Industrial Milk Company S.A. and its subsidiaries

Consolidated Financial Statements
For the year ended 31 December 2014

CONTENTS

Statement of Management responsibilities for preparation and approval of consolidated financial statements for the year ended 31 December 2014

Management of the Group of companies "IMC S.A." (the Group) is responsible for preparing the consolidated financial statements which reflect in all material aspects the financial position of the Group as at 31 December 2014, as well as the results of its activities, cash flows and changes in equity for the year ended in accordance with International Financial Reporting Standards (IFRS).

In preparing consolidated financial statements the Group's Management is responsible for:

- selecting appropriate accounting policies and their consistent application;

- making reasonable measurement and calculation;

- following principles of IFRS or disclosing all considerable deviations from IFRS in the notes to consolidated financial statements;

- preparing consolidated financial statements of the Group on the going concern basis, except for the cases when such assumption is illegal.

- accounting and disclosing in the consolidated financial statements all the relations and transactions between related parties;

- accounting and disclosing in the consolidated financial statements all subsequent events that need to be adjusted or disclosed;

- disclosing all claims related to previous or potential legal proceedings;

- disclosing in the consolidated financial statements all the loans or guarantees on behalf of the Management.

The Group's Management is also responsible for:

- development, implementation and control over effective and reliable internal control system in the Group;

- keeping accounting records in compliance with the legislation and accounting standards of the respective country of the Group's registration;

- taking reasonable steps within its cognizance to safeguard the assets of the Group;

- detecting and preventing from fraud and other irregularities.

These consolidated financial statements as at 31 December 2014 prepared in compliance with IFRS are approved on behalf of the Group's Management on 16 April 2015.

On behalf of the Management:

Chief Executive Officer	ALEX LISSITSA	signed
Chief Financial Officer	DMYTRO MARTYNIUK	signed

Management statement

This statement is provided to confirm that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2014, and the comparable information, have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union and give a true, fair and clear view of IMC S.A. assets, financial standing and net results, and that the directors' report on the operations of the IMC S.A. Group of companies truly reflects the development, achievements and position of the Group, including a description of the key risk factors and threats.

This statement is provided to confirm that INTERAUDIT S.à r.l. (an independent member of Baker Tilly International) has been appointed in accordance with the applicable laws and performed the review as independent auditor of the consolidated annual financial statements of IMC S.A. for the year ended 31 December 2014, and that the entities and the independent auditor performing the review met the conditions necessary to issue an impartial and independent report on the review in accordance with International Standards on review engagements.

On behalf of the Management:

On behalf of the Management:

Chief Executive Officer	ALEX LISSITSA	signed
Chief Financial Officer	DMYTRO MARTYNIUK	signed

Consolidated management report

1 .Business and General Conditions

Macro-economic development

- **World economy**

The World Bank commented on the dynamics of the global economy in 2014 in the following way:

«The global economy is still struggling to gain momentum as many high-income countries continue to grapple with legacies of the global financial crisis and emerging economies are less dynamic than in the past.

Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing outturns over the past several years. Growth picked up only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013. Beneath these headline numbers, increasingly divergent trends are at work in major economies.

While activity in the United States and the United Kingdom has gathered momentum as labor markets heal and monetary policy remains extremely accommodative, the recovery has been sputtering in the Euro Area and Japan as legacies of the financial crisis linger, intertwined with structural bottlenecks. China, meanwhile, is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand, but also domestic policy tightening, political uncertainties and supply-side constraints», - WORLD BANK. GLOBAL ECONOMIC PROSPECTS | JANUARY 2015.

The agrarian sector of the world economy in 2014 was characterized by record world harvest of grains and oilseeds (second consecutive record year after 2013) and a significant increase in world ending stocks.

According to the forecasts of USDA (February 2015), world production of wheat in 2015/14 MY has increased by 1.2% to 725 million tonnes, while world ending stocks of wheat will increase by 5.5% to 197.8 million tonnes; world corn production in 2015/14 MY has increased by 0.2% to 991 million tonnes, while world ending stocks of corn will increase by 9% to 189.6 million tonnes; world soybean production in 2015/14 MY has increased by 11% to 315 million tonnes, while world ending stocks of soybeans will rise by 35% to 89.3 million tonnes.

Problems with the quality of wheat harvested in 2014, and a steady and growing demand for soybeans from China supported the prices for these crops. But a sharp drop in oil prices in the second half of 2014 (about 45%) had an additional negative pressure on the prices of corn and vegetable oils.

As a result of all the above mentioned factors prices for grains and oilseeds on the world market declined by 10-20% in 2014.

- **Ukrainian economy**

Key political events in 2014

The change of power in Ukraine. Early elections of the President of Ukraine and the early parliamentary elections.

Ukraine has signed the Association Agreement with the European Union.

Violation of the territorial integrity of Ukraine took place: the annexation of Crimea by Russia.

The war at the Donbas (Eastern part of Ukraine, Donetsk region and Luhansk region) against terrorists-separatists, with the participation of the Russian Armed Forces on the side of the separatists and Russian supplies of weapons, ammunition and defense technology to the separatists. The population, infrastructure and industry of Donetsk and Luhansk regions (the coal and steel industries are concentrated in the region) were significantly affected by military actions. According to the UN, at the end of 2014 the number of victims on the side of the Ukrainian Armed Forces and the civilian population was about 4,700 people, the number of wounded - about 10,300 people.

Key economic events in 2014

The decrease of GDP in 2014 was estimated by National Bank of Ukraine at 6.7%.

Inflation - 24.9% (according to the State Statistics Service).

The devaluation of the national currency (hryvnia) was about 100% (as of the beginning and the end of 2014).

"In 2014, Ukraine has experienced an unprecedented combination of political, financial, economic and banking crisis. The conflict in the east of Ukraine, together with accumulated in previous years macroeconomic imbalances, destroyed the macro-financial stability of the country", - commented the National Bank of Ukraine in a document prepared for parliamentary hearings.

In this case, the agriculture was practically the only sector of the Ukrainian economy which was still growing and had positive development in extremely difficult conditions in 2014.

According to the State Statistics Service the growth of production in agriculture was 2.8%, including crop production growth of 3.1%, animal products growth of 2%.

Despite the annexation of the Crimea by Russia and the inability to carry out agricultural work in parts of Luhansk and Donetsk regions (in connection with military actions in these areas), in 2014, Ukraine harvested a record crop of grain and leguminous. According to estimates of the State Statistics Service in 2014 harvest of grain and leguminous totaled 63.8 million tonnes (+ 2.4% vs. 2013), the yield of sunflower - 10.1 mln. tonnes (-7.7% vs. 2013), soybean harvest - 3.9 mln. tonnes (+ 41.3% vs. 2013), rapeseed harvest- 2.2 mln. tonnes (-5.8% vs. 2013).

Agriculture was the main source of foreign currency revenue in Ukraine in 2014 (the largest export revenues among sectors of the economy). In 2014 the export of agricultural products amounted to $16.7 billion. The share of agricultural products in total export of Ukraine increased by 4 points to 30.9%, while the trade surplus amounted to $10.6 billion, which is 20.4% more than in 2013. In addition, the two agricultural products were among the TOP-3 most exported products: sunflower oil ($3.6 billion) and corn ($3.4 billion).

Since April 2014 the regime of autonomous trade preferences introduced by the EU for Ukrainian agricultural products has acted, according to which Ukraine had the right to supply certain agricultural products to the EU market with zero import duty within the established quotas. For grain quotas were the following: wheat - 950 thousand tonnes, corn - 400 thousand tonnes, barley - 250 thousand tonnes, and oats – 4 thousand tonnes. As a result of the 2014, quotas for wheat and corn were used at 100%.

During 2014 there was an increase in export of agricultural products to the EU. According to the Ministry of Agrarian Policy and Food, the export of agricultural products to the EU in 2014 amounted to about $5 billion (30% of total export of agricultural products from Ukraine).

According to forecasts of USDA in 2014/15 MY Ukraine will maintain its position in the global market as:

- # 1 manufacturer and exporter of sunflower oil
- # 3 exporter of corn
- # 4 exporter of barley
- # 6 exporter of wheat

Price trends for grain and oilseeds in the domestic market were consistent with the trends of the global market. In connection with the record world harvest of grain and oilseeds in 2014 and with a significant increase in ending stocks, the price of grain and oilseeds decreased by 10-20%.

Milk production in 2014 in Ukraine amounted to 11.2 million tonnes, which is 0.4% higher than in 2013. At the same time the trend of reducing the number of cows continued in 2014. According to the State Statistics Service as of January 1, 2015 the number of cows in Ukraine amounted to 2.4 million heads, which is 3.2% lower than a year before.

In connection with the ban of Russia on imports of dairy products from Ukraine, which was in force during 2014, demand for milk from the dairy enterprises in Ukraine has decreased. As a result, along with a substantial devaluation of the national currency (hryvnia), milk prices in dollar terms decreased up to 30%.

Development of Industrial Milk Company S.A. and its Subsidiaries (the hereinafter «the Group » or «IMC)»

- **Corporate structure**

The parent company of the Group of companies "Industrial Milk Company" is Industrial Milk Company S.A. It is a limited company registered in accordance with the legislation of Luxembourg.

Unigrain Holding Limited is a direct subsidiary company of Industrial Milk Company S.A. and the parent company of Burat-Agro LLC, Burat LLC, Chernihiv Industrial Milk Company LLC, PJSC Mlibor. In addition, PJSC PKZ belongs directly to Burat LLC and the subsidiary company ZKCP belongs directly to Chernihiv Industrial Milk Company LLC.

In 2011 Industrial Milk Company S.A. purchased (indirectly, through its direct subsidiary company Unigrain Holding Limited) the silo OJSC Vyryvske HPP and the following agrarian companies:

- PAE Slavutich
- PE Progress 2010
- PAE Promin
- AF Kalynivska-2005, Ltd
- AF Zhovtneva, Ltd
- AF Shid-2005, Ltd
- AIE Vyrynske, Ltd
- Pisky, Ltd
- SE Vyry-Agro

On November 30, 2011 to decrease expenses and to improve management quality the agrarian companies PAE Slavutich and PE Progress 2010 were joined to Chernihiv Industrial Milk Company LLC, and PAE Promin was joined to Burat-Agro LLC.

On August 30, 2011 owing to increase of volumes of export sales of the Group the direct subsidiary company Unigrain Holding Limited established Aristo Eurotrading Ltd (BVI).

During the 12-month period ended 31 December 2012 Industrial Milk Company S.A. purchased (indirectly, through its direct subsidiary company Unigrain Holding Limited and Burat-Agro LLC belongs directly to Unigrain Holding Limited) the following agrarian companies:

- Ukragrosouz KSM, Ltd
- PAC Slobozhanschina Agro
- Bluerice Limited

In November 2013 owing to increase of volumes of export sales of the Group Industrial Milk Company S.A. established Negoce Agricole S.A. (Luxembourg).

In December 2013 Industrial Milk Company S.A. purchased (indirectly, through its subsidiary companies Unigrain Holding Limited and PAC Slobozhanschina Agro) the agrarian company AgroKIM Ltd.

- **Group strategy**

In 2014 the Group of companies "Industrial Milk Company" (hereinafter "the Group") actively implemented its development strategy announced during IPO:

Strategy	Strategy implementation results in 2014
Land bank expansion • Focus on land bank expansion via acquisition of agricultural entities with land lease rights as well as on organic growth through attracting new land owners • Development of land bank as land cluster model, which assumes highly concentrated location of fields and self-sufficiency in farming infrastructure of each cluster • Land bank expansion in prime quality agricultural areas, in the so-called black earth belt, with favourable weather conditions adding to its operational efficiency • Sustaining sufficient level of grain and potato storage capacities with purpose to get optimal prices and have control over processing and storing process	Taking into account political and economic crisis in Ukraine all projects on land bank and storage capacities expansion were suspended in 2014.
Operational efficiency • Specialization in limited number of highly profitable crops, which are optimal for effective crop rotation and suitable for land and climate specifics • Focus on increasing of yields and decreasing of production costs by use of high performance machinery and equipment, introduction of modern technologies and own know-how, and efficient management systems	Improving of the operational efficiency was a key issue in 2014. The Group continued its specialization in 5 crops: corn, sunflower, soybean, wheat, potato.

- Gradual enlargement of dairy farms and improvement of milk quality and cows productivity
- Preserving existing production and storage capacities for potato with gradual production efficiency increase and cost reduction

In 2014 for the majority of cultivated crops the Group's yields were higher than Ukrainian average result:

Crop	Net Yield, t/ha		IMC vs. Ukraine
	IMC	Ukraine average	
corn	7,3	6,2	+19%
sunflower	2,5	1,9	+29%
wheat	5,1	4,0	+27%
soybean	1,6	2,2	-26%
potato	30,4	17,6	+72%

Source: the Group, State Statistic Service

During 2014 the Group worked on a project to optimize and improve the efficiency of business processes and organizational structure of the Group. The project was implemented with the support of International Finance Corporation and Ernst & Young.

In dairy segment in 2014 the Group started implementation of the project on gradual enlargement of dairy farms and improvement of milk quality and cows productivity. Project began with the optimization of dairy herd and culling the least productive animals (12% of the cow livestock was culled), as well as with the closure of unviable farms and enlargement of promising ones. In addition new feeding system was introduced. For successful implementation of the project the Group strengthened the management team of dairy segment due to hiring of young professionals. As a result of optimization, the average milk yield in the Group increased by 2% compared with 2013 year to 5.4 tonnes per cow.

Export orientation	Export orientation of the Group was supported. Export sales accounted 68% of total sales in 2014.

- **The internal control system**

IMC's control system relies on daily resource planning analyses which are detailed by cost centre and cost article, department, thus providing all the necessary information for controlling inventories and products.

IMC established internal controlling instruments to secure proper accounting in compliance with legal requirements.

IMC's accounting procedures are governed by standardized guidelines and rules as well as a clearly defined course of action in different situation. Therefore, standard account parameters and booking directions for various production operations were established. Another control tool is the clear allocation of functions regarding various accounting processes. For Group consolidation and accounting purposes all book-keeping data of the consolidated companies may be accessed automatically.

The internal control system of IMC is based on the accounting data base thus integrating all controlling processes. Accounting processes are carried out on a high level basis and are monitored and adjusted by specialists.

IMC's accounting-related risk management system is set up in a way that the risk of misrepresentation could mainly ensue from new business processes or amendments to legal provisions. Risks are contained by transferring decisions on accounting-relevant data resulting from new business processes to the management level. Ongoing continuation training regarding the applicable accounting provisions from time to time is provided to the management.

- **Personnel**

Trained and motivated employees are the most precious success resource for an enterprise dedicated to agricultural production. Motivation and professionalism are prerequisites for excellent results. IMC can always rely on its qualified and motivated staff. Future-oriented technologies, trained personnel and continuation training of the company's employees are vital to secure quality and low cost of agricultural products.

As IMC is a vocational training provider, the company is able to train its qualified skilled workers and executives mainly from its own staff. Specialized training programs are aimed at the improvement of employees professional skills. Open communication channels on all levels, short decision-making processes are values applied and lived.

For the year ended 31 December

	2014	2013	Change in %
Total number of employees	3 000	3 353	-11%
operating personnel	2 367	2 646	-11%
administrative personnel	603	660	-9%
sales personnel	23	33	-30%
non-operating personnel	7	14	-50%
Wages and salaries and related charges per employee (USD, for 12 months ended 31 December)	4 119	5 466	-25%

2. Operational and Financial Results

The following table sets forth the Company's results of operations in 2014 and 2013 derived from the Consolidated Financial Statements:

(in thousand USD)

		For the year ended		
	Notes	**31 December 2014**	**31 December 2013**	**Change in %**
CONTINUING OPERATIONS				
Revenue	6	138 267	114 767	20%
Gain from changes in fair value of biological assets and agricultural produce, net	7	53 492	55 507	-4%
Cost of sales	8	(129 832)	(116 269)	12%
GROSS PROFIT		**61 927**	**54 005**	**15%**
Administrative expenses	9	(5 189)	(6 667)	-22%
Selling and distribution expenses	10	(8 734)	(4 384)	99%
Other operating income	11	5 028	6 363	-21%
Other operating expenses	12	(5 976)	(10 918)	-45%
Write-offs of property, plant and equipment		(1 269)	(748)	70%
OPERATING PROFIT		**45 787**	**37 651**	**22%**
Financial expenses, net	15	(18 970)	(12 687)	50%
Foreign currency exchange (loss)/gain, net	16	(73 535)	1 210	-6177%
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(46 718)**	**26 174**	**-278%**
Income tax expenses	17	(610)	(359)	70%
NET (LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**(47 328)**	**25 815**	**-283%**

Normalised EBITDA	**57 398**	**49 477**	16%
Normalised EBIT	**47 056**	**38 399**	23%
Normalised Net profit	**27 476**	**26 563**	3%
Depreciation and amortization	(10 342)	(11 078)	-7%
Write-offs of property, plant and equipment	(1 269)	(748)	70%

Normalisation adjustments to EBITDA, EBIT and Net profit exclude effects of non-recurring expenditure from operating segments such as income from the exchange of property certificates and write-offs of property, plant and equipment resulting from an isolated, non-recurring event.

Revenue

The Company's revenue from sales of finished products increased year-on-year by 20% primarily as a consequence of the increase in sales volume (tones) in 2014 due to increase in in arable land of the Group.

