AVANGARDCO

WEATHERING A PERFECT STORM

ANNUAL REPORT 2015

CONTENTS

Avangardco IPL is the largest producer of shell eggs and dry egg products in Ukraine and Europe. Relations with investors, analysts, creditors, distributors, suppliers, customers, consumers, government offices and other institutions play a vital role in the company's eco-system. Avangardco IPL consistently adheres to high standards of product quality and biosecurity.

Despite the political and economic challenges faced by Ukrainian businesses in 2015, Avangardco IPL retained its leading positions in the domestic and international markets increasing the share of sales through high-margin channels (exports and retail chains) and expanding the geography of exports.

KEY ACHIEVEMENTS IN 2015

RETAINING INDUSTRY LEADERSHIP IN A CHALLENGING OPERATING ENVIRONMENT

Despite all the hardships presented by the crisis unfolding in Ukraine and caused by a military conflict that has engulfed Eastern Ukraine Avangardco IPL has retained its industry leadership remaining Ukraine's largest industrial producer and exporter of chicken eggs and egg products.

Share of Industrial Production of Shell Eggs in Ukraine :

35%[1]

Share of Production of Dry Egg Products in Ukraine :

80%[2]

Share of Shell Egg and Dry Egg Product Export Market in Ukraine:

68%[3]

Our continued market leadership comes at a price. Yes, we have had to substantially downsize operations and reduce our flock size. Yes, we have been struggling hard to fight back a very heavy margin contraction caused by steep cost inflation aggravated by unprecedented loss of demand. But we remain confident in our ability to overcome these challenges and recover both our scale and our profitability.

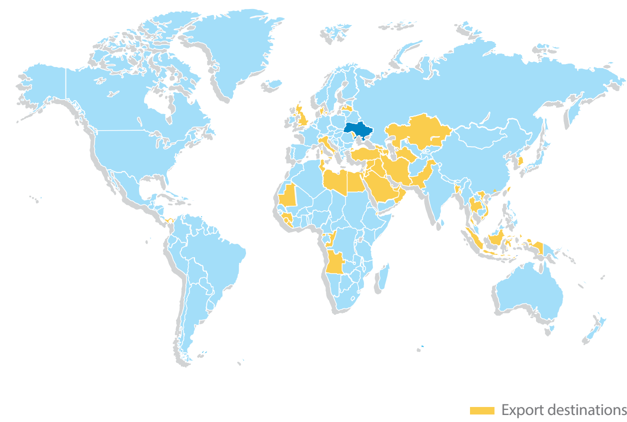
ACQUIRING NEW EXPORT MARKETS AS TRADE WITH MENA SHRINKS DUE TO MILITARY CONFLICT

The already difficult home market situation is further complicated by a military conflict that has engulfed the MENA region, traditionally the largest buyer of Ukrainian shell eggs and egg products.

In response to these challenges the company stepped up efforts to penetrate and acquire new markets, both for shell eggs and egg products.

In 2015, Avangardco IPL added as many as 7 new countries to its already impressive portfolio of 42 country markets by starting to export its shell eggs to Qatar and Israel and its egg products to the UK, Bangladesh, Iran, Latvia and Italy.

2015 Export by Region, % of Export Revenue



- MENA[4] - 50%
- The EU - 24%
- The Far East - 24%
- The CIS - 2%

[1,2,3] Source: State Statistics Office of Ukraine, Pro-Consulting

[4] Including Turkey and Pakistan

THE LONG-AWAITED PENETRATION INTO EU MARKET BEGINS TO TAKE SHAPE

Avangardco IPL set its eyes on the EU market early in its history and for quite obvious reasons. The European Union remains the largest player in the global market for shell eggs and egg products. On top of its unrivalled earning potential, the EU offers egg powder exporters certified to sell to its internal market a unique opportunity of introducing its products to clients all over the world through reputed European re-sellers. The share held by the EU in global egg powder exports is a dominant 68.5%.[1]

We realised early on that penetrating the EU market would take a long time and it eventually did. We worked hard to facilitate the EU's approval of Ukraine as a country of origin and we successfully completed rigorous and lengthy vendor certification procedures to be admitted as an eligible supplier.

These efforts paid off and the share of the EU in our egg powder exports soared from 1% in 2014 to 40% in 2015. This successful development was especially helpful given the partial loss of trading volume with MENA.

What is particularly remarkable is that Avangardco IPL has been successfully expanding egg powder trade with the EU despite the lean duty-free quotas it has extended to Ukraine as part of a free trade agreement, which only goes to show that Avangard's quality and price are competitive in the EU market even when burdened by customs duty.

STRENGTHENING SALES CHANNEL MIX

We continued our efforts to strengthen the company's sales channel mix with an increasing share of sales made through leading Ukrainian retail chains in the home market and down the export channel.

In 2015, the contribution to total sales from trade through supermarkets reached a hefty 44%. While expanding sales through retail chains we are at the same time reducing our exposure to egg wholesalers that represent a riskier and less lucrative home market channel.

Another important sales channel whose contribution to the company's top line grew in 2015 is exports. Whereas in 2014 exports accounted for 13% of total sales, in 2015 their share hit 15%.

A NEW STRATEGY OPENS UP LONG-TERM GROWTH PROSPECTS IN GLOBAL EGG POWDER MARKET

In times of crisis mature organisations always look inward to identify areas where improvements can be made to increase operating efficiency and reduce costs. An analysis of our egg processing performance revealed serious issues with our commercial strategy.

In pursuit of expansion of high-value dry albumin sales, we ended up producing increasing quantities of generic yolk powder that built up as hard-to-sell inventories.

We have developed a brand-new strategy to address this deficiency and at the same offer our albumin buyers a unique value proposition by bundling dried egg whites with a certain proportion yolk powder produced from the same egg mass subsequent to separation.

And while this strategy may have triggered a temporary reduction in production and sales volume we are confident that in the future it will pay off and pave the way towards sustainable growth and long-term profitability.

A BOND RESTRUCTURING DEAL SECURING VITAL BREATHING SPACE

As the crisis deepened when sales dropped dramatically, assets in Crimea and Eastern Ukraine had to be suspended and severe local currency depreciation was taking a very heavy toll on company earnings, it became increasingly evident that it would be extremely difficult for the company to redeem its USD 200 million bond at maturity in late October 2015.

Fortunately, we succeeded in persuading our bondholders to agree to a restructuring giving us the vital breathing space so badly needed to address the manifold and difficult challenges presented by the current crisis.

With the maturity of our Eurobond moved to 2018 we now feel confident that we will overcome all these challenges and recover the profitability of our business.

[1] Source: International Trade Centre, Pro-Consulting

KEY STAGES OF COMPANY DEVELOPMENT

2003

The history of the company begins with the purchase of the Avangard poultry farm located in West Ukraine not far from Ivano-Frankivsk. The holding company was later named after the first poultry farm acquired.

2003-2009

The company implements a strategy of expansion through mergers and acquisitions, as well as organic growth. During this period, the company purchased additional 18 laying farms, 3 hatcheries, 3 rearing farms and 4 feed mills. In order to cover production needs for replacement flock, the company also constructed additional rearing farms. During the same period, the company constructs warehouses for long-term egg storage as well as 2 feed mills. This strategy ensures the company's presence in 14 regions of Ukraine and Crimea and allows for the development of a vertically integrated business. In 2009, the company commissioned a modern egg processing plant, Imperovo Foods, which was constructed by the company and outfitted with state-of-the-art equipment in partnership with Sanovo, a world leader in the manufacture of egg processing equipment. As a result, the company became the largest producer of shell eggs and and dry egg products in Ukraine. Avangardco IPL was incorporated on 23 October 2007 under the law of Cyprus to serve as the ultimate holding company for Avangard.

2010

Avangardco IPL makes itself known on the international financial markets by successfully completing an IPO on the London Stock Exchange and attracting USD 208 million in investment. An additional USD 200 million was raised through a Eurobond placement.

2011-2013

The company continues growing organically. Through a large-scale investment program culminating in the construction of the Avis and Chornobaivske modern poultry complexes, laying capacity increased to 30.1 million hens, while annual production capacity reached 8.6 billion eggs. In 2013, the company completes the project for increasing egg processing capacity at Imperovo Foods to 6 million eggs daily.

2014

On 30 September 2014 Imperovo Foods receives official authorization to export dry egg products to the European Union. On 18 August 2014 the company's eggs and dry egg products become Kosher certified. In 2014, the company suspended and recognised impairment the following assets: the laying farm "Yuzhnaya-Holding", rearing farm "Yuzhnaya-Holding", laying farm and hatchery "Ptytsecomplex" due to the annexation of the Autonomous Republic of Crimea, as well as the laying farm "Chervonyi Prapor", rearing farm "Chervonyi Prapor", laying farm "Interbusiness" and "Vyhlehirskyi feed mill" due to a military conflict in Eastern Ukraine.
The company also reduced the number of laying hens at the farms lying close to the conflict zone. Thus, as of December 31, 2014 the Company's total available capacity for laying hens amounted to 21.7 million hens.

2015

In 2015, despite the difficult situation in the Ukrainian economy and demand contraction in the home market and overseas, the company scored a number of important achievements.
In particular, we added 7 new country markets to our export destinations for a total of 42.
The share of the EU in our egg powder exports rose to 40%. Trade through retail chains became our largest sales channel for the first time in company history.
We successfully restructured a USD 200 million Eurobond that represents a lion's share of our debt portfolio shifting its maturity from October 2015 to October 2018.

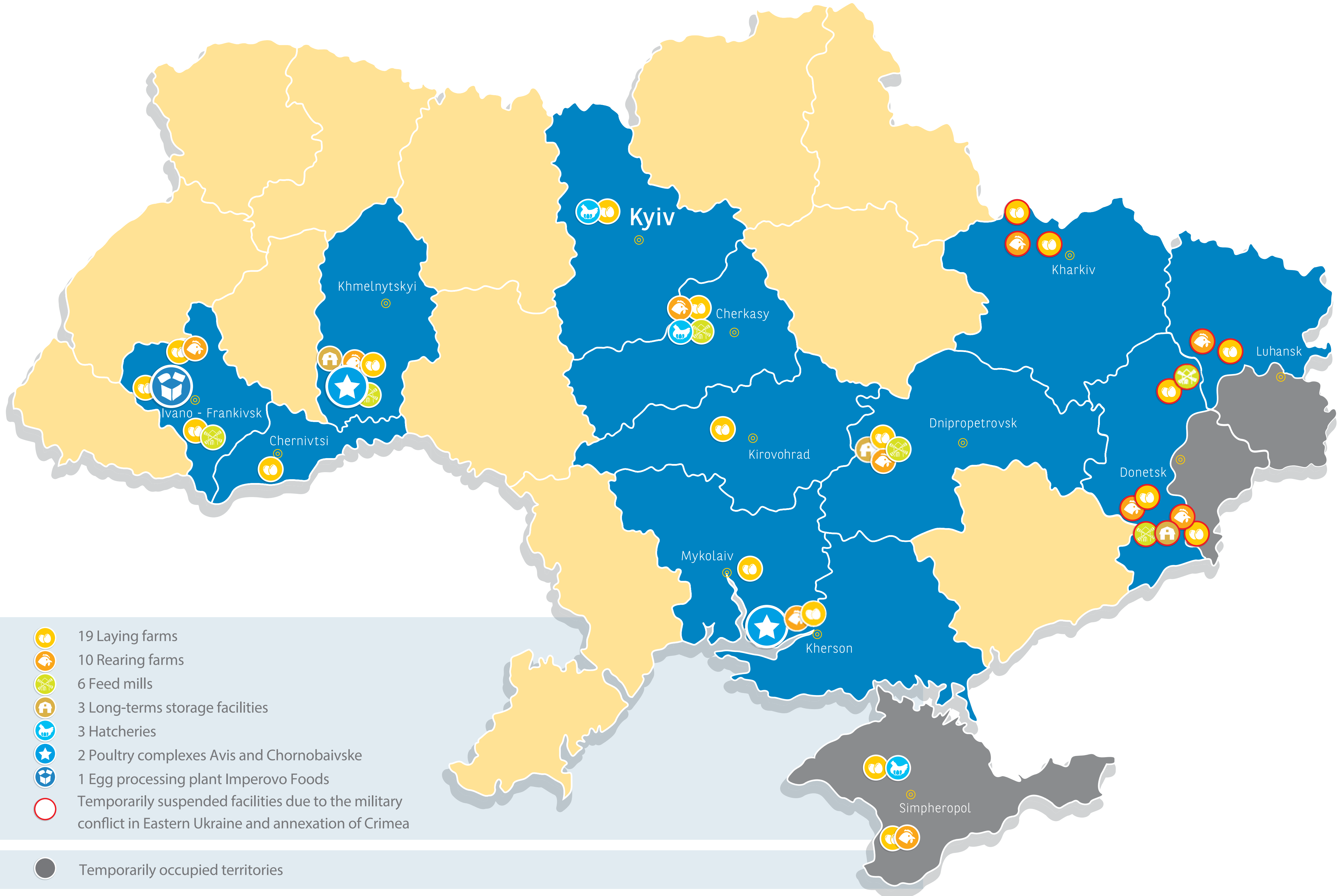
OUR COMPETITIVE ADVANTAGES

ADVANTAGEOUS GEOGRAPHICAL DISTRIBUTION OF PRODUCTION FACILITIES

Avangardco IPL consists of 19 laying farms, 10 rearing farms, 6 feed mills, 3 hatcheries, 2 poultry complexes Avis and Chornobaivske and the egg processing plant Imperovo Foods.[1]

Production facilities in 14 regions of Ukraine allow the company to meet the demand of Ukrainian consumers in an efficient and timely manner. The company's production facilities are well distributed geographically. For example, the Avis poultry complex, located in Western Ukraine, supplies eggs to the Imperovo Foods processing plant located near the EU border. This allows the company to minimize the cost of exports to European countries. The Chornobaivske poultry complex is located in Kherson region with close access to the Black Sea, which makes exports to the countries of the Middle East, Africa, Asia, and the Pacific more effective and allows the company to minimize logistics costs.

[1] In 2014, the company suspended and recognised impairment the following assets: the laying farm "Yuzhnaya- Holding", rearing farm "Yuzhnaya-Holding", laying farm and hatchery "Ptytsecomplex" due to the annexation of the Autonomous Republic of Crimea, as well as the laying farm "Chervonyi Prapor", rearing farm "Chervonyi Prapor", laying farm "Interbusiness" and "Vyhlehirskyi feed mill" due to a military conflict in Eastern Ukraine.



Feed mill, the Khmelnytsky region

Slovyany hatchery. Sorting of day-old chicks

Packing of dry egg products

AN ECO-SYSTEM BASED ON FULL VERTICAL INTEGRATION

Avangardco IPL is a socially and environmentally responsible business. The company pays special attention to the relationships with its clients, contractors, suppliers, investors and other target audiences. Building partnerships allows for faster adjustment to the changing market environment, implementation of state-of-the-art technologies and joint creation of added value.

Avangardco's advantage lies in vertical integration, which makes it possible to effectively control every step of the production process. The company's key production facilities include hatcheries, rearing farms and laying farms. Thanks to strict control at every stage of the production process, as well as the availability of warehouses for long-term storage, we can adjust production volumes to match demand and minimize the consequences of price fluctuation.

The egg processing plant Imperovo Foods allows us to produce high quality egg products. The company owns six compound feed mills, which allows us to meet up to 64%[1] of our demand for poultry feed – a key component of production costs. We are in the process of constructing biogas plants, which will help us resolve the environmental issue of chicken manure disposal while producing electricity and heat as well as bio fertilizers.

Our products shell eggs and egg products are widely sold domestically, as well as exported to 42 countries.

The investment community, creditors, government agencies, suppliers, equipment producers and NGOs also play an important role in Avangardco's eco-system.

[1] In 2014-2015 the company temporarily suspended two feed mills situated in Eastern Ukraine

HIGH PRODUCT QUALITY

The company employs international state-of-the-art production methods and best practices in process optimization and quality control, which enables us to supply the highest-quality products at affordable prices to clients in Ukraine and abroad. Avangardco's facilities are equipped with quality and safety control systems used for certification of agricultural production processes around the world.

Our broad product range caters for diverse customer expectations. Our primary products include shell eggs (branded packaged eggs in 10-egg cartons and 30-egg trays) and dry egg products.

Our processing facilities enable us to produce different types of dry egg products with various additives, as well as liquid egg products.

Food Safety Management System. Codex guidelines for the application of the HACCP system (CAC/RCP. 1-1969)

Quality Management System. ISO 9001:2008

FSSC 22000

Food Safety Management System. ISO 22000:2005

Halal certificate

Kosher certificate (for eggs and egg products)

SHELL EGGS

Avangardco produces "table" shell eggs. Depending on weight, they are divided into 5 categories: premium, supreme, first, second and small. To accomodate consumer preferences, we produce white and brown eggs.

We sell shell eggs as branded packaged eggs in 10-egg cartons and in 30-egg trays. Domestically our shell eggs are sold through 2,300 outlets throughout Ukraine including key supermarkets chains such as Auchan, ATB, Silpo, Pakko, Velyka Kyshenya, Karavan, Brusnichka and others. We export about 15% of our shell eggs.

Category	Shell egg weight, grams
Premium or XL	73 and more
Supreme or L	63 — 72.9
First or M	53 — 62.9
Second or S	45 — 52.9
Small	35 — 44.9

KVOCHKA (MOTHER HEN)

Kvochka is a popular brand in the packaged eggs segment. Kvochka offers consumers high-quality and healthy products at an attractive price. We produce our own feed for our laying hens and thus know for a fact that Kvochka eggs are not only healthy but also very tasty. Kvochka brand products have been approved by the Ukrainian Research Institute of Nutrition.

DOMASHNY (HOMELAID)

Nothing beats homelaid eggs, be it for a family breakfast, a feast or delicious pastries. We make sure we deliver them to your table. Domashny (Homelaid) brand eggs are eggs from hens that receive only loving care and natural feeds. These eggs are nutritious, healthy and very tasty!

ORGANIC EGGS

We offer Ukrainian buyers a modern product under the Organic Eggs brand. This product takes the top spot in the Kvochka brand portfolio and represents all the basic values of the company – to offer only fresh and natural products.

EGG PRODUCTS

Avangardco produces the following main types of dry egg products: egg albumen powder high whip, egg albumen powder high gel, whole egg powder, egg yolk powder and heat-stable egg yolk powder. Depending on the clients preferences, we can add any additives to the product, for example sugar, salt, etc. The company produces its dry products at the state-of-the-art egg processing facility Imperovo Foods (www.imperovo.com.ua).

We export 78% of our dry egg products. The main customers of egg products are companies in the food industry such as confectionery, fat-and-oil, bread, meat processing and others.

Egg yolk powder, egg albumen powder and whole egg powder

Dry egg products in vacuum packaging

Eggs and dry egg powder

Product type	Application & Functionality	Product description
Egg albumen powder high whip	Suitable for confectionery and bakery industry. The advantages of this product include excellent whipping qualities and good foam stability. A further advantage is the storage conditions, handling and shelf life of powder compared to liquid products.	Consists of 100% natural de-sugared, spray dried and pasteurized egg white. 100 g of powder dissolved in 700 g of water corresponds to 800 g of fresh egg white (equivalent to approx. 25 eggs).
Egg albumen powder high gel	Suitable for the confectionery, bakery and meat industry. The advantages of this product include premium gelling and water binding properties.	Consists of 100% natural de-sugared, spray dried and pasteurized egg white. 100 g of powder dissolved in 700 g of water corresponds to 800 g of fresh egg white (equivalent to approx. 25 eggs).
Whole egg powder	Suitable for baked products, ready meals, meat products etc. The advantages of this product include its texture and emulsifying ability.	Consists of 100% whole egg powder. Pasteurized and spray dried whole egg. 100g dissolved in 300 g of water corresponds to 400 g fresh whole egg (equivalent to approx. 8 shell-eggs).
Egg yolk powder	Suitable for mayonnaise, dressings, pasta, ice cream, baked products, cake mix or other products where egg yolk is needed. The advantages of this product include its emulsifying qualities, taste, colour and texture.	Consists of 100% natural pasteurized and spray dried egg yolk. 100 g of powder dissolved in 125 g of water (equivalent to approx. 225 g of liquid egg yolk).
Heat-stable egg yolk powder	This type is used mainly in the mayonnaise industry, as it is characterized by thermostability as well as excellent emulsifying properties. Provides stable emulsion in high temperature conditions, long-term storage.	Consists of 100% natural pasteurized and spray dried egg yolk. 100 g of powder dissolved in 125 g of water (equivalent to approx. 225 g of liquid egg yolk).

LETTER FROM THE CHAIR OF THE BOARD OF DIRECTORS

NATALIYA VASYLYUK

Dear shareholders, creditors and business partners!

2015 became another difficult year for Avangardco IPL, probably the most difficult year in our history.

Following Ukraine's Revolution of Dignity of early 2014 and lost Crimea through annexation the country became embroiled in a devastating armed conflict that has engulfed parts of Eastern Ukraine bordering on the Russian Federation resulting in loss of lives, crippling the local economy and stripping the local population of their livelihoods.

Back in 2014 we cherished the hope that the conflict would soon be over but it continued into 2015 and the crisis it had triggered became nationwide.

While attempts have been made to resolve the Donbas conflict peacefully through the so-called Minsk Accords, little has been achieved in reality: the truces have not been observed, towns and villages in the conflict zone are lying in ruins, most local residents have fled their homes. All these developments are taking a heavy toll on the economy and the crisis is showing no signs of abatement.

When forced into crisis mode economic agents often tend to overreact fearing worse times might follow. Companies cut costs and staff, investors hold off investments, households save in every way they can.

Many risks and adverse effects only started to manifest themselves in the second year of the crisis because it took time for them take shape.

While in 2014 economic agents were still hopeful that the crisis would soon end, by early 2015 the grim realisation came that this was a long-term recession and they set about downsizing, cost-cutting and saving in earnest.

Devaluation only got worse in 2015 and the country's GDP lost more in 2015 than in 2014, 9.9% vs. 6.6%, while annual inflation spiraled up exceeding 48% vs. a moderate 12% the year before. Retail trade also lost considerably more in 2015 than in 2014, 21% vs. 9%.

All these adverse circumstances have led to an unprecedented contraction of domestic demand across many product categories including eggs and egg products.

On the export front unfavourable developments were unfolding in our primary target market, the Middle East and North Africa region. The war on ISIS has engulfed Syria and parts of Iraq, traditionally Ukraine's and the company's largest export market for shell eggs. In 2015, Iraq alone reduced its egg imports by over a third.

In response to a rapidly contracting home market, shrinking export demand and heavy pressure on margin performance exerted by substantial cost inflation unmatched by egg price dynamics, we have made several crucial decisions to strengthen the company both operationally and financially.

We have decided to downscale our operations in proportion to demand contraction to avoid overproduction and prevent domestic egg prices from collapsing.

We have decided to circle wagons around our most productive assets, Avis, Chornobaivske and Imperovo, our most valuable customers, both foreign and domestic and our most trusted business partners.

Forced to cut output, we have decided to concentrate production at Avis and Chornobaivske to retain our ability to produce efficiently and safely to the highest standards of modern egg farming.

In order to increase customer satisfaction among our egg product buyers and balance our inventories we have decided to drop generic powder varieties from our egg product portfolio and switch completely to customer-specific formulations.

We continued to expand trade through retail chains, a sales channel that became our largest for the first time in 2015. More profitable and reliable compared to sales through the middlemen, this sales channel has been in the spotlight of our attention for the past several years. Since 2009, its share of our total sales has grown from zero to over 40% as of 2015.

On the export front, our loss of demand from MENA was to a certain extent compensated by increasing trade with the European Union.

We have always regarded the EU market as a high-hanging fruit. Exceptionally protective of its market the European Union has shielded itself with numerous and stringent requirements both at the Union level and at the level of individual member states.

It took us years to meet all EU requirements and company is now fully certified to sell egg products and eggs for processing to the EU. While the increased sales to the EU in 2015 may not have made up for the decline in trade with MENA we got off to a great start with our egg powder sales to this market growing from 1% of total egg product exports in 2014 to over 40% in 2015.

As we continue exploring new markets while expecting MENA to recover we will from now on stake high on the EU market, which represents an excellent platform for promoting sales to European customers and clients all over the world that we can reach by selling through major EU traders, such as our long-standing business partner, the Danish company Sanovo.

The difficult situation in home and foreign markets aggravated by the challenging macroeconomic situation couldn't help reflecting negatively on our financial performance. Even though we posted a net loss for 2015, most of it resulted from one-off losses caused by extraordinary asset write-downs, write-offs and devaluation.

Our liquidity situation remained tight throughout 2015 obstructing operations and harming our debt servicing capacity. We had to seek a restructuring with our bond holders moving the maturity of our USD 200 million Eurobond to 2018 and we really appreciate their support and understanding of the company's difficult circumstances and acknowledgement of the fact that our present debt predicament is a liquidity issue, not a solvency issue.

We are equally thankful to our bilateral lenders, our shareholders and business partners for their continued interest and faith in the company.

It is the support of our stakeholders that fills us with hope that we shall weather this perfect storm and reemerge as a vibrant and profitable business, a global leader in the modern egg farming industry.

PERFORMANCE REVIEW 2015: DOMESTIC OPERATIONS

Avis poultry complex

A CHALLENGING OPERATING ENVIRONMENT

Macroeconomic Fundamentals Remained Weak throughout 2015 Causing Substantial Home Market Contraction

Unfortunately, the recessionary processes that started in 2014 continued into 2015 resulting in a still larger GDP contraction as compared to the year before. According to national statistics Ukraine lost 9.9% of GDP in 2015 vs. 6.6% lost in 2014[1].

The International Monetary Fund being Ukraine's largest lender had to worsen its 2015 GDP forecast more than once during the year initially setting its decline at 5.5% in April and then revising it down twice, in June to 9% and again in October to 11%[2].

Other key macroeconomic fundamentals, e.g. inflation, disposable income, savings, were also showing signs of a deepening recession brought on by a continuing military conflict in Eastern Ukraine and the related loss of trade with Russia, an already difficult situation further compounded by a political crisis, falling prices of key export commodities and other factors.

It is only natural that many negative effects caused by the above circumstances should take time to fully manifest themselves. The good news is that such time lags afford an economy in crisis the vital breathing space to adjust proactively. The bad news is that for the same reasons any remedial action however urgent takes time to turn the tide of economic decline.

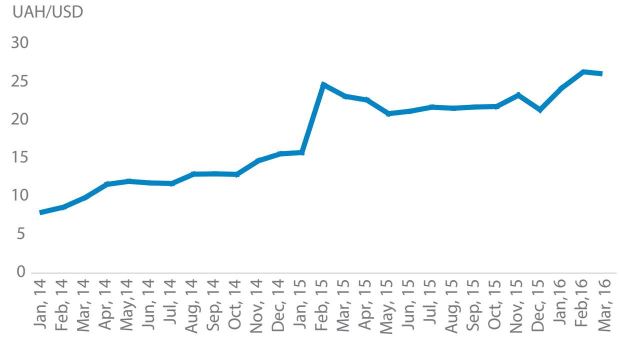
While some macroeconomic fundamentals adjust almost immediately many of the delayed negative effects hit late rather than early because they adjust through or subsequent to other fundamentals or because governments impose restrictions to delay their adjustment, for better of worse.

Consumer Price Index (CPI) is often among the last macroeconomic fundamentals to adjust and it carries the compound effect of earlier adjustments including currency devaluation that has been among the key contributing factors behind the current economic decline in Ukraine.

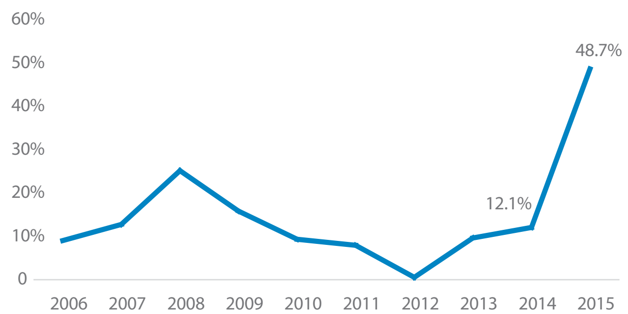
The strong correlation between devaluation as measured by the depreciating rate of exchange and inflation as evidenced by the surging CPI only goes to show how dependent Ukraine's economy is on foreign trade.

[1] Source: State Statistics Office of Ukraine
[2] Source: IMF

Devaluation of the Ukrainian Hryvnia against the US Dollar [1]



10-Year CPI, YoY [2]



According to the World Bank, as of 2014, national exports as a share of GDP were as high as 49.2% with imports equivalent to 53.2% of GDP . And while full-year 2015 statistics have yet to be released it is already evident that the status quo didn't change much in 2015.

Interestingly, it's not the dependency itself that is the issue here, many economies have survived and prospered with greater dependencies. Take Switzerland for example. Its exports account for 64.3% of GDP or the UAE with its whopping 98%. The real issue is sustainability.

Simply put, Ukraine is not capable of sustaining its current economic structure and its imbalances always resurface whenever a crisis hits. It's just that this time around it's been much worse than before and the crisis is showing no signs of abatement. The severe depreciation of Ukraine's national currency is just the most salient of its manifestations.

But isn't it good for an exporting economy when its currency depreciates? Indeed, exports do become more competitive but by the same token imports may become too expensive, sometimes prohibitively, and instead of catalysing growth depreciation can inhibit it, stall or even turn it negative when it goes through the roof as has clearly happened in Ukraine.

While the competitive gains earned by the devaluation have been marginal the pressure that it has put on the home market is enormous, if not unbearable. And this is where the high dependency of Ukraine's economy on imports becomes excessive.

As of the 9 months of 2015, the value of imports was equivalent to 56.6% of GDP but that is not the most striking statistic. One closer to home for the likes of Avangardco IPL that strongly depend on home trade is the ratio between imports and end consumption, normally the largest element of GDP by expenditure. As of the same period, the ratio was a shocking 67%[3]. True, not all imports end up consumed domestically in the year in which they imported, some represent capital goods, some go into exports as inputs but the figure is shocking all the same.

