thousand) was included as staff costs in note 7.

All amounts are in thousands of US Dollars unless otherwise stated

23. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group's contractual capital commitments for acquisition of property, plant and equipment and fulfilment of certain finance lease agreements were as follows:

	31 December 2011	31 December 2010
Acquisition of property, plant and equipment	8 930	4 416

In addition, further to Regulation № 780 dated 15 September 2011, which came into force on 4 October 2011, the Group has committed to invest USD 39 080 thousand in environmental projects at its plants.

Operating leases: Group as a lessee

The Group leases certain machinery, equipment and transport. The respective lease agreements have an average remaining life of two years.

Future minimum rental expenses under non-cancellable operating leases were as follows:

	31 December 2011	31 December 2010
Due in the first year	2 979	2 851
Due in the second year	1 022	893
Total	**4 001**	**3 744**

Litigation

The Group has a number of claims and litigation relating to sales and purchases of goods and services from suppliers. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

Russian Federation economic environment

Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Russian Federation and the Russia's economy in general.

Laws and regulations affecting businesses in the Russian Federation continue to change rapidly. Tax, currency and customs legislation within the Russian Federation are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Russian Federation's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because the Russian Federation produces and exports large volumes of oil and gas, Russian economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during 2011 and 2010.

Russian federation tax and regulatory environment

The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result the laws and regulations affecting businesses continue to change rapidly. These changes are characterised by poor drafting, different interpretations and arbitrary application by the authorities. In particular taxes are subject to review and investigation by a number of authorities who are enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group.

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the regions of the Russian Federation in which it operates. The Group's operations involve the discharge of materials, contaminants and waste water into the environment that could potentially impact on flora and fauna, and give rise to other environmental concerns.

The Group's management believes that its production facilities are in compliance with all current existing environmental legislation in the regions in which it operates. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group modernise technology and upgrade production equipment to meet more stringent standards.

Management of the Group regularly reassesses environmental obligations related to its operations. Estimates are based on management's understanding of current legal requirements and the terms of licence agreements. Should the requirements of applicable environmental legislation change or be clarified and amended, the Group may incur additional environmental obligations.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Management believes that the carrying values of all significant financial assets (refer to note 13 and 15) and financial liabilities (refer to notes 17 and 20) recorded at amortised cost in the consolidated financial statements approximated their fair values.

25. FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the Group's debt to equity ratio. Management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

All amounts are in thousands of US Dollars unless otherwise stated

Major categories of financial instruments

The Group's principal financial liabilities comprise loans and borrowings, obligations under finance leases and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, loans issued and cash and cash equivalents.

	31 December 2011	31 December 2010
Financial assets		
Trade and other receivables	17 309	7 652
Cash and cash equivalents	29 619	68 473
Long-term accounts receivables	604	-
Other financial assets	1 128	1 395
Total financial assets	**48 660**	**77 520**
Financial liabilities		
Loans and borrowings	54 427	117 743
Trade and other payables	12 456	15 846
Other non-current liabilities	1 347	1 389
Total financial liabilities	**68 230**	**134 978**

The main risks arising from the Group's financial instruments are foreign currency, credit and liquidity risks.

Foreign currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use derivatives to manage its foreign currency risk exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities were as follows:

	USD – denominated		Euro – denominated	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Assets				
Trade and other receivables	4 066	2 654	1 369	538
Cash and cash equivalents	5 505	10	1 697	25
Total assets	**9 571**	**2 664**	**3 066**	**563**
Liabilities				
Loans and borrowings	-	(31 700)	-	-
Trade and other payables	(521)	-	(713)	-
Total liabilities	**(521)**	**(31 700)**	**(713)**	**-**
Net position	**9 050**	**(29 036)**	**2 353**	**563**

All amounts are in thousands of US Dollars unless otherwise stated

The table below details the Group's sensitivity to a 10% increase and decrease in the Russian Rouble against the US Dollar and the Euro. 10% 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 10% change in foreign currency rates.

	USD – impact		**Euro – impact**	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**
Profit/(loss)	(905)	2 904	(235)	(56)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Revenue from the Group's five largest customers constitutes over 19% of the Group's total revenue (excluding sales of emission reduction units) and management believes that there is no concentration of credit risk. The Group is not dependent on the largest customers because of the existence of a liquid market for the majority of polymers and fluoroplastics.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all its liabilities as they fall due. The Group's liquidity position is carefully monitored and managed. The Group has a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

Presented below is the maturity profile of the Group's financial liabilities as at 31 December 2011 based on undiscounted contractual payments, including interest payments:

	Total	**Due within three months**	**Due from three to six months**	**Due from six to twelve months**	**Due in the second year**	**Due in the third year**	**More than 3 years**
Loans and borrowings, including							
Principle	**54 427**	622	20 248	6 392	13 361	12 489	1 315
Interest	**8 231**	1 269	898	1 728	2 819	1 373	144
Trade and other payables, including:							
Principle	**15 854**	11 112	150	1 194	-	-	3 398
Total	**78 512**	**13 003**	**21 296**	**9 314**	**16 180**	**13 862**	**4 857**

All amounts are in thousands of US Dollars unless otherwise stated

Presented below is the maturity profile of the Group's financial liabilities as at 31 December 2010 based on undiscounted contractual payments, including interest payments:

	Total	**Due within three months**	**Due from three to six months**	**Due from six to twelve months**	**Due in the second year**	**Due in the third year**	**More than 3 years**
Loans and borrowings, including							
Principle	**117 743**	18 519	42 513	56 587	103	21	-
Interest	**6 309**	2 730	2 267	1 312	-	-	-
Trade and other payables, including:							
Principle	**18 505**	15 242	2	602	84	-	2 575
Total	**142 557**	**36 491**	**44 782**	**58 501**	**187**	**21**	**2 575**