The following table sets forth the Company's sales revenue by products indicated:

(in thousand USD)

	For the year ended		
	31 December 2014	31 December 2013	Change in %
Cattle	1 265	1 727	-27%
Milk	6 624	9 616	-31%
Corn	89 511	46 113	94%
Wheat	7 434	10 191	-27%
Sunflower	17 826	20 902	-15%
Soy beans	9 353	4 472	109%
Potatoes	2 888	4 251	-32%
Other	2 670	15 131	-82%
	137 571	**112 403**	**22%**

The most significant portion of the Company's revenue comes from selling corn, which represented 65% and 41% of total revenue of 2014 and 2013, respectively. The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

(in thousand USD)

	For the year ended	
	31 December 2014	31 December 2013
Corn		
Sales of produced corn *(in tonnes)*	505 585	205 988
Realization price (U.S. $ per ton)	177	224
Revenue from produced corn *(U.S. $ in thousands)*	89 511	46 113
Wheat		
Sales of produced wheat *(in tonnes)*	38 990	46 302
Realization price (U.S. $ per ton)	191	220
Revenue from produced wheat *(U.S. $ in thousands)*	7 434	10 191
Rye		
Sales of produced wheat *(in tonnes)*	36	2 423
Realization price (U.S. $ per ton)	111	127
Revenue from produced wheat *(U.S. $ in thousands)*	4	308
Soy beans		
Sales of produced soy beans *(in tonnes)*	23 508	10 405
Realization price (U.S. $ per ton)	398	430
Revenue from produced soy beans *(U.S. $ in thousands)*	9 353	4 472
Sunflower		
Sales of produced sunflower *(in tonnes)*	46 852	62 524
Realization price (U.S. $ per ton)	380	334
Revenue from produced sunflower *(U.S. $ in thousands)*	17 826	20 902
Lupin		
Sales of produced lupin *(in tonnes)*	17	69
Realization price (U.S. $ per ton)	235	314
Revenue from produced lupin *(U.S. $ in thousands)*	4	22

Potatoes		
Sales of produced potatoes *(in tonnes)*	16 757	21 734
Realization price (U.S. $ per ton)	172	196
Revenue from produced potatoes *(U.S. $ in thousands)*	2 888	4 251
Other (produced only)		
Total sales volume *(in tonnes)*	16 965	28 768
Total revenues *(U.S. $ in thousands)*	2 662	14 801
Total sales volume (in *tonnes*)	**648 710**	**378 212**
Total revenue from sale of crops *(U.S. $ in thousands)*	**129 682**	**101 060**

Revenue relating to sales of corn increased by 94% to USD 89,5 million in 2014 from USD 46,1 million in 2013, due to an increase in sales volume (tones) in 2014.
Revenue relating to sales of soy beans increased by 109% to USD 9,4 million in 2014 from USD 4,5 million in 2013, due to an increase in sales volume (tones) in 2014.

Revenue relating to sales of other products decreased by 82% to USD 2,7 million in 2014 from USD 15,1 million in 2013 due to the termination of sales of sugar in 2014.

Cost of sales

The Company's cost of sales decreased by 12% to USD 129,8 million in 2014 from USD 116,3 million in 2013. The following table sets forth the principal components of the Company's cost of sales for the periods indicated:

(in thousand USD)

	For the year ended		
	31 December 2014	**31 December 2013**	**Change in %**
Raw materials	(98 356)	(80 069)	23%
Change in inventories and work-in-progress	25 337	27 749	-9%
Wages and salaries of operating personnel and related charges	(9 532)	(13 853)	-31%
Depreciation and amortization	(9 371)	(9 776)	-4%
Third parties' services	(11 258)	(10 522)	7%
Fuel and energy supply	(14 769)	(17 122)	-14%
Rent	(10 867)	(11 241)	-3%
Repairs and maintenance	(652)	(904)	-28%
Taxes and other statutory charges	(320)	(415)	-23%
Other expenses	(44)	(116)	-62%
	(129 832)	**(116 269)**	**12%**

Raw materials increased by 23% to USD 98,4 million for the 12-month period ended 31 December 2014 from USD 80,1 million for the 12-month period ended 31 December 2013. This increase was primarily due to increase in prices for goods in 2014.

Wages and salaries of operating personnel and related charges decreased by 31% to USD 9,5 million for the 12-month period ended 31 December 2014 from USD 13,9 million for the 12-month period ended 31 December 2013. This decrease was primarily due to devaluation of UAH in 2014.

Gross profit

The Company's gross profit increased to USD 61,9 million for the 12-month period ended 31 December 2014 from USD 54,0 million for the 12-month period ended 31 December 2013, an 15% year-on-year increase. In relative terms, the total revenue went up 20% year-on-year.

Administrative expenses

Administrative expenses decreased year-on-year to USD 5,2 million for the 12-month period ended 31 December 2014 from USD 6,7 million for the 12-month period ended 31 December 2013, reflecting an decrease in the wages and salaries of administrative personnel year-on-year to USD 2,5 million from USD 3,8 million primarily due to devaluation of UAH in 2014.

Selling and distribution expenses

Selling and distribution expenses increased year-on-year to USD 8,7 million for the 12-month period ended 31 December 2014 from USD 4,4 million for the 12-month period ended 31 December 2013, reflecting an increase in the volume of realization in 2014.

Other operating income

The Company's other operating income decreased by 21% to USD 5,0 million for the 12-month period ended 31 December 2014 from USD 6,4 million for the 12-month period ended 31 December 2013 due to decrease in income from subsidized VAT.

Other operating expenses

Other operating expenses decreased by 45% to USD 6,0 million for the 12-month period ended 31 December 2014 from USD 10,9 million for the 12-month period ended 31 December 2013 reflecting an decrease in losses from VAT on export operations from USD 4,8 million to USD 1,5 million and decrease in shortages and losses due to impairment of inventories from USD 2,8 million to USD 0,3 million.

Financial expenses, net

The Company's financial expenses, net increased by 50% to USD 19,0 million for the 12-month period ended 31 December 2014 from USD 12,7 million for the 12-month period ended 31 December 2013. This increase was due primarily to a increase in interest expenses on short-term and long-term loans and borrowings and other financial expenses related to the attraction of new loans at the end of 2013.

Foreign currency exchange (loss)/gain, net

Foreign currency exchange (loss)/gain, net increased to USD 73,5 million of loss for the 12-month period ended 31 December 2014 from USD 1,2 million of gain for the 12-month period ended 31 December 2013. This increase reflected the devaluation of UAH in 2014. Reporting currency of Ukrainian companies is UAH and according to IFRS requirements loans and borrowings denominated in USD have to be revaluated as of the date of each reporting period using the closing rate. On the back of the UAH devaluation in 2014 as a result of such realuation of USD loans and borrowings Ukrainian companies have non-cash foreign currency exchange loss in their financial statements. Further the financial statements of the above mentioned Ukrainian companies are to be consolidated to the Consolidated financial statements of the Group resulting in non-cash foreign currency exchange loss in the Consolidated financial statements of the Group. The nature of this non-cash foreign currency exchange loss is formal (accounting) taking into account that the Group has export revenue denominated in USD which is used on service of loans and borrowings.

Cash flows

The following table sets out a summary of the Company's cash flows for the periods indicated:

(in thousand USD)

	For the year ended	
	31 December 2014	**31 December 2013**
Net cash flows from operating activities	25 212	4 189
Net cash flows from investing activities	(25 800)	(19 801)
Net cash flows from financing activities	11 869	30 283
Net increase in cash and cash equivalents	**11 281**	**14 671**

Net cash flow from operating activities

The Company's net cash inflow from operating activities increased to USD 25,2 million for the 12-month period ended 31 December 2014 compared to net cash inflow of USD 4,2 million for the 12-month period ended 31 December 2013. The increase in 2014 was primarily attributable to changes in stock of inventories, current biological assets and trade accounts payable.

Net cash flow from investing activities

The Company's net cash outflow from investing activities increased to USD 25,8 million for the 12-month period ended 31 December 2014compared to net cash outflow of USD 19,8 million for the 12-month period ended 31 December 2013. The increase in 2014 was primarily attributable to repayment payables for investment (acquisition of subsidiaries).

Net cash flow from financing activities

Net cash inflow from financing activities decreased to USD 11,9 million for the 12-month period ended 31 December 2014 from a net cash inflow of USD 30,3 million for the 12-month period ended 31 December 2013. The decrease in 2014 was primarily due to repayment of long-term and short-term borrowings.

3. Events after the Balance sheet Date

Loans and borrowings and interest are repaid in the amount of th USD 14 579.

Trade accounts payable on demand are repaid in the amount of th USD 3 200 (th UAH 51 693 or 88% of trade accounts payable on demand as at 31 December 2014). Other trade accounts payable are repaid according the contractual terms.

4. Risk Report

Risks relating to the Group's business and Industry are as follows:

- Failure to generate or raise sufficient capital may restrict the group's development strategy

  To decrease an influence of this risk the Group works on several sources of financing: bank crediting, bonds issue, financing by international financial organizations.

- The Group's financial results are sensitive to fluctuations in market prices of its products

  To decrease an influence of this risk the Group on permanent basis researches the international and Ukrainian agricultural markets, monitoring price fluctuations and factors affecting these fluctuations (stocks, production, consumption, export, import, forecasts). On the basis of an analysis of the above mentioned information the management of the Group makes decisions regarding crop rotation structure and production plans.

- Poor and unexpected weather conditions may disrupt the Group's production of crops

  To decrease an influence of this risk the Group is using the following practices:

  - Application of mini-till and no-till technologies on 70% of cultivated lands enables the Group to decrease the risk of disruption of a general production of crops and increase yields during rainless season;
  - Cultivation of relatively small share (10%) of winter crops in the general crop rotation structure enables to decrease the risk of disruption of a general production of crops during unfavourable winter conditions;
  - Examination of introduction of irrigation to increase potato yields.

- The Group's operating costs could increase

  The risk of Group's operating costs increase is basically connected to a possible price growth for fuel, seeds, fertilizers and crop protection materials.

  To reduce the above mentioned risks the Group:

  - has implemented the fuel consumption and machinery usage controlling systems using GPS-trackers;
  - uses no-till and mini-till technologies that allow to reduce general fuel consumption;

- follows the land bank development strategy based on principle of fields' close proximity to each other that allows to reduce fuel consumption;
- is focused on limited number of crops (not more than 4) that allows to use and purchase seeds, fertilizers and crop protection materials more efficiently;
- has built long-term and mutually benefit relationships with suppliers of seeds, fertilizers and crop protection materials.

5. Forecast Report

The Group will focus on efficiency of crop rotation and technological crop production, animal husbandry as well as reduction of general and administrative costs.

In accordance with its strategy of development the Group is going to increase a farming land bank up to 285,000 ha during next 7 years by 2019.

In consequence of the above-mentioned factors the management expects the Group will have EBITDA of USD 109 million by 2019.

6. Selected Financial Data

(in thousand USD)

	For the year ended 31 December	**2014**	**2013**
I.	Revenue	138 267	114 767
II.	Operating profit/(loss)	45 787	37 651
III.	Profit/(loss) before income tax	(46 718)	26 174
IV.	Net profit/(loss)	(47 328)	25 815
V.	Net cash flow from operating activity	25 212	4 189
VI.	Net cash flow from investing activity	(25 800)	(19 801)
VII.	Net cash flow from financing activity	11 869	30 283
VIII.	Total net cash flow	11 281	14 671
IX.	Total assets	183 796	361 869
X.	Share capital	56	56
XI.	Total equity	27 274	153 922
XII.	Non-current liabilities	70 561	51 132
XIII.	Current liabilities	85 961	156 815
XIV.	Weighted average number of shares	31 300 000	31 300 000
XV.	Profit/(loss) per ordinary share (in USD)	(1,51)	0,82
XVI.	Book value per share (in USD)	0,86	4,86

INDUSTRIAL MILK COMPANY S.A.
Société anonyme
Registered office: 26-28 Rue Edward Steichen
L-2540 Luxembourg, Grand Duchy of Luxembourg
R.C.S Luxembourg: B 157843
(the Company)

Corporate governance statement

Corporate governance

Corporate governance within the Company is based on the Luxembourg law and the listing requirements of the Warsaw Stock exchange where the trading in the company shares takes place . The Company follows the "Code of Best practice" of the Warsaw Stock Exchange (the "Code of best practice"), as amended on October 2012.
The Company's corporate governance rules are based on the Company's articles of Association (the "Articles"), and the corporate governance charter (the "Corporate Governance Charter"), and the Company's internal regulations.

Board of directors

According to the Articles of Association ('STATUTS COORDONNES') The Company shall be managed by the Board of Directors composed of at least five members, their number being determined by the general meeting of shareholders. Directors need not be shareholders of the Company. The Board of Directors composed of executive and non-executive directors. At least two directors shall be independent non-executive directors.

The directors shall be elected by the general meeting of shareholders for a period not exceeding six (6) years and until their successors are elected, provided, however, that any director may be removed at any time by a resolution taken by the general meeting of shareholders. The directors shall be eligible for reappointment.

In the event of vacancy in the office of a director because of death, resignation or otherwise, the remaining directors elected by the general meeting of shareholders may elect a director to fill such vacancy until the next general meeting of shareholders.

Directors:

Name	Date of appointment	Date of resignation
1. Mr Alex Lissitsa, executive director CEO	29 March 2012	2016
2. Mr Dmytro Martyniuk, executive director CFO	09 March 2011	2016
3. Mr Oleksandr Petrov, executive director	09 March 2011	2016
4. Alfons Balman non-executive director	10 September 2013	2016
5. Karen Fisher non-executive director	10 September 2013	2016
6. Mr Ievgen Osypov, executive director	09 March 2011	17 May 2013
7. Mr Carl Olof Richard Sturen, non-executive director	09 March 2011	01 June2013
8. Mr Michael Peter Lee, non executive director	09 March 2011	29 March 2012

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association (hereafter referred Articles of Association and Luxembourg Companies Law 1915. The Articles of Association may be amended from time to time by a general meeting of the shareholders under the quorum and majority requirement provided for by the law of 10 August 1915 on commercial companies in Luxembourg, as amended.

The present Board is composed of two independent directors and three directors who either are employed by Subsidiaries of the Company or hold over 5% of votes in the Company.

Independency is assessed taking into consideration the criteria stated in Annex II of the European Commission Recommendation of 15 February 2005.

Powers of Directors

The board is responsible for managing the business affairs of the Company within the clauses of the Article of Association. The directors may only act at duly convened meetings of the board of Directors or by written consent in accordance with article 10 of Articles of Association.

The Board of Directors is vested with the broadest powers to act on behalf of the Company and to perform or authorize all acts of administrative or disposal nature, necessary or useful for accomplishing the Company's object. All powers not expressly reserved by the Law to the sole shareholder or, as the case may be, to the general meeting of shareholders, fall within the competence of the Board of Directors.

Meetings of the Board of Directors

The Board of Directors meets upon notice given by the Chairman. A meeting of the Board of Directors must be convened if any two directors so require. The Chairman presides at all meetings of the Board of Directors. In her/his absence the Board of Directors may appoint another director as chairman pro tempore by vote of the majority present or represented at such meeting. Except in cases of urgency or with the prior consent of all those entitled to attend, at least twenty-four hours' written notice of board meetings shall be given. Any such notice shall specify the place, the date, time and agenda of the meeting. The notice may be waived by unanimous written consent by all the directors at the meeting or otherwise. No separate notice is required for meetings held at times and places specified in a time schedule previously adopted by resolution of the Board of Directors.

Every board meeting shall be held in Luxembourg or at such other place indicated in the notice.

Decisions will be taken by a majority of the votes of the directors present or represented at the relevant meeting. Each director has one vote. In case of a tied vote, the Chairman has a casting vote.

One or more directors may participate in a meeting by means of a conference call, by videoconference or by any similar means of communication enabling several persons participating therein to simultaneously communicate with each other. Such methods of participation are to be considered equivalent to a physical presence at the meeting.

A written decision passed by circular means and transmitted by cable, facsimile or any other similar means of communication, signed by all the directors, is proper and valid as though it had been adopted at a meeting of the Board of Directors which was duly convened and held. Such a decision can be documented in a single document or in several separate documents having the same content and each of them signed by one or several directors. Except as far as a written decision passed by circular means is concerned, the minutes of the meeting of the Board of Directors shall be signed by the Chairman of the relevant meeting or any two directors or as resolved at the relevant board meeting or a subsequent board meeting. Any proxies will remain attached thereto.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing an independent administrator (the “Administrator”) to maintain the accounting records of the Company independent of IMC S. A. The Administrator has a duty of care to maintain proper books and records and prepare for review and approval by the Board the financial statements intended to give a true and far view. The Board has appointed Totalserve Management (Luxembourg) S.a.r.l. as Administrator.

Committees

Audit Committee.

The Audit committee has been established by the Board to assist the Board of directors with independent verifying and safeguard of the integrity of the company’s financial reporting; and oversee the independence of the external auditors

The Committee has responsibility for the following:

(a) Monitoring the establishment of an appropriate internal control framework;

(b) Monitoring corporate risk assessment and compliance with internal controls;

(c) Overseeing business continuity planning and risk mitigation arrangements;

(d) Reviewing reports on any material defalcations, frauds and thefts from the Group;

(e) Monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary in relation to those requirements;

(f) Reviewing the nomination, performance and independence of the external auditors;

(g) Liaising with the external auditors and ensuring that the annual audit is conducted in an effective manner that is consistent with Committee members’ information and knowledge and is adequate for shareholder needs;

(h) Reviewing management processes supporting external reporting;

(i) Reviewing financial statements and other financial information distributed externally; and

(j) Reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility, and does not have any power to commit the Board to any recommendation or decision made by it except for matters relating to the appointment, oversight, remuneration and replacement of the external auditors.

The Committee has unrestricted access to management and the external auditors as it may consider appropriate for the proper performance of its function.

The Board of Directors shall appoint the chairman and members of the Audit Committee from among the non-executive directors and external members which must be independent. The Audit Committee will comprise a minimum of two members. In any case the chairman of the Audit Committee must be appointed from among non-executive directors.

Remuneration committee

The role of the Committee is to advise on remuneration and issues relevant to remuneration policies and practices for senior management.

The Responsibility of the Remuneration Committee includes issues regarding salaries, bonus programs and other employments terms of the CEO and senior management in conjunction with the Board.