And while in nominal terms end consumption even grew slightly in 2015 as compared to 2014 in real terms it contracted very substantially. Sadly, we haven't seen the worst of it because the negative effects of the continuing devaluation have not yet fully passed on to the home market. And let us not forget about the other factors at play responsible for such critical home market contraction, both primary and secondary:

Factors Responsible for Home Market Contraction in Ukraine (2014-2015)

Devaluation	Import prices become prohibitive while import dependencies remain high
Inflation	Domestic prices surge undermining purchasing power
Income freeze	Organisations freeze wages and salaries, government freezes pensions and allowances
Loss of home trade	Businesses see home trade wane across many sectors, some more affected than others, as purchasing power declines
Government spending in deep freeze	Government spending that normally comes to the rescue when home market contracts is in deep freeze
Dearth of credit	Loans grossly overpriced, banks reluctant to lend

[1] Source: Company data
[2] Source: State Statistics Office of Ukraine
[3] Source: State Statistics Office of Ukraine

WISELY SCALING DOWN TO AVOID OVERPRODUCTION

Individual sectors of the Ukrainian economy have been affected by the economic downturn to varying degrees.

While, as compared to other industries, agriculture has been faring pretty well since the onset of the crisis, little if any of its success could be attributed to domestic trade.

On top of overall demand contraction, another major tendency is taking hold in the home market as consumers increasingly switch to home-produced farming products. This is particularly true of eggs, especially in areas where breeding hens at home is part of the local culture, e.g. Central and Western Ukraine.

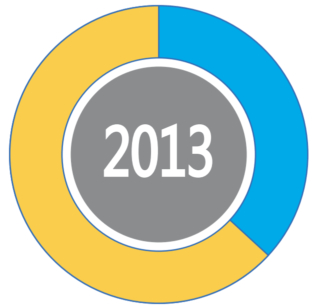
Since inception, Avangardco IPL has been at the forefront of reforming the egg-farming sector to make it more sustainable, predictable and less susceptible to seasonality caused by the presence of individual households as producers in the market.

Due in large part to efforts by this company, Ukraine's commercial egg-farming industry had been consistently gaining ground and winning over market share from the household sector until the crisis hit in 2014.

HOLDING GROUND AMID DEEPENING RECESSION

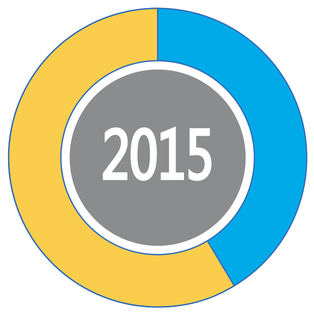
Unfortunately for industrial egg producers, the tide has turned and the share of the market held by individual households is back on a growth track.

Structure of Shell Egg Production in Ukraine, % [1]



Households 37%

Industrial egg producers 63%



Households 42%

Industrial egg producers 58%

Traditionally, Avangardco IPL maintained a higher concentration of production facilities in the industrialised East of Ukraine, which made perfect business sense as consumers in that part of Ukraine mostly bought industrially produced eggs.

Another traditional sales concentration was always Crimea due to the high seasonal demand during the holiday season that the company normally relied on its mainland farms to meet.

While most of those markets were lost in 2014, the contraction continued well into 2015.

What is more, the market contraction has affected not only the annexed Crimea or the breakaway parts of Donetsk and Lugansk provinces. It has also hit in no smaller measure the surrounding Ukrainian-controlled territories.

And for reasons extensively discussed above much if not most of the contraction we have seen so far was recorded in the second year of the crisis, that is in 2015 rather than 2014.

According to a recent market review based on the latest national statistics for 2015, critical demand contraction forced egg-farming companies to substantially cut production in the two provinces directly affected by the military conflict.

In Donetsk province alone, industrial egg production in 2015 was a meagre 20% of its volume in the same period of 2014. Still worse, in Lugansk province the loss of industrial production over the same period was a lethal 98.4%, i.e. the 2015 output was an indiscernible 1.6% of the production volume in 2014[1].

Importantly, these statistics do not include the so- called temporarily occupied parts of Donetsk and Lugansk regions! This entire decline occurred on Ukrainian-controlled territory.

But that is not the most striking development. Production also dropped substantially in 2015 in several provinces neighbouring those directly affected.

Demand contraction extensively discussed above is certainly the biggest contributor but there is also an operational side to it.

Industrial egg production requires the seamless operation of an entire supply chain made up of several critical elements sine qua non.

Laying hens have to be regularly replaced; feed, vaccines and other inputs have to be seamlessly supplied and eggs have to be timely collected and delivered to consumers. And, importantly, all these processes must follow stringent biological security and food safety rules. A major disruption of supply chains has taken place not only within the conflict zone but also in many parts of the country bordering on the provinces directly affected by the military conflict.

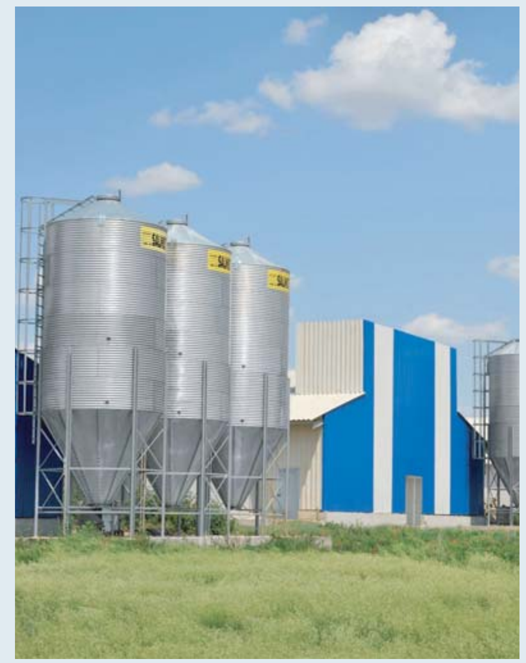
Even companies as strongly vertically as Avangardco IPL have had to suspend production at certain egg farms primarily for biosecurity reasons.

Donetsk, Lugansk regions and Crimea once represented quite a sizeable chunk of Ukraine's domestic egg market. As of 2013, those three regions accounted for 19% of domestic consumption and traditionally had the highest per capita consumption in the country.

The critical state of the economy has depressed household income triggering a severe contraction of egg consumption nationwide. According to national statistics real household income shrank by 24% YoY in Q1 2015, the decline was even heavier in the second quarter of the year while in Q3 the rate of contraction was 27% YoY. Retail trade sagged by 21% YoY in 2015. It is these negative developments that led to a 11%[2] YoY decline in domestic egg consumption.

As a result, Avangardco IPL had to substantially downsize its domestic operations in 2015 under the pressures extensively described above, and we are convinced that it was a necessary step, painful but necessary.

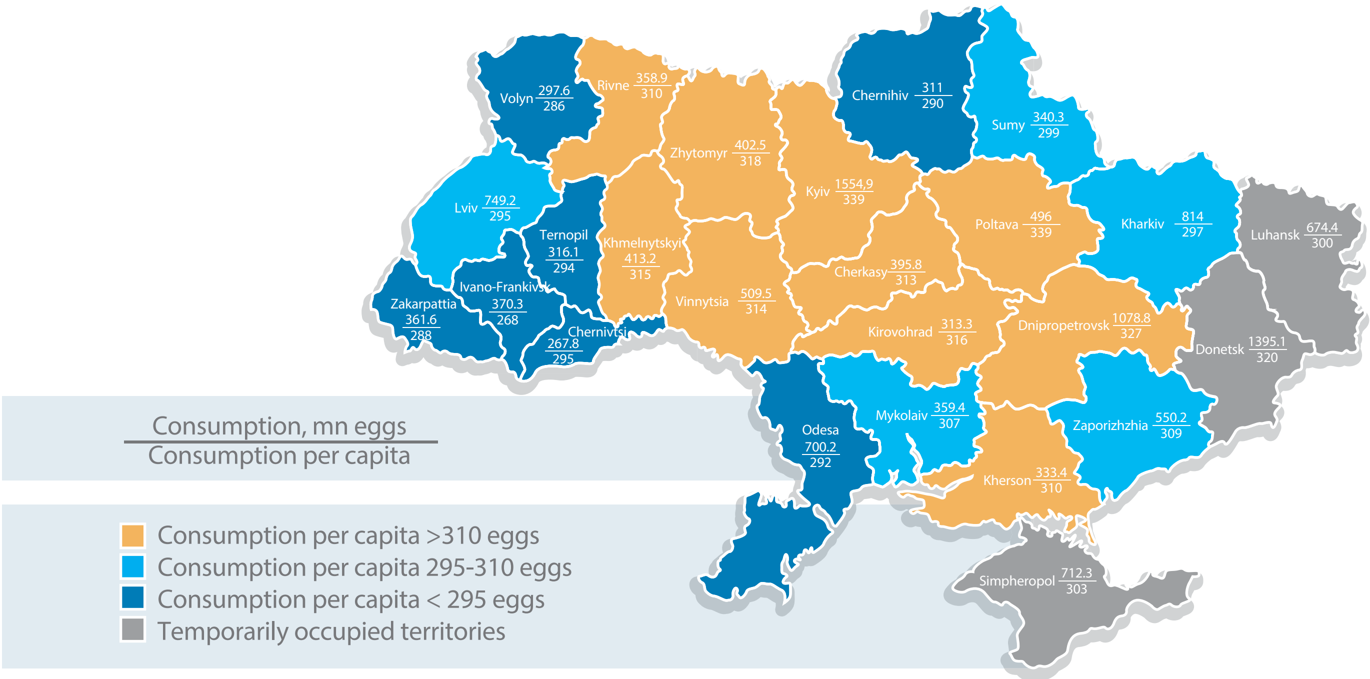
Chornobaivske poultry complex



[1] Source: State Statistics Office of Ukraine

[1] Source: State Statistics Office of Ukraine
[2] Source: Pro-Consulting

Ukrainian Shell Egg Consumption Map, Breakdown by Region, 2013[1, 2]

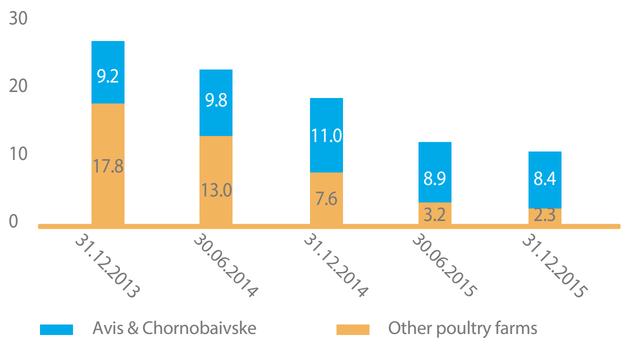


A SILVER LINING

The company has embarked on a transitional strategy aimed at improving quality while reducing costs where possible in order to boost competitiveness and strengthen its ability to withstand various shocks.

Under pressure to cut output Avangardco IPL made a crucial decision to concentrate production at its two megafarms, Avis and Chornobaivske, built to the highest standards of modern industrial egg farming in the period 2007-2013. Being the largest egg farms in all of Eurasia with a collective housing capacity of 11.2 million layers and 5.0 million pullets, they are also strongly vertically integrated and represent two of the world's most cost-effective egg farming facilities ever built.

Flock Distribution: Modern vs. Legacy Farms, mn Birds



A highly profitable business operation for most of its history, Avangardco IPL is now faced with an unprecedented margin contraction caused by severe cost inflation triggered by the threefold devaluation of Ukraine's currency, the hryvnia. And while the company buys most of its inputs locally just as all other industrial egg producers the largest input is still the grain that goes into feed production, and grain is a globally exchanged-traded commodity whose local currency prices closely correlate with global benchmarks.

At the same time the depressed purchasing power has prevented the company from passing those cost inflation effects on to its sales price.

We eventually will as we have in the past. But we know from experience that it takes time for domestic egg prices to regain their dollar value following a steep devaluation. It took us about 18 months to recover home price levels during the previous crisis of 2008-2009.

Admittedly, this time around the recovery will take longer because the crisis is only unfolding. The good news is that domestic egg prices have slowly but steadily started to ascend as evidenced by our pricing statistics. In 2015 our domestic prices rose by 56% YoY.

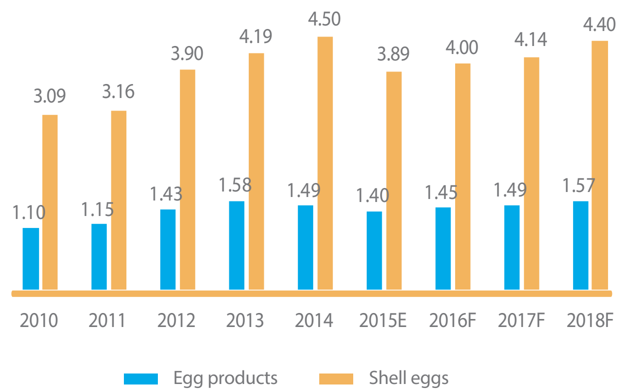
1 Source: State Statistics Office of Ukraine
2 The last year when statistics covered all Ukrainian regions

PERFORMANCE REVIEW 2015: EXPORTS OF EGGS AND EGG PRODUCTS

GLOBAL SHELL EGG MARKET: GROWTH CONSTRAINED BY CONFLICT IN MENA

Before 2015 the world shell egg market was growing at a moderate yet consistent pace.

Global Imports of Eggs and Egg Products, USD bn[1]



The main source of this growth was the steadily increasing consumption across many country markets that the local egg farming industry in those markets is simply incapable of meeting.

By and large, egg production still remains very much a local industry; only about 3%[2] of its total volume is traded internationally.

The number one producer and consumer of eggs in the world is certainly China with its 37% of global egg consumption followed by the US and India.

Consumption growth has been the strongest in developing countries, especially Asia, where such powerful trends as income growth and increasing demand for animal proteins are pushing egg production up, often beyond the capacity of the local egg farming industry.

Another reason behind the steady growth of the global egg market is the fact that certain regions strongly depend on egg imports because their climate is such that it substantially limits or altogether rules out local production.

In 2015 growth in the world shell egg market turned negative for the first time in years. Global egg imports shrank by 14% YoY. This was the result of reduced demand for shell eggs from the three major importers: the European Union, MENA and CIS.

In 2015, the European Union reduced its imports by a hefty 16% YoY[3] in value terms as European producers had largely adjusted their production to the requirements of Council Directive 1999/74/EC banning standard battery cages. As a result egg production within the EU recovered as imports dropped. Effectively the EU imports rolled back to the level of 2011. That said, the EU remains the world's largest egg importer with a 43%[4] share of global imports.

Being the second largest importer of eggs globally, MENA remains in first place as the fastest growing market for imported shell eggs in the world.

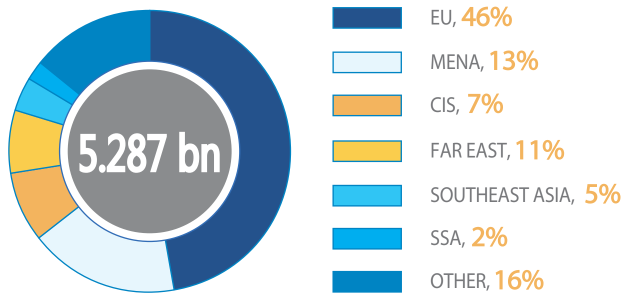
Recently, however, this region has seen a major disruption of trade routes caused by military conflicts that have engulfed Syria and Iraq. In 2015 imports of shell eggs into this region fell by 31%[5] YoY in value terms.

1 Source: International Trade Center
2, 3, 4, 5 Source: International Trade Center, Pro-Consulting

This is particularly painful for Ukraine as an egg exporter as it has traditionally sold a lion's share of its egg exports to customers in MENA, especially Iraq.

The global market for shell eggs also contracted in 2015 due to the partial loss of the market of Russia from sanctions imposed by Western nations in response to the annexation of Crimea. Other countries of the CIS increased their imports.

Breakdown of World Imports of Eggs and Egg Products in 2015E, USD mn [1]

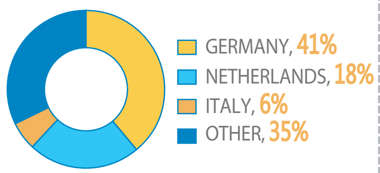


KEY SHELL EGG IMPORTERS: MARKET PROFILES 2015

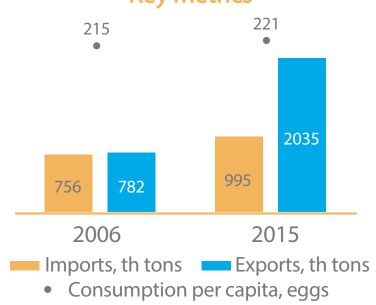
EU

Production: 7.4 mn tons
Share of global imports: 43%

Key Importers in the Region, %



Key Metrics

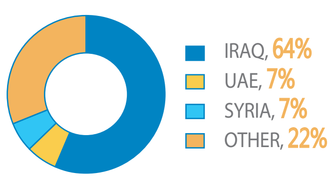


- High levels of economic development, flat population growth, high incomes and urbanization rates.
- EU egg demand almost fully satisfied with local production.
- EU-27 egg market fairly balanced with steady production volume.
- New breeding conditions banning standard battery cages under European Council Directive 1999/74/EC resulted to a temporarily decrease in shell egg production and increased imports. The situation gradually improved as European producers had largely adjusted their production to the requirements of the Directive. As a result imports rolled back to the level of 2011.
- Most of the trade conducted intra-EU with relatively low volumes from beyond its border.
- Import demand largely driven by demand for eggs for further processing.

MENA

Production: 3.7 mn tons
Share of global imports: 15%

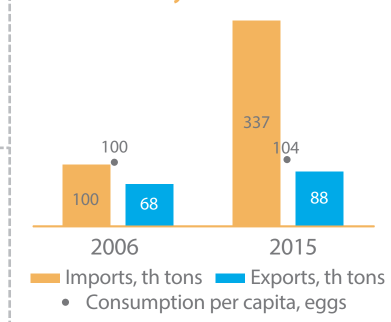
Key Importers in the Region, %



- MENA has huge oil reserves generating most income.
- High population growth; some countries have doubled population in the past 20 years.
- Middle class set to grow boosting purchasing power.
- MENA has changed dramatically in the past fifty years. Caloric intake has increased by 54% and protein intake by 57%. Protein intake still lower than in developed countries.
- Lack of water resources constraining local agriculture and encouraging imports.

[1] Source: International Trade Center, Pro-Consulting

Key Metrics

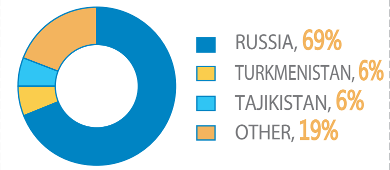


- Imports growing consistently with Turkey traditionally in first place among exporters to the region and expanding in recent years with increased imports from the European Union and Ukraine.
- Military conflict and political instability in 2015 led to a partial closure of borders and significant complications of import procedures.

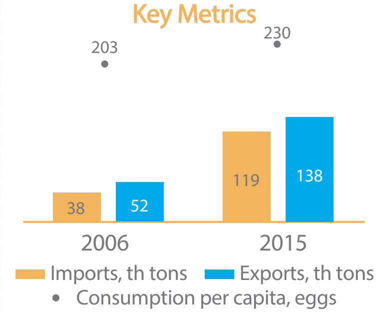
CIS

Production: 4.8 mn tons
Share of global imports: 10%

Key Importers in the Region, %



Key Metrics

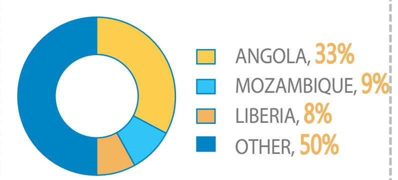


- Largest egg producers include Russia, Ukraine and Belarus.
- Traditionally high egg consumption encouraging growth of egg farming industry.
- Hatching eggs making up most egg imports as poultry sector grows.
- Eggs increasingly imported by countries of Central Asia (Kyrgyzstan and Tajikistan) and the Caucasus (Georgia, Armenia and Azerbaijan).
- Except for Ukraine and Belarus, all CIS countries are net importers of eggs.
- Sanctions against the Russian Federation introduced in 2015 led to a decrease in imports of both table and hatching eggs and immediately affected imports in the region.

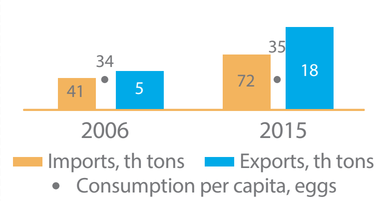
Sub-Saharan Africa

Production: 2.1 mn tons
Share of global imports: 3%

Key Importers in the Region, %



Key Metrics



- Rapid population growth over the past 30 years (1980s – 483 million people, now –over 1 billion).
- High poverty levels keeping food consumption low.
- High dependency on grain imports constraining growth of local egg production.
- Reserves of natural resources (oil, metals, precious stones, etc.) attracting interest from BRICS investors, economic growth to encourage protein consumption, in particular eggs.
- Growth in the region expected to significantly outpace global economic growth according to the World Bank.
- Growing consumer demand to encourage food imports including eggs.

GLOBAL EGG PRODUCT MARKET: GROWTH DECELERATED

The global import for egg products also contracted by 5%[1] YoY in value terms in 2015 due to the conflict in MENA (imports were down by 18% YoY) and loss of the market of Russia, traditionally a major importer of egg products, due to the sanctions (imports were down by 38% YoY), as well as decreased imports from the EU (imports were down by 9% YoY).

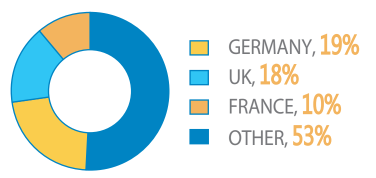
At the same time, certain markets continue growing at rather attractive rates, such as the markets of the Far East and South East Asia experiencing strong growth of its food processing industry.

KEY EGG PRODUCT IMPORTERS: MARKET PROFILES 2015

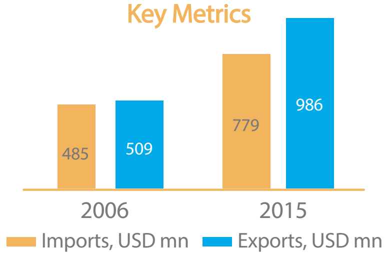
EU

Share of global imports: 55%

Key Importers in the Region, %



Key Metrics

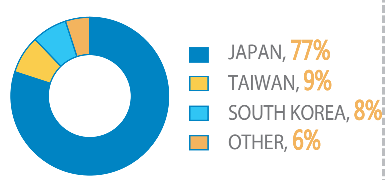


- European countries among the world's largest producers and consumers of egg products.
- In some EU countries more than half of all eggs produced turned into egg products.
- Most of the trade is intra-EU.
- Liquid egg products dominate imports as most of it takes place between EU member states.
- Germany, United Kingdom, France, Belgium top the list of EU egg product importers.
- In the last years the share of exports of dry egg products outside the EU has been increasing. In 2015 the share of European exports of dry egg products to other countries amounted to 45%.

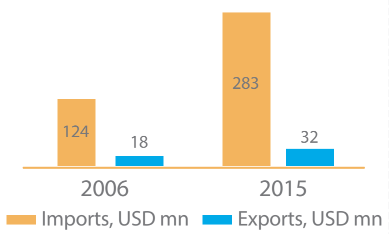
FAR EAST

Share of global imports: 18%

Key Importers in the Region, %



Key Metrics



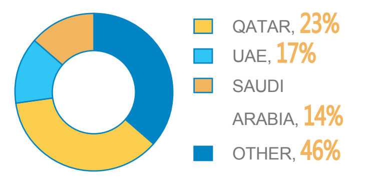
- A large population and high rates of economic development.
- Japan, a global and regional leader in egg product imports with a highly developed egg processing industry. Japan consumes more than 50% of all eggs produced in the country in the form of egg products.
- The Far East region as a whole is a net importer of egg products with some countries more dependent on imports than others.
- Up to 83% of imported egg products are dried egg products.
- Consumer demand expanding steadily encouraging import growth as food-processing industry evolves.

[1] Source: International Trade Center, Pro-Consulting

MENA

Share of global imports: 7%

Key Importers in the Region, %



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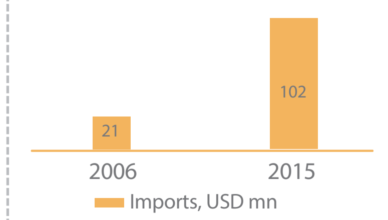
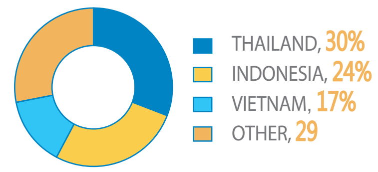


- MENA has the highest dependency on imported egg products in the world.
- Egg processing as an industry does not exist.
- Dried egg products take up nearly 60% of total egg product imports.
- Leading economies of the region represent its largest egg product importers.
- Military conflict and the unstable political situation in 2015 negatively affected imports in the region.

SOUTH EAST ASIA

Share of global imports: 5%

Key Importers in the Region, %



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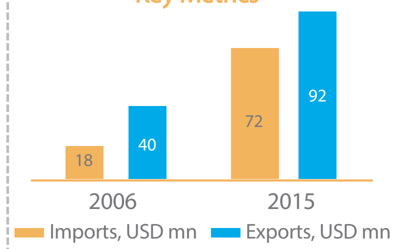


- One of the world's highest population densities (nearly 29% world population).
- Rapid economic growth over the past 30 years.
- Income growth encourages protein consumption growth.
- Egg processing practically non-existent (except India).
- All countries of the region are net importers of egg products except for India.

OUR EGG EXPORTS IN 2015: WEATHERING THE STORM

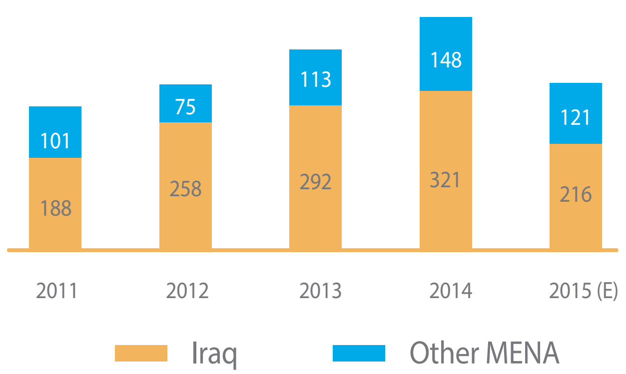
While egg exports from Ukraine shrank in 2015 by 19% YoY[1] in volume terms under pressure from both internal and external factors, Avangardco IPL retained its unquestionable leadership among egg exporters with its unbeatable 48% market share.

Without a doubt, the conflict unfolding in the Middle East being Ukraine's largest export market for eggs remains the greatest challenge facing Ukrainian egg exporters.

With 91% of Ukrainian egg exports going into the MENA region, the decline in the volume of eggs that the region imported in 2015 couldn't help hurting all Ukrainian exporters and especially Avangardco IPL.

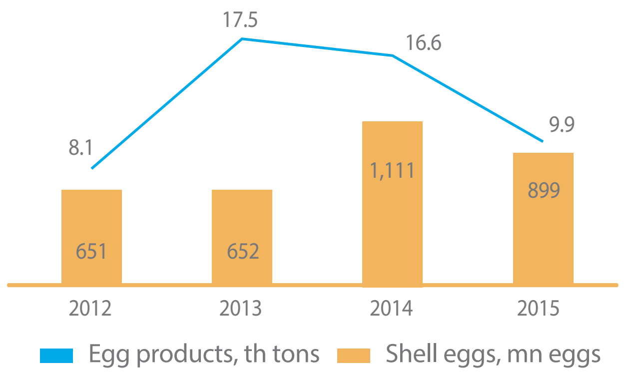
[1] Source: State Statistics Office of Ukraine

Total Imports of Shell Eggs by MENA, tons [1]



This dynamic closely matches the pattern of Ukrainian shell egg exports.

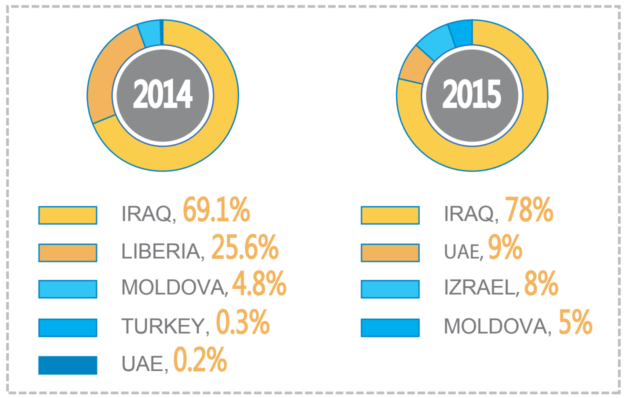
Export of Shell Eggs and Egg Products from Ukraine [2]



Ukrainian egg exporters are responding to waning MENA trade by actively exploring new markets with Avangardco IPL in the lead.

In 2015, Avangardco IPL continued exploring new markets while solidifying our presence in markets that require greater efforts to penetrate.

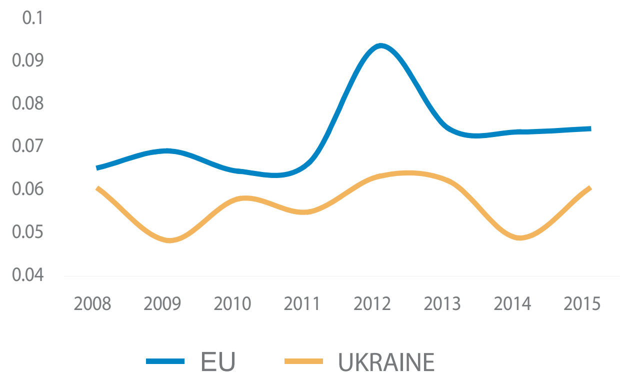
Avangardco Top Egg Export Markets, % of Revenue



OUR EGG PRODUCT EXPORTS: THE EU MARKET

The European Union remains the most attractive export market in terms of earning capacity and, potentially, volume expansion. And while the former is already a fait accompli with the company already earning a premium margin rate off its trade with the EU the latter is hard to achieve.

