Industrial Milk Company S.A. and its subsidiaries

Condensed Consolidated Interim Financial Statements
For the three months ended 31 March 2016

CONTENTS

Statement of Management responsibilities for preparation and approval of condensed consolidated interim financial statements for the three months ended 31 March 2016

Management of the Group of companies "IMC S.A." (the Group) is responsible for preparing the condensed consolidated interim financial statements which reflect in all material aspects the financial position of the Group as at 31 March 2016, as well as the results of its activities, cash flows and changes in equity for the three months ended in accordance with International Financial Reporting Standards (IFRS).

In preparing condensed consolidated interim 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 condensed consolidated interim financial statements;

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

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

- accounting and disclosing in the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements as at 31 March 2016 prepared in compliance with IFRS were approved on behalf of the Group's Management on 12 May 2016.

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 condensed consolidated interim financial statements for the three months ended 31 March 2016, 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.

On behalf of the Management:

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

Consolidated management report

1. Operational and Financial Results

The following table sets forth the Company's results of operations for the nine-month period ended 31 March 2016 and 2015 derived from the condensed consolidated interim financial statements:

(in thousand USD)

	Notes	For the three months ended 31 March 2016	31 March 2015	Change in %
CONTINUING OPERATIONS				
Revenue	5	26 780	32 238	-17%
Gain from changes in fair value of biological assets and agricultural produce, net	6	3 312	981	238%
Cost of sales	7	(23 820)	(19 316)	23%
GROSS PROFIT		**6 272**	**13 903**	**-55%**
Administrative expenses	8	(1 232)	(925)	33%
Selling and distribution expenses	9	(1 891)	(3 001)	-37%
Other operating income	10	596	501	19%
Other operating expenses	11	(763)	(2 130)	-64%
Write-offs of property, plant and equipment		(282)	(458)	-39%
OPERATING PROFIT		**2 700**	**7 890**	**-66%**
Financial expenses, net	14	(2 798)	(4 073)	-31%
Foreign currency exchange loss, net	15	(5 207)	(28 828)	-82%
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(5 305)**	**(25 011)**	**-79%**
Income tax expenses	16	393	6	6446%
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(4 912)**	**(25 005)**	**-80%**
Non recurring items:				
Financial expenses, net		2 798	4 073	
Foreign currency exchange loss, net		5 207	28 828	
Income tax expenses		(393)	(6)	
Depreciation and amortization		2 832	1 432	
Write-offs of property, plant and equipment		282	458	
Normalised EBITDA		**5 814**	**9 780**	**-41%**
Depreciation and amortization		(2 832)	(1 432)	
Normalised EBIT		**2 982**	**8 348**	**-64%**
Financial expenses, net		(2 798)	(4 073)	
Income tax expenses		393	6	
Normalised Net profit		**577**	**4 281**	**-87%**

Revenue

The Company's revenue from sales of finished products decreased year-on-year by 17% primarily as a consequence of the decrease in volume of corn sold in 2016.

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

(in thousand USD)

	For the three months ended		
	31 March 2016	**31 March 2015**	**Change in %**
Cattle	260	225	15%
Milk	892	985	-9%
Corn	25 352	30 124	-16%
Wheat	-	153	-100%
Sunflower	34	95	-64%
Soy beans	-	105	-100%
Potatoes	153	310	-51%
Other	76	215	-65%
	26 767	**32 212**	**-17%**

The most significant portion of the Company's revenue comes from selling corn, which represented 94% of total revenue in both of the reporting periods.
The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

	For the three months ended	
	31 March 2016	**31 March 2015**
Corn		
Sales of produced corn *(in tonnes)*	168 482	191 680
Realization price (U.S. $ per ton)	150	157
Revenue from produced corn *(U.S. $ in thousands)*	25 352	30 124
Wheat		
Sales of produced wheat *(in tonnes)*	-	709
Realization price (U.S. $ per ton)	-	215
Revenue from produced wheat *(U.S. $ in thousands)*	-	153
Soy beans		
Sales of produced soy beans *(in tonnes)*	-	328
Realization price (U.S. $ per ton)	-	319
Revenue from produced soy beans *(U.S. $ in thousands)*	-	105
Sunflower		
Sales of produced sunflower *(in tonnes)*	100	327
Realization price (U.S. $ per ton)	341	292
Revenue from produced sunflower *(U.S. $ in thousands)*	34	95
Potatoes		
Sales of produced potatoes *(in tonnes)*	1 958	3 667
Realization price (U.S. $ per ton)	78	84
Revenue from produced potatoes *(U.S. $ in thousands)*	153	310
Other (produced only)		
Total sales volume *(in tonnes)*	781	2 068
Total revenues *(U.S. $ in thousands)*	76	215
Total sales volume (in *tonnes)*	**171 321**	**198 779**
Total revenue from sale of crops *(U.S. $ in thousands)*	**25 615**	**31 002**

Revenue relating to sales of corn decreased by 16% to USD 25,4 million for the three-month period ended 31 March 2016 from USD 30,1 million for the three-month period ended 31 March 2015, due to decrease in volume and prices in 2016.

Cost of sales

The Company's cost of sales increased by 23% to USD 23,8 million for the threee-month period ended 31 March 2016 from USD 19,3 million for the threee-month period ended 31 March 2015. The following table sets forth the principal components of the Company's cost of sales for the periods indicated:

(in thousand USD)

	For the three months ended		
	31 March 2016	**31 March 2015**	**Change in %**
Raw materials	(6 901)	(9 076)	-24%
Change in inventories and work-in-progress	(10 195)	(4 625)	120%
Wages and salaries of operating personnel and related charges	(817)	(1 062)	-23%
Depreciation and amortization	(2 388)	(1 247)	92%
Third parties' services	(193)	(178)	8%
Fuel and energy supply	(519)	(705)	-26%
Rent	(2 643)	(2 288)	16%
Repairs and maintenance	(71)	(67)	6%
Taxes and other statutory charges	(84)	(52)	62%
Other expenses	(9)	(16)	-41%
	(23 820)	**(19 316)**	**23%**

The increase in cost was due to the deceleration of devaluation rate of the Ukrainian Hryvnia.

Gross profit

The Company's gross profit decreased to USD 6,3 million for the three-month period ended 31 March 2016 from USD 13,9 million for the three-month period ended 31 March 2015. An 55% year-on-year decrease was due to increase in cost of sales by 23%and decrease in revenues by 17% as a result of changes in exchange rates of UAH.