Notably, the Remuneration Committee is in charge of:

- submitting proposals to the Board regarding the remuneration of directors and managers, ensuring that these proposals are in accordance with the remuneration policy adopted by the Company;

- discussing with the chief executive officer the performance of executive management and of the individual executives at least once a year based on evaluation criteria clearly defined. The chief executive officer should not be present at the discussion of his own evaluation;

- ensuring that the remuneration of non-executive directors is proportional to their responsibilities and the time devoted to their functions.

The Board of Directors shall appoint the chairman and members of the Remuneration Committee from among the non-executive directors and external members which must be independent. The Audit Committee will comprise a minimum of two members. In any case the chairman of the Audit Committee must be appointed from among non-executive directors.

Internal control and risk management

The company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of financial records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements In accordance with Luxembourg legal and regulatory requirements, arc that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposals of the company's assets that could have a material effect on the financial statements.

In order to ensure, that established controls over financial reporting system worked effectively during 2014, a summary of the work performed by the internal audit department was reviewed by the Audit Committee.

Besides, the Internal Audit plan for 2015 was also analyzed and approved by the Board of Directors, in order to make sure, that

- Existing information system is able to identify and manage risk of misstatement in financial data once occurred, including override of controls and fraud;
- Information is communicated to management regularly and timely;
- No person has any special rights of control over the Company's share capital.

External audit

In accordance with the Luxembourg law on commercial companies, the Company's annual and consolidated accounts are certified by an external auditor appointed by the annual general meeting of shareholders. The external audit functions being carried by INTERAUDIT S.à.r.l.

Takeover bids Law statement

- The structure of the capital of the company is represented on a page 60. The company is a publicly-listed company whose shares are owned primarily by institutional investors and Agrovalley Limited whose beneficial owner is Mr. Olexandr Petrov, chairman of the board of directors. As of 31 December 2013, Agrovalley Limited held 21 490 899 shares in the Company, what is equal to 68,66%;

- The company has no securities which are not admitted to trading on a regulated market;

- The company has no restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC;

- The details of those shareholders with an interest of 5% or more in the issued share capital of the Company, as notified to the Company, are set out on the page 60. The company has no other significant direct or/and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings);

- The company has no holders of any securities with special control rights. Transfer of shares is governing by the Articles of Association of the Company;
- The company has no adopted system of control of any employee share scheme where the control rights are not exercised directly by the employees;
- The company has no adopted restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;
- All of the issued and outstanding shares in the Company have equal voting rights and there are no special control rights attaching to the shares;
- The company didn't receive the information about existence of any agreements between shareholders that may result any restrictions within the meaning of Directive 2004/19/EC;
- The company has no any agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company;
- The company grants non-availability of any agreements between the company and its board members or/and employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Insider Dealing

The Company follows Luxembourg Stock Exchange, Warsaw Stock Exchange and insider trading policy rules in regards to the disclosure of insider dealing, which require all Board Members to notify the Company with regards to all transaction in the shares in the Company. Following the rules of the notification, the Company notifies both stock exchanges via appropriate regulatory filings.

signed	**signed**
Alex Lissitsa	Dmytro Martyniuk
Chief Executive Officer	Chief Financial Officer

interaudit

Cabinet de révision agréé

To the Shareholders of
Industrial Milk Company S.A.
26-28, rue Edward Steichen
L-2540 Luxembourg

Independent auditor's report (Réviseur d'Entreprises Agréé) on the consolidated financial statements as at December 31, 2014

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Industrial Milk Company S.A. and its subsidiaries (the «Group» hereinafter), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the consolidated financial statements

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

Independent auditor's 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 as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. 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 independent auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of directors, 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.

37, rue des Scillas
L-2529 Howald
Luxembourg

Tél. +(352) 47 68 461
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Basis for Qualified Opinion

As disclosed in Note 32 to the accompanying consolidated financial statements, as at 31 December 2014, the Group was in breach of covenants under long-term loan agreement concluded with non-resident lender. Due to this breach of the covenants clauses, the lender may contractually stop further funding and is entitled to request for immediate repayment of the outstanding loan. In accordance with provisions of IAS 1, Presentation of Financial Statements, such an event triggers reclassification of these loans to current liabilities. However, the Group's management, based on regular discussions with the lender, is of the opinion that this breach of covenants will not trigger accelerated repayment, within one year. We have not been provided with sufficient documentation of this position and therefore are not able to conclude on the classification of these liabilities totaling KUSD 30 000 which are presented as non-current in the accompanying consolidated financial statements.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU).

Emphasis of Matter

We draw attention to Note 4 to the consolidated financial statements, which describes the current political crisis in Ukraine. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operation of the Group. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of directors, is consistent with the consolidated financial statements.

The accompanying Corporate Governance Statement which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Howald, April 16, 2014

INTERAUDIT S.à r.l.
Cabinet de révision agréé

Edward KOSTKA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014
(in thousand USD, unless otherwise stated)

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
CONTINUING OPERATIONS			
Revenue	6	138 267	114 767
Gain from changes in fair value of biological assets and agricultural produce, net	7	53 492	55 507
Cost of sales	8	(129 832)	(116 269)
GROSS PROFIT		**61 927**	**54 005**
Administrative expenses	9	(5 189)	(6 667)
Selling and distribution expenses	10	(8 734)	(4 384)
Other operating income	11	5 028	6 363
Other operating expenses	12	(5 976)	(10 918)
Write-offs of property, plant and equipment		(1 269)	(748)
OPERATING PROFIT		**45 787**	**37 651**
Financial expenses, net	15	(18 970)	(12 687)
Foreign currency exchange (loss)/gain, net	16	(73 535)	1 210
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(46 718)**	**26 174**
Income tax expenses	17	(610)	(359)
NET (LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**(47 328)**	**25 815**
Net (loss)/profit for the period attributable to:			
Owners of the parent company		(46 523)	26 103
Non-controlling interests		(805)	(288)
Weighted average number of shares		31 300 000	31 300 000
Basic profit per ordinary share (in USD)		(1,51)	0,82
Diluted profit per ordinary share (in USD)		(1,51)	0,82
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified subsequently to profit or loss			
Effect of foreign currency translation		(79 336)	-
Items that will no be reclassified subsequently to profit or loss			
Deferred tax charged directly to revaluation reserve		16	98
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME		**(79 320)**	**98**
TOTAL COMPREHENSIVE (LOSS)/INCOME		**(126 648)**	**25 913**
Comprehensive (loss)/income attributable to:			
Owners of the parent company		(125 211)	26 201
Non-controlling interests		(1 437)	(288)

signed
Alex Lissitsa
Chief Executive Officer

signed
Dmytro Martyniuk
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014
(in thousand USD, unless otherwise stated)

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	18	60 597	129 304
Intangible assets	19	11 501	27 802
Non-current biological assets	20	7 234	15 084
Deferred tax assets	21	13	158
Other non-current assets	22	1 644	2 125
Total non-current assets		**80 989**	**174 473**
Current assets			
Inventories	23	82 959	139 050
Current biological assets	24	9 931	17 706
Trade accounts receivable, net	25	1 196	2 296
Prepayments and other current assets, net	26	5 668	11 802
Prepayments for income tax		49	111
Cash and cash equivalents	28	3 004	16 431
Total current assets		**102 807**	**187 396**
TOTAL ASSETS		**183 796**	**361 869**
LIABILITIES AND EQUITY			
Equity attributable to the owners of parent company			
Share capital	29	56	56
Share premium		24 387	24 387
Revaluation reserve		10 021	10 732
Retained earnings		87 741	133 537
Effect of foreign currency translation		(95 177)	(16 473)
Total equity attributable to the owners of parent company		**27 028**	**152 239**
Non-controlling interests		246	1 683
Total equity		**27 274**	**153 922**
Non-current liabilities			
Share purchase warrant	30	883	-
Long-term loans and borrowings	31	67 792	48 011
Deferred tax liabilities	21	1 886	3 121
Total non-current liabilities		**70 561**	**51 132**
Current liabilities			
Current portion of long-term borrowings	31	20 502	39 881
Short-term loans and borrowings	32	39 155	52 095
Trade accounts payable	33	13 560	25 943
Other current liabilities and accrued expenses	34	12 744	38 896
Total current liabilities		**85 961**	**156 815**
Total liabilities		**156 522**	**207 947**
TOTAL LIABILITIES AND EQUITY		**183 796**	**361 869**

signed — Alex Lissitsa, Chief Executive Officer

signed — Dmytro Martyniuk, Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014
(in thousand USD, unless otherwise stated)

	Share capital	Share premium	Revaluation reserve	Retained earnings	Effect of foreign currency translation	Total	Non-controlling interests	Total equity
31 December 2012	**56**	**24 387**	**11 820**	**106 164**	**(16 473)**	**125 954**	**2 059**	**128 013**
Profit for the period	-	-	-	26 103	-	26 103	(288)	25 815
Amortization of revaluation reserve	-	-	(1 203)	1 203	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	98	-	-	98	-	98
Total comprehensive income	**-**	**-**	**(1 105)**	**27 306**	**(16 473)**	**26 201**	**(288)**	**25 913**
Changes in equity as a result of change in ownership share in the subsidiary	-	-	17	67	-	84	(88)	(4)
31 December 2013	**56**	**24 387**	**10 732**	**133 537**	**(16 473)**	**152 239**	**1 683**	**153 922**
31 December 2013	**56**	**24 387**	**10 732**	**133 537**	**(16 473)**	**152 239**	**1 683**	**153 922**
Loss for the period	-	-	-	(46 523)	-	(46 523)	(805)	(47 328)
Amortization of revaluation reserve	-	-	(727)	727	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	16	-	-	16	-	16
Other comprehensive loss	-	-	-	-	(78 704)	(78 704)	(632)	(79 336)
Total comprehensive loss	**-**	**-**	**(711)**	**(45 796)**	**(78 704)**	**(125 211)**	**(1 437)**	**(126 648)**
31 December 2014	**56**	**24 387**	**10 021**	**87 741**	**(95 177)**	**27 028**	**246**	**27 274**

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2014
(in thousand USD, unless otherwise stated)

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit before tax from continuing operations		(46 718)	26 174
Adjusted to reconcile profit before tax with net cash used in operating activities:			
Gain from changes in fair value of biological assets and agricultural produce, net	7	(53 492)	(55 507)
Disposal of revaluation of biological assets and agricultural produce in the cost of sales, net	8	61 152	35 285
Depreciation and amortization	13	10 342	11 078
Income from write-offs of accounts payable	11	(301)	(403)
Write-offs of VAT	12	125	102
Shortages and losses due to impairment of inventories	12	317	2 854
Gain on disposal of inventories	11	(35)	(39)
Allowance for doubtful accounts receivable	12	726	53
Loss from VAT on export operations	12	1 517	4 849
Lost crops	12	1 570	426
Loss on disposal of property, plant and equipment	12	239	31
Write-offs of property, plant and equipment		1 269	748
Accruals for unused vacations		(68)	62
Accruals for audit services		66	49
Interest income	15	(531)	(131)
Interest expenses and other financial expenses	15	19 501	12 818
Foreign currency exchange loss/(gain), net		72 156	(1 210)
Cash flows from operating activities before changes in working capital		**67 835**	**37 239**
Decrease / increase in trade accounts receivable		(93)	2 142
Increase / decrease in prepayments and other current assets		(413)	(4 934)
Increase in inventories		(37 155)	(59 891)
Decrease in current biological assets		10 567	29 362
Increase in trade accounts payable		843	13 081
Decrease in other current liabilities and accrued expenses		2 043	63
Cash flows from operations		**43 627**	**17 062**
Interest paid		(18 323)	(12 716)
Income tax paid		(92)	(157)
Net cash flows from operating activities		**25 212**	**4 189**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4 045)	(18 433)
Purchase of non-current biological assets		(32)	(66)
Purchase of intangible assets		(1)	(56)
Proceeds from disposal of property, plant and equipment		883	53
Decrease/ increase in other non-current assets		-	231
Cash (acquisition of the subsidiary)		-	15 001
Repayment of payables for investment		(22 605)	(16 531)
Net cash flows from investing activities		**(25 800)**	**(19 801)**

signed — Alex Lissitsa, Chief Executive Officer

signed — Dmytro Martyniuk, Chief Financial Officer

Notes on pages 27-75 form an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2014
(in thousand USD, unless otherwise stated)

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term and short-term borrowings		87 610	83 154
Repayment of long-term and short-term borrowings		(75 741)	(52 871)
Net cash flows from financing activities		**11 869**	**30 283**
NET CASH FLOWS		**11 281**	**14 671**
Cash and cash equivalents as at the beginning of the period	28	**16 431**	**1 760**
Effect of translation into presentation currency		(24 708)	-
Cash and cash equivalents as at the end of the period	28	**3 004**	**16 431**

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

1. Description of formation and business.

Industrial Milk Company S.A. (the "Parent company") is a limited liability company registered under the laws of Luxembourg on 28 December 2010 for an unlimited period of time. Industrial Milk Company S.A. was formed to serve as the ultimate holding company of Unigrain Holding Limited and its subsidiaries. The registered address of Industrial Milk Company S.A. is L-2540, 26-28 rue Edward Steichen, Luxembourg, Grand Duchy Luxembourg, its register number within the Registre de Commerce et des Sociétés du Luxembourg is RCS Lu B157843.

IMC S.A. and its subsidiaries (the "Group" or the "IMC") is an integrated agricultural company in Ukraine. The main areas of the Group's activities are:

- cultivation of grain and oilseeds crops, potato production;
- dairy farming;
- storage and processing of grain and oilseeds crops.

The Group is among Ukraine's top-10 industrial milk producers. The grain and oilseeds crops produced by the Group are sold in both the Ukrainian and export markets.

Until December 2010 there was no the holding company of the Group.

In June 2009 in the course of the corporate reorganization Unigrain Holding Limited was established as a sub-holding company of the Group. Through the series of transactions Unigrain Holding Limited became the immediate parent of Burat-Agro, Ltd., Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor, OJSC Poltava Kombilormoviy Zavod and Zemelniy Kadastroviy Centr SA.

In December 2010 Industrial Milk Company S.A. was registered as a holding company of the Group through the ownership of 100% of the voting shares in the company Unigrain Holding Limited.

In June 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company PAE Promin, PE Progress 2010, PAE Slavutich. In November 2011 companies PAE Slavutich and PE Progress 2010 were merged to Chernihiv Industrial Milk Company, Ltd and the company PAE Promin was merged to Burat-Agro, Ltd.

In August 2011 trading company Aristo Eurotrading was formed.

In December 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company AF Kalynivska 2005, Ltd, AF Govtneva, Ltd, AF Shid 2005, Ltd, APP Virynske, Ltd, Pisky, Ltd., SE "Viry-Agro" and 80,61% of the voting shares in the company OJSC "Viryvske HPP".

In March 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company Ukragrosouz KSM, Ltd.

In June 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company PAC Slobozhanschina Agro.

In November 2012 the Group was restructured and 6 companies were joined to PAC Slobozhanschina Agro: AF Kalynivska-2005 Ltd, AF Govtneva Ltd, AF Shid-2005 Ltd, AIE Vyrynske Ltd, Pisky Ltd, SE "Vyry-Agro".

In December 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company Bluerice Limited. The following companies became the part of the Group, as their owner is Bluerice Limited: Agroprogress Holding Ltd, Agroprogress PE, Bobrovitsky Hlebzavod Ltd, Plemzavod Noviy Trostyanets Ltd, PJSC " Bobrovitske HPP", Losinovka-Agro Ltd, Parafiyivka-Progress Ltd, Nosovsky Saharny Zavod Ltd.

In November 2013 trading company Negoce Agricole S.A. was formed.

In December 2013 Losinovka-Agro Ltd was joined to Agroprogress PE (noted * in the column Cumulative ownership ratio, % as at 31 December 2014).

During the year 2013 the Group acquired the voting shares in the company AgroKIM Ltd and on 30 December 2013 the acquisition was completed and 100% of the voting shares were owned by the Group.

In April 2014 Parafiyivka-Progress Ltd was joined to AgroKIM Ltd (noted ** in the column Cumulative ownership ratio, % as at 31 December 2014).

All companies comprising the Group were under the control of the same beneficial owner Mr. Petrov A.L. as at all the reporting dates and have effectively operated as an operating group under common management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

The principal activities of the companies comprising the Group are as follows:

Operating entity	Principal activity	Country of registration	Year established /acquired	Cumulative ownership ratio, %	
				31 December 2014	31 December 2013
Industrial Milk Company S.A.	Holding company	Luxembourg	28.12.2010	100,00	100,00
Unigrain Holding Limited	Subholding company	Cyprus	02.06.2009	100,00	100,00
Burat-Agro Ltd.	Production of cattle milk and meat, oil-yielding and grain crops cultivation	Ukraine	31.12.2007	100,00	100,00
Burat Ltd.	Agricultural products processing	Ukraine	31.12.2007	100,00	100,00
Chernihiv Industrial Milk Company Ltd.	Production of cattle milk and meat, oil-yielding and grain crops cultivation	Ukraine	31.12.2007	100,00	100,00
PJSC Mlibor	Flour grinding	Ukraine	31.05.2008	72,85	72,85
PJSC Poltava Kombilormoviy Zavod	Granting of PPE into finance lease	Ukraine	31.12.2007	87,56	87,56
Zemelniy Kadastroviy Centr SA	Preparation of technical documentation concerning land issues	Ukraine	23.11.2010	100,00	100,00
Aristo Eurotrading Limited	Trading company	British Virgin Islands	30.08.2011	100,00	100,00
OJSC "Vyryvske HPP"	Agricultural products processing	Ukraine	28.12.2011	80,61	80,61
Ukragrosouz KSM Ltd	Agricultural production	Ukraine	29.03.2012	100,00	100,00
PAC Slobozhanschina Agro	Agricultural production	Ukraine	26.06.2012	100,00	100,00
Bluerice Limited	Subholding company	Cyprus	28.12.2012	100,00	100,00
Agroprogress Holding Ltd	Subholding company	Ukraine	28.12.2012	100,00	100,00
Agroprogress PE	Agricultural and farming production	Ukraine	28.12.2012	100,00	99,90
Bobrovitsky Hlebzavod Ltd	Bakery production	Ukraine	28.12.2012	100,00	99,90
Plemzavod Noviy Trostyanets Ltd	Agricultural and farming production	Ukraine	28.12.2012	100,00	99,90
PJSC " Bobrovitske HPP"	Flour grinding	Ukraine	28.12.2012	92,83	92,74
Losinovka-Agro Ltd	Agricultural and farming production	Ukraine	28.12.2012	*	99,80
Parafiyivka-Progress Ltd	Agricultural production	Ukraine	28.12.2012	**	99,80
Nosovsky Saharny Zavod Ltd	Sugar mill	Ukraine	28.12.2012	100,00	99,80
Negoce Agricole S.A.	Trading company	Luxembourg	19.11.2013	100,00	-
AgroKIM Ltd	Agricultural production	Ukraine	30.12.2013	100,00	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Today IMC is the vertically integrated and high-technology group of companies operating in Sumy, Poltava and Chernihiv region (northern and central Ukraine).