EU Earning Potential as Measured by Price Differential between EU and Ukraine, EUR/egg [3]

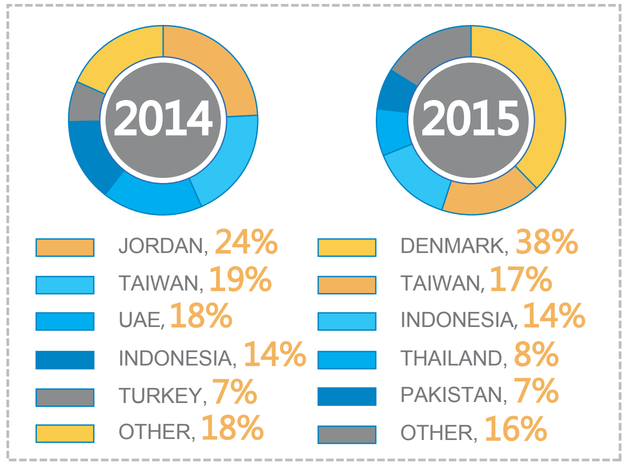


True, the European Union has admitted Ukrainian shell eggs for processing and egg products into its market but the quotas it has granted Ukraine for duty-free exports are minuscule and the application process on the EU side is so complicated and bureaucratized that buyers are in most cases not willing to go the extra mile.

But that is not the real issue; Avangardco IPL has been successfully expanding trade in egg powder with the EU outside quota space and, importantly, this business is already competitive even without a customs duty exemption. In Europe, however, you do not compete on price, nor do you even compete on quality. In the EU you compete on history and brand acceptance. And that takes time to build up.

[1,2] Source: International Trade Centre, Pro-Consulting
[3] Source: European Commission, Pro-Consulting

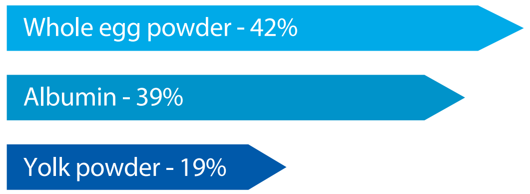
Avangardco Top Egg Products Export Markets, % of Revenue



EGG PRODUCT EXPORTS: A BRAND NEW STRATEGY

In 2015, Avangardco IPL embarked on a brand-new egg processing strategy aimed at improving long-term performance and profitability.

Global Imports of Dry Egg Products by Veriety, % [1]



The three main varieties of egg powder, being dried whole eggs, yolks and whites, have their distinct qualities and uses attracting different types of customers, from bakeries and pasta makers to beauty product manufacturers and pharmaceutical companies.

Dried egg whites (albumin) represent the most lucrative egg powder variety for egg processors including Avangard. It is only natural, therefore, that the company should seek to maximize its albumin business. But there is a downside to it. Dried albumin is obtained by drying egg whites separated from the yolks.

Until recently albumin customers would only collect the whites and leave Avangard to deal with the yolks. The company simply had no other choice but to produce generic yolk powder and then look for customers to sell it to.

AVANGARDCO IN 2015

No 1 exporter of eggs -
421 million eggs exported
No 1 exporter of egg products -
8,929 tons exported
Export revenues reached 41 % of sales

The problem grew bigger and bigger as the company expanded its albumin business while its inventories of generic yolk powder grew larger and larger.

The issue is that there is increasingly less space for selling generic powder in the modern egg powder market. Customers grow more and more demanding in their input requirements as they upgrade their own processing technologies and increasingly expect their egg powder suppliers to meet their evolving specifications. In response to these challenges Avangardco IPL has formulated a new commercial strategy aimed at achieving long-term growth in the global egg powder market.

Benefits of the New Egg Processing Strategy

Achieving greater customer satisfaction by offering bespoke formulations	The company has decided to abandon generic powder from its product portfolio and switch to producing bespoke formulations by strictly following customer specifications
Reducing inventories and avoiding write-offs	Producing exclusively to customer-specific formulations implies that we will no longer build up hard-to-sell inventories and thus preclude write-offs in the future
Expanding business by offering egg powder bundles	We now offer albumin customers to pick up a certain proportion the yolk powder produced alongside the albumin production. The cunning plan is that our albumin customers would introduce clients they can reach to our quality of yolk powder, explore their preferences and help Avangard acquire them as customers.

Yes, this strategy may have caused a reduction in our egg product sales but only a temporary one. We are confident that the new strategy will pay off going forward.

[1] Source: International Trade Centre, Pro-Consulting

MISSION, STRATEGIC VISION AND GOALS

Our mission is to promote public health by giving consumers access to affordable, healthy and safe animal proteins globally.

Avangardco IPL focus areas are:

- √ Improving product quality
- √ Doing business in line with global best practices
- √ Combining socially and environmentally responsible business practices.

Avangardco IPL strategic vision is to become the world's number 1 producer of eggs and egg products. We aim to maintain leading positions in Ukraine and earn international recognition due to high product quality and advanced business practices.

Our Goals

INCREASE PRODUCTION EFFICIENCY

We strive to optimize the use of production capacity and increase production efficiency by loading new poultry farms while modernizing existing assets and adopting modern agricultural technologies.

DIVERSIFY SALES TO MAXIMIZE PROFITS

Reinforce our positions in key export markets and enter new ones:
- We plan to increase exports to meet demand on the global egg and egg product markets. The company continues to strengthen its position in the Far East region, Southeast Asia, the CIS and the EU in order to become a leading supplier of eggs and egg products in these countries. We are also actively seeking new clients in new markets as well as plan to regain our positions in MENA as soon as the situation in the region allows.

Retain our leading positions on the domestic market; increase sales to retail chains and branded product sales:
- We strive to retain our leading positions in the domestic market due to high product quality and our ability to supply large product volumes.
- We aim to increase sales of high value-added products and plan to further expand our distribution network.
- We continue increasing product sales through higher-margin channels by signing direct contracts with local and national supermarket chains, introducing new client loyalty programs and establishing contacts with transnational FMCG companies operating in Ukraine.
- We plan to increase the presence of branded products under the Kvochka umbrella brand in supermarket chains and other retail stores throughout Ukraine by implementing brand recognition programs and balanced pricing policies.

MAINTAIN HIGH PRODUCT QUALITY

We have introduced modern technologies at production facilities in order to maintain high product quality. At the same time, vertical integration implies that we can exercise strict quality control at all stages of production.

PURSUE GLOBAL BEST BUSINESS PRACTICES

The company strives to establish and maintain long-term relations with all key stakeholders. In addition to developing production, sales and pricing, this task envisages significant investment in staff training and new methods of creating strategic value for our partners.

AVANGARDCO ECO-SYSTEM

VERTICAL INTEGRATION

SUPPLIERS

SUPPLIERS OF BREEDER FLOCK

We work with leading international companies such as Lohmann Tierzucht, Hy-Line Int., H&N Int. to purchase and breed high quality parent flock.

GRAIN SUPPLIERS AND COMPOUND FEED SUPPLIERS

We work closely with our partners across Ukraine to secure stable supplies of grain and feed at favorable prices and in time.

KEY PROCESSES AND FACILITIES

Animal feed is the primary cost component in the production of shell eggs. In 2015 we produced about 64% of all feed needed to our flock at our own feed mills.

We grow breeder flock at our farms from one-day old chicks supplied by the leading producers of breeder flock which ensures a high quality of parent flock and its timely delivery at our farms.

We have increased egg processing capacity of Imperovo Foods to manage the peaks and troughs in demand and to produce added-value dry egg products.

We have invested in the two new poultry complexes Avis and Chornobaivske to improve production efficiency and enhance quality and safety of our products. These complexes are fully automated and built in compliance with the European quality standards. These complexes are an integral part of the company's growth strategy.

We will use manure from our farms in our new biogas plants to generate energy and reduce waste disposal costs.

PRODUCTS

Avangardco produces shell eggs and dry egg products.

SHELL EGGS

We produce white and brown "table" shell eggs. We sell shell eggs under the brand Kvochka in 10-egg packages and unbranded packaged eggs in 30-egg trays.

DRY EGG PRODUCTS

Avangardco produces egg albumen powder high whip, egg albumen powder high gel, whole egg powder, egg yolk powder and heat-stable egg yolk powder. Our capacities allow us to produce liquid egg products as well.

CUSTOMERS

We continue to acquire new customers both domestically and globally while retaining and rewarding for loyalty our existing clients.

OUR PARTNERS

INVESTORS

We provide investors with timely and accurate information about the company's performance and plans.

Communication with investors includes participation in conferences, personal meetings and daily responses to information requests. We publish financial results quarterly and hold follow-up conference calls.

This level of disclosure allows the market to have a comprehensive and transparent picture of the company's performance.

EQUIPMENT PRODUCERS AND SUPPLIERS

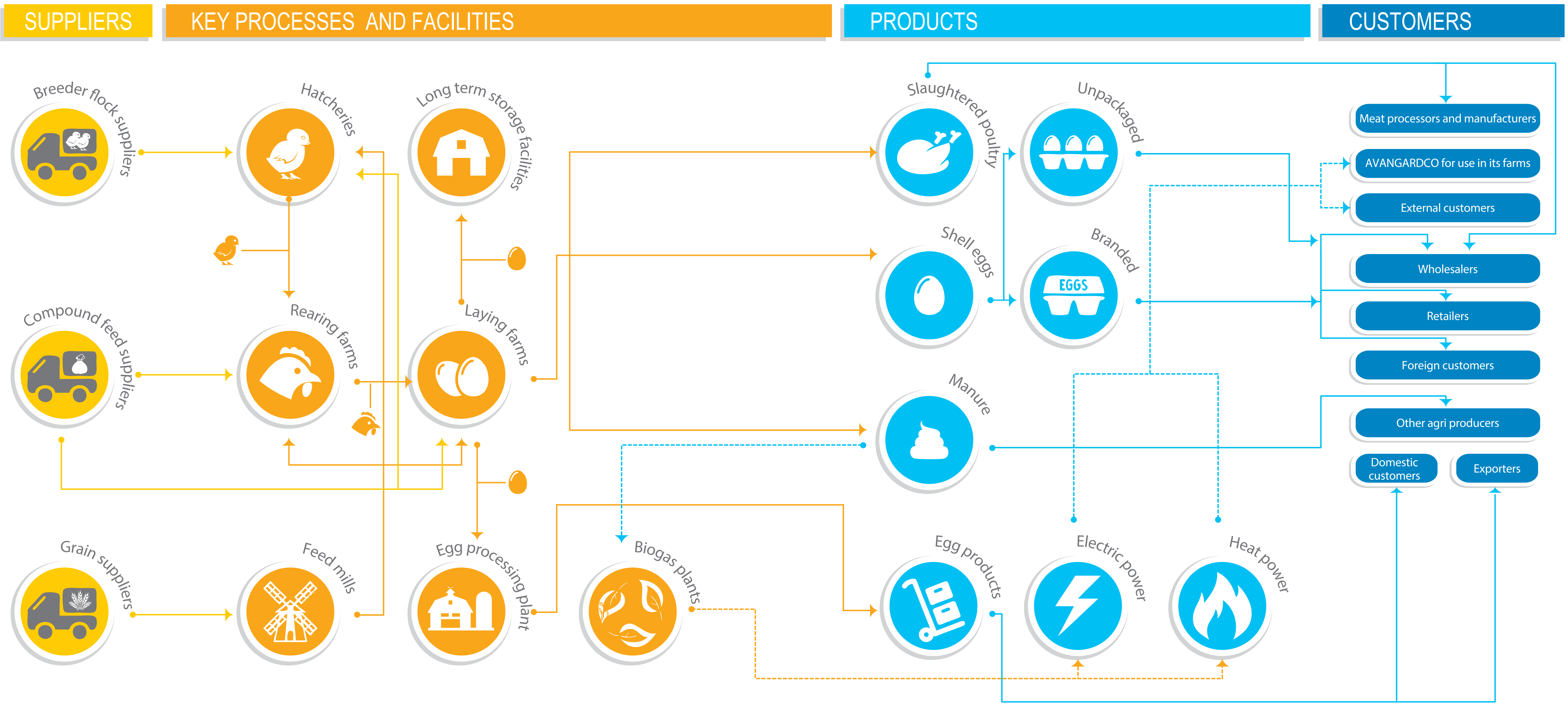
We successfully partner with the leading European producers and suppliers of equipment to improve production processes and develop new production methods.

CREDITORS

We work hard to fulfill our obligations in a timely manner and are building a credit history as a platform for long-term growth and development.

STATE INSTITUTIONS AND SOCIETY

Avangardco contributes to the development of the Ukrainian poultry industry and the country's economy.



SUPPLIERS
KEY PROCESSES AND FACILITIES
PRODUCTS
CUSTOMERS
Breeder flock suppliers
Compound feed suppliers
Grain suppliers
Hatcheries
Rearing farms
Feed mills
Long term storage facilities
Laying farms
Egg processing plant
Biogas plants
Slaughtered poultry
Unpackaged
Shell eggs
Branded
EGGS
Manure
Egg products
Electric power
Heat power
Meat processors and manufacturers
AVANGARDCO for use in its farms
External customers
Wholesalers
Retailers
Foreign customers
Other agri producers
Domestic customers
Exporters

HOW OUR VERTICAL INTEGRATION WORKS

PRINCIPIAL INPUTS

In line of its strategy of vertical integration, Avangardco is largely self-sufficient in terms of core production materials, producing internally all of the hatching eggs and approximately 64% of the animal feed required for its shell egg production. Avangardco's principal inputs from third-party suppliers are feed grains, animal feed and breeder flock. Avangardco does not cultivate grain in any significant quantities and has no plans to do so.

KEY PROCESSES AND FACILITIES

SHELL EGGS

SHELL EGG PRODUCTION FACILITIES

Avangardco's shell egg production facilities include 19 laying farms serviced by 3 hatcheries, 10 rearing farms and 6 feed mills. Avangardco seeks to modernise its egg production facilities and equipment where possible, sourcing the latest equipment from leading suppliers in order to reduce costs.

SHELL EGG PRODUCTION STAGES

Shell eggs are produced at Avangardco's facilities in three principal stages:

- breeding and incubation of chicks;
- rearing of pullets;
- laying of shell eggs.

BREEDER FLOCK MANAGEMENT

Avangardco keeps two types of flock:

- laying flock for for egg production;
- breeder (parent) flock as a source of pullets to replace the laying flock.

Avangardco purchases its breeder flock from the leading producers such as Lohmann Tierzucht, Hy-Line Int., H&N Int to ensure the high quality of parent flock and its timely delivery to our farms.

BREEDING AND INCUBATION OF CHICKS

All hatching eggs are produced by Avangardco's breeder flock. Avangardco buys its breeder flock as one-day old chicks, that are transported directly to breeder farms by the supplier. At approximately 13-14 weeks pullets and cockerels are moved to a breeder, where they are kept until they reach the end of their productive life. Breeder flocks are capable of laying egg at approximately 19 weeks, although eggs for hatching are sourced only from approximately 24-25 weeks onwards. Hatching eggs are moved to Avangardco's hatcheries where they are sorted and placed into incubation. Eggs which are not used for incubation are sold. After about 18 days, chicks hatch, sorted and the newly hatched pullets are immediately vaccinated.

REARING OF YOUNG LAYING HENS

One - day old pullets from Avangardco's hatcheries are transferred to Avangardco's rearing farms where they are reared. At approximately 13-16 weeks, chickens are transferred to Avangardco's farms as mature laying hens.

LAYING OF SHELL EGGS

Laying hens have an estimated productive life of around 80 weeks during which they lay up to 350 shell eggs. Shell eggs are sorted by category, packed and sent to storage facilities. Avangardco's increased use of automated facilities has generated significant cost savings through improved grading and reduced breakage. Each laying farm is equipped with a short-term storage facility. Avangardco also operates three long-term egg storage facilities. Each long-term storage facility consists of multiple compartments, the temperatures in which are regulated automatically. This allows Avangardco to manage its storage facilities according to the volume of shell egg deliveries from its farms.

FLOCK MANAGEMENT

Although practices for the management and maintenance of breeder and laying flock differ, there are certain common features applicable to both. For both flocks Avangardco uses caged keeping and automated systems to create optimal conditions for the growth of its flock with respect to light, temperature and air circulation, and the supply of food and water. It also continuously monitors the process according to standards of feeding, body weight, survival rate, egg-laying capacity, egg size etc.

EGG PRODUCTS

EGG PROCESSING FACILITIES

Some of Avangardco's shell eggs are processed at Imperovo Foods processing plant.

PRODUCTION PROCESS AT IMPEROVO FOODS

The main technological processes at Imperovo Foods include: treatment of shell eggs, breaking and separation, treatment of liquid egg products, pasteurisation, preservation and packaging of pasteurised liquid egg products, treatment and fermentation of the liquid egg products before drying, spray drying, packaging of dry products and drying of egg shells. Imperovo's technological processes follow strict hygiene standards, for example, from the monitoring of shell eggs required for the production of egg products to the strict separation into high and low care production areas and automated, in-line cleaning processes. Imperovo processing plant has its own long-term storage facility which is capable of holding Imperovo's demand for shell eggs for one week and is supported, when required, by other long-term storage facilities.

SLAUGHTERED POULTRY MEAT AND BY-PRODUCTS

At the end of the production cycle, when breeder flock and laying flock are approximately 65 and 80 weeks old respectively, they are either sold to third parties through wholesalers for further processing, or slaughtered at Avangardco's facilities, using fully automated processes. Slaughtered poultry is moved to third party freezing facilities.

ANIMAL FEED PRODUCTION

The animal feed production process starts with the procurement of high quality raw materials which are tested according to strict quality control standards. Avangardco's nutritionists have developed a wide variety of animal feed types with various vitamin and protein contents according to the birds' age and breed. Animal feed is delivered by Avangardco's own trucks to its farms.

PRINCIPIAL OUTPUTS

CORE PRODUCTS

Avangardco's core business is the production of shell eggs and dry egg products.

SHELL EGGS

Avangardco produces white and brown shell eggs, from chickens only, which are sold to wholesalers, local and national retailers and exported. Its products range from unpackaged eggs to packaged eggs both branded and privately labelled.

DRY EGG PRODUCTS

From its shell eggs, Avangardco produces a variety of dry egg products, such as yolk powder, white egg powder and whole-egg powder, which is sold to local and global food manufacturers.

OTHER PRODUCTS AND SERVICES

POULTRY

Avangardco produces and sells breeder hens and layers at the end of their production cycle to third parties through wholesalers for use in the meat industry. Avangardco also sells one-day old layers and reared pullets to third parties through wholesalers.

ANIMAL FEED

Avangardco produces high quality animal feed, which now accounts for around 64% of its internal feed requirements.

POULTRY MANURE

Avangardco sells insignificant amounts of manure to third parties. It is planning to use poultry manure internally at its new biogas plants to generate "green" energy.

OTHER SERVICES

Avangardco also provides certain services to third parties, such as mixing of animal feed and transportation services.

OPERATIONAL OVERVIEW 2015: RALLYING AROUND QUALITY

RALLYING AROUND QUALITY FOR A CONTROLLED AND MEASURED DOWNSCALING

Under pressure from unprecedented home market contraction and decline in global egg trade the company was forced to substantially downscale its egg farming and processing operations to avoid overproduction and retain profitable operation.

To ensure a controlled and measured downscaling Avangardco IPL responded with a strategy aimed at reducing the harm done by the many adverse circumstances that have affected the business of the company in the past two years and enabling the company to rally around quality.

KEY FEATURES OF AVANGARD'S QUALITY DOWNSCALING PROCESS

Rallying Around Quality Assets

If the scale of company had to be reduced it made perfect sense to concentrate production at the most productive of its assets.

In the case of Avangardco IPL its most productive and cost-effective assets are undoubtedly Avis and Chornobaivske that were designed to the highest standards of modern egg farming technology and represent two of the world's largest and most efficient industrial egg farms ever built.

From a unit cost perspective Avis and Chornobaivske are more cost-effective as compared to Avangard's legacy farms.

With the scale of the required flock contraction approaching our total holding capacity at the two megafarms we have decided to reduce our layer populations at the older farms to a minimum and concentrate production at Avis and Chornobaivske.

As a result, the share of the two megafarms in our total layer and pullet populations grew to reach 79% and 92% respectively as at year-end 2015.

Another compelling reason to concentrate production at Avis and Chornobaivske is biosecurity considerations.

At the two new farms the biosecurity defences stand impenetrable while at some of our other farms, especially those lying close to the conflict zone, their strength may have been compromised.

Rallying Around Quality Distribution In Home Trade

An aggravating circumstance adding to the difficulty of the situation created by the demand contraction is distribution channel erosion causing certain sales channels to develop critical problems leading to shrinking margins or undermining customer solvency, or both.

Since 2009 the company has been consistently expanding sales through retail chains while gradually winding down middleman business. Originally the largest sales channel, trade through wholesalers has been the least lucrative of the company's distribution methods.

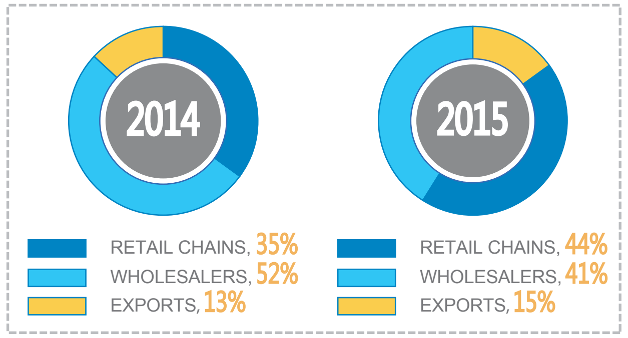
The crisis increased the sense of urgency around the task of reducing exposure to wholesalers, most of which operate as sole proprietorships or small companies owning little in the way of assets and therefore posing a higher credit risk as compared to supermarket chains.

True, we have recently had to extend more credit to retail operators to attract more business from them as they grapple with working capital challenges of their own under pressure from the steeply declining purchasing power of shoppers all over Ukraine.

This may have temporarily slowed down our trade receivables turnover. But at the same time their quality has improved reducing our overall exposure to credit risk to the extent that established retail chains normally own substantial assets that could potentially serve as a source debt repayment if necessary.

Our efforts paid off and supermarket chains became the largest sales channel on Avangardco IPL's portfolio for the first time in our history, growing notably from 35% of total sales in 2014 to 44% in 2015!

Shell Egg Sales by Channel, % of Volume



Rallying Around Quality Exports

In 2006 Avngardco IPL became the first industrial egg producer to attempt exporting Ukrainian eggs and egg products to foreign markets.

By any standards this has been an exceptionally successful undertaking with Ukraine soaring from zero to thirteenth place in global egg exports in a matter of 10 years.

Avangard has blazed the trail into 42 country markets from the Middle East to Sub-Saharan Africa, to the South Pacific, to the European Union with other Ukrainian producers following in our footsteps.

Avangard has secured itself dominant market shares among Ukrainian exporters in shell eggs (48%) and egg products (92%) as of 2015.

While traditionally focusing on MENA as its largest export market the company has also invested considerable time and effort to the difficult task of establishing presence in the market of the European Union potentially offering excellent volume growth and earning opportunities. The EU market is truly a high-hanging fruit shielded by strong entry barriers and exhausting certification procedures.

Fortunately, Avangardco IPL had successfully completed the required formalities well in advance of the relevant EU authorities admitting Ukraine as an eligible exporting country in 2012.

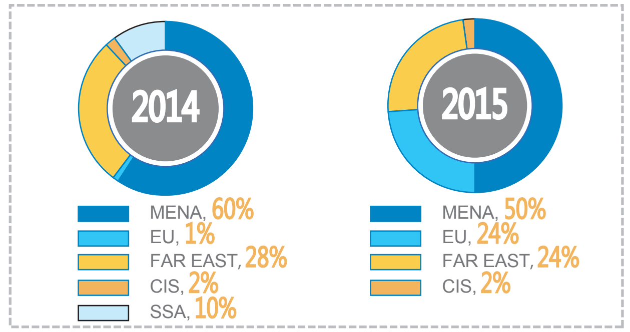
These efforts are paying off and the company has been slowly but steadily gaining ground on the EU egg product market by selling through major European traders, the likes of the Danish company Sanovo.

Our expanding trade with the EU came to the rescue amid the worst contraction of global trade in eggs and egg products in years caused by plummeting demand from the world's second largest importer – the Middle East and North Africa.

Admittedly, our expanding trade with the EU, valuable as it undoubtedly is, has just not been large enough to make up for the substantial contraction of demand from the MENA market. Iraq alone, traditionally Ukraine's largest egg export market saw a critical 33% YoY drop in shell egg imports in 2015 while the entire MENA region shrank by a painful 18% YoY.

That said, the EU market that contributed a valuable 24% to our exports as of 2015 now has a new and crucial role to play in helping Avangardco IPL generate the badly needed hard currency revenues to mitigate the damage done by the severe devaluation of the hryvnia and withstand the increasing volatility of the MENA market as we continue exploring new markets for our eggs and egg products all over the globe.

Company Exports by Region, % of Revenue

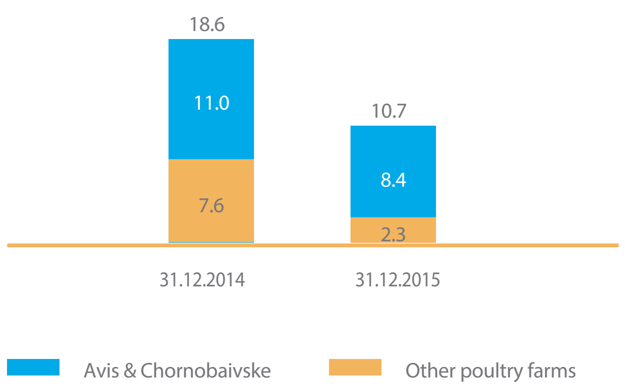


OPERATIONAL OVERVIEW 2015: SEGMENT PERFORMANCE

FLOCK SIZE

- Total flock of 13.6 million birds as at 31.12.2015.
- Laying flock of 10.7 million birds as at 31.12.2015.
- Laying farms as well as markets in Crimea and the conflict zone in Eastern Ukraine remain closed.

Laying Hens Flock, mn Birds



SHELL EGGS

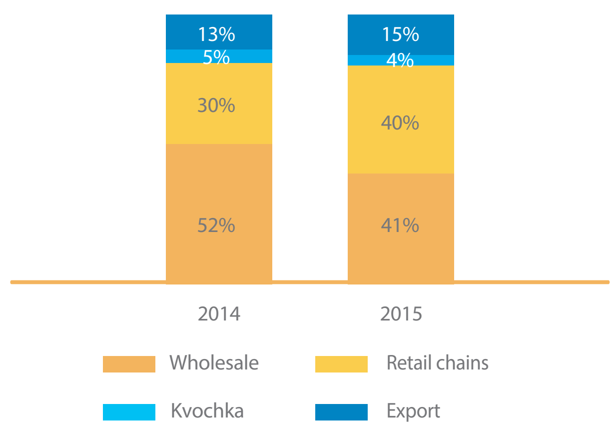
- Decline in sales reflects lower demand for shell eggs in Ukraine and key export markets.
- Share of sales through high margin retail chains (incl. Kvochka) increased from 35% in 2014 to 44% in 2015. The share of low margin wholesale trade decreased from 52% to 41% respectively.
- Export of shell eggs decreased by 26% YoY to 421 million due to:

  I. no exports of shell eggs to Liberia, resulting from increased competition among egg producers for this market;

  II. ongoing disruption in the company's key export markets in the Middle East.

- Average shell egg price increased by 58% YoY to UAH 1.22 per egg due to an overall increase in consumer prices. In dollar terms it fell 14% YoY to USD 0.056 per egg due to the devaluation of the local currency.
- Segment revenue decreased by 43% YoY to USD 155.8 million as a result of the decrease in sales and average sales price in dollar terms. Loss amounted to USD 10.4 million.

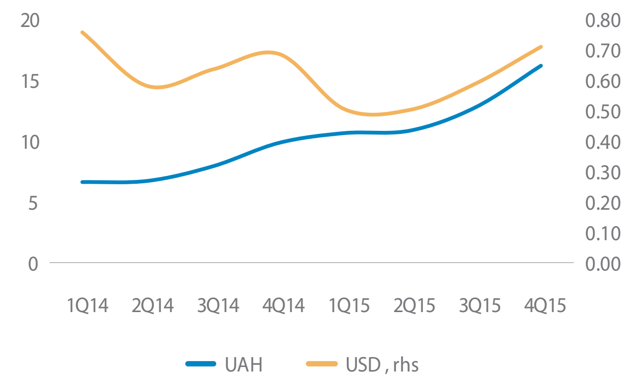
Shell Egg Sales by Volume, %



Revenue and Gross Profit

	2014	2015	%
Production, bn eggs	6.306	3.434	(46%)
Sales, bn eggs	4.288	2.798	(35%)
Revenue, USD'000	275,585	155,789	(43%)
Exports, % of sales	21%	24%	-
Revenue, % of total sales	66%	68%	-
Gross profit, USD'000	89,698	14,636	(84%)
Gross profit margin, %	33%	9%	-

Average Sales Price per 10 eggs



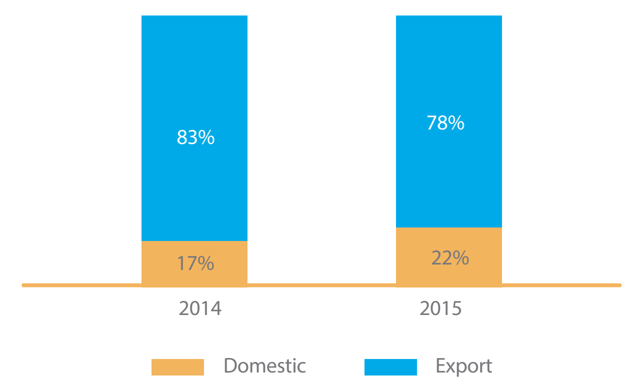
DRY EGG PRODUCTS

- Egg powder production and sales dropped alongside shell egg output contraction due to lower demand from MENA explained by an escalation of the armed conflict that has engulfed the region. Another reason for this temporary decline in our egg processing operations is new product bundling and inventory management policies.
- The average sales price of dry egg products decreased by 10% YoY to USD 5.66/kg as a result of an increase in the share of domestic sales (in volume terms).
- Segment revenue dropped by 45% YoY to USD 64.7 million as a result of the decrease in sales and average sales price of dry egg products. Loss amounted to USD 36.6 million and largely resulted from an increase in the cost of shell eggs and write-offs of substandard inventories.