Administrative expenses

Administrative expenses increased year-on-year to USD 1,2 million for the three-month period ended 31 March 2016 from USD 0,9 million for the three-month period ended 31 March 2015, reflecting primarily an increase in wages and salaries of administrative personnel and related charges year-on-year to USD 0,8 million from USD 0,4 million in 2016.

Selling and distribution expenses

The Company's selling and distribution expenses decreased by 37% to USD 1,9 million for the three-month period ended 31 March 2016 from USD 3,0 million for the three-month period ended 31 March 2015 due to decrease in volume of sales in 2016.

Other operating expenses

Other operating expenses decreased by 64% to USD 0,8 million for the three-month period ended 31 March 2016 from USD 2,1 million for the three-month period ended 31 March 2015 reflecting a lack of losses from VAT on export operations in 2016 due to the changes in Ukrainian legislation.

Financial expenses, net

The Company's financial expenses, net decreased by 31% to USD 2,8 million for the three-month period ended 31 March 2016 from USD 4,1 million for the three-month period ended 31 March 2015. This decrease was due to decrease of Group's debts.

Cash flows

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

	For the three months ended	
	31 March 2016	**31 March 2015**
Net cash flows from operating activities	6 796	12 582
Net cash flows from investing activities	(397)	(272)
Net cash flows from financing activities	(9 051)	(10 107)
Net increase in cash and cash equivalents	**(2 652)**	**2 203**

Net cash flow from operating activities

The Company's net cash inflow from operating activities decreased to USD 6,8 million for the three-month period ended 31 March 2016 compared to net cash inflow of USD 12,6 million for the three-month period ended 31 March 2015. The decrease in 2016 was primarily attributable to influence of devaluation of UAH on activity of the Group.

Net cash flow from investing activities

The Company's net cash outflow from investing activities increased to USD 0,4 million for the three-month period ended 31 March 2016 compared to net cash outflow of USD 0,3 million for the three-month period ended 31 March 2015. The increase in 2016 was attributable to purchase of agricultural property, plant and equipment.

Net cash flow from financing activities

Net cash outflow from financing activities decreased to USD 9,1 million for the three-month period ended 31 March 2016 from a net cash outflow of USD 10,1 million for the three-month period ended 31 March 2015. The outflow in 2016 corresponds to the plans of the Management on repayment of borrowings.

2. Selected Financial Data

(in thousand USD)

	For the three months ended 31 March	**2016**	**2015**
I.	Revenue	26 780	32 238
II.	Operating profit/(loss)	2 700	7 890
III.	Profit/(loss) before income tax	(5 305)	(25 011)
IV.	Net profit/(loss)	(4 912)	(25 005)
V.	Net cash flow from operating activity	6 796	12 582
VI.	Net cash flow from investing activity	(397)	(272)
VII.	Net cash flow from financing activity	(9 051)	(10 107)
VIII.	Total net cash flow	(2 652)	2 203
IX.	Total assets	164 203	130 711
X.	Share capital	56	56
XI.	Total equity	47 573	(14 826)
XII.	Non-current liabilities	46 873	58 945
XIII.	Current liabilities	69 757	86 592
XIV.	Weighted average number of shares	31 300 000	31 300 000
XV.	Profit/(loss) per ordinary share (in USD)	(0,16)	(0,80)
XVI.	Book value per share (in USD)	1,55	(0,45)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 31 March 2016
(in thousand USD, unless otherwise stated)

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
CONTINUING OPERATIONS			
Revenue	5	26 780	32 238
Gain from changes in fair value of biological assets and agricultural produce, net	6	3 312	981
Cost of sales	7	(23 820)	(19 316)
GROSS PROFIT		**6 272**	**13 903**
Administrative expenses	8	(1 232)	(925)
Selling and distribution expenses	9	(1 891)	(3 001)
Other operating income	10	596	501
Other operating expenses	11	(763)	(2 130)
Write-offs of property, plant and equipment		(282)	(458)
OPERATING PROFIT		**2 700**	**7 890**
Financial expenses, net	14	(2 798)	(4 073)
Foreign currency exchange loss, net	15	(5 207)	(28 828)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(5 305)**	**(25 011)**
Income tax expenses	16	393	6
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(4 912)**	**(25 005)**
Net loss for the period attributable to:			
Owners of the parent company		(4 596)	(23 936)
Non-controlling interests		(316)	(1 069)
Weighted average number of shares		31 300 000	31 300 000
Basic profit per ordinary share (in USD)		(0,16)	(0,80)
Diluted profit per ordinary share (in USD)		(0,16)	(0,80)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified subsequently to profit or loss			
Effect of foreign currency translation		(7 604)	(17 109)
Items that will no be reclassified subsequently to profit or loss			
Deferred tax charged directly to revaluation reserve		66	14
TOTAL OTHER COMPREHENSIVE LOSS		**(7 540)**	**(17 095)**
TOTAL COMPREHENSIVE LOSS		**(12 452)**	**(42 100)**
Comprehensive loss attributable to:			
Owners of the parent company		(12 191)	(41 057)
Non-controlling interests		(261)	(1 043)

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

(in thousand USD, unless otherwise stated)

	Note	31 March 2016	31 December 2015	31 March 2015	31 December 2014
		Unaudited	Audited	Unaudited	Audited
ASSETS					
Non-current assets					
Property, plant and equipment	17	73 641	80 083	39 580	60 597
Intangible assets	18	4 912	5 750	7 309	11 501
Non-current biological assets	19	3 554	4 471	4 449	7 234
Deferred tax assets	20	13	14	10	13
Other non-current assets	21	169	434	1 143	1 644
Total non-current assets		**82 289**	**90 752**	**52 491**	**80 989**
Current assets					
Inventories	22	52 005	60 307	53 334	82 959
Current biological assets	23	12 741	8 823	8 760	9 931
Trade accounts receivable, net	24	482	966	673	1 196
Prepayments and other current assets, net	25	12 941	7 088	11 070	5 668
Prepayments for income tax		24	18	54	49
Cash and cash equivalents	27	3 721	6 673	4 329	3 004
Total current assets		**81 914**	**83 875**	**78 220**	**102 807**
TOTAL ASSETS		**164 203**	**174 627**	**130 711**	**183 796**
LIABILITIES AND EQUITY					
Equity attributable to the owners of parent company					
Share capital	28	56	56	56	56
Share premium		24 387	24 387	24 387	24 387
Revaluation reserve		48 264	49 972	9 815	10 021
Retained earnings		100 226	103 048	64 025	87 741
Effect of foreign currency translation		(124 533)	(116 874)	(112 312)	(95 177)
Total equity attributable to the owners of parent company		**48 400**	**60 589**	**(14 029)**	**27 028**
Non-controlling interests		(827)	(566)	(797)	246
Total equity		**47 573**	**60 023**	**(14 826)**	**27 274**
Non-current liabilities					
Share purchase warrant	29	242	474	896	883
Long-term loans and borrowings	30	43 846	40 473	56 805	67 792
Deferred tax liabilities	20	2 785	3 556	1 244	1 886
Total non-current liabilities		**46 873**	**44 503**	**58 945**	**70 561**
Current liabilities					
Current portion of long-term borrowings	30	26 134	31 493	23 580	20 502
Short-term loans and borrowings	31	20 478	26 776	32 324	39 155
Trade accounts payable	32	10 741	3 274	14 097	13 560
Other current liabilities and accrued expenses	33	12 404	8 558	16 591	12 744
Total current liabilities		**69 757**	**70 101**	**86 592**	**85 961**
Total liabilities		**116 630**	**114 604**	**145 537**	**156 522**
TOTAL LIABILITIES AND EQUITY		**164 203**	**174 627**	**130 711**	**183 796**