The Group controls 140,4 thousand ha (136,6 thousand ha under processing of high quality arable land). As at 31 December 2014 the Group operates in three segments: crop farming, dairy and beef farming and grain and oilseed storage.

IMC is strategically focused on the development of its crop operations due to high gross marginality in the segment. The Group plans to increase cultivated land from its current 136,6 thousand ha to 285 thousand ha in 2019.

The financial year of the Group begins on 1 January of each year and terminates on 31 December of each year.

The Group's consolidated financial statements are public and available for consultation at:
http://imcagro.com.ua/ru/dlya-investorov/financial-reports

2. Basis of preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union. These consolidated financial statements are based on principal accounting policies and critical accounting estimates and judgments that are set out below. These accounting policies and assumptions have been applied consistently to all periods presented in these consolidated financial statements.

Companies comprising the Group which are incorporated in Ukraine maintain their accounting records in accordance with Ukrainian regulations. Ukrainian statutory accounting principles and procedures differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Ukrainian statutory accounting records for the entities of the Group domiciled in Ukraine, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

In preparation of these consolidated financial statements the Management used their best knowledge of International Financial Reporting Standards and interpretations, facts and circumstances that can affect these consolidated financial statements.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the disposal of assets and the settlement of liabilities in the normal course of business. The recoverability of Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. Management believes that Group has reliable access to sources of financing capable to support appropriate operating activity of Group entities. These consolidated financial statements do not include any adjustments should the Group be unable to continue as going concern.

As at 31 December 2014 the Group had th USD 127 449 of borrowings, the majority of which denominated in USD: long-term borrowings amounting to th USD 63 391 (94% of Group's long-term borrowings) and short-term borrowings amounting to th USD 51 944 (87% of Group's short-term borrowings). The rest of the borrowings are denominated in UAH (Notes 31, 32). The Group's business is concentrated and generated in Ukraine but the vast majority of the Group's revenue comes from export of crops – export revenue amounts to 68% of Group's revenue in 2014 (47% in 2013). As export revenue is denominated in USD and used on service of loans and borrowings, Management considers the export revenue is a hedge factor against foreign exchange risks.

Some of the Group's borrowings have financial and non-financial covenants. As of 31 December 2014 a number of covenants were breached due to devaluation of the local currency and as result this borrowings of th USD 44 330 would be reclassified from non-current to current liabilities. Realizing the situation during 2014 Management commenced discussions with lenders on both a bi-lateral and an all-party basis and received from the banks waivers of rights to require compliance with the breached covenants as at 31 December 2014. But at the same time, there was not enough time to receive an official waiver from non-residential bank. The negotiations with non-residential bank are being conducted and Management has strong confidence that waiver from non-residential bank will be obtained after the date of publication of the consolidated financial statements. Respectively, the loans and borrowings were classified in accordance with their initial contractual maturity (Note 31, 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Management has prepared annual cash flow projections for periods from 2015 till 2019 for the Group (including expansion of the land bank starting 2016). Judgments with regard to future prices for agricultural produce, harvest volumes, willingness of lenders not to require early repayments and the timing of settlements with various counterparties were required for the preparation of the cash flow projections. Positive overall cash flows (indicating that there is no liquidity gap) are dependent on the willingness of the Group's lenders not to demand early repayment, and to continue their support to the Group by restructuring a part of payments due in 2015 to future periods.

As at the current date all the cash-flow projections are executed. The spring sowing campaign has begun and Management projects that sowing campaign will be completed in the third decade of May.

Considering willingness of the banks to cooperate on a long-term basis, prevailing position of export transactions within structure of the sales, and strong determination of efforts of all the Group’s management on improvements of the operating efficiency of the Group’s operations, management believes that the application of the going concern assumption for the preparation of these consolidated financial statements is appropriate.

Basis of measurement

The consolidated financial statements are prepared under historical cost basis except for the revalued amounts of property, plant and equipment, biological assets and agricultural produce.

The Group’s management has decided to present and measure these consolidated financial statements in United States Dollars (“USD”) for the purposes of convenience of users of these financial statements.

Use of estimates

The preparation of these consolidated financial statements involves the use of reasonable accounting estimates and requires the Management to make judgments in applying the Group's accounting policies. These estimates and assumptions are based on Management’s best knowledge of current events, historical experience and other factors that are believed to be reasonable. Note 4 contains areas, related to a high degree of importance or complexity in decision-making, or areas where assumptions and estimates are important for amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). For the companies of the Group operating in Ukraine the Ukrainian Hryvna ("UAH") is the functional currency. For the companies operating in Cyprus and Luxembourg the functional currency is Euro ("EUR").

These consolidated financial statements are presented in the thousand of United States Dollars (“USD”), unless otherwise indicated.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All exchange differences are taken to the statement of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The principal exchange rates used in the preparation of these consolidated financial statements are as follows:

Currency	31 December 2014	Average for the year ended 31 December 2014	31 December 2013	Average for the year ended 31 December 2013	31 December 2012
UAH/ USD	15,768556	11,89709	7,9930	7,9930	7,9930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Translation into presentation currency

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the official rate at the date of the balance sheet;

- income and expenses are translated at average exchange rate for the period, unless fluctuations in exchange rates during that period are significant, in which case income and expenses are translated at the rate on the dates of the transactions;

- all the equity and provision items are translated at the rate on the dates of the transactions;

- all resulting exchange differences are recognized as a separate component of other comprehensive income;

- in the consolidated statement of cash flows cash balances at the beginning and end of each presented period are translated at rates prevailing at corresponding dates. All cash flows are translated at average exchange rates for the periods presented. Exchange differences arising from the translation are presented as the effect of translation into presentation currency.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Financial statements of Parent company and its subsidiaries, which are used while preparing the consolidated financial statements, should be prepared as at the same date on the basis of consistent application of accounting policy for all companies of the Group.

3. Summary of significant accounting policies

<u>Property, plant and equipment</u>

Property, plant and equipment are stated at their revalued amounts that are the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

If there is no data about the market value of property, plant and equipment due to the nature of highly specialized machinery and equipment, such objects are evaluated according to acquisition expenses under present-day conditions, adjusted by an ageing percentage.

Property, plant and equipment of acquired subsidiaries are initially recognised at their fair value which is based on valuations performed by independent professionally appraisers.

Valuations are performed frequently enough to ensure that the fair value of a remeasured asset does not differ materially from its carrying amount as at reporting date.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in equity under the line Revaluation reserve. Decreases in the carrying amount as a result of a revaluation are in profit or loss. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decrease related to previous increase of the same asset is recognized against other reserves directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is used by an entity (in the amount that is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost) and when the asset is derecognized (in the full amount).

Subsequent major costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that these replacements will materially extend the life of property, plant and equipment or result in future economic benefits. The carrying amount of the replaced part is derecognized. All other day-to-day repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment or their essential component are written-off in a case of their disposal or if future economic benefits from use or disposal of such asset are not expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included to the other incomes (expenses) in the statement of comprehensive income when the asset is derecognized.

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. Depreciation of an asset ceases when the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.

Depreciation on assets is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings 15-55 years
- Machinery 5-30 years
- Motor vehicles 5-20 years
- Other assets 5-20 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Land is not depreciated.

Construction in progress comprises costs directly related to the construction of property, plant and equipment, as well as the relevant variable and fixed overhead costs related to the construction. These assets are depreciated from the moment when they are ready for operation.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income in other income (expenses) when the asset is derecognized.

The Group determines whether the useful life of an intangible asset is finite or indefinite.

Useful life of intangible assets is indefinite if the Group suggests that the period during which it is expected that the object of intangible assets will generate net cash inflows to the organization has no foreseeable limit. Intangible assets with indefinite useful lives are not amortized, but reviewed for impairment.

Amortisation of intangible assets is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The following estimated useful lives, which are re-assessed annually, have been determined for classes of finite-lived intangible assets:

- Land lease rights 5-15 years
- Computer software 5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Impairment of property, plant and equipment and intangible assets

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of a cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use. Value in use is the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Biological assets

The biological assets are classified as non-current and current depending on the expected pattern of consumption of the economic benefits embodied in the biological assets.

The following categories of biological assets are distinguished by the Group:

- Non-current biological assets of plant-breeding at fair value;
- Non-current biological assets of cattle-breeding at fair value;
- Current biological assets of plant-breeding measured at fair value;
- Current biological assets of cattle-breeding measured at fair value.

The Group assesses a biological asset at initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs, except for the cases where the fair value cannot be determined with reasonable assurance.

Gains or losses from movements in the fair value of biological assets less estimated selling and distribution expenses of the Group are recorded in the period they incurred in the statement of comprehensive income as Gain (loss) from changes in fair value of biological assets and agricultural produce, net.

The Group capitalizes expenses between the reporting dates into the cost of biological assets.

- Biological assets of plant-breeding

  The capitalized expenses include all the direct costs and overhead costs related to the farming division. Such costs may include the following costs: raw materials (seeds, mineral fertilizers, fuel and other materials), wages and salaries expenses of production personnel and related charges, amortization and depreciation, land lease expenses and other taxes, third parties' services and other expenses related to the cultivation and harvesting of biological assets of plant-breeding.

- Biological assets of animal-breeding

  The capitalized expenses include all the direct costs and overhead costs related to the live-stock breeding. The types of costs that are capitalized in the current biological assets of animal breeding are the following: fodder, means of protection of animals and artificial insemination, fuel and other materials, wages and salaries expenses of production personnel and related charges, amortization and depreciation, third parties' services and other expenses related to the current biological assets of animal breeding.

All expenses related to the non-current biological assets of cattle breeding are included into the cost of milk. Respectively the note 20 of non-current biological assets does not include any capitalized costs.

The expenses on works connected with preparation of the lands for future harvest are included into the Inventories as work-in-progress. After works on seeding on these lands the cost of field preparation is reclassified to biological assets held at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Agricultural produce

The Group classifies the harvested product of the biological assests as agricultural produce. Agricultural produce is measured at its fair value less costs to sell at the point of harvest. The difference between the cost and fair value less costs to sell at the point of harvest of harvested agricultural produce is recognized in the statement of comprehensive income as Gain (loss) from changes in fair value of biological assets and agricultural produce, net.

After the initial recognising as at the date of harvesting agricultural produce is treated as inventories. Agricultural produce measurement as at the date of harvest becomes inventories' cost to account.

Inventories

Inventories are measured at the lower of cost or net realizable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of agriculture produce is its fair value less costs to sell at the point of harvesting.

The cost of work in progress and finished goods includes costs of direct materials and labor and other direct productions costs and related production overheads (based on normal operating capacity). Costs are capitalized in work in progress for preparing and treating land prior to seeding in the next period. Work in progress is transferred to biological assets once the land is seeded.

The cost of inventories is assigned by using FIFO method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Group periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realizable value has declined, and makes an allowance for such inventories. If such situation occurred, the sum remissive the cost of inventories should be reflected as a part of other expenses in statement of comprehensive income.

Financial assets

The Group's financial assets include cash and cash equivalents, trade and other accounts receivable, other receivables.

Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every balance sheet date. Financial assets are classified in the following category at the time of initial recognition based on the purpose for which the financial assets were acquired:

- "Loans and receivables" that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes lendings given that appeared owing to issuance of facilities to debtor. Receivables include trade and other accounts receivables.

Financial assets are recognized initially at fair value plus directly attributable transaction costs.

The category of financial assets "Loans and receivables" is subsequently measured as follows:

- Receivables are measured at amortized cost using the effective interest method, less allowance for impairment.
- Borrowings issued are measured at amortized cost less impairment losses.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Financial assets of the Group are assessed for indications of impairment at each reporting date. A financial asset is deemed to be impaired if there is objective evidence indicating that a loss event has occurred after initial recognition of the financial asset, and that the loss event has a negative effect on the estimated future cash flows of the financial asset that can be reliably estimated.

For "Loans and receivables" the amount of 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. For trade and other receivables the carrying amount is reduced through the use of an allowance account and for borrowings the carrying amount is reduced directly by the impairment loss. If there is objective evidence that the Group is not able to collect all amounts due to the original terms of the receivables, the allowance for impairment is established. When a receivable is determined to be uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Forming of the allowance account is recognized in statement of comprehensive income as other operating expenses.

Prepayments and other non-financial assets

Prepayments are reflected at nominal value less VAT and accumulated impairment losses, other non-financial assets are reflected at nominal value less accumulated impairment losses.

Prepayments are classified as non-current assets when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised as a part of other expenses in statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in bank and cash in hand, call deposits, other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities

The Group's financial liabilities include trade and other payables, loans and borrowings, share purchase warrant.

Financial liabilities are recognized initially at fair value minus directly attributable transaction costs.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method except for share purchase warrant which is subsequently measured at fair value through profit or loss.

Any difference between amount of received resources and sum to repayment is recorded as interest expenses in statement of comprehensive income at effective interest rate method during the period, when borrowings were received.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Leases

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

- Group as a lessee
  Leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are classified as finance leases. Assets held under finance lease are included in property, plant and equipment since the commencement of lease at the lower of the fair value of leased property and present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of comprehensive income.
  Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
  Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight line basis over the lease term.

- Group as a lessor
  Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the statement of comprehensive income in the period in which they are earned. Costs, including depreciation, incurred in earning the lease income are recognized as an expense.

Government grants

The Ukrainian legislation provides various tax benefits and grants for companies engaged in agriculture. Such benefits and grants are approved by the Supreme Council of Ukraine, the Ministry of Agrarian Policy, Ministry of Finance and local authorities.

- Government grants related to plant-breeding
  Amount of such benefit is determined based on the number of hectares planted for the future harvest, taking into account the crop expected to be bred. The Group of companies recognizes this type of benefits upon the receipt of funds as other operating income in the statement of comprehensive income.
- Government grants related to cattle-breeding
  Agricultural producers of poultry and livestock are eligible for government grants, depending on quantity of meat in live weight delivered to processing enterprises. The Group of companies recognizes these grants upon entitlement to them as other operating income.
  Agricultural producers of poultry and livestock are also eligible for government grants for each animal unit of poultry and livestock, including slaughter for own needs or transfer to slaughter. The Group recognizes these grants upon the receipt of funds due to the uncertainty in amounts and timeframes of receipt.
- Government grants related to VAT
  According to the Ukrainian tax legislation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) receive benefits regarding VAT payment on agricultural operations. Correspondingly above, VAT amounts payable are not transferred into the budget by the entities, but credited to the entity's separate special account to support the agriculture; the amount of tax credit is used as a reduction in tax liabilities of the next period. As a result of these operations tax amounts are recognized in the statements of comprehensive income as other operating income.
  Management of the Group is confident that confirmed by tax declaration as at the end of the month VAT payable should be recognized as other operating income in current month although it will be credited to the entity's separate special account next month.

Taxation

- Income tax
  Income tax expense represents the amount of the tax currently payable and deferred tax.
  Income tax expenses are recorded as expenses or income in the statement of comprehensive income, except when they relate to items directly attributable to other comprehensive income (in which case the amount of tax is taken to other comprehensive income), or when they arise at initial recognition of company acquisition.
  i. Current income tax
     Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.
  ii. Deferred income tax
     Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
     Deferred tax liabilities are recognized for all taxable temporary differences, except:
     - where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
     - in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

- Fixed agricultural tax
  According to effective legislation, the Ukrainian consolidated companies of the Group involved in production, processing and sale of agricultural products may opt for paying fixed agricultural tax (FAT) in lieu of income tax, land tax and some other local taxes if the revenues from sale of their own agricultural products constitute not less than 75% of their total (gross) revenues. The FAT is assessed at 0,15% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). As at 31 December 2014, 7 of the companies comprising the Group were elected to pay FAT (2013: 8).
- Value added tax (VAT)
  VAT output equals to the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.
  Revenue, expenses and assets are recognized less VAT amount, except cases, when VAT arising on purchases of assets or services, is not recoverable by tax authority; in this case VAT is recognized as part of purchase costs or part of item of expenses respectively. Net amount of VAT, recoverable by tax authority or paid, is included into accounts receivable and payable, reflected in consolidated statement of financial position.
- Other taxes payable
  Other taxes payable comprise liabilities for taxes other than above, accrued in accordance with legislation enacted or substantively enacted by the end of the reporting period.

Provisions

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

Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. The Group discloses information about contingent liabilities in the Notes to financial statements, except for the cases where fulfillment of contingent liabilities is unlikely; because of the remoteness of the event (possible repayment period is more than 12 months).

The Group constantly analyzes contingent liabilities to determine the possibility of their repayment. If the repayment of a liability, which was previously characterized as contingent, becomes probable, the Group records the provision for the period in which repayment of the obligation has become probable.