Revenue and Gross Profit

	2014	2015	%
Production of dry egg products, tn	21,323	9,057	(58%)
Sales of dry egg products, tn	18,592	11,445	(38%)
Revenue, USD'000	116,993	64,735	(45%)
Exports, % of sales	84%	89%	-
Revenue, % of total sales	28%	28%	-
Gross profit, USD'000	40,365	11,805	(71%)
Gross profit margin, %	35%	18%	-

Dry Egg Product Sales by Volume, %

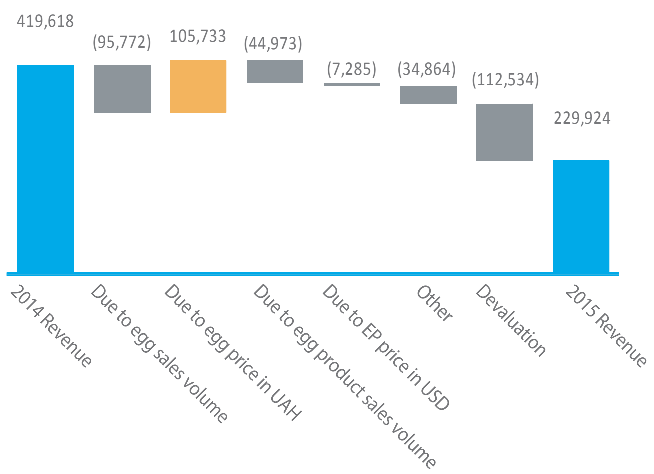


FINANCIAL OVERVIEW 2015: DEMAND AND MARGIN CONTRACTION

REVENUES UNDER PRESSURE FROM HOME AND FOREIGN DEMAND CONTRACTION

In 2015, consolidated revenue decreased by 45% YoY to USD 229.9 million.

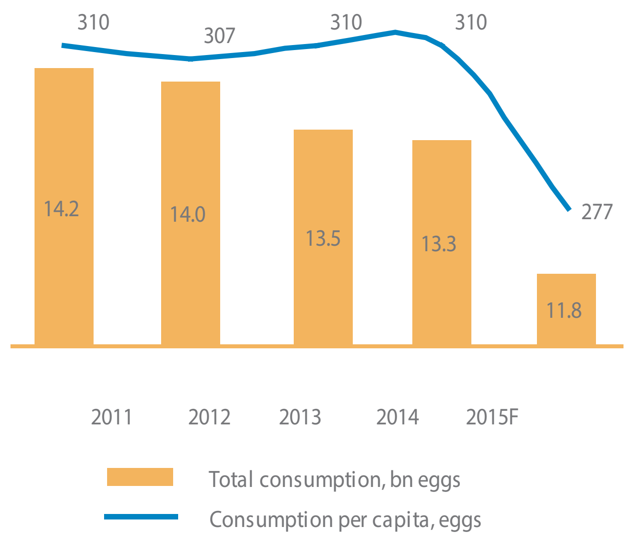
Revenue Bridge, USD'000



	UNITS	2014	2015	CHANGE
Consolidated Revenue	USD'000	419,618	229,924	(45%)
Gross Profit/(Loss)	USD'000	120,981	22,125	(82%)
Gross Profit Margin	%	29%	10%	-
EBITDA	USD'000	129,497	(1,417)	-
EBITDA Margin	%	31%	-	-
Operating Profit/(Loss)	USD'000	84,116	(87,104)	-
Operating Margin	%	20%	-	-
Net Profit/(Loss)	USD'000	(26,918)	(158,390)	-

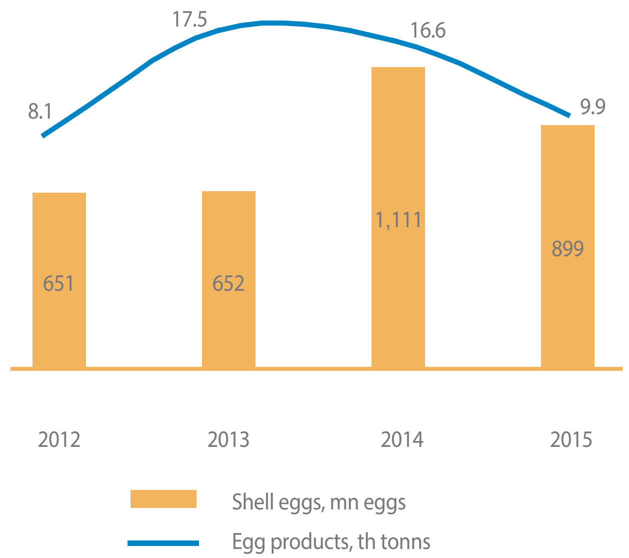
Under pressure from recessionary developments affecting most sectors of Ukraine's national economy domestic demand contracted substantially.

Shell Egg Consumption in Ukraine [1]



On the export front the picture was also far from positive. The substantial contraction of demand from MENA, traditionally Ukraine's and the company's largest export market put further pressure on Avangard's sales performance. As a result, company sales shrank by 35% YoY in the shell egg segment and by 38% YoY in egg products segment.

Ukrainian Export of Eggs and Egg Products [2]



Another aggravating circumstance adding to the scale of the revenue contraction in 2015 was a 10% YoY drop in the average sales price of our dry egg products due to an increased share of low-margin egg product sales and a larger share of egg powder sold domestically than the year before.

On top of all the genuine and legitimate reasons for such demand contraction there is also the purely technical sales value reduction due to the translation of accounts from the hryvnia into the US dollar as the company's reporting currency. And that adjustment was quite significant in view of the fact that Avangardco IPL continues to rely quite heavily on home sales and given the scale of the devaluation that Ukraine experienced in 2015, which was as large as 83% YoY [3].

The decline in total sales was partially offset by an increase in the average sales price of shell eggs in the hryvnia of 58% YoY. In US dollar terms, however, the average price dropped by 14% YoY to USD 0.056 per egg.

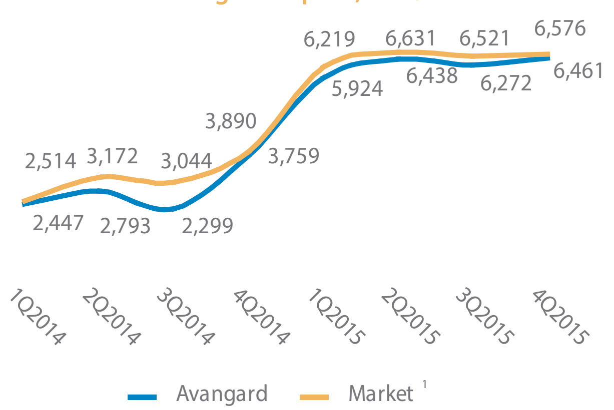
[1] Source: State Statistics Office of Ukraine
[2] Source: State Statistics Office of Ukraine
[3] Source: calculated based on an annual average rate of exchange

SALES MARGIN UNDER PRESSURE FROM SUBSTANTIAL COST INFLATION

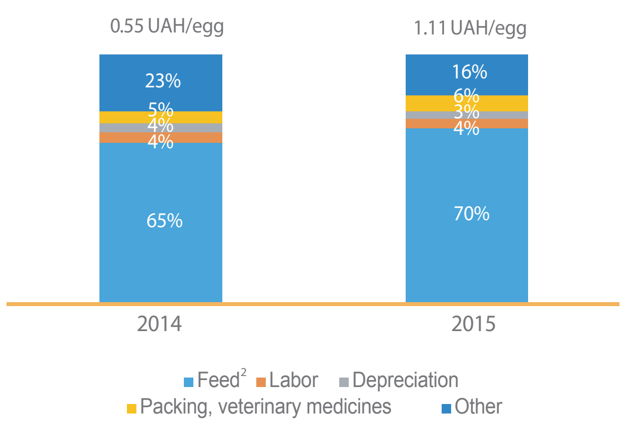
Sales margins came under very heavy pressure in 2015 as the unit cost of egg production hiked 102% YoY in local currency driven by surging forage grain and oilcake prices correlating only too closely with the steeply depreciating rate of exchange and further aggravated by increased cost of imported raw materials and rising utility rates. Feed costs being our largest cost item have skyrocketed two and a half times since the crisis began in early 2014.

Domestic egg prices have had a hard time catching up with such unprecedented scale of cost inflation with the company's gross profit shrinking by 82% YoY to USD 22.1 million while its margin thinned to 10% in 2015.

Average feed price, UAH/tn



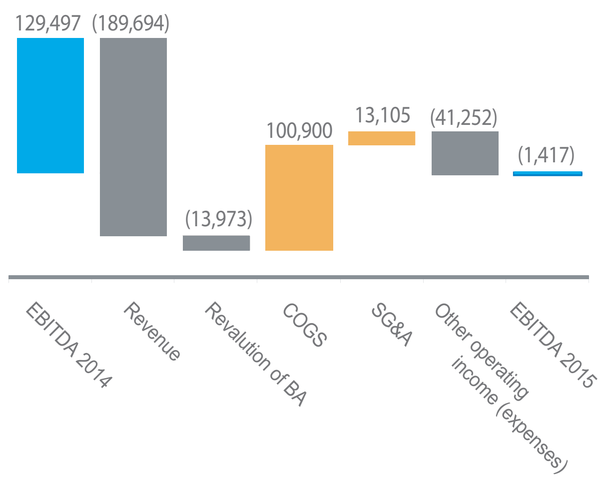
Cost of Sales for Shell Egg, % of Value



EBITDA

In 2015, the negative EBITDA of USD 1.4 million was due to a 45% YoY decrease in consolidated revenue, 91% YoY decrease in profit from the revaluation of biological assets due to a reduction in flock size and increased operating expenses due to USD 40.2 million charged as provisions for doubtful debts. EBITDA excludes one-off inventory write-downs and write-off of funds deposited with the Financial Initiative that has been declared insolvent.

EBITDA Bridge, USD'000



ONE-OFFS PRIMARILY RESPONSIBLE FOR NET LOSS IN 2015

Despite all the challenges presented by the unfolding crisis the company struggled hard to stay profitable but it had to recognise substantial one-off losses from impairment of assets that eventually forced Avangardco IPL into the red.

In 2015, the company posted a FX loss of USD 44 million. It also wrote off inventories of sub-standard raw materials and inventories of finished goods with an expired shelf life and charged provisions against bad debt for a total of USD 80 million. On top of that, we had to write off our current account balances of USD 28 million with the bank Financial Initiative that became insolvent. As a result in 2015, the company reported loss of USD 158.4 million.

[1] Avangardco standard recipe, volume

[2] In value terms feed consists of grains - 19%, oils - 59% and other - 22%

USD'000	2014	2015	%
Revenue	419,618	229,924	(45%)
Average shell egg price, UAH/egg	0.77	1.22	58%
Average shell egg price, USD/egg	0.065	0.056	(14%)
Average egg products price, USD/kg	6.29	5.66	(10%)
Cost of sales	314,001	209,190	(33%)
Cost per egg, UAH/egg	0.55	1.11	102%
Cost per egg, USD/egg	0.046	0.051	11%
Cost of egg products, USD/kg	4.12	4.62	12%
Gross profit	120,981	22,125	(82%)
Net Profit/(Loss)	(26,918)	(158,390)	-

CASH REMAINED TIGHT WHILE WORKING CAPITAL GREW AS RECEIVABLES TURNOVER DECELERATED

Under the many pressures that we experienced in 2015 our cash generation capacity deteriorated substantially while demand on cash grew in no small measure due to a deceleration of trade receivables turnover.

Cash and cash equivalents dropped to USD 31 million as at year-end 2015 with the outflow from investing and financing activities exceeding the inflow from operations.

Additional pressure on our cash position came from our having to write off cash balances with the bank Financial Initiative that went bankrupt and was put under provisional administration by Ukraine's banking regulator.

STRENGTHENING DEBT SUSTAINABILITY

Present Debt Predicament a Liquidity Issue, not a Solvency Issue

Avangardco IPL has always pursued a discreet and prudent debt policy.

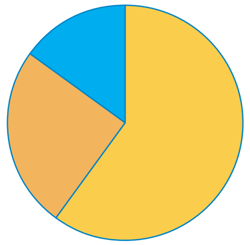
One of the first decisions that the company took after it went public on the London Stock Exchange in May 2010 was to convert its debt into international publicly traded instruments.

Less than six months into its public life Avangardco IPL successfully floated a USD 200 million Eurobond issue in October 2010 and used the proceeds in the first place to pay off its existing sub-optimal non-public debt, which was both short-term and expensive.

With a lion's share of the company's debt portfolio (60%) represented by an international publicly traded debt instrument, the second largest portion of our debt is credit lines from leading European banks provided alongside equipment purchases from major European manufacturers. On top of their preferential lending terms, those loans come with ample coverage from the export credit agencies of the manufacturers' home countries.

Loans from local banks rank third on our debt portfolio and represent working capital lending facilities used to bridge short-term cash gaps.

Debt Portfolio by Lender at Year-End 2015, %



This is a healthy and sustainable debt portfolio structure that has in the past helped the company deliver its large-scale and challenging investment programmes at optimal cost of capital.

In the current difficult circumstances, this total liabilities portfolio structure is being put to the test.

Until very recently the company operated with impressively low leverage. As at year-end 2013 our total liabilities to total assets stood at a more than comfortable 20.4%.

In 2014, however, following the annexation of Crimea and loss of territory and market due to the military conflict in the East of Ukraine, the company had to write off entire enterprises.

Those write-offs were responsible for much of the asset contraction that we suffered in 2014 and while our total liabilities to total assets ratio worsened to 37.8% overall leverage remained medium.

In 2015, another factor came to the fore, devaluation.

Devaluation has harmed the company in many ways. And it's not only imported raw materials getting more expensive or rapidly inflating local inputs whose prices closely follow the rate of exchange, such as feed costs.

Devaluation is strongly distorting company balance sheets. In the case of Avangardco IPL a major distortion is very clearly observable in the leverage situation.

In the past decade the company has invested hundreds of millions of dollars into building large-scale state-of-the-art facilities for egg production and processing. Many of our newly built assets, e.g. Avis, Chornobaivske or Imperovo, are unique by the highest of standards, both in terms of size and in terms of technology and automation.

The useful lives of those assets are measured in decades rather than years. But if you look at Avangardco IPL's property, plant and equipment assets on the balance sheet of which the new assets constitute a considerable share you will notice that their value has plummeted more than twice over the past two years. How could they have depreciated so badly over such a short period of time?

True, in 2014 the company had to write off several assets located in the annexed Crimea and parts of the country affected by the armed conflict in Eastern Ukraine.

But the damage done by those write-offs is nowhere nearly as significant as the scale of our PPE value contraction.

It is mainly down to the devaluation. The catch is that those newly built assets were put on the books of the relevant Ukrainian operating companies once commissioned and have since been reported in our IFRS accounts by translating their UAH book values into the US dollar as our reporting currency using updated exchange rates.

As a result, our state-of-the-art egg production and processing facilities are effectively carried in our IFRS accounts at roughly a third of their original USD value if we recall that they were originally recorded at around 8 hryvnias for 1 US dollar while at year-end 2015 their value was translated at at 24.0 hryvnias for 1 US dollar.

True, as we grapple with a severe economic downturn in our home country coupled with an unprecedented home and foreign market contraction and further aggravated by severe devaluation our debt servicing capacity may have been compromised but only temporarily. The present debt predicament therefore is a liquidity issue, not a solvency issue.

We have retained our industry leadership and we continue operating some of the world's largest and most modern industrial egg production and processing facilities.

It is based on these considerations and owing to a thorough knowledge and understanding of the company that our bondholders agreed to restructure our obligations under the 2010 Eurobond and extend their maturity to 2018 giving us the vital breathing space at this critical juncture.

This is a token of trust and faith in our ability to overcome the many challenges facing us and re-embark on a steady and profitable growth path.

Debt Structure, USD'000

	31.12.14	31.12.15
Total Debt	343,757	336,354
Long-term loans	79,844	64,423
Current portion of long-term debt	15,190	19,015
Long-term finance lease (incl. VAT)	88	45
Long term bond liability	198,635	202,871
Short-term loans	50,000	50,000
Cash and cash equivalents	117,856	31,307
Net Debt	225,901	305,047

Debt Sustainability Strengthened through Restructuring

On 28 October 2015 AVANGARDCO IPL successfully completed a restructuring of its USD 200 million 10% Eurobonds due in 29 October 2015 via a Scheme of Arrangement. The Scheme was approved by a majority in number representing more than 75% in value of creditors present and voting either in person or by proxy at the Scheme Meeting held on 22 October 2015.

Following this, by an order dated 26 October 2015, the High Court of Justice of England and Wales sanctioned the Scheme.

As a result of the Scheme the following key amendments were made to the terms and conditions of the Eurobonds:

- Maturity of Eurobonds was extended from 29 October 2015 to 29 October 2018.

- The 5% coupon will be payable on 29 October 2015 (representing the semi-annual payment of the existing 10% coupon), with 2% to be paid in cash as a regular coupon payment and 3% to be paid as payment in kind ("PIK").

- The 10% coupon will be payable semi-annually in arrears on 29 April and 29 October of each year, commencing 29 April 2016, but subject to the following PIK and cash payment provisions:

Interest payment date	PIK Interest	Cash Interest
29.04.16	75%	25%
29.10.16	75%	25%
29.04.17	50%	50%
29.10.17	50%	50%
29.04.18	25%	75%
29.10.18	0%	100%

The full information on the restructuring deal is available at: http://avangard.co.ua/eng/.

RISK MANAGEMENT

Risk category	Ability to manage the risk
Political and country	Low
Market	Medium
Operational	Strong
Financial	Medium
Shareholder	Low
Labor	Medium
Tax	Low

In 2015, with the crisis triggered by the annexation of Crimea and the military conflict in Eastern Ukraine showing no signs of abatement the company's rigorous risk management system was once again put to the test. While in 2014 many risks were still in the category of probable or highly probable, 2015 saw many of them materialise or take on more serious proportions, e.g. inflation.

The company's risk management system helps us to identify and mitigate risks in an effective and timely manner. We currently identify seven primary categories of risk that can damage Avangardco IPL's business.

Continued macroeconomic instability triggered a further decline in GDP of 9.9% YoY, increased annual inflation to 48.7% as measured by CPI, with the Ukrainian hryvnia depreciating a lot more substantially than the year before reaching 83% YoY vs 49% YoY in 2014 as approximated by the weighted average rate of exchange.

Throughout 2015 the unfolding recession continued to put pressure on disposable income resulting in a severe contraction of domestic demand and a 21% YoY decline in retail trade turnover, which was much worse than the year before. The banking sector did little to recover from the financial crisis and commercial lending remained largely unavailable.

POLITICAL AND COUNTRY RISKS

Ukraine remains a country with high political and economic risks. The deterioration of the political and economic situation and the devaluation of the national currency against other world currencies have impaired the country's ability to honour its external obligations. In the context of the continued political instability, political risk is one of the primary risk types. The company operates in Ukraine, therefore the company's assets and operational activities are subject to risk in case of unfavourable changes in the political and economic situation in the country. The political crisis that started in 2014 continued into 2015.

Foreign direct investments dropped to an all-time low undermining currency stability further and exposing gross imbalances in Ukraine's balance of payments that FDIs traditionally helped offset in the past. As private capital inflows dried up donor investors remained the only source of foreign currency influx into the country other than the dwindling exports. The IMF and other donors, however, have not been quick to release funds because their programmes require that Ukraine meet certain prerequisites, i.e. implement deep and comprehensive reforms, in which the country has admittedly shown little progress. However, the military conflict in Eastern Ukraine remains a significant destabilizing factor.

The ability of Avangardco to manage political and country risks: LOW

Risk	Impact	Prevention or mitigation measures
Loss of the country's territorial integrity	The loss of territories where Avangardco's assets are located may continue to force the company to suspend operations and close its farms, which could lead to significant material losses.	The company has suspended its assets in Crimea and the conflict zone in Eastern Ukraine and also substantially reduced its flock at the farms lying close to the conflict zone. Moving production to the highly efficient megafarms of Avis and Chornobaivske has to a certain extent offset the risks posed by our suspending or downscaling operations in other parts of the country.
Loss of assets	Unlawful seizure of private assets could cause material and financial damage.	All facilities located in the problem regions remain the property of Avangardco IPL. And while the chances of recovering those assets are too early to estimate the company intends to pursue all possible avenues of restitution at an appropriate time.
Risk of sovereign default	Sovereign default may limit the Avangardco's ability to raise new debt.	Even in case of sovereign default, Avangardco IPL intends to continue to honor its debt obligations.

MARKET RISKS

In 2015, Ukraine's egg market was affected by the partial loss of production capacity and markets in Crimea, Donetsk and Luhansk regions, as well as by the overall deterioration of the economic situation in the country. The devaluation of the national currency against world currencies has led to an increase in the price of cost components linked to world prices, while inflation has decreased the population's purchasing power. In addition, demand for industrially produced eggs is seasonal and depends on household egg production, which becomes more active in the spring and summer.

The ability of Avangardco to manage market risks: MEDIUM

Risk	Impact	Prevention or mitigation measures
Seasonal demand fluctuations and egg production by households	Demand for eggs in Ukraine is subject to seasonal fluctuations. Households are active on the market in the spring and summer seasons; consequently, consumption of industrially produced eggs decreases during these periods. As eggs are a perishable product with a shelf life of up to 28 days, a drop in egg sales below production volume may cause to losses.	In 2015 the share of egg production by households reached 42%. To mitigate the seasonality risk the company has built three long-term egg storage facilities with a total capacity of around 300 million eggs, where eggs can be cooled and preserved for up to 180 days. Every poultry farm has a warehouse for short-term storage. During periods when domestic demand is low, Avangardco increases its exports.Avangardco can also process the surplus eggs into egg powder at its Imperovo Foods processing plant, which is currently capable of processing 6 million eggs per day. Dry egg products may be stored for 6 months to 2 years. Vertically integrated production (i.e. incubators, rearing farms, laying farms) allows Avangardco to manage every stage of egg

Risk	Impact	Prevention or mitigation measures
	In addition, the inability to control poultry flock size to meet high/low demand may also lead to losses.	production and balance it to respond to fluctuations in demand.
Falling demand for products and a decline in sales	Inability to sell eggs and egg products may lead to financial losses.	In 2015, the population's purchasing power continued to have a negative impact on demand for industrial eggs in Ukraine, while the partial loss of sales markets in the conflict zones in Crimea, Donetsk and Luhansk regions negatively impacted sales volumes. In order to mitigate the negative effects of weakening domestic demand, the company worked hard to increase the share of export sales. Therefore in 2015 the share of export revenue reached 41% of total sales (2014- 37%). The number of company's export markets reached 42. Growing exports is a strategic goal for the company, which plans to focus on strengthening its positions on existing markets and entering new ones.
Cost increases	Feed prices are volatile; in Ukraine they depend on world market trends. As grain components comprise about 70% of egg production cost, world price increases may negatively impact operational and financial results. Prices for non-feed elements (packaging, vaccines, fuel and lubricants, gas, etc.) directly or indirectly depend on foreign exchange rates; sudden fluctuations may negatively impact operational and financial results.	In order to manage costs, the company regularly analyzes world trends on the raw material markets based on reports by the IMF, FAPRI, OECD (FAO) and the Ministry of Agriculture of Ukraine in order to formulate its own forecasts for grain prices. In order to prevent dependence on one supplier, the company purchases from around 100 grain suppliers. Avangardco has its own feed mills with grain silos, which can be used for storing both grain and feed. In addition, the company consistently modernizes and optimizes the production process to minimize feed losses during the feeding process, as well as non-feed costs.
Counterparty risks	The instability of company contractors and key clients, including their inability to meet their contractual obligations in a timely manner, may lead to a decrease in sales volumes or financial losses and negatively impact future financial results.	The company has been working in this market for over 10 years; during this time, we have established long-term partnerships with key consumers on mutually beneficial, pre-negotiated terms. Our partners benefit from working with us, because we are the only supplier in Ukraine capable of producing large volumes of eggs and egg products thanks to our large production scale. The quality of our products is consistently high, which also meets the requirements of our customers.

OPERATIONAL RISKS

The company's operations are subject to risks related to its ability to control production and ensure a continuous production process. Experienced staff and strict biological safety measures are vital for ensuring proper control. The company's inability to ensure such control over operations may negatively affect of operational and financial results. Management thinks that it has taken all the necessary steps to mitigate operational risks.

The ability of Avangardco to manage operational risks: STRONG

Risk	Impact	Prevention or mitigation measures
Disease outbreak among poultry population	Disease may cause material damage to the company's business.	Company units regularly execute sanitary and veterinary control measures to prevent dangerous disease outbreaks. Production facilities are surrounded with a sanitary border and are located at a considerable distance from one another. The company has strict biosecurity measures in place and strictly controls access to its facilities. New production facilities are automated, which minimizes the human error. Avangardco production facilities are equipped with laboratories certified by the competent regional authorities.
Product contamination	In case of product contamination, the company may have to face product recalls and demands for compensation payments.	The company regularly executes all the necessary control measures to prevent product contamination. Strict quality control is in place at every stage of production and distribution.

FINANCIAL RISKS

The company is not a financial institution and it uses financial tools as needed, to finance its operations rather than generate financial gains. Management takes all the necessary steps to ensure the company's stability in the current market conditions.

The ability of Avangardco to manage financial risks: MEDIUM

Risk	Impact	Prevention or mitigation measures
National currency devaluation	Devaluation of the Ukrainian hryvnia against other world currencies has a	The decrease of the Ukrainian hryvnia average exchange rate against primary world currencies by 83% YoY in 2015 continued to put pressure on the company's profitability.

Risk	Impact	Prevention or mitigation measures
	negative impact on the company's financial results in US dollar terms, and also increases the cost of servicing debts denominated in foreign currency.	Avangardco is increasing the share of exports in total sales volume to maximize revenue in foreign currency.
Interest rate changes	Possible fluctuations in the cost of financial instruments as a result of interest rate changes.	In order to minimize the risk of interest rate growth, in current economic conditions the company prefers to borrow at fixed interest rates. The cost of floating-rate loans is tied to EURIBOR. The company regularly analyzes the sensitivity of key financial indicators to LIBOR and EURIBOR fluctuations.
Liquidity risk	Liquidity risk lies in the inability of the company to meet financial obligations.	In 2015 the company faced the worst liquidity squeeze in years as our capacity to generate cash from operations deteriorated significantly under pressure from demand contraction, deceleration of receivables turnover and other factors. As a result of these circumstances our available cash balances roved insufficient to meet our October 2015 USD200 million bond repayment. We sought and secured a restructuring under which the maturity of this instrument which comprises a lion's share of our debt portfolio has been moved to 2018.

SHAREHOLDER RISKS

The company is controlled by a majority shareholder whose interests may come into conflict with the interests of GDR holders.

The ability of Avangardco to manage shareholder risks: LOW

Risk	Impact	Prevention or mitigation measures
Risks related to the majority shareholder	The majority shareholder in Avangardco also owns several other companies in the food, transport, real estate and financial industries. Deterioration of performance indicators of these companies may cause negative perception of the company by external audiences.	Avangardco continues to operate as a separate legal entity with its own treasury. The company follows best disclosure practices and also avoids transactions with related parties, as confirmed KPMG audits.

LABOR RISKS

The company employs 1,787 people; employees are a strategic asset of Avangardco IPL. In order to ensure high performance the company pays great attention to the selection, motivation and remuneration of employees.

The ability of Avangardco to manage labor risks: MEDIUM

Risk	Impact	Prevention or mitigation measures
Strikes	Suspension of production due to strikes may lead to significant losses.	Avangardco employees are not unionized; all facilities operate under collective labor agreements. Avangardco creates favorable working conditions for its employees; salaries exceed the country average.
Employee turnover	The loss of qualified employees will delay the execution of the company's strategic plans.	Staff turnover among key employees is low. Avangardco offers a wide variety of opportunities for professional development and invests in staff development programs.

TAX RISKS

On 24 December 2015, the Parliament of Ukraine approved the Law "On amendments to the Tax Code of Ukraine and some other legislation of Ukraine in regard to securing balanced budget revenues in 2016" which, among others, reduces the VAT subsidy for agricultural producers for 2016.

The ongoing cooperation between Ukraine and the International Monetary Fund envisages further fiscal reforms, including changes in the tax regime for the agricultural sector.

The ability of Avangardco to manage tax risks: LOW

Risk	Impact	Prevention or mitigation measures
Changes in the tax system of Ukraine	Non-compliance with laws and regulations may lead to significant fines and penalties.	The company operates within the framework of Ukraine's tax legislation; however, a large number of changes have been introduced recently, in particular with regard to taxation and foreign currency transactions, which may be interpreted ambiguously.
	Changes in tax treatment of the industry may increase tax pressure on the company.	Due to the changes in the Ukrainian tax legislation we expect the income from the special VAT treatment to decline in 2016.