signed

Alex Lissitsa

Chief Executive Officer

signed

Dmytro Martyniuk

Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2016
(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 2014 (audited)	**56**	**24 387**	**10 021**	**87 741**	**(95 177)**	**27 028**	**246**	**27 274**
Loss for the period	-	-	-	(23 936)	-	(23 936)	(1 069)	(25 005)
Amortization of revaluation reserve	-	-	(219)	219	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	14	-	-	14	-	14
Other comprehensive loss	-	-	-	-	(17 135)	(17 135)	26	(17 109)
Total comprehensive loss	**-**	**-**	**(206)**	**(23 716)**	**(17 135)**	**(41 057)**	**(1 043)**	**(42 100)**
31 March 2015 (unaudited)	**56**	**24 387**	**9 815**	**64 025**	**(112 312)**	**(14 029)**	**(797)**	**(14 826)**
31 December 2015 (audited)	**56**	**24 387**	**49 972**	**103 048**	**(116 874)**	**60 589**	**(566)**	**60 023**
Loss for the period	-	-	-	(4 596)		(4 596)	(316)	(4 912)
Amortization of revaluation reserve	-	-	(1 774)	1 774		-		-
Deferred tax charged directly to amortization of revaluation reserve	-	-	66			66		66
Other comprehensive loss	-	-	-		(7 659)	(7 659)	55	(7 604)
Total comprehensive profit/(loss)	**-**	**-**	**(1 708)**	**(2 822)**	**(7 659)**	**(12 189)**	**(261)**	**(12 450)**
31 March 2016 (unaudited)	**56**	**24 387**	**48 264**	**100 226**	**(124 533)**	**48 400**	**(827)**	**47 573**

signed

Alex Lissitsa

Chief Executive Officer

signed

Dmytro Martyniuk

Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the three months ended 31 March 2016
(in thousand USD, unless otherwise stated)

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before tax from continuing operations		(5 305)	(25 011)
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	6	(3 312)	(981)
Disposal of revaluation of biological assets and agricultural produce in the cost of sales, net	7	4 078	6 609
Depreciation and amortization	12	2 832	1 432
Income from write-offs of accounts payable	10	(24)	(3)
Write-offs of VAT	11	2	8
Shortages and losses due to impairment of inventories	11	96	43
Gain on disposal of inventories	11	(13)	(2)
Allowance for doubtful accounts receivable	11	2	45
Loss from VAT on export operations	11	-	1 454
Lost crops	11	69	91
Loss on disposal of property, plant and equipment	11	172	13
Write-offs of property, plant and equipment		282	458
Accruals for unused vacations		(70)	(11)
Interest income	14	(105)	(48)
Interest expenses and other financial expenses	14	2 904	4 121
Foreign currency exchange loss/(gain), net		5 193	28 089
Cash flows from operating activities before changes in working capital		**6 801**	**16 308**
Changes in trade accounts receivable		390	32
Changes in prepayments and other current assets		(6 493)	(9 511)
Changes in inventories		(332)	(3 456)
Changes in current biological assets		(1 530)	(1 406)
Changes in trade accounts payable		7 937	5 554
Changes in other current liabilities and accrued expenses		2 323	8 240
Cash flows from operations		**9 096**	**15 761**
Interest paid		(2 271)	(3 144)
Income tax paid		(29)	(34)
Net cash flows from operating activities		**6 796**	**12 582**

signed

Alex Lissitsa
Chief Executive Officer

signed

Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)
For the three months ended 31 March 2016
(in thousand USD, unless otherwise stated)

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(508)	(320)
Purchase of intangible assets		(15)	(1)
Proceeds from disposal of property, plant and equipment		126	49
Net cash flows from investing activities		**(397)**	**(272)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term and short-term borrowings		(9 051)	(10 107)
Net cash flows from financing activities		**(9 051)**	**(10 107)**
NET CASH FLOWS		**(2 652)**	**2 203**
Cash and cash equivalents as at the beginning of the period	27	**6 673**	**3 004**
Effect of translation into presentation currency		(300)	(878)
Cash and cash equivalents as at the end of the period	27	**3 721**	**4 329**

signed
Alex Lissitsa
Chief Executive Officer

signed
Dmytro Martyniuk
Chief Financial Officer

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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.

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.

In May 2015 Plemzavod Noviy Trostyanets Ltd was joined to AgroKIM Ltd (noted * in the column Cumulative ownership ratio, % as at 30 June 2015).

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 CONDENSED CONSOLIDATED INTERIM 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 March 2016	31 March 2015
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	100,00
Bobrovitsky Hlebzavod Ltd	Bakery production	Ukraine	28.12.2012	100,00	100,00
Plemzavod Noviy Trostyanets Ltd	Agricultural and farming production	Ukraine	28.12.2012	*	100,00
PJSC " Bobrovitske HPP"	Flour grinding	Ukraine	28.12.2012	92,83	92,83
Nosovsky Saharny Zavod Ltd	Sugar mill	Ukraine	28.12.2012	100,00	100,00
Negoce Agricole S.A.	Trading company	Luxembourg	19.11.2013	100,00	100,00
AgroKIM Ltd	Agricultural production	Ukraine	30.12.2013	100,00	100,00

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 March 2016 the Group operates in three segments: crop farming, dairy and beef farming and grain and oilseed storage.

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

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

2. Basis of preparation of the condensed consolidated interim financial statements

Statement of compliance

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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.