Contingent assets are not recognized in the financial statements, but disclosed in the Notes where there is a reasonable possibility of future economic benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Share capital

Ordinary shares issued are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction. Any excess of the fair value of consideration received over the par value of shares issued is presented in financial statements as Share premium.

Dividends

Dividends are recognized as a liability and deducted from shareholders' equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorized for issue.

Earnings per share

Earnings per share are determined by dividing the net profit or loss attributable to the owners of parent company by the weighted average number of shares outstanding during the reporting period.

Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Revenue is measured at fair value of consideration amount received or receivable for the sale of goods and services in the ordinary course of the Group's business activities. Revenue is recorded excluding taxes and duties on sales, discounts and returns.

- Sales of goods
  Revenue from sales of goods is recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The Group uses standardised INCOTERMS which define the point of risks and reward transfers.
- Rendering of services
  Revenue from rendering services is recognized on the basis of the stage of work completion under each contract. When financial result can be measured reliably, revenue is recognized only to the extent of the amount of incurred charges, which can be recovered.

Income from the exchange of property certificates

When the items of property, plant and equipment are acquired in exchange for non-cash asset (property certificate), the initial value of such assets is estimated at fair value. The difference between the price paid for property certificates and the fair value of received items of property, plant and equipment is recognized as income in the period of the exchange operation.

Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Investment income resulting from temporary investment of received borrowing costs, until their expensing for the purchase of capital construction objects, shall be deducted from the cost of raising borrowing costs that may be capitalized.

All other borrowing costs are expensed in the period they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

4. Critical accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Used estimates and assumptions are reviewed by the Management of the Group on a continuous basis, by reference to past experiences, current trends and all available information that is relevant at the time of preparation of financial statements. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

In the process of applying the Group's accounting policies, Management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts reflected in the consolidated financial statements.

Fair value of property, plant and equipment

The Group engages an independent appraiser to determine the fair value of property, plant and equipment on a regular basis.

The assessment is conducted in accordance with International Valuation Standards for property. The assessment procedure is carried out for all groups of property, plant and equipment. The fair value of items of property, plant and equipment is estimated on the basis of comparative and cost plus approaches.

The comparative approach is based on an analysis of sales prices and offers of similar items of property, plant and equipment, taking into account the appropriate adjustments for differences between the objects of comparison and assessment item. Based on the application of this approach, the fair value of property, plant and equipment is determined on the basis of their market value.

The cost approach involves the definition of present value of costs of reconstruction or replacement of the assessment item with their further adjustment by the depreciation (impairment) amount. Based on the application of this approach, the fair value of certain items of property, plant and equipment is determined in the amount of the replacement of these items. The cost plus method is adjusted by the income method data, which is based on the discounted cash flow model. This model is most sensitive to the discount rate, as well as to the expected cash flows and growth rates used for the extrapolation purposes. Judgments of the Group in determining the indices used in the appraisers' calculations may have a significant effect on the determination of fair value of property, plant and equipment, and hence on their carrying amount.

The fair value of property, plant and equipment of all the Group's companies has been measured as at 31 December 2010 by an independent appraiser FDI "Bureau Veritas Ukraine" (Note 18).

Useful lives of property, plant and equipment

Items of property, plant and equipment owned by the Group are depreciated using the straight-line method over their useful lives, which are calculated in accordance with business plans and operating calculations of the Group's Management with respect to those assets.

The estimated useful life and residual value of non-current assets are influenced by the rate of exploitation of assets, servicing technologies, changes in legislation, unforeseen operational circumstances. The Group's management periodically reviews the applicable useful lives. This analysis is based on the current technical condition of assets and the expected period in which they will generate economic benefits to the Group.

Any of the above factors may affect the future rates of depreciation, as well as carrying and residual value of property, plant and equipment.

There were not any changes in accounting estimates of remaining useful lives of items of property, plant and equipment in 2014.

Impairment of property, plant and equipment and intangible assets

The Group carries out revaluations on a regular basis and conducts a full valuation exercise if there is an indication of impairment. An impairment review is conducted at the balance sheet date. To test property, plant and equipment and intangible assets for impairment, the Group's business is treated as three cash generating units: farming division, live-stock breeding and storage and processing. The recoverable amount of the cash-generating unit is determined on the basis of value in use. The amount of value in use for the cash generating unit is determined on the basis of the most recent budget estimates prepared by management and application of the income approach of valuation.

As at 31 December 2014 and 2013 impairment of property, plant and equipment and intangible assets was not identified (Note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Fair value of acquisition of subsidiaries

The Group engages an independent appraiser to determine the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. Acquisitions often result in significant intangible benefits for the Group, some of which qualify for recognition as intangible assets. Significant judgement is required in the assessment and valuation of these intangible assets, often with reference to internal data and models.

The estimation of fair value of assets and liabilities is based upon quoted market prices and widely accepted valuation techniques, including discounted cash flows and market multiple analysis. Such estimates include assumptions about inputs to our discounted cash flow calculations, industry economic factors and business strategies.

Fair value of biological assets

Due to an absence of an active market for non-current biological assets for cattle-breeding and biological assets of plants-breeding in Ukraine, to determine the fair value of these biological assets, the Group used the discounted value of net cash flows expected from assets as at reporting date. Fair value is determined based on market prices and a current market-determinated pre-tax rate as at the date of valuation.

The fair value of current biological assets of cattle-breeding is measured using market prices as at reporting date. The fair value is determined based on market prices of livestock of similar age, breed and genetic merit.

The income from recognition of biological assets at fair value for the year ended 31 December 2014 amounted to th USD 53 492 (Note 7).

Fair value of agricultural produce

The Group estimates the fair value of agricultural produce at the date of harvesting using the current quoted prices in an active market. Costs to sell at the point of harvest are estimated based on expected future selling costs that depend on conditions of sales agreements. The fair value less costs to sell becomes the carrying value of inventories at the date of harvesting.

Inventories

As at the reporting date the Group assesses the need to reduce the carrying amount of inventories to their net realizable value. The measurement of impairment is based on the analysis of market prices for similar inventories existing at the reporting date and published in official sources. Such assessments can have a significant impact on the carrying amount of inventories.

Besides, at each balance sheet date, the Group assesses inventories for surplus and obsolescence and determines the allowance for obsolete and slow moving inventories. Changes in assessment can influence the amount of required allowance for obsolete and slow moving inventories either positively or negatively.

At the reporting date the item Work-in-progress includes investments in the future harvest. The cost of these investments is based on expenses incurred during the current year. Investment valuation model includes a number of judgments of management about the benefits to be extracted from the utilization of such investments in the future. Management's estimates of the value of investments is based on the recommendations of scientific sources and agronomic calculations of the internal services of the Group.

For the year ended 31 December 2014 shortages and losses due to impairment of inventories amounted to th USD 317 (Note 12).

Fair value of financial instruments

The fair value of financial assets and liabilities is determined by applying various valuation methodologies. Management uses its judgment to make assumptions based on market conditions existing at each balance sheet date. Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. Management uses discounted cash flow analysis for various loans and receivables as well as debt instruments that are not traded in active markets. The effective interest rate is determined by reference to the interest rates of instruments available to the Group in active markets. In the absence of such instruments, the effective interest rate is determined by reference to the interest rates of active market instruments available adjusted for the Group’s specific risk premium estimated by Management.

The fair value of share purchase warrant is determined using Black-Scholes model based on the following inputs:

- Current stock price,
- Strike price as specified in the share purchase warrant,
- Risk-free interest rate and volatility based on the historical information.

The method of valuation is further described in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Impairment of trade and other accounts receivable

Management evaluates the recoverability of trade and other accounts receivable by estimating the likelihood of its collection. These estimations are based on an analysis of individual accounts. The amount of 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. Management estimates the future cash flow by taking into consideration the following: analysis of trade and other accounts receivable in accordance with the contractual credit terms allowed to customers; the collection history of customers; the general economic conditions, the specifics of industry and the financial position of customers.

As at 31 December 2014 allowances for accounts receivable were recognized in the amount of th USD 48 (Note 27).

Impairment of other financial and non-financial assets

Management assesses whether there are any indicators of possible impairment of other financial and non-financial assets at each reporting date. If any events or changes in circumstances indicate that the current value of the assets may not be recoverable or the assets, goods or services relating to a prepayment will not be received, the Group estimates the recoverable amount of assets. If there is objective evidence that the Group is not able to collect all amounts due to the original terms of the agreement, the corresponding amount of the asset is reduced directly by the impairment loss in the statement of comprehensive income. Subsequent and unforeseen changes in assumptions and estimates used in testing for impairment may lead to the result different from the one presented in the financial statements.

As at 31 December 2014 allowances for other financial and non-financial assets were recognized in the amount of th USD 42 (Note 27).

Long-term VAT recoverable

The Group classifies the VAT recoverable balance as current or non-current based on expectations as to whether it will be realised within 12 months from the reporting date. In making this assessment, management considered past history of receiving VAT refunds from the State budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, Management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of the business.

As at 31 December 2014 the part of VAT recoverable in the amount of th USD 220 was classified as long-term VAT recoverable (Note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Taxation

The Group mostly operates in the Ukrainian tax jurisdiction. The Company's management must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether 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 and deferred tax provisions in the period in which such determination is made.

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business cycles. In connection with it, tax laws in Ukraine are subject to frequent changes. Furthermore, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to serious fines and penalties accruals.

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

The Group considers that it operates in compliance with tax laws of Ukraine, although, a lot of new laws about taxes and transactions in foreign currency have been adopted recently, and their interpretation is rather ambiguous.

In December 2010, the revised Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later.

The Group's management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group's financial results in the foreseeable future.

Adoption of the Tax Code changes taxation system in Ukraine entirely. Quantity of taxes decreases almost twofold. Gradual decrease of base rates for all fiscal charges is stipulated within several years. Additional rate for tax on income of physical persons is adopted. Regulations settling procedure of taxation covered by the Tax Code are cancelled. These changes substantially increase risks of incorrect interpretation of adopted Tax Code. As a result of future tax inspections additional liabilities may be revealed, which will not comply with tax statements of the Company. Such liabilities may comprise taxes themselves, and also fines and penalties, and their amounts may be material.

The Group's management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group's financial results in the foreseeable future.

Starting from 1 September 2013, Ukrainian legislation implemented new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions with related parties. In accordance with the new rules, the tax authorities obtain additional tools with the help of which they may claim that prices or profitability in transactions with related parties different from arm's length transactions. As the practice of implementation of the new transfer pricing rules has not yet developed and the wording of some clauses of the rules is unclear, the probability that the Group's transfer pricing positions may be challenged by the tax authorities cannot be reliably estimated as of the date of authorization of these consolidated financial statements for issue.

Management is confident that the Group complies with all transfer pricing rules.

Legal proceedings

The Group's Management makes significant assumptions in estimation and reflection of the risk of exposure to contingent liabilities related to current legal proceedings and other unliquidated claims, as well as other contingent liabilities. Management's judgments are required in assessing the possibility of a secured claim against the Group or material obligations, as well as in determining probable amounts of final payment or obligations. Due to the uncertainties inherent in the evaluation process, actual expenses may differ from the initial calculations.

These preliminary estimates are subject to changes as new information becomes available from the Group's internal specialists, if any, or from third parties, such as lawyers. Revisions of such estimates may have a significant impact on future operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Operating environment

In 2014, Ukraine was faced with political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. Ukraine also suffered from separatist movements and the collapse of law enforcement in Lugansk and Donetsk regions.

The Ukrainian hryvnya devalued against major foreign currencies. The National Bank of Ukraine introduced a range of measures aimed at limiting the outflow of customer deposits from the banking system, improving the liquidity of banks, and supporting the exchange rate of the Ukrainian hryvnya.

Significant external financing is required to support economic stabilization and the political situation depends, to a large extent, upon success of the Ukrainian government's efforts; yet further economic and political developments are currently difficult to predict and an adverse effect on the Ukrainian economy may continue.

Management is monitoring the developments in the current environment and taking actions where appropriate.

The Group does not have assets in Crimea, Donetsk and Lugansk regions.

New and amended standards and interpretations

The following Standards, Amendments to Standards and Interpretations have been issued and became effective as of 1 January 2014:

- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2014. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

Standards and Interpretations adopted by the EU:

- IFRS 7 (Amendments) Financial instruments: Disclosures – Disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015)
- IFRS 9 Financial Instruments: Classification and Measurement and Accounting for financial liabilities and derecognition (effective for annual periods beginning on or after 1 January 2015)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

5. Business combination

Acquisition of AgroKIM Ltd

During the year 2013 the Group acquired the voting shares in the company AgroKIM Ltd and on 30 December 2013 the acquisition was completed and 100% of the voting shares owned by the Group.

AgroKIM Ltd is located in Ukraine, Chernigiv region. The subsidiary owns the books of lease contracts for 15 923 hectares of land under processing.

The fair value of identifiable assets and liabilities of AgroKIM Ltd at the acquisition date and corresponding carring amounts directly before the acquisition were as follows:

	Fair value at the date of acquisition	Book value at the date of acquisition
Non-current assets		
Property, plant and equipment	26 640	7 846
Intangible assets	8 470	66
Other non-current assets	15	15
Current assets		
Inventories	10 974	10 974
Current biological assets	282	114
Trade accounts receivable, net	2 021	2 021
Prepayments and other current assets, net	2 473	2 473
Cash and cash equivalents	15 001	15 001
Non-current liabilities		
Long-term loans and borrowings	(28 428)	(28 428)
Current liabilities		
Current portion of long-term borrowings	(1 843)	(1 843)
Trade accounts payable	(4 259)	(4 259)
Other current liabilities and accrued expenses	(1 006)	(1 006)
Net assets	**30 340**	**2 974**
Non-controlling interests	-	
Owners of the parent company	**30 340**	
Cost of acquisition	30 340	
Excess of the Group's share in the fair value of the net assets acquired over the cost of acquisition	-	

The Group does not disclose revenue and net profit of acquired subsidiaries as if they have been acquired at the beginning of the reporting period as it is impracticable due to the fact that these companies did not produce IFRS financial information as from the beginning of the reporting period and up to the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

6. Revenue

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Revenue from sales of finished products	a	137 571	112 403
Revenue from services rendered	b	696	2 364
		138 267	**114 767**

a) Revenue from sales of finished products was as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Cattle	1 265	1 727
Milk	6 624	9 616
Corn	89 511	46 113
Wheat	7 434	10 191
Sunflower	17 826	20 902
Soy beans	9 353	4 472
Potatoes	2 888	4 251
Other	2 670	15 131
	137 571	**112 403**

b) Revenue from services rendered was as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Storage	120	523
Processing	142	310
Transport	181	500
Other	253	1 031
	696	**2 364**

7. Gain from changes in fair value of biological assets and agricultural produce, net

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Non-current biological assets	20	(810)	3 292
Current biological assets	24	3 197	9 512
Agricultural produce		51 105	42 703
		53 492	**55 507**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

8. Cost of sales

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Raw materials	a	(98 356)	(80 069)
Change in inventories and work-in-progress	b	25 337	27 749
Wages and salaries of operating personnel and related charges	14	(9 532)	(13 853)
Depreciation and amortization	13	(9 371)	(9 776)
Third parties' services		(11 258)	(10 522)
Fuel and energy supply		(14 769)	(17 122)
Rent		(10 867)	(11 241)
Repairs and maintenance		(652)	(904)
Taxes and other statutory charges		(320)	(415)
Other expenses		(44)	(116)
		(129 832)	**(116 269)**

a) Item row materials for the year ended 31 December 2014 includes disposal of the gain recorded on initial recognition of realized agriculture produce and biological assets (both of current and non-current) in the amount of th USD 61 152 (th USD 35 285 for the year ended 31 December 2013).

b) Change in inventories and work-in-progress comprises changes in work-in-progress, agricultural produce and current biological assets. Book values of agricultural produce and biological assets as at the end of the reporting periods comprise fair value component stemming from revaluation conducted for the purposes of initial recognition of agricultural produce and biological assets at fair value.

9. Administrative expenses

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Wages and salaries of administrative personnel and related charges	14	(2 528)	(3 842)
Third parties' services		(255)	(246)
Repairs and maintenance		(156)	(256)
Depreciation and amortisation	13	(157)	(205)
Bank services		(353)	(275)
Professional services		(893)	(945)
Transport expenses		(392)	(516)
Other expenses		(455)	(382)
		(5 189)	**(6 667)**

a) Professional services include the following audit and releted fees:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Audit fees	(229)	(158)
Audit related fees	(10)	(10)
	(239)	**(168)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

10. Selling and distribution expenses

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Delivery costs		(8 118)	(3 449)
Wages and salaries of sales personnel and related charges	14	(178)	(468)
Depreciation	13	(88)	(152)
Other expenses		(350)	(315)
		(8 734)	**(4 384)**

11. Other operating income

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Income from subsidized VAT	a	3 195	4 290
Government grants and subsides recognised as income	b	299	637
Income from write-offs of accounts payable		301	403
Gain on disposal of inventories		35	39
Other income		1 198	994
		5 028	**6 363**

a) According to the Ukrainian tax legistation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) receive benefits regarding VAT payment on agricultural operations. These tax amounts are not paid to the budget, but recognized as net result of income or expenses in the other operating income.

b) Government grants and subsides recognized as income for the year ended 31 December 2014 amounting to th USD 299 comprise th USD 3 of grants related to the farming division and th USD 296 of grants related to the live-stock breeding.