SUSTAINABLE DEVELOPMENT STRATEGY

Our mission is to promote global public health by giving consumers access to affordable, healthy and safe eggs and egg products. We aim to achieve this by following our vision of becoming the leading global producer of eggs.

We strongly believe that the only way to fulfil our mission and our vision is by creating long-term value for our shareholders and other stakeholders alike by operating in a sustainable and responsible way. Our values help guide us to operate in a sustainable manner.

TRANSPARENCY	We do business in a transparent manner and remain open to our stakeholders both as a public holding and as a socially and environmentally responsible company.
QUALITY	We focus on product and service quality. While our other competitive advantages can help us attract new clients, high product quality is a key factor for client retention.
SAFETY	We strive to ensure the safety of our operations and products for employees, consumers and the environment.
SUSTAINABILITY	We pursue sustainable development. Innovation, quality, efficiency and safety allow us to continue to create value for both consumers and shareholders.
INNOVATION	We use innovation so as to be as effective as possible in today's rapidly changing global business environment.
EFFICIENCY	We do business with maximum efficiency; this gives us a platform for longterm growth and creation of long-term value for both consumers and shareholders.
COMMITMENT	We honor our obligations and maintain our long-term reputation as a reliable partner.

QUALITY CONTROL MANAGEMENT SYSTEMS

In order to improve production monitoring, Avangardco IPL has implemented an integrated system of quality control and biosecurity. This system is based on the norms set by the International Organization for Standardization (ISO), Current Good Manufacturing Practices outlined by the US Food and Drug Administration and voluntary standards created by GlobalGAP (EUREPGAP) for certification of agricultural production processes worldwide, specifically:

- Quality Management Systems (ISO 9001:2008)
- Food Safety Management Systems – Requirements for any organization in the food chain (ISO 22000:2005)
- International Code of Practice – General Principles of Food Hygiene (CAC/RCP. 1-1969)
- FSSC 22000

The Company applies several levels of safety control for food products:

- The HACCP plan we have developed and implemented
- The possibility of internal audits to test the quality control system
- External audits by independent certification authorities.

BIOSECURITY

In order to minimize the risk of disease and epidemics among the poultry population, the company has implemented a wide range of measures in line with international practice.

Strict control prevents contact between the population and carriers of diseases such as wild birds and vermin.

We contain the birds indoors; every production facility is surrounded by a disinfection barrier and is located atleast 300-1,200 meters from the nearest settlements.

The company's laying farms use a separated rearing system for birds of different age in order to prevent transmission of infection from the older population to the younger.

During breaks in the production process, production sites are thoroughly cleaned and disinfected.

Our farms located at a large distance from one another to make possible emergency quarantine in case of contagious disease outbreaks.

We control feed delivery, minimize contact between people and the population, and follow the practice of thorough selection of breeding stock more resistant to disease.

We vaccinate all chickens in our incubators against Newcastle disease, Marek's disease, bronchitis, IBD and other diseases in accordance with Ukrainian legislation. The company's facilities have never registered a case of avian flu, Newcastle disease or Marek's disease.

Laying farm employees are prohibited from keeping birds in their households.

We constantly monitor the health of our employees as well as the poultry population. In addition, we have strict biosecurity measures in place at our compound feed mills. This includes limited access, disinfection barriers and disinfection of warehouses, as well as regular spot checks of raw materials and finished feed at local and regional laboratories. The company's structure includes specialized laboratories staffed with highly qualified employees. All employees are required to pass mandatory training before working at the company; we regularly check and update their knowledge of compliance with biosecurity rules.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The company is incorporated in Cyprus but, as its shares are not listed on the Cyprus Stock Exchange, it is not required to comply with the corporate governance regime of Cyprus.

Avangardco IPL shares are traded on the London Stock Exchange in the form of GDRs but, as it does not have a premium listing and as a company incorporated in Cyprus, the company is not subject to the UK Combined Code on Corporate Governance issued by the Financial Reporting Council.

In the absence of any mandatory requirements, Avangardco IPL is in the process of building its own corporate governance system based on international best practice recommendations. It is also guided by key corporate governance principles*.

AVANGARDCO'S CORPORATE GOVERNANCE SYSTEM

BOARD COMPOSITION AND BALANCE

The company's Board consists of three Directors and one independent non-executive Director.

The current Board of Directors are as follows:

NATALIYA VASYLYUK – Chair of the Board

OLEG BAKHMATYUK – Board Member

OLEG MICHAEL POHOTSKY – Independent non-Executive Director

IRYNA MARCHENKO – Chief Executive Officer

The company considers this to be a satisfactory balance of Board members for the purposes of decision making. In addition, this structure follows the recommendation of The UK Corporate Governance Code that the function of the Chairperson of the Board and CEO should be separated.

BOARD OF DIRECTOR'S RESPONSIBILITIES AND MEETINGS

The Directors are responsible for formulating, reviewing and approving the company's and its subsidiaries' strategies, budgets, certain items of capital expenditure and senior personnel appointments.

The Board of Directors shall meet not less than four times a year and as needed. To enable the Board of Directors to carry out their duties, each Director has full access to all relevant information.

BOARD COMMITTEES

It is the intention of the Board of Directors to establish Audit, Nomination and Remuneration Committees as described below. The Board may form other Committees as necessary in order to ensure effective governance.

■ The Audit Committee

The Audit Committee shall comprise not less than three Directors, at least one of whom will be an independent nonexecutive Director. The Audit Committee's responsibilities include, among other things, reviewing the company's financial statements, accounting policies and internal controls and overseeing its relationship with its external auditors.

■ The Nomination Committee

The Nomination Committee shall comprise not less than three Directors, two of whom will be independent non-executive Directors. The Nomination Committee's responsibilities include, among other things, reviewing the composition of the company's Board of Directors and making recommendations to the Board with regard to any changes.

■ The Remuneration Committee

The Remuneration Committee shall comprise not less than three Directors, two of whom will be independent non-executive Directors. The Remuneration Committee's responsibilities include, among other things, determining the company's policy on remuneration; however, no Director or manager will be entitled to vote on any decisions regarding his or her own remuneration.

Committee decisions are taken by a majority vote and, in the event of equal votes, the Committee Chairman has the casting vote.

* AVANGARDCO IPL'S KEY CORPORATE GOVERNANCE PRINCIPLES

■ Shareholders are given the opportunity to exercise their rights associated with their shareholdings in the company;

■ Equal relations exist for shareholders on a one-share one-vote basis, including minority shareholders;

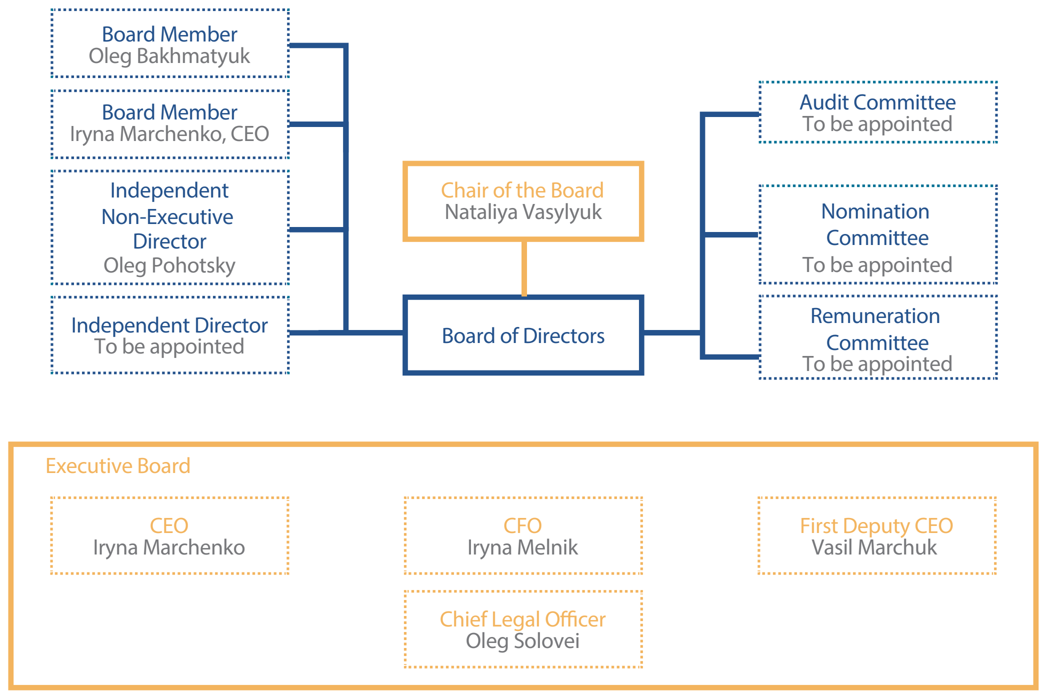
■ The Board of Directors oversees the strategic management of the company's activities and controls the actions of executive bodies within the company;

■ Current company activities are managed by its executive bodies in the interests of ensuring longterm stable development and achieving returns for shareholders from these activities; executive bodies are held accountable by the company Board of Directors and shareholders;

■ Timely disclosure of complete and reliable information about the company is made in order to enable shareholders and investors to make informed decisions, in accordance with the Listing Rules and Disclosure and Transparency Rules of the UK Financial Services Authority;

■ Effective control over the company's financial and economic activity is ensured in order to protect the rights and legitimate interests of shareholders and other interested parties. In accordance with the company's charter, the highest management body is the shareholders' meeting held at least once a year. The shareholders elect the Board of Directors, and approve the annual report and other reports from the Board of Directors and the company's auditor. The Board manages the company, with the exception of the exclusive authority of the general shareholders' meeting, and recommends dividends, which are then approved by the shareholders' assembly, but cannot be higher than the recommended amount.

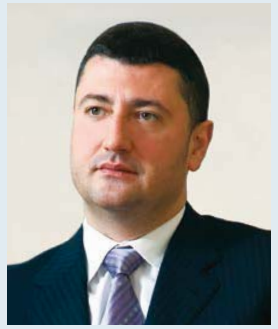
CORPORATE GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

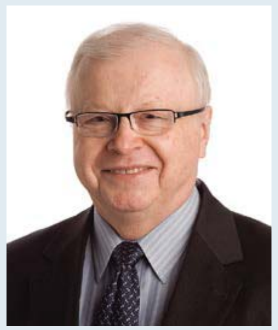
NATALIYA VASYLYUK
Chair of the Board

Nataliya Vasylyuk obtained a Finance and Accounting degree from the Ivano-Frankivsk National Technical University of Oil & Gas in 2005. She began her career in 2004 as sales and marketing director at LLC Prykarpattya Financial Company, then from 2004 to 2007 she served as CFO at LLC Stanislavska Trade Company. Nataliya Vasylyuk joined the company in 2007. Between 2007 and 2010 she served as CEO and from April 2010 to January 2013 while staying on as CEO she also became a member of the Board of Directors of Avangardco IPL. Nataliya Vasylyuk has been Chair of the Board since 30 January 2013.



OLEG BAKHMATYUK
Board Member

Oleg Bakhmatyuk graduated from the Chernivtsi Institute of Economics and Law with a degree in business administration and from the Ivano-Frankivsk National Technical University of Oil and Gas with a degree in engineering, physics and management. Oleg Bakhmatyuk founded Avangard in 2003 and UkrLandFarming PLC in 2007. Between 2010 and 2013 Mr. Bakhmatyuk served as Chairman of the Board of Directors of Avangardco IPL. Since 2013 Mr. Bakhmatyuk has been a member of the Board of Directors of AVANGARDCO IPL. Since 2010 Mr. Bakhmatyuk has served as Chairman and CEO of UkrLandFarming PLC. Oleg Bakhmatyuk owns several other companies in the food, transport, real estate and finance sectors.



OLEG MICHAEL POHOTSKY
Independent Non-Executive Director

Oleg Pohotsky holds an MBA from the Harvard University Graduate School of Business and a Juris Doctor degree from the University of Miami Law School. He also holds a BSChE degree from Clarkson University. Mr. Pohotsky has been the managing partner of Right Bank Partners, a corporate governance and strategy advisory firm. He serves as Chairman of the Board of the H&Q Healthcare and Life Sciences Funds and as a director of the New America High Income Fund, All three closed-end funds are NYSE-listed. Mr. Pohotsky also serves on the Board of Advisors of Kaufman & Co., a Boston-based boutique investment banking firm and in the position of Senior Advisor to Governance Metrics International.

Mr. Pohotsky has served as an independent non-executive Director of the company since 2011.

IRYNA MARCHENKO
Chief Executive Officer

Iryna Marchenko graduated from the Kyiv Municipal Management Academy in 2004 with a degree in accounting and auditing. She obtained an ACCA IFRS Diploma in 2008. Iryna Marchenko joined the company in 2007. She served as CFO of Avangardco IPL from 2010 to January 2013. Iryna Marchenko took over as Chief Executive Officer in 2013. Since 2010 Iryna Marchenko has been a member of the Board of Directors of Avangardco IPL.

MANAGEMENT BOARD MEMBERS

IRYNA MARCHENKO
Chief Executive Officer

Iryna Marchenko graduated from the Kyiv Municipal Management Academy in 2004 with a degree in accounting and auditing. She obtained an ACCA IFRS Diploma in 2008. Iryna Marchenko joined the company in 2007. She served as CFO of Avangardco IPL from 2010 to January 2013. Iryna Marchenko took over as Chief Executive Officer in 2013. Since 2010 Iryna Marchenko has been a member of the Board of Directors of Avangardco IPL.

IRYNA MELNIK
Chief Financial Officer

Iryna Melnik graduated from the Economy Faculty of Stefanik Prykarpattya National University in 2002 with a degree in business administration. She was appointed as financial director of Stanislavska Trading Company in 2005 and was appointed CEO of Ukrmyaso in 2007. Ms. Melnik joined the company in 2010 as Deputy Chief Financial Officer. Iryna Melnik was promoted to Chief Financial Officer of Avangardco IPL in 2013.

VASIL MARCHUK
First Deputy CEO

Vasil Marchuk graduated from the Ivano-Frankivsk National Technical University of Oil & Gas in 1994 with degrees in mechanical engineering and accountancy. He held management posts in various companies from 1995. In 1997 he was appointed CFO of Prykarpattyaoblenergo. In 2001 he was appointed deputy chairman for financial and economic matters at Ivano-Frankivskgas. In 2004 he became chairman of Lvivgas. He became head of the Ukrainian Association of Regional Gas Distribution Companies in 2010. Mr. Marchuk joined the company in 2010.

OLEG SOLOVEI
Chief Legal Officer

Oleg Solovei graduated from the Taras Shevchenko National University in 1998 with a diploma in law. He was appointed head of the Kyivenergo Property and Material Relations Department in 2001. He became head of administration at the Social Insurance against Temporary Incapacity Fund in 2005. Mr. Solovei was appointed head of the legal department at Ukrprofzdravnitsa in 2006. Mr. Solovei joined the company in 2011.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS:
Nataliya Vasylyuk (Chair of the Board)
Oleg Bakhmatyuk (Member of the Board)
Oleg Michael Pohotsky (Non Executive Director)
Iryna Marchenko (Chief Executive Officer)

COMPANY SECRETARY:
Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:
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3040 Limassol
Cyprus

LEGAL ADVISORS:
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London EC4Y 1HS
United Kingdom

Avellum Partners LLC
Leonardo Business Center
19-21 Bohdana Khmelnytskoho Str.
11th floor
01030 Kyiv,Ukraine

INDEPENDENT AUDITORS:
KPMG Limited
14, Esperidon Str.
1087 Nicosia, Cyprus

BANKERS:
UBS AG
Postfach, CH-8098 Zurich
Deutsche Bank AG
De Entree 99-197
1101 HE Amsterdam
Postbus 12797
1100 AT Amsterdam

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PERSON RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

We, the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of AvangardCo Investments Public Limited (the "Company") for the year ended 31 December 2015, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the consolidated financial statements are true and complete.

Members of the Board of Directors:

Nataliya Vasylyuk

Oleg Bakhmatyuk

Oleg Michael Pohotsky

Iryna Marchenko

Person responsible for the preparation of the consolidated financial statements for the year ended 31 December 2015:

Iryna Melnyk

23 March 2016

BOARD OF DIRECTORS' REPORT

The Board of Directors of AvangardCo Investments Public Limited (the "Company") presents to the members its annual report together with the audited consolidated financial statements of the Company and of its subsidiaries (together with the Company referred to as "the Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES
The principal activities of the Group are:

- keeping of technical laying hen, production and selling of eggs,
- incubation (production and sale of day-old chick), farming of young poultry for sale, and poultry,
- production and selling of mixed fodder and
- processing of eggs and selling of egg products.

FINANCIAL RESULTS
The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 8 to the consolidated financial statements.

The loss for the year attributable to the owners of the Company amounted to USD 154 640 thousand (2014 loss: USD 26 103 thousand) which the Board of Directors recommends to be transferred to the revenue reserve.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP
The Group recorded a loss of USD 158 390 thousand compared to a loss of USD 26 918 thousand in the previous year. The Group's total assets also decreased to USD 624 171 thousand from USD 1 038 327 thousand mainly as a result of Ukrainian Hryvnia devaluation.

DIVIDENDS
The Board of Directors does not recommend the payment of a dividend for the year (2014: USD 29 542 thousand).

PRINCIPAL RISKS AND UNCERTAINTIES
The principal risks and uncertainties faced by the Group are disclosed in notes 37 and 39 to the consolidated financial statements.
Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest in early 2014, in March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings.

Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

The uncertain economic conditions in Ukraine have affected the cash flow forecasts of the Group's management in relation to the impairment assessment for financial and non-financial assets. The Group's management has assessed whether any impairment provisions are deemed necessary for the Group's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period.

SHARE CAPITAL
There was no change in the share capital of the Company during the year.

BOARD OF DIRECTORS
The members of the Board of Directors as at 31 December 2015 and at the date of this report are presented on page 1.

There is no requirement in the Company's Articles of Association for the retirement of directors by rotation, thus all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

The Directors are responsible for formulating, reviewing and approving the Company's and its subsidiaries' strategies, budgets, certain items of capital expenditures and senior personnel appointments. Although the Company is listed on the London Stock Exchange, it is not subject to the UK Corporate Governance Code issued by the Financial Reporting Council because it is a Cyprus incorporated company. Nevertheless, the Directors intend to establish audit, nomination and remuneration committees and may form other committees as necessary in order to improve corporate governance.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are presented in note 40 to the consolidated financial statements.

BRANCHES

The Group did not operate through any registered branches during the year.

RELATED PARTY BALANCES AND TRANSACTIONS

Disclosed in note 33 to the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to reappoint them and fix their remuneration will be proposed at the next Annual General Meeting of the Company.

By Order of the Board of Directors,

Nataliya Vasylyuk
Chair of the Board

Nicosia, 23 March 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVANGARDCO INVESTMENTS PUBLIC LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of AvangardCo Investments Public Limited (the "Company") and its subsidiaries (together with the Company, the "Group") on pages 8 to 73 which comprise the consolidated statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

EMPHASIS OF MATTER

We draw attention to notes 2.4, 4.12 and 39 to the consolidated financial statements, which describe the political and social unrest and regional tensions in Ukraine. The impact of the events referred to in notes 2.4, 4.12 and 39 about the continuing economic and political crisis in Ukraine and their final resolution cannot be determined and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 as amended from time to time, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 5 is consistent with the consolidated financial statements.

OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 as amended from time to time, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for arty other purpose or to any other person to whose knowledge this report may come to.

Maria A. Papacosta, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KMPG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

23 March 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(in USD thousand, unless otherwise stated)

	Note	31 December 2015	31 December 2014
ASSETS			
Property, plant and equipment	5	404 930	579 922
Non-current biological assets	6	13 403	21 637
Deferred tax assets	19	2 761	2 489
Held to maturity investments	7	9 257	17 959
Other non-current assets		6	28
Total non-current assets		**430 357**	**622 035**
Inventories	9	58 149	115 896
Current biological assets	6	13 736	28 228
Trade accounts receivable, net	10	56 665	79 221
Prepaid income tax	19	72	48
Prepayments and other current assets, net	11	21 027	29 094
Taxes recoverable and prepaid	8	12 858	45 949
Cash and cash equivalents	12	31 307	117 856
Total current assets		**193 814**	**416 292**
TOTAL ASSETS		**624 171**	**1 038 327**
EQUITY			
Share capital	13	836	836
Share premium	13	201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		921 435	1 077 158
Effect of translation into presentation currency		(1 018 085)	(776 404)
Equity attributable to owners of the Company		**221 208**	**618 612**
Non-controlling interests		**13 847**	**27 276**
Total equity		**235 055**	**645 888**
LIABILITIES			
Long-term bond liabilities	15	202 871	-
Long-term loans	14	64 423	79 844
Deferred tax liabilities	19	410	26
Deferred income	31.1	1 384	2 245
Dividends payable		29 542	-
Long-term finance lease		28	63
Total non-current liabilities		**298 658**	**82 178**
Short-term bond liabilities	15	-	198 635
Current portion of non-current liabilities	18	19 125	15 368
Short-term loans	16	50 000	50 000
Trade payables	20	3 375	6 907
Other accounts payable	21	17 958	39 351
Total current liabilities		**90 458**	**310 261**
TOTAL LIABILITIES		**389 116**	**392 439**
TOTAL EQUITY AND LIABILITIES		**624 171**	**1 038 327**

On 23 March 2016 the Board of Directors of AvangardCo Investments Public Limited approved and authorised for issue these consolidated financial statements.

Nataliya Vasylyuk, Chair of the Board

Iryna Marchenko, Director, CEO

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(in USD thousand, unless otherwise stated)

		Year ended	
	Note	31 December 2015	31 December 2014
Revenue	23	229 924	419 618
Profit from revaluation of biological assets at fair value	6	1 391	15 364
Cost of sales	24	(209 190)	(314 001)
GROSS PROFIT		**22 125**	**120 981**
General administrative expenses	26	(7 195)	(10 772)
Distribution expenses	27	(10 773)	(20 532)
Income from government grants and incentives	31.1	107	218
Impairment of non current assets	5	-	(23 589)
Income from special VAT treatment	31.2	25 098	36 490
Other operating expenses	28	(116 466)	(18 680)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		**(87 104)**	**84 116**
Finance income	30	3 978	3 176
Finance costs	29	(32 528)	(44 101)
Losses on exchange		(43 616)	(71 284)
LOSS BEFORE TAX		**(159 270)**	**(28 093)**
Income tax credit	19	880	1 175
LOSS FOR THE YEAR		**(158 390)**	**(26 918)**
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified subsequently to profit or loss		(255 410)	(746 465)
Effect from translation into presentation currency		-	1 715
Effect from changes in ownership			
TOTAL COMPREHENSIVE INCOME		**(413 800)**	**(771 668)**
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(154 640)	(26 103)
Non-controlling interests		(3 750)	(815)
		(158 390)	**(26 918)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(396 321)	(734 313)
Non-controlling interests		(17 479)	(37 355)
		(413 800)	**(771 668)**
Loss per share, USD (basic and diluted)	35	**(24)**	**(4)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	**836**	**115 858**	**201 164**	**1 132 803**	**(68 194)**	**1 382 467**	**64 631**	**1 447 098**
Comprehensive income								
Loss for the year	-	-	-	(26 103)	-	(26 103)	(815)	**(26 918)**
Effect from translation into presentation currency	-	-	-	-	(708 210)	(708 210)	(38 255)	**(746 465)**
Total comprehensive income	-	-	-	**(26 103)**	**(708 210)**	**(734 313)**	**(39 070)**	**(773 383)**
Transactions with owners								
Dividends payable	-	-	-	(29 542)	-	(29 542)	-	**(29 542)**
Effect from changes in ownership	-			-	-	-	1 715	**1 715**
Total transactions with owners	-	-	-	(29 542)	-	(29 542)	1 715	**(27 827)**
Balance at 31 December 2014	**836**	**115 858**	**201 164**	**1 077 158**	**(776 404)**	**618 612**	**27 276**	**645 888**
Balance at 1 January 2015	**836**	**115 858**	**201 164**	**1 077 158**	**(776 404)**	**618 612**	**27 276**	**645 888**
Comprehensive income								
Loss for the year	-	-	-	(154 640)	-	(154 640)	(3 750)	**(158 390)**
Effect from translation into presentation currency	-	-	-	-	(241 681)	(241 681)	(13 729)	**(255 410)**
Total comprehensive income	-	-	-	**(154 640)**	**(241 681)**	**(396 321)**	**(17 479)**	**(413 800)**
Transactions with owners								
Results of operations under common control	-	-	-	(1 083)	-	(1 083)	181	**(902)**
Effect from changes in ownership	-	-	-	-	-	-	3 869	**3 869**
Total transactions with owners	-	-	-	(1 083)	-	(1 083)	4 050	**2 967**
Balance at 31 December 2015	**836**	**115 858**	**201 164**	**921 435**	**(1 018 085)**	**221 208**	**13 847**	**235 055**

(1) In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.

(2) Companies incorporated in Cyprus which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, during the year after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% for the tax year 2014 and thereafter will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(in USD thousand, unless otherwise stated)

		Year ended	
	Note	31 December 2015	31 December 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(159 270)	(28 093)
Adjustments for:			
Depreciation of property, plant and equipment	5	17 628	21 792
Change in allowance for irrecoverable amounts	28	40 156	12 921
Other provisions		-	(357)
Loss/(profit) on disposal of current assets	28	20	(44)
Loss on disposal of property, plant and equipment	28	95	2 168
Impairment of current assets	28	39 869	9 140
Effect of fair value adjustments on biological assets	6	(1 391)	(15 364)
Gains realised from accounts payable written-off	28	(178)	(3 888)
Amortization of deferred income on government grants	31.1	(107)	(218)
Discount bonds amortization		1 974	1 504
Impairement of funds	22	28 190	-
Discount on VAT government bonds on initial recognition		-	12 679
Discount on VAT government bonds amortization		(1 979)	(1 459)
Impairement of non current assets		-	23 589
Interest income		(1 999)	(3 176)
Interest payable on loans		27 947	28 051
Losses on exchange		36 021	36 822
Operating profit before working capital changes		**26 976**	**96 067**
Increase in trade receivables		(30 086)	(36 919)
Increase in prepayments and other current assets		(2 627)	(16 816)
Decrease/(increase) in taxes recoverable and prepaid		24 493	(13 074)
Increase in inventories		(17 472)	(32 159)
Decrease in deferred income		-	7
Decrease in other non-current assets		13	214
(Decrease)/increase in trade payables		(1 259)	2 909
Decrease in biological assets		5 030	40 920
Decrease in finance leases		(16)	(744)
Increase in other accounts payable		1 123	9 822
Cash generated from operations		**6 175**	**50 227**
Interest paid		(4 897)	(8 983)
Income tax paid		(63)	(73)
Net cash generated from operating activities		**1 215**	**41 171**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(37 446)	(77 030)
Acquisitions of subsidiary		5	-
Interest received		2 183	159
Net cash used in investing activities		**(35 258)**	**(76 871)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans received		12 484	96 144
Repayment of loans		(13 729)	(62 760)
Interest paid for bonds issued		(14 000)	(20 000)
Net cash (used in)/generated from financing activities		**(15 245)**	**13 384**
Net decrease in cash and cash equivalents		**(49 288)**	**(22 316)**
Cash and cash equivalents at 1 January		**117 856**	**156 804**
Impairement of funds		(25 639)	-
Effect from translation into presentation currency		(11 622)	(16 632)
Cash and cash equivalents at 31 December	12	**31 307**	**117 856**

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION

AvangardCo Investments Public Limited (the "Company") was incorporated as a limited liability company on 23 October 2007 in accordance with the provisions of the Cyprus Companies Law, Cap. 113, under the name of Ultrainvest Limited. On 8 July 2009, the Registrar of Companies in Cyprus issued a certificate to the effect that the Company was re-registered as a public limited company and changed its name to AvangardCo Investments Public Limited. The Company was listed at London Stock Exchange Main Market on 6 May 2010.

The Company's registered office is at 3 Anexartisias & Kyriakou Matsi, 3040 Limassol, Cyprus.

The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

In 2009 the principal owner of AvangardCo Investments Public Limited reorganised the Group, as a result of which AvangardCo Investments Public Limited became the holding company of an agricultural group of agricultural enterprises, which in the past were under the common ownership and control of this owner. The restructuring was carried out by the transfer of direct interest in the Group's companies. The restructuring was undertaken to achieve legal consolidation of control over agricultural companies of the Group. The reorganisation did not affect the principal activities of the Group.

The history of "Avangard" began with the acquisition by the principal owner of the first poultry farm "Avangard" located in the Ivano-Frankivsk region of Ukraine. Subsequently, to supply the poultry farm with growing birds, the subsidiary "Avangard-Agro" was established. In 2004 a concept of development of this business line was designed, as a result of which in 2005-2009 other major enterprises of agrarian industry in Ukraine joined the Group.

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 31 December 2015 the production facilities of the Group include 32 poultry facilities (consisting of 19 egg laying farms, 10 farms for growing young laying hens and 3 breeder farms), 6 fodder mills, 3 long-term egg storage facilities and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows processing of approximately 64% of its own fodder. The Group's activities cover almost all the territory of Ukraine. Due to the operating environment in Ukraine, the companies of the Group which have been affected and are not operational are described in note 39 to the consolidated financial statements.

In order to build a vertically-integrated group, reduce business risk and gain additional profit due to synergies, the Group acquired a hen breeding concern. This ensures breeding of the required number of high quality daily chickens and their timely delivery to factories.

The construction of new full cycle egg production facilities, fully automated, in compliance with European standards of quality is an integral part of the Group's growth strategy.