Going concern

These condensed consolidated interim 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 condensed consolidated interim financial statements do not include any adjustments should the Group be unable to continue as going concern.

Basis of measurement

The condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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.

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

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 condensed consolidated interim 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 condensed consolidated interim financial statements are as follows:

Currency	31 March 2016	Average for the three months ended 31 March 2016	31 December 2015	31 March 2015	Average for the three months ended 31 March 2015	31 December 2014
UAH/USD	26,218056	25,65374	24,000667	23,442625	21,0304	15,768556

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.

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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 condensed consolidated interim 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

Property, plant and equipment

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.

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 8-100 years
- Machinery 5-40 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

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.

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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 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.

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.

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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 receivable.

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.

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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.

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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.
     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 0,81% (0,45% in 2015) on the deemed value of the majority of the land plots owned or leased by the entity (as determined by the relevant State authorities). As at 31 March 2016, 6 of the companies comprising the Group were elected to pay FAT (31 March 2015: 7).
- 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.

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- 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.

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 condensed consolidated interim 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.

4. Critical accounting estimates and judgments

The preparation of the Group's condensed consolidated interim 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 condensed consolidated interim 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.

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.

Useful lives of items of property, plant and equipment were changed starting 01.01.2016 according to the terms, which were used in valuation of property, plant and equipment as at 31.12.2015 by independent apprisers.

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.

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.

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.

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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.

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.

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.

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.

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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.

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 condensed consolidated interim financial statements for issue.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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.

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 but are not yet effective. 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:

- Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 February 2015).
- Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 February 2015).

Standards and Interpretations not adopted by the EU:

- IFRS 10, IFRS 12 and IAS 28 (Amendments): "Investment Entities: Applying the Consolidation Exception" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 "Accounting for acquisitions of interests in Joint Operations" (Amendments) (effective for annual periods beginning on or after 1 January 2016).
- IAS 1 (Amendments): "Disclosure Initiative" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 10 and IAS 28 (Amendments): "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 (Amendments) "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 41 (Amendments): "Bearer plants" (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 38 (Amendments) "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012–2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).

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5. Revenue

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
Revenue from sales of finished products	a	26 767	32 212
Revenue from services rendered	b	13	26
		26 780	**32 238**

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

	For the three months ended 31 March 2016	For the three months ended 31 March 2015
	Unaudited	Unaudited
Cattle	260	225
Milk	892	985
Corn	25 352	30 124
Wheat	-	153
Sunflower	34	95
Soy beans	-	105
Potatoes	153	310
Other	76	215
	26 767	**32 212**

b) Revenue from services rendered was as follows:

	For the three months ended 31 March 2016	For the three months ended 31 March 2015
	Unaudited	Unaudited
Storage	-	7
Processing	1	3
Transport	2	2
Other	10	14
	13	**26**

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

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
Non-current biological assets	19	(500)	(480)
Current biological assets	23	3 812	1 461
		3 312	**981**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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7. Cost of sales

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
Raw materials	**a**	(6 901)	(9 076)
Change in inventories and work-in-progress	b	(10 195)	(4 625)
Wages and salaries of operating personnel and related charges	13	(817)	(1 062)
Depreciation and amortization	12	(2 388)	(1 247)
Third parties' services		(193)	(178)
Fuel and energy supply		(519)	(705)
Rent		(2 643)	(2 288)
Repairs and maintenance		(71)	(67)
Taxes and other statutory charges		(84)	(52)
Other expenses		(9)	(16)
		(23 820)	**(19 316)**

a) Item row materials for the three months ended 31 March 2016 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 USD 4 078 thousand (USD 6 609 thousand for three months ended 31 March 2015).

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.

8. Administrative expenses

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
Wages and salaries of administrative personnel and related charges	13	(781)	(439)
Third parties' services		(68)	(56)
Repairs and maintenance		(22)	(21)
Depreciation and amortisation	12	(51)	(21)
Bank services		(65)	(91)
Professional services	a	(78)	(90)
Transport expenses		(42)	(58)
Other expenses		(125)	(149)
		(1 232)	**(925)**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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9. Selling and distribution expenses

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
Delivery costs		(1 463)	(2 578)
Wages and salaries of sales personnel and related charges	13	(45)	(44)
Depreciation	12	(65)	(24)
Other expenses		(318)	(355)
		(1 891)	**(3 001)**

10. Other operating income

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
Income from subsidized VAT	a	125	202
Government grants and subsides recognised as income		-	3
Income from write-offs of accounts payable		24	3
Gain on disposal of inventories		13	2
Other income		434	291
		596	**501**

a) 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 preferences regarding VAT payment on agricultural operations.

Till 31.12.2015 VAT amounts were not paid to the budget, but recognized as net result of income or expenses in the other operating income.

Since 01.01.2016 changes in tax legislation have taken place. The VAT preferences have been partially preserved for farmers in 2016, allowing retaining a portion of VAT amounts as follows:

- For crop farming operations - 85% of VAT amount is to be paid to the State budget, 15% of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities;
- For live-stock breeding operations - 20% of VAT amount is to be paid to the State budget, 80 % of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities;
- For other agricultural activities - 50% of VAT amount is to be paid to the State budget, 50 % of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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11. Other operating expenses

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
Loss from VAT on export operations	a	-	(1 454)
Shortages and losses due to impairment of inventories		(96)	(43)
Depreciation	12	(323)	(140)
Lost crops		(69)	(91)
Write-offs of VAT		(2)	(8)
Allowance for doubtful accounts receivable	26	(2)	(45)
Wages and salaries of non-operating personnel and related charges	13	(21)	(20)
Loss on disposal of property, plant and equipment		(172)	(13)
Other expenses		(78)	(316)
		(763)	**(2 130)**

a) Loss from VAT on export operations for the three months ended 31 March 2015 amounting to USD 1 454 thousand related to the Ukrainian tax legislation. According to the Tax Code 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. Since 01.01.2016 restrictions have been called off and VAT on export operations is administrated on regular basis.