12. Other operating expenses

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Loss from VAT on export operations	a	(1 517)	(4 849)
Shortages and losses due to impairment of inventories		(317)	(2 854)
Depreciation	13	(704)	(945)
Lost crops		(1 570)	(426)
Write-offs of VAT		(125)	(102)
Allowance for doubtful accounts receivable	27	(726)	(53)
Wages and salaries of non-operating personnel and related charges	14	(111)	(68)
Loss on disposal of property, plant and equipment		(239)	(31)
Other expenses		(667)	(1 590)
		(5 976)	**(10 918)**

a) Loss from VAT on export operations for the year ended 31 December 2014 amounting to th USD 1 517 (th USD 4 849 for the year ended 31 December 2013) related to the Ukrainian tax legislation. According to the Tax Code temporarily starting 01 April 2014 till 01 October 2014 sales operations on export of certain agricultural crops are exempted from VAT. Consequently, the Group loses the right on VAT credit for expenses incurred for cultivation of these crops.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

13. Depreciation and amortisation

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Depreciation			
Cost of sales	8	(5 914)	(5 797)
Administrative expenses	9	(153)	(201)
Selling and distribution expenses	10	(88)	(152)
Other operating expenses	12	(704)	(945)
Depreciation as a part of article "Lost crops"		(22)	-
		(6 881)	**(7 095)**
Amortisation			
Cost of sales	8	(3 457)	(3 979)
Administrative expenses	9	(4)	(4)
		(3 461)	**(3 983)**
		(10 342)	**(11 078)**

14. Wages and salaries expenses

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Wages and salaries		(9 079)	(13 474)
Related charges		(3 278)	(4 855)
		(12 357)	**(18 329)**
The average number of employees, persons		3 000	3 353
Remuneration of management		445	445
Wages and salaries of operating personnel and related charges	8	(9 532)	(13 853)
Wages and salaries of administrative personnel and related charges	9	(2 528)	(3 842)
Wages and salaries of sales personnel and related charges	10	(178)	(468)
Wages and salaries of non-operating personnel and related charges	12	(111)	(68)
Wages and salaries as a part of article "Lost crops" and related charges		(5)	(71)
Wages and salaries as a part of article "Construction in progress" and related charges		(3)	(27)
		(12 357)	**(18 329)**

15. Financial expenses, net

	For the year ended 31 December 2014	For the year ended 31 December 2013
Interest income on bank deposits	531	131
Interest expenses on loans and borrowings	(14 571)	(7 800)
Bond interest expenses	(3 079)	(3 870)
Loss on initial recognition of share purchase warrant	(883)	-
Other expenses	(968)	(1 148)
	(18 970)	**(12 687)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

16. Foreign currency exchange (loss) / gain, net

During the year ended 31 December 2014 the Ukrainian Hryvnia depreciated against the USD by 48,8% compared with year ended 31 December 2013. As a result, during the year ended 31 December 2014 the Group recognised net foreign exhange loss in the amount of USD 73 535 thousand (year ended 31 December 2013: foreign exchange gain in th amount of USD 1 210 thousand) in the consolidated statement of comprehensive income. Foreign exhange losses the year ended 31 December 2014 in the amount of th USD 1 379 related to the cash and cash equivalents (null for the year ended 31 December 2013).

17. Income tax expenses

The corporate income tax rate in Ukraine was 18% as at 31 December 2014 and 19% as at 31 December 2013.

The components of income tax expenses were as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Current income tax	(102)	(24)
Deferred tax	(508)	(335)
Income tax benefit (expenses) reported in the statement of comprehensive income	**(610)**	**(359)**
Consolidated statement of other comprehensive income		
Deferred tax related to item charged or credit directly to other comprehensive income during year:		
Net gain on revaluation of property, plant and equipment	16	98

Reconciliation between tax expenses and the product of accounting multiplied by Ukrainian domestic tax rate was as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2013
01 January	**(2 963)**	**(2 726)**
Income tax benefit (expenses) for the period recognized in profit or loss	(508)	(335)
Income tax benefit (expenses) for the period recognized in other comprehensive income	16	98
Effect of foreign currency translation	1 582	-
31 December	**(1 873)**	**(2 963)**

	For the year ended 31 December 2014	For the year ended 31 December 2013
(Loss)/profit before tax from continuing operations	(46 718)	26 174
Loss before tax from continuing operations of companies non-payers of incom tax	(43 881)	(28 831)
Loss before tax from continuing operations of companies payers of incom tax	(2 837)	(2 657)
Tax in statutory tax rate 18% (2013: 19%)	(511)	(505)
Allowances for unrecognized tax assets	496	-
Non-taxable items	625	864
Income tax expenses	**610**	**359**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

18. Property, plant and equipment

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
Initial cost						
31 December 2012	**55 611**	**34 988**	**15 058**	**1 308**	**6 041**	**113 006**
Additions	763	7 623	4 930	438	4 679	18 433
Disposals	(624)	(922)	(389)	(69)	-	(2 004)
Transfer	-	1 347	119	-	(1 466)	-
Additions from acquisition of subsidiary	18 500	7 414	624	27	86	26 651
31 December 2013	**74 250**	**50 450**	**20 342**	**1 704**	**9 340**	**156 086**
31 December 2013	**74 250**	**50 450**	**20 342**	**1 704**	**9 340**	**156 086**
Additions	803	1 415	525	205	5	2 953
Disposals	(961)	(1 896)	(689)	(180)	(342)	(4 068)
Transfer	4 740	233	51	32	(5 056)	-
Effect from translation into presentation currency	(37 595)	(24 815)	(9 993)	(773)	(3 498)	(76 674)
31 December 2014	**41 237**	**25 387**	**10 236**	**988**	**449**	**78 297**
Accumulated depreciation						
31 December 2012	**(6 485)**	**(9 398)**	**(3 847)**	**(1 127)**	**-**	**(20 857)**
Depreciation for the period	(2 595)	(2 966)	(1 378)	(156)	-	(7 095)
Disposals	124	698	284	75	-	1 181
Additions from acquisition of subsidiary	-	-	-	(11)	-	(11)
31 December 2013	**(8 956)**	**(11 666)**	**(4 941)**	**(1 219)**	**-**	**(26 782)**
31 December 2013	**(8 956)**	**(11 666)**	**(4 941)**	**(1 219)**	**-**	**(26 782)**
Depreciation for the period	(2 481)	(2 966)	(1 128)	(306)	-	(6 881)
Disposals	276	706	419	79	-	1 480
Effect from translation into presentation currency	4 953	6 309	2 609	612	-	14 483
31 December 2014	**(6 208)**	**(7 617)**	**(3 041)**	**(834)**	**-**	**(17 700)**
Net book value						
31 December 2012	**49 126**	**25 590**	**11 211**	**181**	**6 041**	**92 149**
31 December 2013	**65 294**	**38 784**	**15 401**	**485**	**9 340**	**129 304**
31 December 2014	**35 029**	**17 770**	**7 195**	**154**	**449**	**60 597**

The fair value of property, plant and equipment of all the Group's companies has been measured as at 31 December 2010 by an independent appraiser FDI "Bureau Veritas Ukraine" (ODS Certificate No.7100/08 as of 26 May 2008 issued by State Property Fund of Ukraine). The fair values as at the date of acquisition of new subsidiaries were determined by an independent appraisers FDI "Bureau Veritas Ukraine".

As at 31 December 2014 and 2013 an impairment review was conducted by the management of the Group. Impairment test has been performed for the following Cash Generating Units: Farming division, Live-stock breeding, Storage and processing. Impairment of PPE was not identified.

The recoverable amount was estimated based on the value in use model. The key assumptions used in the most recent value in use were as follows:
• The projections were based on most recent budget covering 7 year period;
• The projections are USD-denominated
• The prices and expenses were adjusted for inflation on the basis of respective CPI in hryvna terms and translated into USD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

There were no borrowing costs capitalized as a part of costs of property, plant and equipment during the year ended 31 December 2014 and 2013.

If property, plant and equipment are measured at cost their book value would be the following:

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
As at 31 December 2014	11 149	15 074	6 120	265	449	**33 057**
As at 31 December 2013	14 238	31 895	12 694	690	9 340	**68 857**
As at 31 December 2012	12 671	19 721	8 029	202	6 041	**46 664**

The amount of property, plant and equipment pledged to secure bank loans was as follows:

	As at 31 December 2014	As at 31 December 2013
Land and buildings	15 315	31 112
Machinery	6 728	14 032
Motor vehicles	2 985	6 240
Other	39	89
Construction in progress	40	2 071
	25 107	**53 544**

Leased assets, where the Group is a lessee under finance lease agreements, comprise the following items:

	As at 31 December 2014	As at 31 December 2013
Machinery	4 769	11 681
Motor vehicles	1 543	3 347
	6 312	**15 028**

Assets under construction

Included in property, plant and equipment at 31 December 2014 was an amount of th USD 249 (31 December 2013: 4 710) relating to expenditure for buildings in the course of construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

19. Intangible assets

	Computer software	Property certificates	Land lease rights	Total
Initial cost				
31 December 2012	**35**	**728**	**23 855**	**24 618**
Additions	18	38	-	**56**
Additions from acquisition of subsidiary	-	66	8 404	**8 470**
Disposals	-	(11)	-	**(11)**
31 December 2013	**53**	**821**	**32 259**	**33 133**
31 December 2013	**53**	**821**	**32 259**	**33 133**
Additions	1	101	-	**102**
Disposals	-	(76)	-	**(76)**
Effect from translation into presentation currency	(27)	(411)	(15 907)	**(16 345)**
31 December 2014	**27**	**435**	**16 352**	**16 814**
Accumulated amortisation				
31 December 2012	**(24)**	**(8)**	**(1 322)**	**(1 354)**
Amortisation for the period	(4)	-	(3 979)	**(3 983)**
Disposals	-	6	-	**6**
31 December 2013	**(28)**	**(2)**	**(5 301)**	**(5 331)**
31 December 2013	**(28)**	**(2)**	**(5 301)**	**(5 331)**
Amortisation for the period	(4)	-	(3 457)	(3 461)
Effect from translation into presentation currency	15	1	3 463	**3 479**
31 December 2014	**(17)**	**(1)**	**(5 295)**	**(5 313)**
Net book value				
31 December 2012	**11**	**720**	**22 533**	**23 264**
31 December 2013	**25**	**819**	**26 958**	**27 802**
31 December 2014	**10**	**434**	**11 057**	**11 501**

Property certificates represent deeds supporting ownership right for property units of members of agricultural entity, which are intended for exchange by the Group companies on the property objects of this agricultural entity.

20. Non-current biological assets

	31 December 2014	31 December 2013
Non-current biological assets - animal-breeding		
Cattle	7 167	14 934
Non-current biological assets - plant-breeding		
Perennial grasses	67	150
Total non-current biological assets	**7 234**	**15 084**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

As at the reporting dates non-current biological assets of animal-breeding were presented as follows:

	31 December 2014	31 December 2013
Cattle		
Cattle, units	3 887	4 430
Live weight, kg	1 647 221	1 808 108
Book value	**7 167**	**14 934**

Following changes took place in the non-current biological assets of animal-breeding:

	Cattle	Pigs	Other	Total
31 December 2012	**10 688**	**39**	**2**	**10 729**
Capitalized expenses	-	11	5	**16**
Transfer (from (to) current biological assets)	954	(50)	(7)	**897**
Change in fair value	3 292	-	-	**3 292**
31 December 2013	**14 934**	**-**	**-**	**14 934**
31 December 2013	**14 934**	**-**	**-**	**14 934**
Transfer (from (to) current biological assets)	(116)	-	-	**(116)**
Slaughter	(3)	-	-	**(3)**
Change in fair value	(810)	-	-	**(810)**
Effect from translation into presentation currency	(6 838)	-	-	**(6 838)**
31 December 2014	**7 167**	**-**	**-**	**7 167**

Due to the absence of an active market for cattle in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets. As a discount rate, the rate of 26,3% prevailing as at 31 December 2014 (31 December 2013: 21,25%) was applied for cattle.

As at the reporting dates non-current biological assets of plant-breeding were presented as follows:

	31 December 2014	31 December 2013
Perennial grasses		
Area, ha	1 275	1 479
Book value	**67**	**150**

Following changes took place in the non-current biological assets of plant-breeding:

	Perennial grasses
31 December 2012	**150**
Capitalized expenses	45
Harvesting	4
Harvesting failure	(49)
31 December 2013	**150**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

31 December 2013	**150**
Capitalized expenses	32
Harvesting failure	(10)
Effect from translation into presentation currency	(105)
31 December 2014	**67**

21. Deferred tax assets and liabilities

The major components of deferred tax assets and liabilities were as follows:

Deferred tax assets

	Property, plant and equipment	Tax losses	Allowances for recognized tax assets	Prepayments and accounts payable	Provisions	Total
31 December 2012	**132**	**244**	**(244)**	**113**	**21**	**266**
Considering profit (loss)	(8)	(91)	91	(113)	13	**(108)**
31 December 2013	**124**	**153**	**(153)**	**-**	**34**	**158**
31 December 2013	**124**	**153**	**(153)**	**-**	**34**	**158**
Considering profit (loss)	(83)	496	(496)	-	(7)	**(90)**
Effect from translation into presentation currency	(41)	(197)	197	-	(14)	**(55)**
31 December 2014	**-**	**452**	**(452)**	**-**	**13**	**13**

Deferred tax liabilities

	Property, plant and equipment
31 December 2012	**(2 992)**
Considering loss	(227)
Considering equity	98
31 December 2013	**(3 121)**
31 December 2013	**(3 121)**
Considering loss	(418)
Considering equity	16
Effect of foreign currency translation	1 637
31 December 2014	**(1 886)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

22. Other non-current assets

	31 December 2014	31 December 2013
Prepayments and other non-financial assets:		
Prepayments for property, plant and equipment	1 424	885
Long-term VAT recoverable	220	1 240
	1 644	**2 125**

As at 31 December 2014 an amount of th USD 1 419 or 99% of the total amount of prepayments for property, plant and equipment is due from the 10 most significant counterparties (as at 31 December 2013 – th USD 702 or 79%).
As at 31 December 2014 the long-term VAT recoverable amounting to th USD 220 was accumulated on capital expenses.

23. Inventories

	Note	31 December 2014	31 December 2013
Work-in-progress	a	26 626	54 729
Agricultural produce	b	52 963	75 571
Finished goods		33	521
Agricultural materials		1 681	4 088
Raw materials		120	805
Spare parts		478	876
Fuel		672	1 224
Other inventories		386	1 236
		82 959	**139 050**

a) Work-in-progress includes expenses on works connected with preparation of the lands for the future harvest obtained from the biological assets of plant growing.

b) As at the reporting dates agricultural produce was presented as follows:

	31 December 2014	31 December 2013
Corn	49 669	68 849
Wheat	208	70
Sunflower	72	327
Potato	932	3 824
Lupin	-	4
Hay	223	234
Silage	640	912
Soya	562	582
Other	657	769
	52 963	**75 571**

The fair value of agricultural produce was estimated based on market price as at date of harvest and is within level 1 of the fair value hierarchy.

As at 31 December 2014 long-term loans (note 31) and short-term loans (note 32) were secured by agricultural produce and finished goods:

	31 December 2014	31 December 2013
Corn	37 231	36 665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

24. Current biological assets

	31 December 2014	31 December 2013
Current biological assets of animal-breeding		
Cattle	4 856	11 872
Pigs	2	26
Other	26	46
	4 884	**11 944**
Current biological assets of plant-breeding		
Wheat	4 959	5 657
Grasses	86	105
Other	2	-
Total current biological assets of plant-breeding	**5 047**	**5 762**
Total current biological assets	**9 931**	**17 706**

As at the reporting dates current biological assets of animal-breeding were presented as follows:

	31 December 2014	31 December 2013
Cattle		
Cattle, units	2 970	3 525
Live weight, kg	801 165	940 491
Book value	**4 856**	**11 872**
Pigs		
Pigs, units	9	85
Live weight, kg	1 086	7 695
Book value	**2**	**26**
Other		
Number of animals, units	94	120
Live weight, kg	20 265	30 352
Book value	**26**	**46**
Total book value	**4 884**	**11 944**

As at the reporting dates current biological assets of plant-breeding were presented as follows:

	31 December 2014	31 December 2013
Wheat		
Area, ha	12 161	8 529
Book value	**4 959**	**5 657**
Grasses		
Area, ha	1 723	1 270
Book value	**86**	**105**
Other		
Area, ha	**21**	**-**
Book value	**2**	**-**
Total book value	5 047	5 762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Following changes took place in the current biological assets of animal-breeding:

	Cattle	Pigs	Other	Total
31 December 2012	**8 642**	**215**	**50**	**8 907**
Capitalized expenses	4 266	231	8	**4 505**
Transfer (from (to) non-current biological assets)	(954)	50	7	**(897)**
Sale	(6 189)	(479)	(21)	**(6 689)**
Slaughter	(494)	(44)	(3)	**(541)**
Change in fair value	6 601	53	5	**6 659**
31 December 2013	**11 872**	**26**	**46**	**11 944**
31 December 2013	**11 872**	**26**	**46**	**11 944**
Acquisitions for the period	316	-	-	**316**
Capitalized expenses	2 482	6	1	**2 489**
Transfer (from (to) non-current biological assets)	116	-	-	**116**
Sale	(6 170)	(13)	(13)	**(6 196)**
Slaughter	(499)	(7)	-	**(506)**
Change in fair value	2 614	-	15	**2 629**
Effect from translation into presentation currency	(5 875)	(10)	(23)	**(5 908)**
31 December 2014	**4 856**	**2**	**26**	**4 884**

Following changes took place in the current biological assets of plant-breeding:

	Corn	Wheat	Rye	Grasses	Sunflower	Other	Total
31 December 2012	**22 953**	**6 689**	**22**	**27**	**-**	**-**	**29 691**
Capitalized expenses (harvesting 2013)	46 165	3 787	75	1 525	12 970	5 639	70 161
Revaluation at fair value at the date of harvest	20 434	(512)	(22)	148	12 859	9 796	42 703
Harvesting (2013)	(89 367)	(9 924)	(75)	(1 576)	(25 826)	(15 416)	(142 184)
Harvest failure (harvesting 2013)	(185)	(40)	-	(19)	(3)	(19)	(266)
Additions from acquisition of subsidiaries as at 31 December 2013	-	282	-	-	-	-	282
Capitalized expenses (harvesting 2014)	-	2 522	-	-	-	-	2 522
Change in fair value (harvesting 2014)	-	2 853	-	-	-	-	2 853
31 December 2013	**-**	**5 657**	**-**	**105**	**-**	**-**	**5 762**
31 December 2013	**-**	**5 657**	**-**	**105**	**-**	**-**	**5 762**
Capitalized expenses (harvesting 2014)	59 583	4 629	9	1 856	11 068	5 987	83 132
Revaluation at fair value at the date of harvest	38 935	4 391	-	-	6 582	1 197	51 105
Harvesting (2014)	(98 482)	(8 980)	(9)	(1 822)	(17 559)	(7 164)	(134 016)
Harvest failure (harvesting 2014)	(36)	-	-	(7)	(91)	-	(134)
Capitalized expenses (harvesting 2015)	-	2 206	-	43	-	-	2 249
Change in fair value (harvesting 2015)	-	568	-	-	-	-	568
Effect from translation into presentation currency	-	(3 512)	-	(89)	-	(18)	(3 619)
31 December 2014	**-**	**4 959**	**-**	**86**	**-**	**2**	**5 047**

As at 31 December 2014 long-term loans (note 31) were secured by current biological assets of wheat amounting th USD 1 024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy. There were no transfers between any levels during the year ended 31 December 2014.