The Group's subsidiaries all of which are incorporated in Ukraine, their principal activities and the effective ownership interests are as follows:

Company name	Principal Activity	Country of registration	Ownership interest (%) 31 December 2015	Ownership interest (%) 31 December 2014
PJSC Ptakhohospodarstvo Chervonyi Prapor	Keeping of technical laying hen, production and selling of eggs	Ukraine	98,00%	98,00%
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%
PPB LLC Ptytsecompleks		Ukraine	100,00%	100,00%
PSPC Interbusiness		Ukraine	100,00%	100,00%

Company name	Principal Activity	Country of registration	Ownership interest (%) 31 December 2015	Ownership interest (%) 31 December 2014
SC Avangard-Agro of PJSC Avangard	Incubation (production and sale of day-old chick), farming of young poultry for sale	Ukraine	98,00%	99,00%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC Slovyany		Ukraine	90,00%	90,00%
SC Ptakhohospodarstvo Lozuvatske of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
SC Zorya of PJSC Cross-PF Zoraya		Ukraine	98,00%	89,00%
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervoniyPrapor		Ukraine	98,00%	98,00%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100,00%	100,00%
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska		Ukraine	100,00%	100,00%
SC Ptakhohospodarstvo Chornobaivske of PJSC Chornobaivske		Ukraine	98,00%	97,00%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	100,00%	99,00%
PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod		Ukraine	100,00%	100,00%
PJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	99,00%	99,00%
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	98,00%	100,00%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	98,00%	93,00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	96,00%	96,00%
LLC Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%
LLC Imperovo LTD	Rental services	Ukraine	99,00%	96,00%
LLC "GENERAL KONSTRAKSHYN"	Assets holding companies	Ukraine	98,00%	0,00%
LLC "LOHISTYK AGROTRADE"		Ukraine	100,00%	0,00%
LLC "REMTREYDSTANDART"		Ukraine	98,00%	0,00%
LLC "COMPANY NEW REGION"		Ukraine	98,00%	0,00%
LLS "PRIME LEADER"		Ukraine	98,00%	0,00%
LLC "CITY REGION"		Ukraine	98,00%	0,00%
LLC "FORVARDTRANS"		Ukraine	98,00%	0,00%
LLC "UNITED LOHISTYK"		Ukraine	98,00%	0,00%
LLC "AGROTRADE BUSINESS"		Ukraine	98,00%	0,00%
LLC "KOMERTSBUDPLAST"		Ukraine	98,00%	0,00%
LLC "AGROMASH-ZAHID"		Ukraine	98,00%	0,00%
LLC "STC-INVESTMENTS"		Ukraine	98,00%	0,00%
LLC "TRANSMAGISTRAL"		Ukraine	92,00%	0,00%
PJSC Avangard*	Dormant	Ukraine	99,00%	99,00%
PJSC Chornobaivske*		Ukraine	97,00%	97,00%
PJSC Agrofirma Avis*		Ukraine	100,00%	100,00%
PJSC Kirovskiy*		Ukraine	100,00%	100,00%
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited*		Ukraine	100,00%	100,00%
LLC Makarivska Ptakhofabryka*		Ukraine	100,00%	100,00%

Company name	Principal Activity	Country of registration	Ownership interest (%) 31 December 2015	Ownership interest (%) 31 December 2014
LLC PF Volnovaska*	Dormant	Dormant	100,00%	100,00%
PJSC Cross-PF Zorya*		Dormant	89,00%	89,00%
PJSC Ptakhofabryka Pershe Travnya*		Dormant	93,00%	93,00%
PJSC Chernivetska Ptakhofabryka*		Dormant	98,00%	98,00%
ALLC Donetska Ptakhofabryka*		Dormant	100,00%	100,00%
LLC Areal-Snigurivka*		Dormant	0,00%	100,00%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka*		Dormant	100,00%	100,00%
SC Gorodenkivska Ptakhofabryka of PJSC Avangard*		Dormant	0,00%	99,00%
SC Rogatynska Ptakhofabryka of PJSC Avangard*		Dormant	0,00%	99,00%

*As at 31 December 2015 the Group completed the process of restructuring through transfer of assets and liabilities. The following companies' asset and liabilities were transferred to PJSC Ptakhohospodarstvo Chervonyi Prapor: PJSC Avangard, PJSC Chornobaivske PJSC, Agrofirma Avis, PJSC Kirovskiy, PJSC Cross-PF Zorya, PJSC Ptakhofabryka Pershe Travnya, PJSC Chernivetska Ptakhofabryka. Additionaly, the assets and liabilities of: SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited, LLC Makarivska Ptakhofabryka, LLC PF Volnovaska, ALLC Donetska Ptakhofabryka, LLC Areal-Snigurivka, LLC Torgivenlniy Budynok Bohodukhivska, Ptakhofabryka SC Rogatynska Ptakhofabryka of PJSC Avangard, SC Gorodenkivska Ptakhofabryka of PJSC Avangard were transferred to PSPC Interbusiness. Currently the companies PJSC Avangard, PJSC Chornobaivske PJSC, Agrofirma Avis, PJSC Kirovskiy, PJSC Cross-PF Zorya, PJSC Ptakhofabryka Pershe Travnya, PJSC Chernivetska Ptakhofabryka, SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited, LLC Makarivska Ptakhofabryka, LLC PF Volnovaska, ALLC Donetska Ptakhofabryka, LLC Torgivenlniy Budynok Bohodukhivska are in the process of liquidation as legal entities. Companies: LLC Areal-Snigurivka, Ptakhofabryka SC Rogatynska Ptakhofabryka of PJSC Avangard and SC Gorodenkivska Ptakhofabryka of PJSC Avangard are liquidated as legal entities.

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 31 December 2015 with nominal value of € 0,10 per share.

The shares were distributed as follows:

Owner	31 December 2015		31 December 2014	
	Number of shares	Ownership interest (%)	Number of shares	Ownership interest (%)
Omtron Limited	1 848 575	28,9%	1 848 575	28,9%
Tanchem Limited	926 280	14,5%	926 280	14,5%
Mobco Limited	1	-	1	-
BNY (Nominees) Limited	1 437 500	22,5%	1 437 500	22,5%
UkrLandFarming Plc	2 174 825	34,1%	2 174 825	34,1%
Other	4	-	4	-
	6 387 185	100,0%	6 387 185	100,0%

As at 31 December 2015 and 31 December 2014 the interests in Omtron Limited and Tanchem Limited beneficially owned by UkrLandFarming Plc were as follows:

	Ownership interest (%) as at 31 December 2015	Ownership interest (%) as at 31 December 2014
Omtron Limited	100%	100%
Tanchem Limited	100%	100%

As at 31 December 2015 and 31 December 2014 the direct interests in Mobco Limited, UkrLandFarming Plc and Quickcom Limited beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	Ownership interest (%) as at 31 December 2015	Ownership interest (%) as at 31 December 2014
Mobco Limited	100%	100%
UkrLandFarming Plc	95%	95%
Quickcom Limited	-	100%

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. and are for the year ended 31 December 2015.

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the biological assets which are measured at fair value and bonds, loans and investments held to maturity which are measured at amortised cost.

2.3 Functional and presentation currency

The functional currency of all companies of the Group is the Ukrainian Hryvnia ("UAH") except in the case of the Cyprus parent company, AvangardCo Investments Public Limited, whose functional currency changed from UAH to Euro ("EUR") as from 1 January 2014. Transactions in currencies other than the functional currency of the Group's companies are treated as transactions in foreign currencies. The Group's management decided to use US dollar ("USD") as the presentation currency for financial and management reporting purposes. Exchange differences arising are classified as equity and transferred to the translation reserve.

2.4 Going concern basis

These consolidated financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The Board of Directors and Management are closely monitoring the events in the current operating environment of the Group described in note 39 to the consolidated financial statements and concider that the Group is able to continue its operations as a going concern.

2.5 Standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

As from 1 January 2015, the Group adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by EU which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2015. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- IAS 19 (Amendments) "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 February 2015).
- Annual Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 February 2015).
- IAS 27 (Amendments) "Equity method in separate financial statements" (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).
- 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).
- 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).
- IFRS 11 (Amendments) 'Accounting for acquisitions of interests in Joint Operations'" (Amendments) (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).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
- 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 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 7 (Amendments) "Disclosure Initiative" (effective for annual accounting periods beginning on or after 1 January 2017).
- IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses" (effective for annual accounting periods beginning on or after 1 January 2017).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these consolidated financial statements. The accounting policies have been consistently applied by all companies of the Group.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company AvangardCo Investments Public Limited and the financial statements of the companies controlled by the Company as at 31 December 2015.

Transactions under common control

Consolidation of companies including organisations and entities under common control requires that all the organisations and enterprises being consolidated are controlled by one and the same party or parties, both before consolidation and after it, and this control is not transitory.

Subsidiaries

A subsidiary is an entity which is controlled by another entity. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previously owned subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Combinations of businesses under common control

A business combination in which the combining entities are ultimately controlled by the same individual both before and after the combination and the control is not transitory is accounted using the pooling of interests accounting principles (otherwise known as "carry over accounting" or "predecessor accounting"). The principles of predecessor accounting are:

- The Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonisation of accounting policies.
- No goodwill arises in predecessor accounting. Predecessor accounting may lead to differences in consolidation, for example the consideration given may differ from the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. Such differences are included in equity in retained earnings.
- The consolidated financial statements incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined from the date that common control was achieved. Consequently, the consolidated financial statements reflect both entities' full periods results, even though the business combination may have occurred part of the way through the period. In addition, the corresponding amounts for the previous period also reflect the combined results of both entities, even though the transaction did not occur until the current period.

Acquisitions of business not under common control

The purchase method is applied for the consolidation of subsidiaries being acquired. On acquisition, the identifiable assets and liabilities of the subsidiary are measured at fair value on the acquisition date, irrespective of the extent of any non controlling interest. Non-controlling interests are reflected proportionally to fair value of cost of recognised assets and liabilities.

If necessary, adjustments are entered into the financial statements of subsidiaries to bring the accounting policies used into compliance with the accounting policies used by other companies of the Group.

Transactions eliminated by consolidation

All significant transactions and balances between the Group's companies are eliminated from the consolidated financial statements. Unrealised profits and losses, under transactions between the Group's Companies are also subject to elimination.

Non-controlling interests (NCI)

NCI is represented by interest in the subsidiaries not owned by the Group. NCI in subsidiaries as at the reporting period is the proportion of fair value of the relevant subsidiaries' identified assets and liabilities attributable to those non-controlling interest as at the date of acquisition, together with their share of changes in their equity after the date of acquisition. Equity attributable to owners of non-controlling interest is reported as a separate item in the consolidated statement of financial position.

Business combinations and goodwill

Business combinations (other than those of businesses under common control) are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within the unit that is disposed of, the goodwill associated with the operation disposed of is included in the carrying value of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in such case is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.2 Foreign currency translation

(a) 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 are translated into the functional currency of each company included into the Group, at the rates ruling at the reporting period. Foreign exchange gains and losses, arising from transactions in foreign currency, and also from translation of monetary assets and liabilities into the functional currency of each company included into the Group at the rate ruling at the end of the year, are recognised to profit or loss.

The exchange rates used for the preparation of these consolidated financial statements, are presented as follows:

Currency	31 December 2015	Weighted average for the year ended 31 December 2015	31 December 2014	Weighted average for the year ended 31 December 2014
US dollar to Ukrainian Hryvnia	24,0007	21, 8290	15,7686	11, 9095
Euro	0,9152	0,9018	0,8199	0,7566

The empowerment of the USD against UAH has resulted in the reduction of various values disclosed in the statements of profit or loss and of financial position. This reduction is applicable only in case of translation into presentation currency.

The foreign currencies may be freely convertible to the territory of Ukraine at the exchange rate which is close to the exchange rate established by the National Bank of Ukraine. At the moment, the Ukrainian Hryvnia is not a freely convertible currency outside of Ukraine.

(b) Presentation currency

The financial results and position of each subsidiary are translated into the presentation currency as follows:

(1) At each reporting period of financial statements all the assets and liabilities are translated at the exchange rate of the National Bank of Ukraine at that reporting period;

(2) Income and expenses are translated at the average exchange rates (except for the cases when such average exchange rate is not a reasonably approximate value reflecting cumulative influence of all exchange rates prevailing at the date of transaction, in which case income and expenses are translated at the exchange rates at the date of transaction);

(3) All exchange differences are recognised in other comprehensive income.

3.3 Property, plant and equipment

Initial recognition of property, plant and equipment ("PPE")

PPE is recognised by the Group as an asset only in a case, when:

- it is probable that the Group will receive certain future economic benefits;
- the historical cost can be assessed in a reliable way;
- it is intended for use during more than one operating cycle (usually more than 12 months).

After completion, PPE previously under construction is transferred to the relevant category of PPE.

Expenses after the initial recognition of property, plant and equipment

Any subsequent expenses, increasing the future economic benefits from the asset, are treated as additions. Otherwise, the Group recognises subsequent expenses as expenses of the period, in which they have been incurred. The Group divides all expenses related to the property, plant and equipment, into the following types:

- current repairs and expenses for maintenance and technical service;
- capital refurbishment, including modernisation.

Subsequent measurement of property, plant and equipment

After initial recognition as an asset, the Group applies the model of accounting for the property, plant and equipment at historical cost, net of accumulated depreciation and any accumulated losses from impairment, taking into account estimated residual values of such assets at the end of their useful lives. Such cost includes the cost of replacing significant parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced from time to time, the Group recognises such parts as individual assets with specific estimated useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying value of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives agreed upon with the technical personnel of the Group.

The estimated useful lives for the property, plant and equipment are as follows:

Land	Not depreciated
Buildings and constructions	10-70 years
Machinery and equipment	5-25 years
Equipment for biological assets	5-30 years
Vehicles	5-15 years
Other equipment	3-10 years
Construction in progress	Not depreciated

3.3 Property, plant and equipment (cont.)

Depreciation methods, residual values and useful lives of assets are reviewed at each reporting period and adjusted if appropriate.

An asset is not depreciated during the first month of its availability for use. The acquired asset is depreciated starting from the following month of the date it is available for use and depreciation is fully accumulated when useful life terminates.

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss when the asset is derecognised.

Impairment

At each reporting period the Group evaluates whether any indicators of possible impairment of an asset exist. If the recoverable value of an asset or a group of assets within PPE is lower than their carrying (residual) value, the Group recognises such asset or group of assets as impaired, and accrues a provision for impairment of the amount of excess of the carrying value over the recoverable value of the asset. Impairment losses are recognised immediately in profit or loss.

Assets under construction and unistalled equipment

Assets under construction comprise costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of the construction in progress, on the same basis as for other property, plant and equipment items, commences when the assets are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the Management.

3.4 Financial instruments

(i) Non-derivative financial assets

The Group classifies its non-derivative financial assets as loans and accounts receivable, available-for-sale financial assets and held-to-maturity investments. The classification depends on the purposes for which the financial assets were acquired. Management takes decision concerning the classification at initial recognition and reviews such classification for reliability at each reporting period.

(a) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Such assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise of cash and cash equivalents and trade and other accounts receivable.

Loans issued by the Group are financial assets resulting from delivering cash to the borrower. Loans issued are accounted for at amortised cost using the effective interest method, less any impairment losses.

(b) Available for sale financial assets

Available for sale financial assets, are non-derivative financial assets that are designated as available for sale or are not classified into any other category of financial assets. Available for sale financial assets are recognised at fair value plus directly attributable transaction costs.

Investments which Management plans to hold for an indefinite period of time, and which may be sold to improve liquidity or due to changes in interest rates, are classified as available for sale financial assets. These assets are included into non-current assets unless the Group has an obvious intention to hold these assets for a period less than twelve months from the reporting period, and if selling these assets will not result from the need of increasing the working capital, in which case they will be included into current assets. Available for sale financial assets are recorded at fair value through equity and changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments, are recognised in other comprehensive income.

Impairment loss on available for sale financial assets is recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayments and amortization and the current fair value, less impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to the application of the effective interest method are reflected as a component of interest income. If in a subsequent period the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized then the impairment loss is reversed, with the amount of reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortised cost. If an entity sells a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated, all of its other held-to-maturity investments must be reclassified as available-for-sale for the current and next two financial reporting years. Held-to-maturity investments are measured at amortised cost.

Initial recognition

All financial assets and liabilities are recognised at fair value plus transaction costs. The best confirmation of fair value at initial recognition is transaction price. Gains or losses on initial recognition are reflected only if the difference between fair value and transaction price is confirmed by other actual and regular market transactions carried out with the same instruments or with such estimation of which the valuation technique is based on open market data.

All acquisitions and sales of financial instruments which are to be carried out on a regular basis, set by regulations or marketing agreements (acquisitions and sales carried out under regular transaction procedures) are recognised at the date of transaction.

Change in value of an asset which is measured at fair value between one date of committing to purchase the assets and settlement date, is recognised either in profit or loss (for assets classified at fair value through profit or loss), or in equity (for assets classified as fair value through profit or loss), or in equity (for assets classified as available-for-sale).

Principles of fair value measurement

Fair value of financial instruments is based on their market price prevailing at the reporting period without deduction of transaction costs.

In case the market price is not available, the fair value of an instrument is determined using pricing or discounted cash flow models.

When using a discounted cash flow model, the determination of future cash flows is based on the best estimates of management, and the discount rate is represented by the market interest rate for similar instruments prevailing at the reporting period. When using pricing models, the inputs are based on average market data prevailing at the reporting period.

Subsequent measurement

After the initial recognition all available for sale investments, are measured at fair value except for any instruments which are not traded on an active market and for which fair value cannot be measured reliably; such instruments are measured at cost plus transactions costs less impairment losses.

Loans and accounts receivable and held-to-maturity investments, are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest method. Premium and discount, including initial transaction costs, are included in the carrying amount of the corresponding instrument and amortised using the effective interest method.

Impairment of financial assets

At each reporting period the Group measures whether there is any objective evidence of impairment of financial assets or group of financial assets. A financial asset or group of financial assets is considered to be impaired if and only if there is objective evidence of impairment as a result of one or more events which occurred after initial recognition of the asset and that loss event, had an impact on the estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated.

Impairment evidence may comprise indicators that a debtor or group of debtors is in significant financial difficulties, is unable to repay the debt or makes inaccurate payments of interest or principal amount of debt, and also the probability of bankruptcy or any other financial reorganisation. In addition, such evidence includes other observable data indicating a decrease in expected cash flows from the financial asset which is subject to reliable measurement, for example, an overdue debt. For an investment in an equity security, a significant prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for a financial asset measured at amortised cost at both a specific asset and collective level. All individually significant assets are measured for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risks characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial assets at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted using the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after at the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Derecognition

The financial assets are derecognised if the term of contractual rights for cash flows from financial assets expires, or the Group transfers all the significant risks and benefits from asset ownership.

(ii)Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date which is the date that the Group becomes a party to the contractual provision for the instrument. The Group classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs using the effective interest method.

Other financial liabilities comprise loans and borrowings, bonds liabilities, bank overdrafts and trade and other payables.

Loans and borrowings

Loans and borrowings are financial liabilities of the Group resulting from raising borrowings. Loans and borrowings are classified as short-term liabilities except for cases when the Group has vested right to defer the liabilities at least by 12 months from the reporting period.

Initial recognition

Financial liabilities are initially recognised at fair value adjusted for directly related transaction costs in case of loans and borrowings.

Subsequent measurement

Trade and other accounts payable initially recognised at fair value is subsequently accounted for at amortized value using the effective interest method.

Borrowings initially recognised at fair value of liability net of transaction costs are subsequently reported at amortised cost; any difference between the amount of received funds and amount of repayment is reported within interest expenses during the period in which borrowings were received under the effective interest method.

Derecognition

The financial liabilities are derecognised if the term of contractual obligations expires, contractual obligations fulfilled or agreement cancelled.

3.5 Bonds

Initial recognition

Financial liabilities are initially recognized at fair value adjusted for transaction costs that are directly attributable to the issue of the bond.

Subsequent measurement

After initial recognition bonds are measured at amortised cost using the effective interest rate method.

Derecognition

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. In this case, the difference in the respective carrying amounts is recognised in profit or loss.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined as the estimated selling price less estimated costs of completion and preliminary estimated distribution and selling costs. The cost of inventories is based on the first-in-first-out (FIFO) principle.

The cost of inventories comprises all expenses for acquisition, processing and other expenses incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods includes the cost of raw materials, direct labour and other production costs, and also corresponding part of production overheads.

The Group regularly reviews inventories to determine whether there are any indicators of damage, obsolescence, slow movement, or a decrease in net realisable price. When such events take place, the amount by which inventories are impaired, is recognised in profit or loss.

Impairment of inventories

At each reporting period, the Group assesses the necessity to impair obsolete and surplus inventory and supplies.

Cost of inventories may be irrecoverable if the realisable value for such inventories has decreased due to their damage, whole or partial obsolescence or resulting from changes in market prices. Cost of inventories may be irrecoverable if possible costs for completion or sale have increased.

Raw and other materials in inventories are not written-off below cost, if finished goods, in which they will be included, will be sold at cost or above. However, when decrease in price for raw materials indicates that cost of finished goods will exceed the net realisable value, raw materials are written-off to net realisation values.

3.7 Biological assets

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

- replacement poultry (non-current asset);
- commercial poultry (current asset);
- other biological assets (current asset);

(a) Non current assets - assets with useful life of more than a year. Age of livestock poultry is between 1 – 194 days old.

(b) Current assets - assets with useful life within one year. Age of livestock poultry is between 195 – 560 days old.

The Group performs a biological asset measurement at initial recognition and as at each reporting period, at fair value less any estimated expenses for sale, except in the cases, were fair value cannot be determined reliably. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

The difference between the fair value less estimated costs to sell is recognised in profit or loss.

The Group includes the following elements into cost of laying hens in the process of growing:

- Animal feed
- Depreciation of property, plant and equipment related to the process of growing
- Wages and salaries of personnel related to the process of growing
- Other expenses directly related to the process of growing

Determination of the fair value of biological assets

Due to an absence of an active market for laying hens in Ukraine, to determine the fair value of biological assets, the Group uses the discounted value of the asset's expected net cash flows.

Determination of the fair value of agricultural produce

Agricultural produce harvested from biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in the profit or loss in the period in which it arises.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash at banks, cash in hand, cash in transit and issued letters of credit. The bank deposits are held without a specific maturity, are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments.

3.9 Impairment of non-current assets

The Group assesses at each reporting period the carrying value of its non-current assets to determine whether there is any objective evidence that non-current assets are impaired. If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The expected recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less costs to sell and its value in use. In estimating value in use, the future cash flows are discounted to present value using a pre-tax discount that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

If the expected recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) shall be reduced to its recoverable amount. That reduction is an impairment loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease. If the impairment loss is reversed subsequently, the carrying value of an asset (or cash-generating unit) increases to the revised and estimated amount of its recoverable amount, where increased carrying value does not exceed the carrying value which could be determined only in the case where no impairment loss for an asset (or cash-generating unit) was recognised in the previous years. Reversal of the impairment loss is recognised as profit immediately.

3.10 Value added tax (VAT)

There are two rates of value added taxes: 20% – on import and sales of goods and services in the territory of Ukraine and 0% - on export of goods and rendering of services and works outside Ukraine.

The VAT liability is equal to the total amount of VAT accrued during the reporting period and arises at the earlier of goods shipment to the customer or at the date of receipt of payment from the client.

VAT credit is the amount by which a taxpayer is entitled to reduce his/her VAT liabilities in the reporting period. The right to VAT credit arises on the earlier of the date of payment to supplier or the date of receipt of goods by the company.

The Group's entities apply the special VAT taxation treatment prescribed by the Tax Code of Ukraine, which entered into force on 1 January 2011, regarding the agricultural activities, which provides preferential VAT treatment to support agricultural producers.

For goods and services supplied at the 20% tax rate, revenue, expenses and assets are recognised net of VAT amount, unless:

- the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

- receivables and payables that are stated including the value added tax.

The Group classifies VAT recoverable arising from its operating activities and its capital expenditures. The balance of VAT recoverable may be realised by the Group either through a cash refund from the state budget or by set off against VAT liabilities with the state budget in future periods.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.11 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting period. Current tax also includes any tax arising from dividends.

Deferred 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 recognised 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 recognised 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 utilised 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 recognised 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 utilised.

The carrying value of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting period.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income.

3.12 Revenue recognition

Revenue includes the amount of compensation received or to be received for realisation of products and services in the course of the ordinary activities of the Group. Revenue is recognised net of value added tax, returns, trade discounts and intragroup transactions.

Revenue is recognised when persuasive evidence exists that the significant risks and rewards have been transferred to the customer, recovery of the consideration is probable, the associated cost and possible return of goods and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting period. The stage of completion is assessed by reference to surveys of work performed.

3.13 Finance income/expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying value of the financial asset or liability. Interest income is included in finance income to the statement of profit and loss and other comprehensive income. Foreign currencies gain and loss are reported on a net basis as either a finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.14 Leases

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

A lease is classified as finance lease, when, according to lease terms, the lessee assumes all the significant risks and benefits associated with ownership of the relevant assets. All other leases are classified as operating leases.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the 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 recognised 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 recognised as an expense in the statement of profit and loss and other comprehensive income on a straight line basis over the lease term.

Group as a lessor

Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.15 Distribution of dividends

The amount payable to the owners of the Company in the form of dividends is recognised as a liability in the financial statements of the Group in the period the dividends were approved by the owners of the Company.

3.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily requires significant time to be prepared for use in accordance with the group's intentions or for sale, are capitalised as the part of initial value of such asset. All other borrowing costs are expensed in profit or loss in the period they were incurred. Borrowing costs include interest payments and other expenses incurred by the Group related to borrowings.

3.17 Government grants

Recognition of government grants

The Group recognises government grants when received.

The Group recognises the government grants as other operating income in the same periods as the corresponding expenses, which they compensate, on a systematic basis:

- All grants, compensating the expenses of the preceding periods, shall be recognised by the Group in full in the period of their receipt as other operating income;
- All grants, related to assets not depreciated, such as a land site, shall be correlated by the Group with the expenses to fulfill the obligations. Where a grant in the form of provision of a land site is conditional on construction of a building on the site, the Group divides the recognition of the grant as other operating income over the whole useful life of the building;
- All grants, related to the amortised assets, shall be recognised by the Group as a decrease in the expenses for amortisation during the periods, when the amortisation of these assets is accrued

Accounting for government grants for agricultural activities

The Group recognises unconditional state grants related to biological activities as income only in cases when such government grants are receivable. A contingent government grant, is recognised by the Group as income only after the fulfilment of respective conditions.

Return of the government grants

If subsidies are returned partially or completely, the amount to be returned shall be deducted from the remaining unused amount of the government subsidies. If an amount, exceeding the unused part of the government subsidies, is to be returned, the Group shall immediately reflect the amount of such excess as the expenses in the reporting period.

3.18 Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated financial statements. Such liabilities are disclosed in the notes to the consolidated financial statements, with the exception of when the probability of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed in the notes in such cases when there is a possibility of receiving economic benefits.

3.19 Provisions

A provision is a liability of uncertain amount or timing. Provisions are recognised 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.20 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and the nominal value of share capital issued is transfered to share premium. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

3.21 Operating segments

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

The Group is organised by reportable segments and this is the primary format for segmental reporting. Each segment provides products or services which are subject to risks and rewards that are different from those of other reportable segments.

3.22 Events after the reporting period

The Group adjusts the consolidated financial statements amounts if events after the reporting period demand adjustments. Events after the reporting period requiring adjustments of the consolidated financial statements amounts relate to the confirmation or contradiction of the circumstances prevailing at the reporting period, as well as estimates and judgments of management, which are made under conditions of uncertainty and incompleteness of information at the reporting period.

If non-adjusting events that occurred after the reporting period are significant, non-disclosure of information about them may affect the economic decisions of users which are made on the basis of these financial statements. Accordingly, the Group discloses the nature of such events and estimates of their financial effect or states the impossibility of such estimate for each material category of non-adjusting events that occurred after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, Management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In particular, information about significant area of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are disclosed below:

4.1 Basis of consolidation (transactions under common control)

Control is the ability to govern an entity's financial and operating policies with the aim of receiving benefits from its activities. Where control over subsidiaries and the parent company belongs to the ultimate beneficial owner, these transactions are considered to be combinations of business under common control, which are outside the scope of IFRS3: "Business combinations".

4.2 Fair value less costs to sell of biological assets

Biological assets are recorded at fair values less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Average production of eggs over lifecycle of poultry
- Average productive life of livestock poultry
- Estimated future sales price
- Projected production costs and costs to sell
- Discount rate
- Mortality rate

4.3 Useful lives of property, plant and equipment

The Group estimates the remaining useful life of property, plant and equipment at least once a year at the end of the fiscal year. Should the expectations differ from previous estimates, changes are accounted for as changes in accounting estimates in accordance with IAS 8 "Accounting Policy, Changes in Accounting Estimates and Errors". These estimates may have a significant effect on the carrying value of property, plant and equipment and depreciation recognised in profit or loss.

4.4 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is the most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4.5 VAT recoverable

Management classified VAT recoverable balance as current based on expectations that will be realised within twelve months from the reporting period. In addition management assessed whether the allowance for irrecoverable VAT needs to be created.

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 input over VAT output in the normal course of business.

4.6 Impairment of receivables

The Group reviews its trade and other receivables for evidence of their recoverability.

The Group provides for doubtful debts to cover potential losses when a customer may be unable to make necessary payments. In assessing the adequacy of provision for doubtful debts, Management considers the current economic conditions in general, the age of accounts receivable, the Group's experience in writing off of receivables, solvency of customers and changes in conditions of settlements. Economic changes, industry situation or financial position of separate customers may result in adjustments related to the amount of provision for doubtful debts reflected in the consolidated financial statements as impairments of receivables.

Group approach is used in calculating the impairment of receivables:

Group approach - receivables are grouped, and turnover is analysed for the group as a whole, rather than on each individual debt separately. Based on the analysis of accounts receivable according to the previous reporting period data for the share of uncollectible receivables, interest is calculated for calculation of reserve for doubtful debt of current reporting period. Subsequently, to calculate the provision of doubtful debt of current reporting period, interest is applied to outstanding balance for the current period, less the amount of accounts receivable, provision for which is calculated on an individual basis.