12. Depreciation and amortisation

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
Depreciation			
Cost of sales	7	(2 027)	(771)
Administrative expenses	8	(51)	(20)
Selling and distribution expenses	9	(65)	(24)
Other operating expenses	11	(323)	(140)
Depreciation as a part of article "Lost crops"		(5)	-
		(2 471)	**(955)**
Amortisation			
Cost of sales	7	(361)	(476)
Administrative expenses	8	-	(1)
		(361)	**(477)**
		(2 832)	**(1 432)**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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13. Wages and salaries expenses

	Note	For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
Wages and salaries		(1 391)	(1 162)
Related charges		(275)	(403)
		(1 666)	**(1 565)**
The average number of employees, persons		2 471	2 530
Remuneration of management		112	112
Wages and salaries of operating personnel and related charges	7	(817)	(1 062)
Wages and salaries of administrative personnel and related charges	8	(781)	(439)
Wages and salaries of sales personnel and related charges	9	(45)	(44)
Wages and salaries of non-operating personnel and related charges	11	(21)	(20)
Wages and salaries as a part of article "Construction in progress" and related charges		(2)	-
		(1 666)	**(1 565)**

14. Financial expenses, net

	For the three months ended 31 March 2016	For the three months ended 31 March 2015
	Unaudited	Unaudited
Interest income on bank deposits	105	48
Interest expenses on loans and borrowings	(2 912)	(3 656)
Bond interest expenses	(94)	(321)
Gain/(loss) on initial recognition of share purchase warrant	232	(14)
Other expenses	(129)	(130)
	(2 798)	**(4 073)**

15. Foreign currency exchange loss, net

As at 31 March 2016 the Ukrainian Hryvnia depreciated against the USD by 8,5% compared with 31 December 2015 (32,7% as at 31 March 2015 compared with 31 December 2014). As a result, during the three months ended 31 March 2016 the Group recognised net foreign exhange loss in the amount of USD 5 207 thousand (three months ended 31 March 2015 - USD 28 828 thousand) in the condensed consolidated interim statement of comprehensive income.

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16. Income tax expenses

The corporate income tax rate in Ukraine was 18%.

The components of income tax expenses were as follows:

	For the three months ended 31 March 2016	For the three months ended 31 March 2015
	Unaudited	Unaudited
Current income tax	(22)	(10)
Deferred tax	415	16
Income tax benefit (expenses) reported in the statement of comprehensive income	**393**	**6**
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	66	14

	For the three months ended 31 March 2016	For the three months ended 31 March 2015
	Unaudited	Unaudited
01 January	**(3 542)**	**(1 873)**
Income tax benefit (expenses) for the period recognized in profit or loss	415	16
Income tax benefit (expenses) for the period recognized in other comprehensive income	66	14
Effect of foreign currency translation	289	609
31 December	**(2 772)**	**(1 234)**

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17. Property, plant and equipment

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
Initial cost						
31 December 2014 (audited)	**41 237**	**25 387**	**10 236**	**988**	**449**	**78 297**
Additions	-	124	6	12	21	163
Disposals	(597)	(162)	(68)	(27)	-	(854)
Transfer	16	8	-	1	(25)	-
Effect from translation into presentation currency	(13 445)	(8 309)	(3 344)	(353)	(147)	(25 598)
31 March 2015 (unaudited)	**27 211**	**17 048**	**6 830**	**621**	**298**	**52 008**
31 December 2015 (audited)	**47 463**	**30 949**	**14 600**	**760**	**325**	**94 097**
Additions	86	2 423	491	8	357	3 365
Disposals	(246)	(449)	(60)	(19)	-	(774)
Transfer	-	19	-	3	(22)	-
Effect from translation into presentation currency	(4 005)	(2 661)	(1 247)	(64)	(32)	(8 009)
31 March 2016 (unaudited)	**43 298**	**30 281**	**13 784**	**688**	**628**	**88 679**
Accumulated depreciation						
31 December 2014 (audited)	**(6 208)**	**(7 617)**	**(3 041)**	**(834)**	**-**	**(17 700)**
Depreciation for the period	(342)	(434)	(163)	(16)	-	(955)
Disposals	140	128	52	13	-	333
Effect from translation into presentation currency	2 057	2 524	1 007	306	-	5 894
31 March 2015 (unaudited)	**(4 353)**	**(5 399)**	**(2 145)**	**(531)**	**-**	**(12 428)**
31 December 2015 (audited)	**(4 969)**	**(6 038)**	**(2 457)**	**(549)**	**-**	**(14 013)**
Depreciation for the period	(503)	(1 331)	(621)	(16)	-	(2 471)
Disposals	32	148	24	7	-	211
Effect from translation into presentation currency	430	536	220	49	-	1 235
31 March 2016 (unaudited)	**(5 010)**	**(6 685)**	**(2 834)**	**(509)**	**-**	**(15 038)**
Net book value						
31 December 2014 (audited)	**35 029**	**17 770**	**7 195**	**154**	**449**	**60 597**
31 March 2015 (unaudited)	**22 858**	**11 649**	**4 685**	**90**	**298**	**39 580**
31 December 2015 (audited)	**42 494**	**24 911**	**12 143**	**211**	**325**	**80 084**
31 March 2016 (unaudited)	**38 288**	**23 596**	**10 950**	**179**	**628**	**73 641**

As at 31 December 2015 an independent valuation of the Group's land, buildings, machinery and vehicles was performed in accordance with International Valuation Standards by an independent appraiser LLC "Asset Expertise" (ODS Certificate No.439/15 as of 25 May 2015 issued by State Property Fund of Ukraine).

As at 31 March 2016 and 2015 an impairment review was conducted by the management of the Group. Impairment test has been performed for the following Cash Generating Units: Crop farming, Dairy farming, Storage and processing. According to the results of the test 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

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18. Intangible assets

	Computer software	Property certificates	Land lease rights	Total
Initial cost				
31 December 2014 (audited)	**27**	**435**	**16 352**	**16 814**
Additions	-	-	-	**-**
Disposals	-	-	-	**-**
Effect from translation into presentation currency	(9)	(143)	(5 354)	**(5 506)**
31 March 2015 (unaudited)	**18**	**292**	**10 998**	**11 308**
31 December 2015 (audited)	**18**	**113**	**10 743**	**10 874**
Additions	-	16	-	**16**
Disposals	-	(13)	-	**(13)**
Effect from translation into presentation currency	(2)	(10)	(908)	**(920)**
31 March 2016 (unaudited)	**16**	**106**	**9 835**	**9 957**
Accumulated amortisation				
31 December 2014 (audited)	**(17)**	**(1)**	**(5 295)**	**(5 313)**
Amortisation for the period	(1)	-	(476)	**(477)**
Effect from translation into presentation currency	6	-	1 785	**1 791**
31 March 2015 (unaudited)	**(12)**	**(1)**	**(3 986)**	**(3 999)**
31 December 2015 (audited)	**(13)**	**(1)**	**(5 111)**	**(5 125)**
Amortisation for the period	-	-	(361)	(361)
Effect from translation into presentation currency	1	-	440	**441**
31 March 2016 (unaudited)	**(12)**	**(1)**	**(5 032)**	**(5 045)**
Net book value				
31 December 2014 (audited)	**10**	**434**	**11 057**	**11 501**
31 March 2015 (unaudited)	**6**	**291**	**7 012**	**7 309**
31 December 2015 (audited)	**5**	**112**	**5 632**	**5 749**
31 March 2016 (unaudited)	**4**	**105**	**4 803**	**4 912**

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.