Description	Fair value as at 31 December 2014	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in fields - wheat	4 959	Cash flows	Crops yield - tonnes per hectare	4,8
			Crops price	157 per tonne
Cattle	12 023	Discounted cash flows	Milk yield - kg per cow	4600-6900 per year
			Milk price	USD 0,26 per liter
			Discount rate	26,3%

Changes in key assumptions used to estimate biological assets fair value would have the following effect on the fair value of biological assets:

	Increase/decrease in assumption, %	Effect on fair value of biological assets, th USD
Crops yield	10	145
	(10)	(145)
Crops price	10	145
	(10)	(145)
Milk yield	10	1 138
	(10)	(1 138)
Milk price	10	4 004
	(10)	(4 004)
Discount rate	1	(46)
	(1)	46

25. Trade accounts receivable, net

	Note	31 December 2014	31 December 2013
Trade accounts receivable		1 244	2 468
Allowances for accounts receivable	27	(48)	(172)
		1 196	**2 296**

As at 31 December 2014 an amount of th USD 757 or 61% of the total amount of trade accounts receivable is due from the 10 most significant counterparties (as at 31 December 2013 – th USD 1 666 or 73%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Distribution of trade accounts receivable on time frames is the following:

			Past due, not impaired		
	Total	Neither past due nor impaired	Within 90 days	From 90 to 360 days	More than 1 year
31 December 2014	1 196	929	134	5	128
31 December 2013	2 296	2 095	2	39	160

On the basis of analysis of payments for the current period Financial Directorate of the Group considers that there is no need to form provision for overdue, but not impaired trade accounts receivable.

26. Prepayments and other current assets, net

	Note	31 December 2014	31 December 2013
Prepayments and other non-financial assets:			
Advances to suppliers		979	1 878
Allowances for advances to suppliers	27	(12)	(41)
VAT for reimbursement		3 661	4 471
		4 628	**6 308**
Other financial assets:			
Non-bank accomodations interest free		533	4 912
Allowances for non-bank accomodations interest free	27	(18)	(17)
Other accounts receivable		537	629
Allowances for other accounts receivable	27	(12)	(30)
		1 040	**5 494**
		5 668	**11 802**

As at 31 December 2014 an amount of th USD 528 or 54% of the total amount of advances to suppliers is due from the 10 most significant counterparties (as at 31 December 2013 – th USD 858 or 47%).

As at 31 December 2014 an amount of th USD 515 or 94% of the total amount of non-bank accomodations interest free is due from the 10 most significant counterparties (as at 31 December 2013 – th USD 4 872 or 99%).

27. Changes in allowances made

	Note	31 December 2014	31 December 2013
Allowances for trade accounts receivable	25	(48)	(172)
Allowances for advances to suppliers	26	(12)	(41)
Allowances for other accounts receivable	26	(12)	(30)
Allowances for non-bank accomodations interest free	26	(18)	(17)
		(90)	**(260)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

The movements of the allowances were as follows:

	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
As at the beginning of the period		**(260)**	**(515)**
Accrual	12	(726)	(53)
Use of allowances		776	269
Return of allowances		4	39
Effect from translation into presentation currency		116	-
As at the end of the period		**(90)**	**(260)**

28. Cash and cash equivalents

	Currency	31 December 2014	31 December 2013
Cash in bank and hand	USD	2 808	1 280
Cash in bank and hand	UAH	160	142
Cash in bank and hand	EUR	32	8
Cash in bank and hand	PLN	4	1
Short-term deposit in bank	USD	-	15 000
		3 004	**16 431**

As at 31 December 2013 the deposit in the amount of th USD 15 000 is pledged to secure bank loans amounting th USD 15 000. The Group can use this deposit according to the agreed schedule. The interest rate of the deposit is 10%.

There were no other restrictions on the use of cash and cash equivalents during the year ended 31 December 2014 and 2013.

29. Equity

Share capital

Industrial Milk Company S.A. has one class of ordinary shares. The number of authorized, issued and fully paid shares as at 31 December 2014 is th 31 300 (31 December 2013 – th 31 300). All shares have equal voting rights. Par value of one share is USD 0,0018.

	31 December 2014		31 December 2013	
	%	Amount	%	Amount
AGROVALLEY LIMITED	68	38	68	38
Amplico Powszechne Towarzystwo Emerytalne S.A. (with subsidiaries)	-	-	5	3
ING Powszechne Towarzystwo Emerytalne S.A.	5	3	-	-
Other shareholders (each one less than 5% of the share capital)	27	15	27	15
	100	**56**	**100**	**56**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

A reconciliation of the number of shares outstanding at the beginning and at the end of the period:

number of authorized, issued and fully paid shares	For the year ended 31 December 2014	For the year ended 31 December 2013
As at the beginning of the period	**31 300 000**	**31 300 000**
As at the end of the period	**31 300 000**	**31 300 000**

Share premium

In 2011 Industrial Milk Company S.A. completed initial public offering of own shares on Warsaw Stock Exchange. Issue of share capital of Industrial Milk Company S.A. brought to the increase of share capital equaling to th USD 10 and share premium in amount of th USD 24 387.

Revaluation reserve

The fair value of Group's property, plant and equipment has been measured as at 31 December 2009 and 2010 by an independent appraiser. As at 31 December 2009 the related revaluation surplus of th USD 14 766 was initialy recognized in equity, as at 31 December 2010 it was additionally recognized in the amount of th USD 4 326.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is used by an entity (in the amount that is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost) and when the asset is derecognized (in the full amount).

Effect of foreign currency translation

Effect of foreign currency translation comprises all foreign exchange differences arising from the translation of the financial statements into presentation currency.

Dividend policy

The Group's policy is to pay dividends at a level consistent with the Group's growth and development plans, while maintaining a reasonable level of liquidity. The current intention of the Management is to recommend to the General Meeting of Shareholders not to declare dividends for the year ended 31 December 2014 and 2013.

Legal reserve

From the annual net profits of the parent company, 5% have to be allocated to the legal reserve. This allocation shall cease to be required as soon and as long as such surplus reserve amounts to 10% of the capital. This reserve may not be distributed to the shareholders.

30. Share purchase warrant

	31 December 2014	31 December 2013
Share purchase warrant	883	-

According to the Warrant Agreement entered into between the Group and IFC, IFC has the right to purchase up to 3 098 700 shares of Industrial Milk Company S.A. (representing equivalent of 9,90% of issued share capital) for a total amount up to th USD 20 000. The warrant is exercisable at any time up to 19 December 2018.

Black-Scholes model was used to determine of fair value of share purchase warrant. As at 31 December 2014 the following inputs were applied:

- the current stock price is USD 1,61;
- the strike price is USD 6,45;
- risk-free interest rate is 16,45%;
- the volatility is 49,74%.

Share purchase warrant is measured at fair value within Level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

According to the IFC Loan agreement if all of the warrants have not been exercised by 19 December 2018, and if only some of the warrants have been issued, the portion of the additional return which shall be payable shall be calculated by multiplying USD 21 000 thousand by a fraction the numerator of which is equal to the number of warrant shares not subscribed for pursuant to IFC loan agreement during the exercise period and the denominator of which is equal to the total number of warrant shares. This obligation to pay the additional return is an unconditional and independent debt obligation according to the IFC loan agreement.

31. Long-term loans and borrowings

	Currency	31 December 2014	31 December 2013
Secured			
Long-term bank loans	USD	71 189	51 076
Finance lease liabilities	UAH, USD, EUR	8 227	11 959
Bonds issued	UAH	8 878	24 857
Total long-term loans including current portion		**88 294**	**87 892**
Current portion of long-term bank loans	USD	(13 344)	(11 866)
Current portion of finance lease liabilities	UAH, USD, EUR	(2 402)	(3 158)
Current portion of bonds issued	UAH	(4 756)	(24 857)
Total current portion		**(20 502)**	**(39 881)**
Total long-term loans and borrowings		**67 792**	**48 011**

Essential terms of credit contracts

Creditor	Year of maturity	Currency	Nominal interest rate	31 December 2014	
				Long-term liabilities	Including current portion
Ukrainian bank	2015	USD	9,00%	4 000	4 000
Ukrainian bank	2015	USD	10,00%	500	500
Ukrainian bank	2015	USD	11,50%	978	978
Ukrainian bank	2016	USD	13,50%	13 000	-
Ukrainian bank	2016	USD	1Y Libor+10,00%	4 818	3 212
Ukrainian bank	2016	USD	1Y Libor+10,00%	2 144	1 428
Ukrainian bank	2016	USD	9,00%	194	130
Ukrainian bank	2017	USD	6M Libor+9,50%	10 000	1 000
Ukrainian bank	2017	USD	8,75%	2 990	1 196
Ukrainian bank	2017	USD	9,00%	750	300
Ukrainian bank	2018	USD	1Y Libor+8,70%	1 815	600
Non-residental bank	2020	USD	6M Libor+8,00%	30 000	-
				71 189	**13 344**
Bonds issued	2016	UAH	13,25%	8 878	4 756
				80 067	**18 100**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Creditor	Year of maturity	Currency	Nominal interest rate	31 December 2013	
				Long-term liabilities	Including current portion
Ukrainian bank	2015	USD	9,00%	4 000	-
Ukrainian bank	2015	USD	10,00%	500	-
Ukrainian bank	2016	USD	11,50%	27 000	5 000
Ukrainian bank	2016	USD	1Y Libor+10,00%	8 030	3 212
Ukrainian bank	2016	USD	1Y Libor+10,00%	3 571	1 428
Ukrainian bank	2016	USD	9,00%	324	130
Ukrainian bank	2017	USD	8,75%	4 186	1 196
Ukrainian bank	2017	USD	9,00%	1 050	300
Ukrainian bank	2018	USD	1Y Libor+8,70%	2 415	600
				51 076	**11 866**
Bonds issued	2014	UAH	14,00%	24 857	24 857
				75 933	**36 723**

Long-term loans and bonds issued outstanding were repayable as follows:

	31 December 2014	31 December 2013
Within one year	18 100	36 723
In the second to fifth year inclusive	61 967	39 210
Later than fifth year	-	-
	80 067	**75 933**

Finance lease liabilities were presented as follows:

	31 December 2014		31 December 2013	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	3 174	2 402	4 289	3 158
In the second to fifth year inclusive	6 648	5 807	10 423	8 719
Later than fifth year	19	18	89	82
	9 841	8 227	14 801	11 959
Less future finance charges	(1 614)		(2 842)	
Present value of minimum lease payments	**8 227**	**8 227**	**11 959**	**11 959**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

32. Short-term loans and borrowings

	Currency	31 December 2014	31 December 2013
Secured			
Short-term bank loans	USD	36 433	52 095
Short-term bank loans	UAH	2 722	-
		39 155	**52 095**

Essential terms of credit contracts

Creditor	Currency	Nominal interest rate	31 December 2014
Ukrainian bank	USD	13,00%	9 165
Ukrainian bank	USD	13,00%	9 008
Ukrainian bank	USD	9,70%	6 614
Ukrainian bank	USD	13,50%	6 000
Ukrainian bank	USD	9,50%	5 646
			36 433
Ukrainian bank	UAH	21,00%	2 722
			39 155

Creditor	Currency	Nominal interest rate	31 December 2013
Ukrainian bank	USD	9,00%	13 750
Ukrainian bank	USD	13,00%	11 915
Ukrainian bank	USD	13,00%	9 258
Ukrainian bank	USD	1M Libor+8,00%	5 000
Ukrainian bank	USD	3M Libor+8,50%	5 000
Ukrainian bank	USD	12,00%	3 700
Non-residental bank	USD	9,65%	2 928
Ukrainian bank	USD	10,00%	544
			52 095

The loan agreements contain specific covenants which are calculated on the basis of consolidated financial statements. As a result of devaluation of the Ukrainian Hryvnia against the USD by 48,8% and huge amounts of foreign currency exchange losses in the consolidated financial statements financial covenants were violated. Understanding the situation, at the end of the year the Management of the Group actively negotiated with the banks to settle the application of covenants for the current year. As a result of such negotiations, the Group received from the banks waivers of rights to require compliance with the breached covenants as at 31 December 2014. At the same time, there was not enough time to receive an official waiver from non-residential bank. The negotiations with non-residential bank are conducted, and Management has strong confidence that waiver from non-residential bank will be obtained after the date of publication of consolidated financial statements. Accordingly, management classified the loans in accordance with their initial contractual maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

33. Trade accounts payable

	31 December 2014	31 December 2013
Trade accounts payable	13 560	25 943

As at 31 December 2014 an amount of th USD 11 267 or 83% of the total amount of trade accounts payable is due from the 10 most significant counterparties (as at 31 December 2013 – th USD 20 286 or 78%).

The table below summarizes the maturity profile of Group's liabilities on contractual payments on trade accounts payable:

	On demand	Within 30 days	From 30 to 90 days	From 90 to 180 days	From 180 to 360 days	From 1 to 5 years	Total
31 December 2014	3 710	1 657	6 511	271	1 411	-	13 560
31 December 2013	400	13 008	12 352	150	33	-	25 943

34. Other current liabilities and accrued expenses

	31 December 2014	31 December 2013
Other liabilities:		
Advances from clients	7 576	8 068
	7 576	**8 068**
Other accounts payable:		
Interest payable on bank loans	333	220
Interest payable on bonds	125	21
Accounts payable for the lease of land and property rights	2 978	4 156
Accounts payable for non-current tangible assets	380	844
Taxes payable	63	85
Wages, salaries and related charges payable	646	1 571
Accruals for unused vacations	438	967
Accruals for audit services	50	49
Accounts payable for investments	-	22 605
Other accounts payable	155	310
	5 168	**30 828**
	12 744	**38 896**

As at 31 December 2014 an amount of th USD 7 559 or 99% of the total amount of advances from clients is due from the 10 most significant counterparties (as at 31 December 2013 – th USD 8 010 or 99%).

As at 31 December 2013 Accounts payable for investments amountimg to th USD 22 605 comprise th USD 7 635 accounts payable for acquisition of Bluerice Limited and th USD 14 970 accounts payable for acquisition of AgroKIM Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

35. Related party disclosures

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

a) Entities - related parties under common control with the Companies of the Group;
b) Entities- related parties, in equity of which Companies of the Group have an interest;
c) Key management personnel.

The Group performs transactions with related parties in the ordinary course of business. During the reporting period the Group did not perform any related parties transactions made outside the market conditions (non market basis related parties transactions).

The information on total amounts of transactions with related parties for the corresponding reporting periods is presented below:

	Note	31 December 2014	31 December 2013
Trade accounts receivable, net			
a) Entities - related parties under common control with the Companies of the Group		-	316
Total trade accounts receivable, net	25	**1 196**	**2 296**
Trade accounts payable			
a) Entities - related parties under common control with the Companies of the Group		-	8
Total trade accounts payable	33	**13 560**	**25 943**

Short-term remuneration of key management personnel was as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2013
Wages and salaries	328	328
Related charges	117	117
	445	**445**
The average number of employees, persons	6	6

36. Information on segments

A business segment is a separable component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generates revenues other than risks and income of those components that are peculiar to other business segments.