The amount of impairment in respect of doubtful debt is reported in the statement of comprehensive income in other operating expenses.

Bad debts which are recovered are written-off from the consolidated statement of financial position along with a corresponding adjustment to the provision for doubtful debts, and the recovered amount is recognised in profit or loss.

The Group does not accrue provisions for doubtful debts on balances with intragroup parties regardless of the origin date of current debt, as these would be eliminated on consolidation.

4.7 Legal proceedings

The Group's management applies significant assumptions in the measurement and recognition of provisions for and risks of exposure to contingent liabilities, related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or the crystallising of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have a significant effect on the future results of operating activity.

4.8 Impairment of obsolete and surplus inventory

At each reporting period, the Group assesses the necessity to impair obsolete and surplus inventory. If such necessity exists, the reserve is calculated and necessary adjustments are made.

Estimation of the amount of impairment against obsolete and surplus inventory is based on the type of inventory, inventory turnover, the date of balance origination and estimated shelf life of particular type of inventory.

4.9 Deferred tax assets

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective regions in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets are reviewed at each reporting period and reduced to the extent where no longer exists any probability for sufficient taxable profit to be received, which enables realising the whole number of or a part of deferred tax assets. Estimate of probability includes judgments, which are based on expected characteristics of activity. To estimate the probability of utilising deferred tax assets in future, various factors are used, including previous years' results, operating plans, expiry of tax losses recovery, strategies of tax planning. Should actual results differ from the estimates, and should such estimates need to be reviewed in future periods, this can negatively influence the financial position, financial results and cash flows. Should the estimated utilisation of deferred tax assets be reduced, such reduction is to be recognised in profit or loss.

4.10 Contingent liabilities

Contingent liabilities are determined by the occurrence or non-occurrence of one or more future events. Measurement of contingent liabilities is based on Management's judgments and estimates of the outcomes of such future events. In particular, the tax laws in Ukraine are complex and significant management judgement is required to interpret those laws in connection with the tax affairs of the Group, which is open to challenge by the tax authorities. Additionally, the impact on the Group of the economic and political situation in Ukraine (note 39).

4.11 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board of Directors.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Futher information about the assumption made in measuring fair values is included in relevant notes.

4.12 Ukrainian business environment

Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest in early 2014, in March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst, Group's management considers that all necessary actions are being performed to maintain financial stability of the Group in current circumstances, continuation of the current unstable business environment may adversely affect results and financial position of the Group, in a manner not currently determinable. These consolidated financial statements reflect current management estimation of Ukrainian business environment influence on the financial position of the Group. Situation development may differ from management expectations. These financial statements were not adjusted to reflect events after the reporting period.

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Cost								
Balance at 1 January 2015	**1 756**	**360 710**	**85 479**	**84 338**	**3 114**	**1 730**	**98 854**	**635 981**
Acquisitions of subsidiary	-	4 000	3	-	428	121	-	**4 552**
Acquisitions	-	1 453	1 197	122	32	93	34 167	**37 064**
Disposals	-	(13)	(162)	(12)	(42)	(52)	(19)	**(300)**
Internal transfers	-	18 276	(2 266)	28 520	22	49	(44 601)	**-**
Foreign currency translation	(603)	(125 941)	(29 198)	(31 460)	(1 108)	(613)	(30 756)	**(219 679)**
Reclassification	-	957	20	(647)	-	(6)	(324)	**-**
Balance at 31 December 2015	**1 153**	**259 442**	**55 073**	**80 861**	**2 446**	**1 322**	**57 321**	**457 618**
Accumulated depreciation								
Balance at 1 January 2015	-	**24 327**	**9 124**	**19 571**	**1 897**	**1 140**	-	**56 059**
Depreciation charge	-	9 200	4 794	3 172	268	194	-	**17 628**
Depreciation eliminated on disposal	-	(4)	(104)	(2)	(38)	(46)	-	**(194)**
Foreign currency translation	-	(9 223)	(3 478)	(7 031)	(671)	(402)	-	**(20 805)**
Reclassification	-	509	(845)	345	-	(9)	-	**-**
Balance at 31 December 2015	-	**24 809**	**9 491**	**16 055**	**1 456**	**877**	-	**52 688**
Net book value								
Balance at 31 December 2015	**1 153**	**234 633**	**45 582**	**64 806**	**990**	**445**	**57 321**	**404 930**
Cost								
Balance at 1 January 2014	**3 463**	**362 997**	**49 091**	**106 411**	**6 652**	**3 227**	**663 077**	**1 194 918**
Acquisitions	-	70	369	15	103	31	73 928	**74 516**
Disposals	-	(1 453)	(38)	(883)	(1)	(12)	(61)	**(2 448)**
Impairment	-	(16 733)	(1 122)	(10 679)	(631)	(131)	(2 673)	**(31 969)**
Internal transfers	-	252 083	77 638	55 171	189	236	(385 317)	**-**
Foreign currency translation	(1 707)	(236 254)	(43 834)	(62 322)	(3 198)	(1 621)	(250 100)	**(599 036)**
Reclassification	-	-	3 375	(3 375)	-	-	-	**-**
Balance at 31 December 2014	**1 756**	**360 710**	**85 479**	**84 338**	**3 114**	**1 730**	**98 854**	**635 981**
Accumulated depreciation								
Balance at 1 January 2014	-	**35 314**	**10 690**	**39 810**	**3 611**	**1 863**	**-**	**91 288**
Depreciation charge	-	11 262	5 460	4 186	500	384	-	**21 792**
Depreciation eliminated on disposal	-	(87)	(24)	(118)	(1)	(10)	-	**(240)**
Impairment	-	(2 666)	(528)	(4 873)	(412)	(118)	-	**(8 597)**
Foreign currency translation	-	(19 496)	(6 477)	(19 434)	(1 801)	(976)	-	**(48 184)**
Reclassification	-	-	3	-	-	(3)	-	**-**
Balance 31 December 2014	-	**24 327**	**9 124**	**19 571**	**1 897**	**1 140**	**-**	**56 059**
Net book value								
Balance at 31 December 2014	**1 756**	**336 383**	**76 355**	**64 767**	**1 217**	**590**	**98 854**	**579 922**

As at 31 December 2015 and 31 December 2014 the property, plant and equipment that was used as security for long-term and short-term loans was as follows:

	Carrying value of security as at	
	31 December 2015	31 December 2014
Buildings and structures	25 981	39 440
Machinery and equipment	9 614	15 241
Equipment for biological assets	5 268	7 546
Vehicles	46	91
Other equipment	1	1
Assets under construction-in-progress and uninstalled equipment	282	1 881
	41 191	**64 200**

As at 31 December 2015 and 31 December 2014 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 42 thousand and USD 66 thousand respectively.

As at 31 December 2014 the property, plant and equipment was impaired by USD 23 589 thousand in connection with the military conflict on the East of Ukraine and the Crimea annexation (note 39).

6. BIOLOGICAL ASSETS

	Note	31 December 2015	31 December 2014
Non-current biological assets			
Replacement poultry	a), b)	13 403	21 637
		13 403	**21 637**
Current biological assets			
Commercial poultry	a), b)	13 736	28 228
		13 736	**28 228**
Total		**27 139**	**49 865**

a) Commercial poultry and replacement poultry were as follows:

	31 December 2015		31 December 2014	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	11 041	22 576	6 880	17 492
Hy-Line	1 094	1 374	15 665	30 762
Hisex	73	9	68	87
NOVOgen	-	-	280	604
Brown Nick	1 000	2 113	326	548
Decalb	202	463	123	372
Tetra	197	604	-	-
	13 607	**27 139**	**23 342**	**49 865**

b) Reconciliation of commercial and replacement poultry fair value was as follows:

Balance at 1 January 2014	**137 324**
Acquisitions	2 129
Increase in value as a result of increase in weight/number	133 392
Net change in fair value	15 364
Decrease in value resulting from assets disposal	(26 473)
Effect from translation into presentation currency	(61 317)
Decrease in value resulting from hens slaughtering	(150 253)
Other changes	(301)
Balance at 31 December 2014	**49 865**
Balance at 1 January 2015	**49 865**
Acquisitions	5 068
Increase in value as a result of increase in weight/number	54 941
Net change in fair value	1 391
Decrease in value resulting from assets disposal	(6 490)
Effect from translation into presentation currency	(16 544)
Decrease in value resulting from hens slaughtering	(60 969)
Other changes	(122)
Balance at 31 December 2015	**27 139**

Due to the absence of an active market for laying hen in Ukraine to determine the fair value of biological assets, the Group uses the discounted net present value of future net cash flows expected from the biological assets. As a discount rate, the rate of 36,94% prevailing as at 31 December 2015 was applied (for the year ended 31 December 2014: 27,97%).

The line item "Other changes" includes hen mortality, discarding and utilisation of poultry.

Regulatory and environmental risk

The Group is subject to laws and regulation in Ukraine. The Group has established environmental policies and procedures aimed at compliance with local environment and other laws.

7. HELD TO MATURITY INVESTMENTS

Held to maturity investments as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
VAT government bonds	13 025	26 433
Discount VAT government bonds	(3 768)	(8 474)
	9 257	**17 959**
	31 December 2015	**31 December 2014**
Coupon receivable	604	1 177

During the year 2014 the Group's management decided to voluntarily obtain VAT government bonds as a settlement of VAT refundable. These bonds bear a semi-annual interest of 9,5% and mature in 2019.

8. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid as at 31 December 2015 and 31 December 2014 were as follows:

	Note	31 December 2015	31 December 2014
VAT settlements	a)	11 782	45 891
Other taxes prepaid		1 076	58
		12 858	**45 949**

a) VAT settlements related to VAT recoverable arising from operating activities and capital expenditure, is subject to:
- cash refund through release of budgetary funds by the Government;
- settlement of future tax liabilities of the entity under this tax within non-agricultural transactions.

The VAT settlements are receivable within one year based on the prior years' pattern, history of cash refunds and expectations that funds will be realised within twelve months from the reporting period.

9. INVENTORIES

Inventories as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Raw and basic materials	38 733	87 116
Work-in-progress	51	276
Agricultural produce	356	1 382
Finished goods	8 357	16 771
Package and packing materials	7 904	8 313
Goods for resale	1 562	290
Other inventories	1 186	1 748
	58 149	**115 896**

Raw and basic materials mainly consist of grains and mixed fodder inventories.

The Group produced shell eggs in the quantity of 3 434 218 812 (2014: 6 305 801 236 items) which have fair value amounted to USD 191 935 thousand (2014: USD 407 697 thousand).

The amout of inventories written-off for the year ended 31 December 2015 was USD 37 326 thousand (2014: USD 8 542 thousand) (note 28).

10. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts reveivable as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Trade receivables-gross	94 295	87 695
Provision for doubtful debts	(37 630)	(8 474)
	56 665	**79 221**

As at 31 December 2015 an amount of USD 11 353 thousand or 20,3% of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 31 December 2014–see note 37).

The fair values of trade accounts receivable due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade accounts receivable is reported in note 37 to the consolidated financial statements.

11. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

Prepayments and other current assets as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Prepayments	12 738	16 250
Provision for doubtful debts	(4 643)	(1 522)
Other non-trade accounts receivable	8 590	7 758
Current portion of VAT bonds	4 342	6 608
	21 027	**29 094**

The overall decrease in prepayments and other current assets is associated with the change of the Group's policy for procurement of grain due to the unstable situation in Ukraine.

The exposure of the Group to credit risk and impairment losses in relation to prepayments and other current assets is reported in note 37 to the consolidated financial statements.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Cash in banks	31 301	117 812
Cash in hand	6	44
Cash and cash equivalents represented in consolidated statement of cash flows	**31 307**	**117 856**

An amount of USD 28 190 thousand was impaired as a result of Finansova Iniciatyva Bank being placed under liquidation (note 28).

The exposure of the Group to credit risk and impairment losses and to liquidity risk in relation to cash and cash equivalents is reported in note 37 to the consolidated financial statements.

13. SHARE CAPITAL

	31 December 2015		31 December 2014	
	Number of shares	Share capital, USD ths	Number of shares	Share capital, USD ths
Authorised Ordinary shares Euro 0,10 each	6 500 000	908	6 500 000	908
Issued and fully paid Balance at 31 December	6 387 185	836	6 387 185	836

On 22 April 2010 the Company increased its authorized share capital by 1 500 000 ordinary shares of EUR 0,10 per share.

In May and June 2010 the Company issued 1 387 185 ordinary shares with nominal value EUR 0,10 per share.

In respect of this share issue, the Company generated net share premium amounting to USD 201 164 thousand (net of share issue costs of USD 6 914 thousand) (10 GDR are equal to 1 ordinary share) as a result of initial placement of 14 375 000 GDR on the main market of London Stock Exchange, out of which the 13 871 859 GDR were issued.

14. LONG-TERM LOANS

Long-term loans as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Long-term bank loans in national currency	913	1 389
Long-term bank loans in foreign currency	82 156	93 084
Total loans	**83 069**	**94 473**
Commodity credit	369	561
	83 438	**95 034**
Current portion of non-current liabilities for bank loans in national currency	(456)	(231)
Current portion of non-current liabilities for bank loans in foreign currency	(18 559)	(14 959)
	64 423	**79 844**

a) As at 31 December 2015 and 31 December 2014 the long-term bank loans by maturities were as follows:

	31 December 2015	31 December 2014
Less than one year	18 308	15 190
From 1 to 2 years	17 675	18 680
From 2 to 3 years	13 259	16 255
From 3 to 4 years	10 817	12 473
From 4 to 5 years	8 438	9 747
Over 5 years	14 572	22 128
	83 069	**94 473**

b) As at 31 December 2015 and 31 December 2014 the long-term bank loans by currencies were as follows:

	31 December 2015	31 December 2014
Long-term bank loans in UAH	913	1 389
Long-term bank loans in EUR	82 156	93 084
	83 069	**94 473**

c) As at 31 December 2015 and 31 December 2014 the interest rates for long-term bank loans were as follows:

	31 December 2015	31 December 2014
Long-term bank loans denominated in UAH	18%	18%
Long-term bank loans in EUR	1,5%+EURIBOR-2,7%+EURIBOR	1,5%+EURIBOR-2,7%+EURIBOR

d) Commodity credit in the amount of USD 369 thousand (2014: USD 561 thousand) is represented by a liability of the Group's companies, OJSC "Volnovahskyi Kombinat Khilboprodiktiv" and OJSC "Ptakhohospodarstvo Chervonyi Prapor" for an interest-free budget loan received in the years 1995-1998 for the acquisition of agricultural products under a Government contract. In case of default after the maturity of the loan the Group's companies are subject to fine and, according to Ukrainian laws, is set equal to compulsory payments in the State budget of Ukraine, applying sanctions stipulated by the laws with regard to late payment of taxes and making of non-tax payments. The commodity credit does not have a maturity date.

The exposure of the Group to interest rate risk and liquidity risk in relation to loans and borrowings is reported in note 37 to the consolidated financial statements.

15. BOND LIABILITIES

On 29 October 2010, the Company issued 2 000 five year non-convertible bonds with par value equal to USD 100 000 each. The Notes have been admitted to the official list of the UK listing Authority and to trading on London Stock Exchange plc's regulated market with effect from 1 November 2010. The USD 200 000 000 10% Notes, bear interest from 29 October 2010 at a rate of 10% per annum payable semi annually in arrears on 29 April and 29 October in each year, commencing on 29 April 2011. The maturity date is 29 October 2015 and the placement price was 98,093% of the principal amount of the Notes.

Considering different options regarding the maturity of the bonds, the Company has successfully completed a restructuring of its USD 200m 10% Notes due in 29 October 2015 via a Scheme of Arrangement (the "Scheme"). The Scheme was approved by a majority in number representing more than 75% in value of creditors present and voting either in person or by proxy at the Scheme Meeting held on 22 October 2015. Following this, by an order dated 26 October 2015, the High Court of Justice of England and Wales sanctioned the Scheme.

As a result of the Scheme the following key amendments were made to the terms and conditions of the Notes:

- Maturity: Amended to 29 October 2018, 100% of principal to be redeemed at this date.

- Coupon: The 5% coupon will be payable on 29 October 2015 (representing the semi-annual payment of the existing 10% coupon), with 2% to be paid in cash as a regular coupon payment and 3% to be paid as payment in kind ("PIK"). The 10% coupon will be payable semi-annually in arrears on 29 April and 29 October of each year, commencing 29 April 2016, but subject to the following PIK and cash payment provisions:

Interest payment date	PIK Interest	Cash Interest
29.04.16	75%	25%
29.10.16	75%	25%
29.04.17	50%	50%
29.10.17	50%	50%
29.04.18	25%	75%
29.10.18	0%	100%

The Company appointed UBS Limited as sole solicitation agent, Latham & Watkins as legal counsel, and DFKing as information and tabulation agent amongst other consultants to assist it in the implementation of the Scheme.

Surety providers of the bonds following the Scheme were as follows: (1) CJSC Agrofirma Avis, (2) LLC Torgivelniy Budynok Bohodukhivska Ptahofabryka, (3) CJSC Chernivetska Ptakhofabryka, (4) PJSC Ptakhohospodarstvo Chervonyi Prapor, (5) APP CJSC Chornobaivske, (6) CJSC Avangard, (7) ALLC Donetska Ptakhofabryka, (8) LLC Imperovo Foods, (9) PSPC Interbusiness, (10) SC Ptakhofabryka Lozuvatska, (11) LLC PF Volnovaska, (12) PJSC Cross P/F Zorya, (13) LLC Slovyany, (14) PJSC Ptakhofabryka Pershe Travnya, (15) LLC Makarivska Ptakhofabryka.

The exposure of the Group to interest rate risk and liquidity risk in relation to bond liabilities is reported in note 37 to the consolidated financial statements.

16. SHORT-TERM LOANS

Short-term loans as at 31 December 2015 and 31 December 2014 were as follows:

	Note	31 December 2015	31 December 2014
Short-term bank loans in foreign currency	a), b), c)	50 000	50 000
		50 000	50 000

a) As at 31 December 2015 and 31 December 2014 the short-term bank loans by maturity were as follows:

	31 December 2015	31 December 2014
From 6 to 12 months	50 000	50 000
	50 000	50 000

b) As at 31 December 2015 and 31 December 2014 the short-term bank loans by currencies were as follows:

	31 December 2015	31 December 2014
Short-term bank loans in USD	50 000	50 000
	50 000	50 000

c) Short-term bank loans interest rate by currency as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Short-term bank loans denominated in USD	11,50%	11,50%

The exposure of the Group to interest rate risk and liquidity risk in relation to short term borrowings is reported in note 37 to the consolidated financial statements.

17. SECURITIES

Long-term loans (Note 14) and short-term loans (Note 16) as at 31 December 2015 and 31 December 2014 were secured on assets as follows:

	31 December 2015	31 December 2014
Buildings and structures	25 981	39 440
Machinery and equipment	9 614	15 241
Equipment for biological assets	5 268	7 546
Vehicles	46	91
Other equipment	1	1
Assets under construction-in-progress and uninstalled equipment	282	1 881
Total	**41 191**	**64 200**

As at 31 December 2015 and 31 December 2014 surety providers of the liabilities of UkrLandFarming Plc were as follows: PJSC Agrofirma Avis, PJSC Chernivetska Ptakhofabryka, PJSC Chornobaivske, ALLC Donetska Ptakhofabryka, LLC Imperovo Foods, PSPC Interbusiness, LLC Makarivska Ptakhofabryka, PJSC Ptakhofabryka Pershe Travnya, PJSC Ptakhohospodarstvo Chervonyi Prapor, LLC Slovyany, LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka, LLC PF Volnovaska.

18. CURRENT PORTION OF NON-CURRENT FINANCIAL LIABILITIES

The current portion of non-current financial liabilities as at 31 December 2015 and 31 December 2014 was as follows:

	31 December 2015	31 December 2014
Trade and other payables		
Deferred income (current portion)	94	154
Financial liabilities		
Current portion of finance lease liabilities	13	20
VAT included in current portion of finance lease liabilities	3	4
Current portion of non-current liabilities for bank loans in foreign currency	18 559	14 959
Current portion of non-current liabilities for bank loans in national currency	456	231
	19 125	**15 368**

The exposure of the Group to liquidity risk in relation to non-current financial liability is reported in note 37 to the consolidated financial statements.

19. DEFERRED TAX ASSETS AND LIABILITIES, INCOME TAX EXPENSE

The principal components of deferred tax assets and liabilities before netting off on a company basis as at 31 December 2015 and 31 December 2014 were as follows:

	31 December 2015	31 December 2014
Influence of temporary differences on deferred tax assets		
Property, plant and equipment, non-current assets	1 499	2 138
Provisions	852	335
Total deferred tax assets	**2 351**	**2 473**
Influence of temporary differences on deferred tax liabilities	-	
Deferred expenses	-	(10)
Total deferred tax liabilities		(10)
Net deferred tax assets	**2 351**	**2 463**
Total deferred tax assets	2 761	2 489
Total deferred tax liabilities	(410)	(26)
Net deferred tax assets	**2 351**	**2 463**

Principal components of income tax expense.

December 2015 and 31 December 2014 the rate of income tax in Ukraine was equal to 18%.

	31 December 2015	31 December 2014
Current income tax	(18)	(64)
Deferred tax asset	898	1 239
Income tax credit for the year	**880**	**1 175**

Reconciliation of deferred tax liabilities

	31 December 2015	31 December 2014
Balance as at 1 January	2 463	3 015
Deferred tax credit	898	1 239
Effect of translation into presentation currency	(1 010)	(1 791)
Balance as at 31 December	**2 351**	**2 463**

Reconciliation between income tax expense and accounting (loss)/profit multiplied by the rate of income tax

	31 December 2015	31 December 2014
Accounting loss before tax	(159 270)	(28 093)
Less accounting profit of the companies being fixed agricultural tax payers	(19 439)	(125 096)
	(178 709)	(153 189)
Accounting loss of the companies being income tax payers at the rate 12,5%	(60 964)	(83 265)
Accounting loss of the companies being income tax payers at the rate 18%	(117 746)	(69 924)
	(178 710)	(153 189)
Income tax, taxable at the rate of 12,5%	(7 620)	(10 408)
Income tax, taxable at the rate of 18%	(21 194)	(12 586)
Tax effect of allowances and income not subject to tax	29 695	24 169
Tax as per consolidated statement of profit or loss and other comprehensive income - credit	**880**	**1 175**
		85
As at 1 January 2014		(64)
Income tax accrued for the year		73
Income tax paid for the year		(46)
Effect of translation into presentation currency		**48**
As at 31 December 2014/ 1 January 2015		(18)
Income tax accrued for the year		63
Income tax paid for the year		(21)
Effect of translation into presentation currency		**72**
As at 31 December 2015		

The income tax payers in 2015 and 2014 were the following companies: LLC "Rohatyn-Korm", OJSC "Vuhlelhirskyi Eksperrementalnyi Kombikrmovyi Zavod", OJSC "Volhovatskiy Kombinat Khliboproduktiv", LLC"Kamyanets-Podilsky Kombikormovyi Zavod", LLC "Pershe Travnya Kombikormovyi Zavod", LLC "ImperovoFoods", LLC "Agrarnyi Holding Avangard", AvangardCo Investments Public Limited and LLC "Imperovo LTD". All other companies of the Group were payers of the fixed agricultural tax.

According to the Tax Code of Ukraine, the taxation for the fixed agricultural tax payers is based on the agricultural area, which is submitted to a manufacturer of agricultural products in the property or for use.

20. TRADE PAYABLES

Trade payables as at 31 December 2015 and 31 December 2014 were as follows:

	Note	31 December 2015	31 December 2014
Trade payables		3 218	6 385
Short-term notes issued	a)	157	522
		3 375	**6 907**

a) As at 31 December 2015 and 31 December 2014 the short-term notes issued were represented by promissory, non interest-bearing, notes.

The exposure of the Group to liquidity risk in relation to trade payables is reported in note 37 to the consolidated financial statements.

21. OTHER ACCOUNTS PAYABLE

Other accounts payable as at 31 December 2015 and 31 December 2014 were as follows:

	Note	31 December 2015	31 December 2014
Accrued expenses for future employee benefits		408	515
Other accrued expenses		217	211
Wages and salaries and related taxes liabilities		209	1 415
Other taxes and compulsory payments liabilities	a)	11 006	1 133
Accounts payable for property, plant and equipment		160	709
Advances received from customers	b)	528	394
Interest payable on loans		2 677	5
Accrued coupon on bonds		896	3 462
Dividends payable	d)	-	29 542
Other payables	c)	1 857	1 965
		17 958	**39 351**

a) Other taxes and compulsory payments liabilities mainly comprises of liabilities for VAT and community charges.

b) Advances received from customers consist of prepayments for the sale of agriculture products and finished goods from buyers.

c) Other payables consist of payables for electricity, gas, water, security services, lease and other.

d) Dividends payable were reclassified as non-current liabilities in 2015

The exposure of the Group to liquidity risk in relation to other accounts payable is reported in note 37 to the consolidated financial statements.

22. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

(Loss)/profit from operating activities is stated after (charging)/crediting the following items:

	Note	Year ended 31 December 2015	31 December 2014
Depreciation of property, plant and equipment	5	(17 628)	(21 792)
Loss on disposal of non current assets	28	(95)	(2 168)
Provisions for doubtful debts and amounts written off	28	(40 156)	(12 921)
Payroll and related expenses	32	(8 787)	(20 969)
Independent auditors' remuneration for statutory audit of annual accounts		(394)	(553)

23. REVENUE

Sales revenue for the year ended 31 December 2015 and 31 December 2014 was as follows:

	Year ended 31 December 2015	31 December 2014
Revenue from finished goods	229 299	418 375
Revenue from goods sold and services rendered	625	1 243
	229 924	**419 618**

For the year ended 31 December 2015 USD 40 886 thousand (2014: USD 46 506 thousand) or 17,8% (2014: 11,1%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients (note 37).

24. COST OF SALES

Cost of sales for the year ended 31 December 2015 and 31December 2014 was as follows:

	Note	Year ended 31 December 2015	31 December 2014
Cost of finished goods sold	25	(208 906)	(312 277)
Cost of goods sold and services rendered		(284)	(1 724)
		(209 190)	**(314 001)**

25. COST OFSALES BY ELEMENTS

The cost of finished goods sold (Note 24) for the year ended 31 December 2015 and 31 December 2014 was as follows:

	Note	Year ended 31 December 2015	31 December 2014
Raw materials		(158 819)	(252 139)
Payroll of production personnel and related taxes	32	(5 173)	(14 515)
Depreciation		(17 295)	(21 206)
Services provided by third parties		(27 447)	(24 272)
Other expenses		(172)	(145)
	24	**(208 906)**	**(312 277)**

Services provided by third parties consists of expenses for electricity, storage services, gas, water, current repairs of production premises, sanitary cleaning services, veterinary services and other

26. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses for the year ended 31 December 2015 and 31 December 2014 were as follows:

	Note	Year ended 31 December 2015	31 December 2014
Salaries and wages of administrative personnel	32	(3 180)	(5 400)
Services provided by third parties		(3 126)	(4 261)
Depreciation		(97)	(100)
Repairs and maintenance costs		(49)	(69)
Tax expenses, except for income tax		(196)	(275)
Material usage		(308)	(395)
Other expenses		(239)	(272)
		(7 195)	**(10 772)**

27. DISTRIBUTION EXPENSES

Distribution expenses for the year ended 31 December 2015 and 31 December 2014 were as follows:

	Note	Year ended 31 December 2015	31 December 2014
Salaries and wages of distribution personnel	32	(434)	(1 054)
Transport expenses		(4 431)	(9 742)
Depreciation		(237)	(478)
Services provided by third parties		(5 573)	(8 917)
Packing materials		(28)	(14)
Repairs and maintenance costs		(13)	(111)
Other expenses		(57)	(216)
		(10 773)	**(20 532)**

28. OTHER OPARATING EXPENSES

Other operating expenses for the year ended 31 December 2015 and 31 December 2014 were as follows:

	Note	Year ended 31 December 2015	31 December 2014
Loss on disposal of current assets		(20)	44
Loss on disposal of non current assets		(95)	(2 168)
Impairment of current assets		(39 869)	(9 140)
Impairment of funds	a)	(28 190)	-
Gain realised from writing-off of accounts payable		178	3 888
Foreign currency sale income		22	1 566
Provision for doubtful debts and amounts written off		(40 156)	(12 921)
Fines, penalties recognized		(901)	(622)
Other (loss)/income		(7 435)	673
		(116 466)	**(18 680)**

a) The above amount was a result of the categorisation of Finansova Iniciatyva Bank by the National Bank of Ukraine as insolvent (note 12).

29. FINANCE COSTS

Finance costs for the year ended 31 December 2015 and 31 December 2014 was as follows:

	Year ended 31 December 2015	31 December 2014
Interest payable on loans	(7 837)	(8 052)
Total finance expenses on loans	(7 837)	(8 052)
Finance expenses on finance lease	(19)	(43)
Finance expenses on bonds	(20 110)	(21 503)
Other finance expenses	(4 562)	(14 503)
	(32 528)	**(44 101)**

30. FINANCE INCOME

Finance income for the year ended 31 December 2015 and 31 December 2014 includes the interest income from VAT bonds and placement of deposits, amounted to USD 3 978 thousand and USD 3 176 thousand respectively.

31. GOVERNMENT GRANTS RECEIVED

31.1 Income from government grants and incentives

Income from government grants and incentives received for the year ended 31 December 2015 and 31 December 2014 was as follows:

	Note	Year ended 31 December 2015	31 December 2014
Amortization of deferred income on government grant	a)	107	218
		107	**218**

a) Partial compensation of complex agricultural equipment cost Enterprises of the Group received partial compensation of complex agricultural equipment cost during the years 2004-2010 according to Ukrainian laws. The total amount of compensations received for the above mentioned period is UAH 60 608 thousand. Those grants were recognised as deferred income and reflected within the "Deferred income" item in the consolidated statement of financial position. The deferred income is amortised over the estimate useful life of the relevant asset (generally 25 years) and the amortisation is reflected in the above table.