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19. Non-current biological assets

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Non-current biological assets - animal-breeding		
Cattle	3 532	4 421
Non-current biological assets - plant-breeding		
Perennial grasses	22	28
Total non-current biological assets	**3 554**	**4 449**

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

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Cattle		
Cattle, units	3 101	3 793
Live weight, kg	1 342 817	615 259
Book value	**3 532**	**4 421**

Following changes took place in the non-current biological assets of dairy farming:

	Cattle
31 December 2014 (audited)	**7 167**
Transfer (from (to) current biological assets)	17
Change in fair value	(480)
Effect from translation into presentation currency	(2 283)
31 March 2015 (unaudited)	**4 421**
31 December 2015 (audited)	**4 426**
Transfer (from (to) current biological assets)	(172)
Change in fair value	(500)
Effect from translation into presentation currency	(222)
31 March 2016 (unaudited)	**3 532**

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

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Perennial grasses		
Area, ha	765	1 242
Book value	**22**	**28**

Following changes took place in the non-current biological assets of crop farming:

	Perennial grasses
31 December 2014 (audited)	**67**
Harvesting failure	(19)
Effect from translation into presentation currency	(20)
31 March 2015 (unaudited)	**28**
31 December 2015 (audited)	**45**
Harvesting failure	(19)
Effect from translation into presentation currency	(4)
31 March 2016 (unaudited)	**22**

20. Deferred tax assets and liabilities

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

Deferred tax assets

	Tax losses	Allowances for recognized tax assets	Provisions	Total
31 December 2014 (audited)	**452**	**(452)**	**13**	**13**
Considering profit (loss)	-	-	2	2
Effect from translation into presentation currency	(148)	148	(5)	(5)
31 March 2015 (unaudited)	**304**	**(304)**	**10**	**10**
31 December 2015 (audited)	**-**	**-**	**14**	**14**
Effect from translation into presentation currency	-	-	(1)	(1)
31 March 2016 (unaudited)	**-**	**-**	**13**	**13**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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Deferred tax liabilities

	Property, plant and equipment
31 December 2014 (audited)	**(1 886)**
Considering loss	14
Considering equity	14
Effect of foreign currency translation	614
31 March 2015 (unaudited)	**(1 244)**
31 December 2015 (audited)	**(3 556)**
Considering loss	415
Considering equity	66
Effect of foreign currency translation	290
31 March 2016 (unaudited)	**(2 785)**

21. Other non-current assets

Long-term VAT recoverable was accumulated on capital expenses.

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Prepayments and other non-financial assets:		
Prepayments for property, plant and equipment	169	1 112
Long-term VAT recoverable	-	31
	169	**1 143**

22. Inventories

	Note	31 March 2016	31 March 2015
		Unaudited	Unaudited
Work-in-progress	a	15 290	21 361
Agricultural produce	b	23 279	21 303
Finished goods		24	37
Agricultural materials		12 096	9 213
Raw materials		110	79
Spare parts		489	382
Fuel		580	707
Other inventories		137	252
		52 005	**53 334**

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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b) As at the reporting dates agricultural produce was presented as follows:

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Corn	21 504	19 815
Wheat	17	65
Sunflower	-	6
Potato	482	363
Hay	84	115
Silage	586	312
Soya	280	326
Other	326	301
	23 279	**21 303**

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.

23. Current biological assets

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Current biological assets of animal-breeding		
Cattle	2 164	3 137
Pigs	-	1
Other	11	17
	2 175	**3 155**
Current biological assets of plant-breeding		
Wheat	10 473	5 462
Grasses	85	135
Other	8	8
Total current biological assets of plant-breeding	**10 566**	**5 605**
Total current biological assets	**12 741**	**8 760**

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As at the reporting dates current biological assets of dairy farming were presented as follows:

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Cattle		
Cattle, units	2 182	2 998
Live weight, kg	598 284	799 012
Book value	**2 164**	**3 137**
Pigs		
Pigs, units	2	9
Live weight, kg	226	1 241
Book value	**-**	**1**
Other		
Number of animals, units	66	95
Live weight, kg	11 662	20 330
Book value	**11**	**17**
Total book value	**2 175**	**3 155**

Following changes took place in the current biological assets of dairy farming:

	Cattle	Pigs	Other	Total
31 December 2014 (audited)	**4 856**	**2**	**26**	**4 884**
Capitalized expenses	386	1	1	**388**
Transfer (from (to) non-current biological assets)	(17)	-	-	**(17)**
Sale	(752)	-	-	**(752)**
Slaughter	(9)	-	-	**(9)**
Change in fair value	262	-	-	**262**
Effect from translation into presentation currency	(1 589)	(2)	(10)	**(1 601)**
31 March 2015 (unaudited)	**3 137**	**1**	**17**	**3 155**
31 December 2015 (audited)	**2 843**	**-**	**12**	**2 855**
Capitalized expenses	269	1	-	**270**
Transfer (from (to) non-current biological assets)	172	-	-	**172**
Sale	(976)	-	-	**(976)**
Slaughter	(12)	-	-	**(12)**
Change in fair value	236	-	-	**236**
Effect from translation into presentation currency	(368)	(1)	(1)	**(370)**
31 March 2016 (unaudited)	**2 164**	**-**	**11**	**2 175**

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As at the reporting dates current biological assets of crop farming were presented as follows:

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Wheat		
Area, ha	15 434	12 139
Book value	**10 473**	**5 462**
Grasses		
Area, ha	1 063	1 849
Book value	**85**	**135**
Other		
Area, ha	65	55
Book value	**8**	**8**
Total book value	**10 566**	**5 605**

Following changes took place in the current biological assets of crop farming:

	Wheat	Grasses	Other	Total
31 December 2014 (audited)	**4 959**	**86**	**2**	**5 047**
Capitalized expenses	3 425	150	9	3 584
Change in fair value	1 199	-	-	1 199
Effect from translation into presentation currency	(4 121)	(101)	(3)	(4 225)
31 March 2015 (unaudited)	**5 462**	**135**	**8**	**5 605**
31 December 2015 (audited)	**5 951**	**15**	**2**	**5 968**
Capitalized expenses	1 562	78	6	1 646
Harvest failure	-	(4)	-	(4)
Change in fair value	3 576	-	-	3 576
Effect from translation into presentation currency	(616)	(4)	-	(620)
31 March 2016 (unaudited)	**10 473**	**85**	**8**	**10 566**

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 three months ended 31 March 2016.