For the purpose of Management the Group is divided into the following business segments on the basis of produced goods and rendered services, and consists of the following 3 operating segments:

- Farming division - a segment, which deals with cultivation and sale of such basic agricultural crops as corn and wheat;
- Live-stock breeding - a segment which deals with breeding and sale of biological assets and agricultural products of live farming. Basic agricultural product of live farming for sale in this segment is milk;
- Storage and processing - a segment which deals with processing of agricultural produce, and also with production of finished goods. Principal goods produced and sold within this segment are flour and fodder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Information on business segments for the year ended 31 December 2014 was the follow:

	Farming division	Live-stock breeding	Storage and processing	Unallocated	Total
Revenue	180 195	8 209	9 424	-	197 828
Intra-group elimination	(50 513)	(320)	(8 728)	-	(59 561)
Revenue from external buyers	**129 682**	**7 889**	**696**	**-**	138 267
Gain from changes in fair value of biological assets and agricultural produce, net	51 674	1 818	-	-	53 492
Cost of sales	(119 928)	(9 434)	(470)	-	(129 832)
Gross income	**61 428**	**273**	**226**	**-**	**61 927**
Administrative expenses	-	-	-	(5 189)	(5 189)
Selling and distribution expenses	-	-	-	(8 734)	(8 734)
Other operating income	-	-	-	5 028	5 028
Other operating expenses	-	-	-	(5 976)	(5 976)
Write-offs of property, plant and equipment	-	-	-	(1 269)	(1 269)
Operating income of a segment	**61 428**	**273**	**226**	**(16 140)**	**45 787**
Financial expenses, net	**-**	**-**	**-**	(18 970)	(18 970)
Foreign currency exchange (loss)/gain, net	**-**	**-**	**-**	(73 535)	(73 535)
Profit before tax	**61 428**	**273**	**226**	**(108 645)**	**(46 718)**
Income tax expenses	**-**	**-**	**-**	(610)	(610)
Net profit	**61 428**	**273**	**226**	**(109 255)**	**(47 328)**
Other segment information:					
Depreciation and amortisation	8 216	303	1 823	-	10 342
Additions to non-current assets:					
Property, plant and equipment	2 250	36	5 723	-	8 009
Intangible assets	102	-	-	-	102

Revenues from the 10 most significant counterparties for the year ended 31 December 2014 were as follows:

	Business segment	% of revenue
Non-residental buyer	Farming division	16,9
Non-residental buyer	Farming division	14,2
Ukrainian buyer	Farming division	12,9
Non-residental buyer	Farming division	8,7
Non-residental buyer	Farming division	6,5
Non-residental buyer	Farming division	5,5
Non-residental buyer	Farming division	3,7
Non-residental buyer	Farming division	2,8
Non-residental buyer	Farming division	2,7
Non-residental buyer	Farming division	1,5
		75,4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Information on business segments for the year ended 31 December 2013 was the follow:

	Farming division	Live-stock breeding	Storage and processing	Unallocated	Total
Revenue	137 070	11 353	17 254	-	165 677
Intra-group elimination	(36 010)	(10)	(14 890)	-	(50 910)
Revenue from external buyers	**101 060**	**11 343**	**2 364**	**-**	114 767
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	45 556	9 951	-	-	55 507
Cost of sales	(101 156)	(13 841)	(1 272)	-	(116 269)
Gross income	**45 460**	**7 453**	**1 092**	**-**	**54 005**
Administrative expenses	-	-	-	(6 667)	(6 667)
Selling and distribution expenses	-	-	-	(4 384)	(4 384)
Other operating income	-	-	-	6 363	6 363
Other operating expenses	-	-	-	(10 918)	(10 918)
Write-offs of property, plant and equipment	-	-	-	(748)	(748)
Operating income of a segment	**45 460**	**7 453**	**1 092**	**(16 354)**	**37 651**
Financial expenses	**-**	**-**	**-**	(11 477)	**(11 477)**
Profit before tax	**45 460**	**7 453**	**1 092**	**(27 831)**	**26 174**
Income tax (expenses) benefit	**-**	**-**	**-**	(359)	**(359)**
Net profit	**45 460**	**7 453**	**1 092**	**(28 190)**	**25 815**
Other segment information:					
Depreciation and amortisation	9 412	473	1 193	-	11 078
Additions to non-current assets:					
Property, plant and equipment	25 436	5	19 632	-	45 073
Intangible assets	8 508	-	-	18	8 526

Revenues from the 10 most significant counterparties for the year ended 31 December 2013 were as follows:

	Business segment	% of revenue
Non-residental buyer	Farming division	11,5
Ukrainian buyer	Farming division	9,9
Non-residental buyer	Farming division	7,5
Ukrainian buyer	Farming division	5,8
Non-residental buyer	Farming division	5,3
Non-residental buyer	Farming division	4,8
Non-residental buyer	Farming division	2,5
Non-residental buyer	Farming division	2,4
Non-residental buyer	Farming division	2,0
Ukrainian buyer	Live-stock breeding	2,0
		53,7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

37. Lease of land

The Group leases land for agricultural purposes from private individuals. Lease payments are calculated on the basis of monetary valuation of the land considering the inflation factor. The average interest rate for lease of land of the Group is 2-5% and depends on validity of the contract.

Areas of operating leased land were as follows:

Location of land	31 December 2014	31 December 2013
	Hectare	Hectare
Poltava region		
Land under processing	30 079	30 079
Land for grazing, construction, other	2 009	2 009
Chernihiv region		
Land under processing	81 938	81 938
Land for grazing, construction, other	1 681	1 681
Sumy region		
Land under processing	24 584	24 584
Land for grazing, construction, other	113	113
	140 404	**140 404**

Future minimum lease payments for operating leases of land of agricultural designation considering existing at that date the inflation factor are as follows:

	31 December 2014	31 December 2013
Within one year	7 511	13 350
In the second to fifth year inclusive	22 310	42 121
Later than fifth year	15 057	30 368
	44 878	**85 839**

38. Lease of property, plant and equipment

The Group leases machinery from lease company. According to existing agreements the term of lease is 36 monthes, the interest rate is 1MLibor minus 0,15%.

Future minimum lease payments for operating leases of property, plant and equipment were as follows:

	31 December 2014	31 December 2013
Within one year	1 442	-
In the second to fifth year inclusive	2 340	-
Later than fifth year	-	-
	3 782	**-**

The lease payments for operating leases of property, plant and equioment for the agreements mentioned above in the amount of th USD 759 were included to the item Rent of cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

39. Financial instruments

Financial instruments as at 31 December 2014 and 2013 were represented by the following categories:

Financial instrument	Category	Measurement
Financial assets		
Accounts receivable	Loans and receivables	Amortized cost
Other financial assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Share purchase warrant	Financial liabilities	Fair value through profit or loss
Loans and borrowings	Financial liabilities	Amortized cost
Accounts payable	Financial liabilities	Amortized cost
Other financial liabilities	Financial liabilities	Amortized cost

The fair values of the Group's financial assets and financial liabilities listed hereinbefore reflect the amounts that would be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date. The fair values are based on inputs other than quoted prices that are observable for the asset or liability. These inputs include foreign currency exchange rates and interest rates. The financial assets and financial liabilities are primarily valued using standard calculations / models that use as their basis readily observable market parameters. Industry standard data providers are the primary source for forward and spot rate information for both interest rates and currency rates, with resulting valuations periodically validated through third-party or counterparty quotes.

The Group's non-derivative financial instruments included cash and cash equivalents, accounts receivable, other financial assets, accounts payable, other financial liabilities, loans and borrowings. At 31 December 2014 and 2013, the carrying value of these financial instruments, excluding long-term debt, approximates fair value because of the short-term maturities of these instruments. The major part of the long-term loans and borrowings has floating interest rates and other has fixed interest rates but they are corresponded to the market rate level, so the Management of the Group believes that book value of long-term loans and borrowings approximates their fair value.

40. Management of financial risks

One of the principal responsibilities of the Financial Department of the Group is to manage the financial risks arising from the Group's underlying operations. On an annual basis, the Financial Department approves a strategic plan that takes into account the opportunities and major risks of our business and mitigation factors to reduce these risks. The Financial Department also reviews risk management policies and procedures on an annual basis and sets upper limits on the transactional exposure to be managed and the time periods over which exposures may be managed. The objective of the policy is to reduce volatility in cash flow and earnings. Risks managed include:

Type of risk	Affected by	Risk management policies
Credit risk	Ability of counterparties to financial instrument to fulfill their contractual obligations	Credit approval and monitoring practices; counterparties policies
Liquidity risk	Balance of cash flow	Preparation of detailed forecasts of cash flow
Market risk	- Market prices on products sold, materials and services for production - Changes in interest rates - Fluctuation of foreign currency exchange rates	- Foreign currency forward contracts; Long-term cooperation with reliable suppliers - Maintaining a combination of fixed and floating interest rates; USD and UAH interest rates - Foreign currency forward contracts; USD and UAH interest rates

Depending on the type of risks faced by the Group, it is possible to use a single or several methods of minimizing or levelling their negative impact on Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

The use of the following risk management methods is possible at the Group's companies:

1) risk pooling is a method aimed at reducing the risk by transferring accidental losses into the relatively small fixed expenses (this method is a basis for insurance);

2) limitation is a method involving the development of detailed strategic documentation, which sets the boundary level of risk in each area of the company's activities, as well as clear allocation of functions and responsibilities of personnel;

3) diversification is a method of risk control through the selection of assets, profit on which slightly correlates, if possible;

4) hedging is a balancing transaction, minimizing the negative impact of risk (e.g., selection of assets and liabilities by timing, by currency).

- Credit risk

Credit risk is a risk of financial loss to the Group, which results from failure of a buyer or a contractor under the financial instrument to fulfill its contractual obligations. The risk is primarily related to the Group's accounts receivable and cash and cash equivalent.

Book value of financial assets reflects maximal extent that is subject to credit risk of the Group. Maximal level of credit risk is the following:

	31 December 2014	31 December 2013
Trade accounts receivable, net	1 196	2 296
Other financial assets:		
Non-bank accomodations interest free	515	4 895
Other accounts receivable, net	525	599
Cash and cash equivalents	3 004	16 431
	5 240	**24 221**

The Group manages credit risk through rigorous credit approval and monitoring practices. Financial and Economic Department has developed the credit policy. In accordance with it, all contractors are subjected to careful analysis on ability to pay before the Group offers its standard terms of payment and delivery. If the Group sells goods to a contractor it has never dealt before, transactions are performed on terms of prepayment. Deferred payment is offered only to contractors with work experience with the Group more than 1 year without delays in payment terms established in sale contracts.

Group’s management believes that companies comprising the Group are free in their choice of the customers, have close contacts with the leading global and Ukrainian traders, and may switch without risk to other customer offering better conditions of collaboration.

The Financial Directorate of the Group constantly carries out monitoring over payment terms' deadlines according to goods selling contracts. In case of delay in payment, the personnel of the commercial department deals up with the customer and the decision whether to apply penalties or slightly extend the terms (within 90 days) is taken.

The Group forms estimated provision for trade and other accounts receivable and investments. It corresponds with estimation of amount of already suffered credit losses. The main element of the provision is an element of certain loss, determined for assets considering already suffered but not fixed losses. Estimated amount of losses is determined on the basis of statistical data for previous periods for similar financial assets.

Distribution of trade accounts receivable on time-frames is the following:

			Past due, not impaired		
	Total	Neither past due nor impaired	Within 90 days	From 90 to 360 days	More than 1 year
As at 31 December 2014	1 196	929	134	5	128
As at 31 December 2013	2 296	2 088	2	39	167

On the basis of analysis of payments for the current period Financial Directorate of the Group considers that there is no need to form provision for overdue, but not impaired trade accounts receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

- Liquidity risk

Risk of liquidity - is the risk of inability to meet financial obligations of the Group in due time.

The way the Group manages the liquidity lies in providing the Group with constant availability of liquid facilities, enough to meet the obligation in due time, avoiding unforeseen losses and not to expose the reputation of the Group to risk.

There is system of management accounting and budgeting, which allows to plan and control covering all the expenses from operating activity and related with its financial expenses by means of profit.

The table below summarizes the maturity profile of Group's financial liabilities based on contractual payments at 31 December 2014:

	On demand	Within 30 days	From 30 to 90 days	From 90 to 180 days	From 180 to 360 days	From 1 to 5 years	Total
Share purchase warrant	883						**883**
Bank loans	-	1 046	8 544	44 198	8 338	72 378	**134 504**
Bonds issued	-	-	-	-	4 756	4 122	**8 878**
Finance lease liabilities	-	742	579	79	1 002	5 825	**8 227**
Trade accounts payable	3 710	1 657	6 511	271	1 411	-	**13 560**
Other current liabilities and accrued expenses	438	9 528	546	744	1 488	-	**12 744**
	5 031	**12 973**	**16 180**	**45 292**	**16 995**	**82 325**	**178 796**

- Market risk

Market risk arises from fluctuations in market factors, including exchange rates, interest rates and commodity prices. Movements in these factors may affect the Group's income and expenses, or the value of its financial instruments. The objective of the Group's management of market risk is to maintain this risk within acceptable parameters, whilst optimizing returns.

Market risk is comprised of:

- Commodity price risk
  i) Risk of changes in market prices of products for sale

  The Group Sales Department makes continuous monitoring of market prices of products sold in order to manage exposure to changes in market prices for the products. According to the results of this analysis and subsequent prediction of prices for products, management pricing policy depending on the dynamics of market prices is formed.

  ii) Risk of changes in prices of materials and services

  The Group is exposed to changes in prices of materials and services that are used in the process of production. The Group manages these risks by working with reliable suppliers, business relationships with whom had developed over a long time, and the search for new, more affordable supply of resources.

- Currency risk

  Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

  The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

  The Group's companies manage their foreign currency risk by comparing the volumes of export revenues by currencies and loan portfolio by currencies. The Group avoids borrowing and production sales for export in any currency except for USD. The comparison is carried out as a part of the annual planning and budgeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

When the amounts of the expected export revenues is below the level of USD borrowing for the financial year, the decrease in foreign currency borrowings by repayment of such loans or conversion of foreign currency loans into national currency is performed.

Group avoided realization of risk transactions that are subject to foreign currency risk.

The table below summarizes the Group's exposure to foreign currency risk as at 31 December 2014:

	Note	UAH	USD	EUR	PLN	Total
Trade accounts receivable, net	25	946	250	-	-	1 196
Cash and cash equivalents	28	160	2 808	32	4	3 004
Loans and borrowings	31, 32	12 113	115 336	-	-	127 449
Other current liabilities and accrued expenses	34	12 284	461	-	-	12 745
		25 503	**118 855**	**32**	**4**	**144 394**

The Group's exposure to foreign currency risk, based on book value, as at 31 December 2014 was as follows:

	31 December 2014	Increase/decrease in USD exchange rate, %	Effect on profit before tax
Trade accounts receivable, net	179	25	45
		(10)	(18)
Cash and cash equivalents	1 320	25	330
		(10)	(132)
Loans and borrowings	85 336	25	(21 334)
		(10)	8 534
Other current liabilities and accrued expenses	402	25	(101)
		(10)	40
General effect	**-**	25	**(21 060)**
		(10)	**8 424**

	31 December 2014	Increase/decrease in EUR exchange rate, %	Effect on profit before tax
Cash and cash equivalents	32	25	(8)
		(10)	3
General effect	**-**	**25**	**(8)**
		(10)	**3**

- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Change in interest rates influences the involved loans and borrowings and finance lease transactions. Management of the Group doesn't have formalized policy respecting proportion of interest risk's allocation between the loans with fixed interest rate and floating interest rate. However, when attracting new loans and borrowings, management solves the problem respecting which interest rate, fixed or floating, will be more profitable for the Group during the expected period till the maturity date, based on own professional judgments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

As at 31 December 2014 the Group's interest-bearing financial instuments were formed as follows:

	31 December 2014	31 December 2013
Loans and borrowings		
Fixed rate instruments	70 859	105 777
Variable rate instruments	56 590	34 210
	127 449	**139 987**

The Group's exposure to interest rate risk, based on book value, as at 31 December 2014 was as follows:

	Note	31 December 2014	Increase/decrease in Libor rate, %	Effect on profit before tax
Bank loans		70 445	1	(704)
			(1)	704
Finance lease liabilities		414	1	(4)
			(1)	4
General effect		**70 859**	**1**	**(709)**
			(1)	**709**

Agro-industrial risks

Agro-industrial business is subject to risks of outbreaks of various diseases of cattle or crops. These diseases could result in losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any diseases and related losses.

41. Capital management

The Group's objectives in the process of capital management are maintaining the Croup's ability to follow the going concern principle to provide benefits to interested parties, and also maintaining the optimal structure of involved and own funds.

The management of the Group regularly analyzes the structure of its capital. On basis of results of this analysis the Group takes measures, which are aimed at maintenance of total structure of the capital balance.

The main financial liabilities of the Group are loans and borrowings, trade and other accounts payable. The main aim of these financial instruments is to involve facilities for the Group's activity.

The Group's strategy in managing capital is to maintain the ratio of net debt to net debt plus equity at approximately 60% or lower.

The Group's gearing ratio as at 31 December 2014 and 2013 was as follows:

	Note	31 December 2014	31 December 2013
Long-term loans and borrowings	31	67 792	48 011
Current portion of long-term borrowings	31	20 502	39 881
Short-term loans and borrowings	32	39 155	52 095
Trade accounts payable	33	13 560	25 943
Other current liabilities and accrued expenses	34	12 744	38 896
Cash and cash equivalents	28	(3 004)	(16 431)
Net debt		150 749	188 395
Total equity		27 274	153 922
Total net debt and equity		178 023	342 317
Gearing ratio		**85%**	**55%**

The capital structure of the Group is based on management's judgments of the appropriate balancing of all key elements of its financial strategy in order to meet its strategic and day-to-day needs. The Management of the Group considers the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group will take appropriate steps in order to maintain, or if necessary adjust, the capital structure.

42. Events after the balance sheet date

Loans and borrowings and interest are repaid in the amount of th USD 14 579.

Trade accounts payable on demand are repaid in the amount of th USD 3 200 (th UAH 51 693 or 88% of trade accounts payable on demand as at 31 December 2014). Other trade accounts payable are repaid according the contractual terms.

The Government has implemented certain reforms in the tax system of Ukraine with the adoption of the Law 'On Amending the Tax Code of Ukraine and Certain Laws of Ukraine', which has been effective from 1 January 2015 except for certain provisions that will take effect at a later date.

According to the law, the minimal tax base for value added tax (VAT) input on goods and services purchased was introduced and special VAT accounts for every taxpayer were opened at the State Treasury of Ukraine for VAT purposes. The purpose of these special VAT accounts is to guarantee fulfillment of VAT liabilities by the taxpayers. Taxable income will be calculated solely based on accounting data by adjusting profit (loss) before tax by the amount of respective differences resulting from different treatment according to UAS and the Tax Code of Ukraine. Management believes that the Group has been in compliance with all of the requirements of effective tax legislation.

In January-March 2015, the Ukrainian hryvnya continued to devalue against the US dollar. In particular, the National Bank of Ukraine has brought the official rate of the US dollar to the high twenties as of this report's preparation compared to USD/UAH 15,77 as of 31 December 2014.

There were no other essential subsequent events that should be disclosed in these consolidated financial statements according to the standarts or prevailing practice.