Description	Fair value as at 31 March 2016	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in fields - wheat	85	Cash flows	Crops yield - tonnes per hectare	5
			Crops price	149 per tonne
Cattle	5 695	Discounted cash flows	Milk yield - kg per cow	3600-7900 per year
			Milk price	0,2 USD per liter
			Discount rate	30,40%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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24. Trade accounts receivable, net

	Note	31 March 2016	31 March 2015
		Unaudited	Unaudited
Trade accounts receivable		520	693
Allowances for accounts receivable	26	(38)	(20)
		482	**673**

25. Prepayments and other current assets, net

	Note	31 March 2016	31 March 2015
		Unaudited	Unaudited
Prepayments and other non-financial assets:			
Advances to suppliers		2 904	6 843
Allowances for advances to suppliers	26	(8)	(8)
VAT for reimbursement		9 625	3 276
		12 521	**10 111**
Other financial assets:			
Non-bank accomodations interest free		209	225
Allowances for non-bank accomodations interest free	26	(11)	(24)
Other accounts receivable		244	766
Allowances for other accounts receivable	26	(22)	(8)
		420	**959**
		12 941	**11 070**

26. Changes in allowances made

	Note	31 March 2016	31 March 2015
		Unaudited	Unaudited
Allowances for trade accounts receivable	24	(38)	(20)
Allowances for advances to suppliers	25	(8)	(8)
Allowances for other accounts receivable	25	(22)	(8)
Allowances for non-bank accomodations interest free	25	(11)	(24)
		(79)	**(60)**

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The movements of the allowances were as follows:

		For the three months ended 31 March 2016	For the three months ended 31 March 2015
		Unaudited	Unaudited
As at the beginning of the period	**Note**	**(129)**	**(90)**
Accrual	11	(2)	(45)
Use of allowances		24	45
Return of allowances		18	-
Effect from translation into presentation currency		10	30
As at the end of the period		**(79)**	**(60)**

27. Cash and cash equivalents

	Currency	31 March 2016	31 March 2015
		Unaudited	Unaudited
Cash in bank and hand	USD	2 925	3 618
Cash in bank and hand	UAH	731	641
Cash in bank and hand	EUR	59	67
Cash in bank and hand	PLN	6	3
		3 721	**4 329**

There were no restrictions on the use of cash and cash equivalents as at 31 March 2016 and 2015 and during the three months then ended.

28. 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 March 2016 is 31 300 000 (31 March 2015 – 31 300 000). All shares have equal voting rights. Par value of one share is USD 0,0018.

	31 March 2016		31 March 2015	
	%	Amount	%	Amount
AGROVALLEY LIMITED	68	38	68	38
ING Powszechne Towarzystwo Emerytalne S.A.	5	3	5	3
Other shareholders (each one less than 5% of the share capital)	27	15	27	15
	100	**56**	**100**	**56**

(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 three months ended 31 March 2016	For the nine months ended 31 March 2015
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 2015, 2010, 2009 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. As at 31 December 2015 the amount of th USD 40 390 was recognized as increase in revaluation reserve due to revaluation of PPE.

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 three months ended 31 March 2016 and 2015.

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.

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29. Share purchase warrant

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Share purchase warrant	242	896

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 USD 20 000 thousand. 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 March 2016 the following inputs were applied:

- the current stock price is USD 1,87 (USD 1,47 as at 31 March 2015);
- the strike price is USD 6,45;
- risk-free interest rate is 9,55% (24,92% as at 31 March 2015);
- the volatility is 42,73% (48,20% as at 31 March 2015).

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

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.

The Company expects the IFC to exercise its warrants and therefore considers the payment of the additional return a contingent liability as at 31 March 2016.

30. Long-term loans and borrowings

	Currency	31 March 2016	31 March 2015
		Unaudited	Unaudited
Secured			
Long-term bank loans	USD	62 064	67 674
Finance lease liabilities	UAH, USD	5 437	6 739
Bonds issued	UAH	2 479	5 972
Total long-term loans including current portion		**69 980**	**80 385**
Current portion of long-term bank loans	USD	(21 159)	(18 102)
Current portion of finance lease liabilities	UAH, USD	(2 496)	(2 279)
Current portion of bonds issued	UAH	(2 479)	(3 199)
Total current portion		**(26 134)**	**(23 580)**
Total long-term loans and borrowings		**43 846**	**56 805**

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Essential terms of credit contracts

Creditor	Year of maturity	Currency	Nominal interest rate	31 March 2016 (Unaudited)	
				Long-term liabilities	Including current portion
Ukrainian bank	2016	USD	13,50%	8 000	8 000
Ukrainian bank	2016	USD	1Y Libor+10,0%	803	803
Ukrainian bank	2016	USD	1Y Libor+10,0%	358	358
Ukrainian bank	2016	USD	11,00%	4 500	4 500
Ukrainian bank	2017	USD	6M Libor+9,50%	8 000	6 000
Ukrainian bank	2017	USD	11,00%	1 196	598
Ukrainian bank	2017	USD	23,00%	2 332	-
Ukrainian bank	2017	USD	13,25%	5 000	-
Ukrainian bank	2017	USD	11,00%	300	250
Ukrainian bank	2018	USD	11,00%	915	300
Ukrainian bank	2018	USD	12,00%	660	350
Non-residental bank	2020	USD	6M Libor+8,00%	30 000	-
				62 064	**21 159**
Bonds issued	2016	UAH	13,25%	2 479	2 479
				64 543	**23 638**

Creditor	Year of maturity	Currency	Nominal interest rate	31 March 2015 (Unaudited)	
				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	2016	USD	13,50%	13 000	5 000
Ukrainian bank	2016	USD	1Y Libor+10,0%	3 751	2 949
Ukrainian bank	2016	USD	1Y Libor+10,0%	1 786	1 428
Ukrainian bank	2016	USD	9,00%	130	130
Ukrainian bank	2017	USD	6M Libor+9,50%	10 000	2 000
Ukrainian bank	2017	USD	8,75%	2 392	1 195
Ukrainian bank	2017	USD	9,00%	600	300
Ukrainian bank	2018	USD	1Y Libor+8,70%	1 515	600
Non-residental bank	2020	USD	6M Libor+8,00%	30 000	-
				67 674	**18 102**
Bonds issued	2016	UAH	13,25%	5 972	3 199
				73 646	**21 301**

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

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Within one year	23 638	21 301
In the second to fifth year inclusive	40 905	52 345
Later than fifth year	-	-
	64 543	**73 646**

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Finance lease liabilities were presented as follows:

	31 March 2016		**31 March 2015**	
	Unaudited		Unaudited	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	3 023	2 496	2 968	2 279
In the second to fifth year inclusive	3 282	2 941	5 131	4 452
Later than fifth year	-	-	8	8
	6 305	5 437	8 107	6 739
Less future finance charges	(868)		(1 368)	
Present value of minimum lease payments	**5 437**	**5 437**	**6 739**	**6 739**

31. Short-term loans and borrowings

	Currency	**31 March 2016**	**31 March 2015**
		Unaudited	Unaudited
Secured			
Short-term bank loans	USD	17 903	31 012
Short-term bank loans	UAH	2 575	1 312
		20 478	**32 324**

Essential terms of credit contracts

Creditor	**Currency**	**Nominal interest rate**	**31 March 2016 (Unaudited)**
Ukrainian bank	USD	13,00%	8 993
Ukrainian bank	USD	13,00%	8 910
			17 903
Ukrainian bank	UAH	28,00%	2 575
			20 478

Creditor	**Currency**	**Nominal interest rate**	**31 March 2015 (Unaudited)**
Ukrainian bank	USD	13,00%	9 140
Ukrainian bank	USD	13,00%	8 983
Ukrainian bank	USD	9,70%	4 577
Ukrainian bank	USD	13,50%	4 907
Ukrainian bank	USD	9,50%	3 405
			31 012
Ukrainian bank	UAH	21,00%	1 312
			32 324

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32. Trade accounts payable

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Trade accounts payable	10 741	14 097

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 March 2016	-	1 837	444	406	8 054	-	10 741

33. Other current liabilities and accrued expenses

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Other liabilities:		
Advances from clients	7 048	12 633
	7 048	**12 633**
Other accounts payable:		
Interest payable on bank loans	972	1 079
Accounts payable for the lease of land and property rights	1 661	1 369
Accounts payable for non-current tangible assets	1 681	112
Taxes payable	140	73
Wages, salaries and related charges payable	528	428
Accruals for unused vacations	320	285
Other accounts payable	54	612
	5 356	**3 958**
	12 404	**16 591**

34. 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.

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Information on business segments for the three months ended 31 March 2016 was the follow (unaudited):

	Farming division	Live-stock breeding	Storage and processing	Unallocated	Total
Revenue	54 630	1 152	540		56 322
Intra-group elimination	(29 015)	-	(527)	-	(29 542)
Revenue from external buyers	**25 615**	**1 152**	**13**	**-**	26 780
Gain from changes in fair value of biological assets and agricultural produce, net	3 576	(264)	-	-	3 312
Cost of sales	(22 948)	(863)	(9)		(23 820)
Gross income	**6 243**	**25**	**4**	**-**	**6 272**
Administrative expenses				(1 232)	(1 232)
Selling and distribution expenses				(1 891)	(1 891)
Other operating income				596	596
Other operating expenses				(763)	(763)
Write-offs of property, plant and equipment				(282)	(282)
Operating income of a segment	**6 243**	**25**	**4**	**(3 572)**	**2 700**
Financial expenses, net				(2 798)	(2 798)
Foreign currency exchange (loss)/gain, net				(5 207)	(5 207)
Profit before tax	**6 243**	**25**	**4**	**(11 577)**	**(5 305)**
Income tax expenses				393	393
Net profit	**6 243**	**25**	**4**	**(11 184)**	**(4 912)**

Information on business segments for the three months ended 31 March 2015 was the follow (unaudited):

	Farming division	Live-stock breeding	Storage and processing	Unallocated	Total
Revenue	56 084	1 210	699	-	57 993
Intra-group elimination	(25 082)	-	(673)	-	(25 755)
Revenue from external buyers	**31 002**	**1 210**	**26**	**-**	**32 238**
Gain from changes in fair value of biological assets and agricultural produce, net	1 199	(218)	-	-	981
Cost of sales	(17 227)	(2 071)	(18)	-	(19 316)
Gross income	**14 974**	**(1 079)**	**8**	**-**	**13 903**
Administrative expenses	-	-	-	(925)	(925)
Selling and distribution expenses	-	-	-	(3 001)	(3 001)
Other operating income	-	-	-	501	501
Other operating expenses	-	-	-	(2 130)	(2 130)
Write-offs of property, plant and equipment	-	-	-	(458)	(458)
Operating income of a segment	**14 974**	**(1 079)**	**8**	**(6 013)**	**7 890**
Financial expenses, net	**-**	**-**	**-**	(4 073)	**(4 073)**
Foreign currency exchange (loss)/gain, net	**-**	**-**	**-**	(28 828)	**(28 828)**
Profit before tax	**14 974**	**(1 079)**	**8**	**(38 914)**	**(25 011)**
Income tax expenses	**-**	**-**	**-**	6	**6**
Net profit	**14 974**	**(1 079)**	**8**	**(38 908)**	**(25 005)**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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) 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).

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

	For the three months ended 31 March 2016	For the three months ended 31 March 2015
	Unaudited	Unaudited
Wages and salaries	83	83
Related charges	29	29
	112	**112**
The average number of employees, persons	6	6

36. 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 5-9%% for the three months ended 31 March 2016 (2-5%% for the three months ended 31 March 2015) and depends on validity of the contract.

Areas of operating leased land were as follows:

Location of land	**31 March 2016**	**31 March 2015**
	Unaudited	Unaudited
	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**

(in thousand USD, unless otherwise stated)

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

	31 March 2016	31 March 2015
	Unaudited	Unaudited
Within one year	7 423	4 972
In the second to fifth year inclusive	26 908	14 693
Later than fifth year	23 283	9 877
	57 614	**29 542**

37. 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 March 2016	31 March 2015
	Unaudited	Unaudited
Within one year	1 751	1 506
In the second to fifth year inclusive	706	1 972
Later than fifth year	-	-
	2 457	**3 478**

38. Financial instruments

Financial instruments as at 31 March 2016 and 2015 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.

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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 March 2016 and 2015, 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.

39. Events after the balance sheet date

Loans and borrowings are repaid in the amount of USD 4 358 thousand.

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