31.2 Income from special VAT treatment

Income from special VAT treatment received for the year ended 31 December 2015 and 31 December 2014 amounted to USD 25 098 thousand and USD 36 490 thousand respectively.

According to the Tax Code of Ukraine agricultural enterprises (those with a relative value of agricultural products in total sales not less than 75% for the previous 12 months) have a tax benefit for VAT on agriculture transactions. Positive VAT balance (positive difference between tax liability and tax credit) from agricultural transactions shall be recognized as government grants on special VAT treatment and transferred to special current account in a financial institution and negative balance (negative difference between tax liability and tax credit) is not subject to budgetary refund and credited to the tax credit for the next reporting (tax) period.

All members of the Group met the criteria for the use of these VAT benefits except from: LLC Rohatyn-Korm, LLC Kamyanets-Podilsky Kombikormoviy Zavod, OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, OJSC Volnovaskyi Kombinat Khliboprodiktiv, LLC Pershe Travnya Kombikormoviy Zavod, LLC Imperovo Foods, LLC Imperovo LTD, LLC Agrarnyi Holding Avangard, AvangardCo Investments Public Limited.

32. PAYROLL AND RELATED TAXES

	Year ended 31 December 2015	31 December 2014
Salary	(5 510)	(13 150)
Contributions to state funds	(3 277)	(7 819)
	(8 787)	**(20 969)**

	Note	Year ended 31 December 2015	31 December 2014
Payroll of production personnel and related taxes	25	(5 173)	(14 515)
Salaries and wages of administrative personnel	26	(3 180)	(5 400)
Salaries and wages of distribution personnel	27	(434)	(1 054)
		(8 787)	**(20 969)**

	Year ended	
	31 December 2015	31 December 2014
Average number of employees, persons	1 787	4 477

33. RELATED PARTY BALANCES AND TRANSACTIONS

The Company is controlled by Oleg Bakhmatyuk, who directly or indirectly owns 77,5% of the Company's share capital. The remaining 22,5% of the shares are widely owned.

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

According to these criteria the related parties of the Group are divided into the following categories:
A. Key management personnel;
B. Companies having the same top management;
C. Companies in which the Group's owners have an equity interest;
D. Companies in which activities are significantly influenced by the Group's owners.

Salary costs of key management personnel for the year ended 31 December 2015 and 31 December 2014 were as follows:

	Year ended	
	31 December 2015	31 December 2014
Average number of Salary	808	1 753
Contributions to state funds, persons	205	418
	1 013	**2 171**

Outstanding amounts of the Group for transactions with related parties as at 31 December 2015 and 31 December 2014 were as follows:

	Outstanding balances with related parties as at	
	31 December 2015	31 December 2014
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	1	2
D. Companies in which activities are significantly influenced by the Group's owners	11 136	5 516
	11 137	**5 518**
Trade accounts receivable		
C. Companies in which the Group's owners have an equity interest;	-	4
D. Companies in which activities are significantly influenced by the Group's owners	2 151	156
	2 151	**160**
Cash and cash equivalents		
D. Companies in which activities are significantly influenced by the Group's owners	-	14 550
	-	14 550
Long-term finance lease		
D. Companies in which activities are significantly influenced by the Group's owners	28	53
	28	**53**

	Outstanding balances with related parties as at	
	31 December 2015	31 December 2014
Current portion of non-current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	16	23
	16	**23**
Trade accounts payable		
D. Companies in which activities are significantly influenced by the Group's owners	2	33
	2	**33**
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	48	8 719
D. Companies in which activities are significantly influenced by the Group's owners	5	14 424
	53	**23 143**

On 2nd July 2013 UkrLandFarming Plc acquired a direct shareholding percentage of 7,11% in the share capital of LLC Imperovo Limited partially through contribution of technological equipment for elevators.

From 2nd July 2013 therefafter the share capital of LLC Imperovo Limited was increased through contributions from other Group companies, therefore the direct shareholding percentage of UkrLandFarming Plc was decreased to 3,17% at 31 December 2014.

In 2015 the share capital of LLC Imperovo Limited was increased, therefore the direct shareholding percentage of UkrLandFarming Plc at 31 December 2015 was increased to 3,56% (31 December 2014: 3,17%).

As at 31 December 2015 Prepayments and other current assets, net include unpaid contribution to the share capital of LLC Imperovo Foods in the amount of USD 6 269 thousand (31 December 2014: USD 4 451 thousand).

The Group's transactions with related parties for the year ended 31 December 2015 and 31 December 2014 were as follows:

	Transactions with related parties for the year ended	
	31 December 2015	31 December 2014
Sales revenue		
D. Companies in which activities are significantly influenced by the Group's owners	2 641	1 372
	2 641	**1 372**
General administrative expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(49)	(77)
	(49)	**(77)**
Distribution expenses		
D. Companies in which activities are significantly influenced by the Group's owners	(4 425)	(5 471)
	(4 425)	**(5 471)**
Other operating income/(expenses), net		
C. Companies in which the Group's owners have an equity interest;	(1)	(1)
D. Companies in which activities are significantly influenced by the Group's owners	(27 905)	(320)
	(27 905)	**(321)**
Finance income		
D. Companies in which activities are significantly influenced by the Group's owners	29	54
	29	**54**
Finance costs		
D. Companies in which activities are significantly influenced by the Group's owners	(15)	(59)
	(15)	**(59)**

For the year ended 31 December 2015 and 31 December 2014 transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 5 635 thousand and USD 3 271 thousand respectively. All those services were provided on market terms.

34. OPERATING SEGMENTS

A reportable 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 generate revenues other than risks and income of those components that are peculiar to other reportable segments.

For the purpose of management, the Group is divided into the following reportable segments on the basis of produced goods and rendered services, and consists of the following 5 reportable segments:

- shell eggs - breeding of industrial laying hens, production and sale of shell eggs;
- poultry - incubation (production and sale of baby chicks), breeding of young birds for sale, as well as sale of birds for slaughter;
- animal feed - production and sale of feeds;
- egg products - processing and sale of egg products;
- other activities - including sale of goods and services, sale of poultry meat and by-products, sale of plant production, sale of poultry manure etc.

Management monitors the operating results of each of the units separately for the purposes of making decisions about resources allocation and evaluation of operating results. The results of segments' activities are measured on the basis of operating profit or loss, its measurement is carried out accordingly to measurement of operating profit or loss in the consolidated financial statements.

Reportable segment information for the year ended 31 December 2015 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	271 453	25 137	140 890	64 735	1 346	-	503 561
Intra-group elimination	(115 664)	(18 340)	(138 977)	-	(656)	-	(273 638)
Revenue from external buyers	**155 789**	**6 797**	**1 913**	**64 735**	**689**	-	**229 924**
Income from revaluation of biological assets at fair value	1 154	238	-	-	-	-	1 391
Other operating expenses	(40 535)	(507)	(39 201)	(35 140)	(1 084)	-	(116 466)
Income from government grants and incentives	105	2	-	-	-	-	107
OPERATING LOSS	**(10 584)**	**(5 162)**	**(40 715)**	**(25 002)**	**(5 641)**	-	**(87 104)**
Finance income	358	6	1	3 612	-	-	3 977
Finance costs, including:	(176)	-	-	(6 029)	(26 322)	-	(32 528)
Interest payable on loans	(166)	-	-	(6 028)	(1 643)	-	(7 837)
Income tax (expense)/credit	-	-	(86)	1 290	(325)	-	880
NET LOSS FOR THE YEAR	**(10 356)**	**(5 389)**	**(40 799)**	**(36 602)**	**(65 242)**	-	**(158 390)**
TOTAL ASSETS	**2 358 633**	**90 089**	**220 732**	**614 039**	**(291 735)**	**(2 367 587)**	**624 171**
Capitalised expenses	23 009	2 325	(314)	230	11 814	-	37 064
Depreciation	13 290	2 104	392	558	1 284	-	17 628
TOTAL LIABILITIES	**1 637 704**	**8 836**	**254 411**	**514 586**	**345 006**	**(2 371 426)**	**389 116**

Reportable segment information for the year ended 31 December 2014 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	475 589	129 971	170 700	116 993	8 176	-	901 429
Intra-group elimination	(200 004)	(104 580)	(170 688)	-	(6 539)	-	(481 811)
Revenue from external buyers	**275 585**	**25 392**	**12**	**116 993**	**1 637**	-	**419 619**
Income from revaluation of biological assets at fair value	13 847	1 517	-	-	-	-	15 364
Other operating income/(expenses)	(17 381)	(787)	(665)	(1 118)	1 271	-	(18 680)
Income from government grants and incentives	208	10	-	-	-	-	218
OPERATING PROFIT/(LOSS)	**69 944**	**(9 704)**	**(7 896)**	**35 710**	**(3 938)**	-	**84 116**
Finance income	227	12	27	2 909	1	-	3 176
Finance costs,	(1 942)	-	-	(17 406)	(24 753)	-	(44 101)
including:							-
Interest payable on loans	(332)	-	-	(5 845)	(1 875)	-	(8 052)
Income tax (expense)/credit	-	-	(819)	2 014	(20)	-	1 175
NET PROFIT/(LOSS) FOR THE YEAR	**68 561**	**(10 088)**	**(8 688)**	**9 588**	**(86 291)**	-	**(26 918)**
TOTAL ASSETS	**1 544 257**	**93 991**	**285 230**	**423 652**	**450 992**	**(1 759 795)**	**1 038 327**
Capitalised expenses	65 164	1 217	1 912	736	5 487	-	74 516
Depreciation	18 066	2 010	283	399	1 034	-	21 792
TOTAL LIABILITIES	**518 475**	**9 786**	**253 368**	**114 041**	**340 945**	**(844 176)**	**392 439**

The Group's revenue from external customers and information about its non-current assets by geographical location are presented as follows:

	Revenue from external customers For the Year ended		Revenue from external customers For the Year ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Ukraine	135 110	262 869	430 357	622 035
Middle East and North Africa	47 354	94 079	-	-
Far East	23 196	25 167	-	-
Central and West Africa	-	33 384	-	-
Rest of the World	24 264	4 119	-	-
Total	**229 924**	**419 618**	**430 357**	**622 035**

35. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2015 and 31 December 2014 was based on loss attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	Year ended	
	31 December 2015	31 December 2014
Loss attributable to the owners of the Company: (in USD thousands)		
Loss attributable to the owners of the Company	(154 640)	(26 103)
Weighted average number of shares:		
Weighted average number of ordinary shares at 31 December	6 387 185	6 387 185
Loss per share (USD)	(24)	(4)

Loss per share is the loss for the year after taxation divided by the weighted average number of shares in issue for each year.

There are no options or instruments convertible into new shares and so basic and diluted earnings per share are the same.

36. CONTINGENT AND CONTRACTUAL LIABILITIES

Ukrainian business and economic environment

Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest in early 2014, in March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst, Group's management considers that all necessary actions are being performed to maintain financial stability of the Group in current circumstances. Continuation of the current unstable business environment may adversely affect results and financial position of the Group, in a manner not currently determinable. These consolidated financial statements reflect current management estimation of Ukrainian business environment influence on the financial position of the Group. Situation development may differ from management expectations. These financial statements were not adjusted to reflect events after the reporting period.

Taxation

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 Company operates in the Cypriot tax jurisdiction and its subsidiaries 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.

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.

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. Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for agricultural industry from 1 January 2018, respectively, the Tax Code also changes various other taxation rules.

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 accordance with recent tax legislation changes, in 2016 the following VAT payment options will be applied:

- With regard to transactions with grain and technical crops 85% of positive VAT balance will be paid to the budget and 15% will be transferred to special current account

- With regard to livestock farming transactions (cattle and milk) 20% of positive VAT balance will be paid to the budget and 80% will be transferred to special current account

- With regard to other agricultural production 50% of positive VAT balance will be paid to the budget and 50% will be transferred to special current account

Since 1 January 2016, the Group is applying the third VAT treatment option.

While 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, as of the date these financial statements were authorized for issue management was in the process of assessing its effects of its adoption on the operations of the Group.

Pension and other liabilities

Most of the Group's employees receive pension benefits from the Pension Fund, Ukrainian state organization, in accordance with the regulations and laws of Ukraine. Group is obliged to deduct a certain percentage of salaries to the Pension Fund to pay pensions.

As at 31 December 2015 and 31 December 2014 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees.

Legal matters

In the course of its economic activities the Group is involved in legal proceedings with third parties. In most cases, the Group is the initiator of such proceedings with the purpose of preventing from losses in the economic sphere or minimize them.

The Group's management considers that as at the reporting period, active legal proceedings on such matters will not have any significant influence on its financial position.

37. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from the use of financial instruments:

- redit risk;
- liquidity risk;
- market risk;
- livestock disease risk.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group is not a finance company, thus it uses financial instruments as may be necessary in order to obtain finance for its activities, not for the purpose of receiving income. In the process of its activities the Group uses the following financial instruments: cash and cash equivalents, loans to and from related parties, accounts receivable, bonds, bank loans, finance leases and accounts payable.

The Group is exposed to the following risks resulting from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk of fair value). This explanation contains information relating to the Group's exposure to each of the risk types mentioned above, Group's objectives, its policy and procedures of these risks measurement and management.

Additional disclosures of quantitative information are presented in many other sections of these consolidated financial statements, including:

- information on finance income and costs is disclosed in Notes 30, 31 (all finance income and expenses are recognised as a part of profit or loss for the year, other than interest capitalised which is allocated to the cost of the relevant asset);

information on cash is disclosed in Note 12;
- information on trade and other accounts receivable is disclosed in Notes 10, 11;
- information on trade and other accounts payable is disclosed in Notes 20, 21;
- information on significant terms of borrowings and loans granting is disclosed in Notes 14, 16;
- information on significant conditions of issued bonds is disclosed in Note 15;
- information on significant conditions of received bonds is disclosed in Note 7;

a) Credit risk

Credit risk is the risk of financial loss to the Group in case of non-fulfillment of financial obligations by a client or counterparty under the respective agreement. In the reporting period the Group's financial assets which are exposed to credit risk are represented as follows: cash and balances on bank accounts, trade and other accounts receivable (except for receivables that are not represented by financial assets), VAT government bonds, bank deposits.

Exposure to credit risk

The carrying value of financial assets represents the maximum exposure to credit risk. Maximum level of credit risk as at 31 December 2015 and 31 December 2014 was presented as follows:

	31 December 2015	31 December 2014
Financial assets		
Cash and cash equivalents	31 301	117 812
Held to maturity investments	13 599	17 959
Trade accounts receivable	56 665	79 221
Total	**101 565**	**214 992**

The majority of the Group's cash and cash equivalents as at 31 December 2015 are held with banks which are rated A1 as per Moody's Rating Agency and the minority is held with financial institutions rated mostly as Caa and financial institutions in Ukraine which are either not rated or being placed under liqudation (Note 12).

The rate of held to maturity investments is Caa3 per Moody's Rating Agency.

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients, there were no significant losses during the year ended 31 December 2015 and 2014 resulting from non-fulfillment of obligations by clients. The Management is examining each individual customer to provide extended credit terms in the light of the economic environment in Ukraine. The Management believes that unimpaired amounts are still collectible in full. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the year ended 31 December 2015 USD 40 886 thousand or 17,8% from the Group's revenue refers to the sales transactions carried out with one of the Group's clients. As at 31 December 2015 USD 11 353 thousand or 20,3% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

For the year ended 31 December 2014 USD 46 506 thousand or 11,1% from the Group's revenue is refers to the sales transactions carried out with one of the Group's clients. As at 31 December 2014 USD 11 968 thousand or 15,0% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

Trade receivables as at 31 December 2015 and 31 December 2014 by dates of origin were presented as follows:

31 December 2015	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	181-365 days	over one year	TOTAL
Carrying value of trade accounts receivable	15 447	13 072	10 227	5 961	6 017	5 855	86	56 665

31 December 2014	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	181-365 days	over one year	TOTAL
Carrying value of trade accounts receivable	30 100	22 352	11 972	6 270	6 794	1 722	11	79 221

The amounts in column 0-30 days represent the amounts not past due nor impaired.

The amounts due from related parties are not generally provided where there is no reason to doubt the solvency of the debtor

Related parties tend to be given longer credit terms and the older amounts generally relate to these related parties.

Movement in provision for doubtful debts

	Year ended	
	31 December 2015	31 December 2014
As at 1 January	(9 996)	(1 281)
Change in provisions	(37 402)	(13 781)
Write-offs	2 754	860
Effect of translation into presentation currency	2 371	4 206
As at 31 December	(42 273)	(9 996)

b) Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill its financial obligations at the date of maturity. The Group's approach to liquidity management is to ensure, to the extent possible, permanent availability of sufficient liquidity of the Group to fulfill its financial obligations in due time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damage to the reputation of the Group.

The aim of the Group is the maintenance of balance between continuous financing and flexibility in usage of bank loans and settlements with suppliers.

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In accordance with the plans of the Group, its working capital needs are satisfied by cash flows from operating activities, as well as by use of loans if cash flows from operating activities are insufficient for liabilities to be settled. The table below represents the expected maturity of components of working capital:

31 December 2015 Non-derivative financial liabilities	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(146 010)	-	(75 253)	(55 619)	(15 138)
Finance lease (including VAT)	(44)	-	(16)	(28)	-
Long-term bond liabilities	(272 880)	-	(5 247)	(267 633)	-
Trade payables	(3 375)	(3 375)	-	-	-
Dividends payable	(29 552)	-	-	(29 552)	-
	(451 861)	**(3 375)**	**(80 516)**	**(352 832)**	**(15 138)**

31 December 2014 Non-derivative financial liabilities	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(172 802)	-	(73 624)	(75 758)	(23 420)
Finance lease (including VAT)	(87)	-	(24)	(63)	-
Current liabilities for bonds	(3 462)	-	(3 462)	-	-
Long-term bond liabilities	(220 000)	-	(220 000)	-	-
Trade payables	(6 907)	(6 907)	-	-	-
Dividends payable	(29 542)	-	(29 542)	-	-
	(432 800)	**(6 907)**	**(326 652)**	**(75 821)**	**(23 420)**

c) Market risk

Market risk is the risk of negative influence of changes in market prices, such as foreign exchange rates and interest rates, on revenue position of the Group or on the value of the Group's available financial instruments.

The objective of market risk management provides control over the Group's exposure to market risk, as well as keeping its level within reasonable limits. Description of the Group's exposure to such market components as currency risk and interest rate risk, is given below.

i) Foreign currency risk

Foreign currency risk which represents a part of market risk is the risk of change in the value of financial instruments due to changes in foreign exchange rates.

Management does not use derivative financial instruments to hedge foreign currency risks and does not follow the official policy for distribution of risks between liabilities in one or another currency. However, in the period of receiving new borrowings and loans, management uses its own estimates to take the decision as for which currency of denomination will be more favourable for the Group during the expected period until maturity.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in functional currency (UAH) as at 31 December 2015 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Short-term bank loans (including overdrafts)	50 000	-	50 000
Trade payables	269	782	1 051
Cash and cash equivalents	(469)	-	(469)
Trade accounts receivable	(24 275)	-	(24 275)
Net exposure to foreign currency risk	**25 526**	**782**	**26 307**

The Company's exposure to foreign currency risk and the functional currency (EUR) as at 31 December 2015 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Long-term bond liabilities	202 871
Accounts payable for property, plant and equipment	7
Dividends payable	29 542
Other accounts payable	110
Cash and cash equivalents	(23 341)
Accrued coupon on bonds	896
Net exposure to foreign currency risk	**210 085**

The Group's exposure to foreign currency risk and the amount in local currency as at 31 December 2014 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Short-term bank loans (including overdrafts)	50 000	-	50 000
Trade payables	263	788	1 051
Accounts payable for property, plant and equipment	6	72	78
Cash and cash equivalents	(10 001)	(216)	(10 217)
Trade accounts receivable	(28 878)	-	(28 878)
Net exposure to foreign currency risk	**11 390**	**644**	**12 034**

The Company's exposure to foreign currency risk and the functional currency (EUR) as at 31 December 2014 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD
Short-term bond liabilities	198 635
Accounts payable for property, plant and equipment	7
Dividends payable	29 542
Other accounts payable	4
Cash and cash equivalents	(84 951)
Accrued coupon on bonds	3 462
Net exposure to foreign currency risk	**146 699**

Sensitivity analysis (foreign currency risk)

Below there is a sensitivity analysis of income (or loss) of the Group before tax to the possible changes in foreign currency rates. This analysis is conducted based on the assumption that all other variables and interest rates in particular, remain unchanged.

Effect in USD thousand: 31 December 2015	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
USD	20%	(5 105)	(5 105)
EUR	15%	(117)	(117)

Effect in USD thousand: 31 December 2015	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
USD	5%	(10 504)	(10 504)

Effect in USD thousand: 31 December 2014	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
USD	20%	(2 278)	(2 278)
EUR	15%	(97)	(97)

Effect in USD thousand: 31 December 2014	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
USD	5%	(7 335)	(7 335)

ii) Interest rate risk

Interest rate risk is connected with a possibility of changes in value of financial instruments resulting from changes in interest rates.

At present, the Group's approach to limitation of interest rate risk consists of borrowings at fixed interest rates.

As at 31 December 2015 and 31 December 2014 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	31 December 2015	31 December 2014
Instruments with fixed interest rate		
Financial assets	13 599	24 567
Financial liabilities	(253 784)	(250 024)
Instruments with variable interest rate		
Financial liabilities	(82 156)	(93 084)

Interest rate risk related to the liabilities with the floating interest arises from the possibility that changes in interest rates will affect the value of the financial instruments. For variable rate borrowings, interest is linked to EURIBOR.

As at 31 December 2015 and 31 December 2014 the Group's sensitivity to changes of EURIBOR by 5% was presented as follows:

	Increase/(decrease) of floating rate	Effect on profit before tax
Effect in USD thousand: 31 December 2015		
EURIBOR	5%	(3)
EURIBOR	-5%	3
Effect in USD thousand: 31 December 2014		
EURIBOR	5%	(6)
EURIBOR	-5%	6

The effect of interest rate sensitivity on owners' equity is equal to that on the consolidated statement of comprehensive income.

Such financial instruments as cash and cash equivalents, trade accounts receivable, financial assistance issued, interest receivable for deposits, prepayment for bonds, other non trading accounts receivable are not included in the table given below, since possible effect of changes in interest rate risk (discount rates) under these financial instruments is not material.

Capital management

The Group's management follows the policy of providing the firm capital base which allows supporting the trust of investors, creditors and market and ensuring future business development.

In relation to capital management the Group's objectives are as follows: maintaining the Group's ability to adhere to the going concern principle in order to provide income for owners and benefits to other interested parties, and also maintaining the optimal capital structure with the purpose of its cost reduction.

To manage capital, the Group's management, above all, uses the calculations of the financial leverage coefficient (ratio of leverage ratio) and the ratio between net debt and EBITDA.

Financial leverage is calculated as a ratio between net debt and total amount of capital. Net debt is calculated as cumulative borrowings net of cash and cash equivalents. Total amount of capital is calculated as own capital reflected in the statement of financial position plus the amount of net debt.

This ratio measures net debt as a proportion of the capital of the Group, i.e. it correlates the debt with total equity and shows whether the Group is able to pay the amount of outstanding debts. An increase in this coefficient indicates an increase in borrowings relative to the total amount of the Group's capital. Monitoring this indicator is necessary to keep the optimal correlation between own funds and borrowings of the Group in order to avoid problems from over leverage.

Financial leverage ratio calculation

For the ratio of net debt to EBITDA, the calculation of net debt is as above. EBITDA is an indicator of income before taxes, interest depreciation and amortisation. It is useful for the Group's financial analysis, since the Group's activity is connected with long-term investments in property, plant and equipment. EBITDA does not include depreciation, so that in the Group's opinion, it reflects the approximate cash flows deriving from the Group's income in a more reliable way.

The ratio of net debt to EBITDA gives an indication of whether income obtained from operating activities is sufficient to meet the Group's liabilities.

As at 31 December 2015 and 31 December 2014 the Group's financial leverage coefficient was 56,5% and 25,9% respectively.

	Carrying value	
	31 December 2015	31 December 2014
Short-term loans	50 000	50 000
Long-term loans	64 423	79 844
Current portion of long-term loans	19 015	15 190
Long-term finance lease (including VAT)	45	88
Bond liabilities	202 871	198 635
Total borrowings	**336 354**	**343 757**
Cash and cash equivalents	(31 307)	(117 856)
Net debt	**305 047**	**225 901**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	921 435	1 077 158
Foreign currency translation reserve	(1 018 085)	(776 404)
Non-controlling interests	13 847	27 276
Total equity	**235 055**	**645 888**
Total amount of equity and net debt	**540 102**	**871 789**
Financial leverage coefficient	**56,5%**	**25,9%**

For the year ended 31 December 2015 and 31 December 2014 ratio of net debt to EBITDA amounted to:

	Year ended	
	31 December 2015	31 December 2014
LOSS FOR THE YEAR	**(158 390)**	**(26 918)**
Income tax credit	(880)	(1 175)
Finance income	(3 978)	(3 176)
Finance expenses	32 528	44 101
Impairment of current assets	39 869	-
Impairment of funds	28 190	-
Impairment of non current assets	-	23 589
Losses on exchange	43 616	71 284
EBIT (earnings before interest and income tax)	**(19 045)**	**107 705**
Depreciation	17 628	21 792
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**(1 417)**	**129 497**
Net debt at the year end	305 047	225 901
Net debt at the year end / EBITDA	**-215,28**	**1,74**

During the year there were no changes in the approach to capital management. The Group is not subject to external regulatory requirements regarding capital.

d) Livestock diseases risk

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of disease which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

38. FAIR VALUES

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended 31 December 2015.

	Level 1	Level 2	Level 3	Total
31 December 2015 Biological Assets	-	-	27 139	27 139
31 December 2014 Biological Assets	-	-	49 865	49 865

The fair value of biological assets is determined as the discounted value of net cash flows expected from assets.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that reports directly to the Chief Financial Officer, and has overall responsibility for fair value measurement of biological assets.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. The valuation team assesses and documents the evidence obtained to support the conclusion that the valuation meets the requirements of IFRS, including the level in the fair value hierarchy. Significant valuation issues are reported to the Chief Financial Officer.

The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed in the table below:

	As at	
	31 December 2015	31 December 2014
Discount rate	36,94%	27,97%
Inflation rate	101,20%	101,40%

The higher the discount rate the lower the fair value of biological assets, and the higher the inflation rate the higher the fair value of biological assets. Any interrelationship between the unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions.

Sensitivity analysis of biological assets fair value to the possible changes in foreign currency rates is disclosed in the table below:

Effect in USD thousand:	Increase/decrease of rate	Effect on fair value of biological assets
31 December 2015		
Discount rate	2,50%	(393)
Discount rate	-2,50%	400
Inflation rate	1,75%	2 950
Inflation rate	-1,75%	(2 950)

Effect in USD thousand:	Increase/decrease of rate	Effect on fair value of biological assets
31 December 2014		
Discount rate	2,50%	(1 102)
Discount rate	-2,50%	1 131
Inflation rate	1,75%	6 355
Inflation rate	-1,75%	(6 357)

There were no transfers to/from Level 3 of the fair value hierarchy during the year ended 31 December 2015.

The reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy is analyzed in note 6 of these consolidated financial statements.

Total gain or losses for the year as shown in the reconciliation (note 6) are presented on the face of the consolidated statement of profit or loss and other comprehensive income as "Profit from revaluation of biological assets at fair value" (31 December 2015: USD 1 391 thousand).

The following table analyses the fair values of financial instruments not measures at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized:

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
31 December 2015					
Financial Assets					
Cash and cash equivalents	-	31 307	-	31 307	31 307
Held to maturity investments	14 916	-	-	14 916	9 257
Trade and other receivables	-	-	56 665	56 665	56 665
Financial Liabilities					
Trade payables	-	-	3 375	3 375	3 375
Bank loans	-	133 438	-	133 438	133 438
Long-term bond liabilities	102 114	-	-	102 114	202 871
31 December 2014					
Financial Assets					
Cash and cash equivalents	-	117 856	-	117 856	117 856
Held to maturity investments	-	24 567	-	24 567	24 567
Trade and other receivables	-	-	79 221	79 221	79 221
Financial Liabilities					
Trade payables	-	-	6 907	6 907	6 907
Bank loans	-	145 034	-	145 034	145 034
Short-term bond liabilities	125 750	-	-	125 750	198 635

Assumptions in assessing fair value of financial instruments and assessment of their subsequent recognition

As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instruments. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holding of a particular instrument.

As at 31 December 2015, the following methods and assumptions, which remained the same as the prior year, were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents - the fair value is estimated to be the same as the carrying value for these short-term financial instruments.

Held to maturity investments - the fair value of held to maturity investments are measured using the available quoted market prices.

Trade and other accounts receivable, financial assistance issued - the fair value is reasonably estimated to be the same as the carrying value, as provision for doubtful debts is reasonable estimation of discount needed for reflection of credit risk influence.

Trade and other accounts payable - the fair value is estimated to be the same as the carrying value for trade and other accounts payable.

Application of the effective interest rate method for calculating carrying value of short-term accounts receivable, interest free loans granted and received and accounts payable does not significantly influence the relevant rates in the consolidated financial information of the Group.

Short-term and long-term bank loans, finance lease liabilities, short-term bonds issued - the fair value of short-term and long-term bank loans, finance lease liabilities, short-term bonds issued is estimated to approximate the total carrying value as the nominal interest rate of long-term bank loans is approximately tied to the market rate concerning bank loans with similar credit risk rate and repayment period at the reporting period.

Bonds issued - the fair value of bonds issued is measured using the available quoted market prices from the relevant stock exchange which the bonds are listed.

As at 31 December 2015 the fair value of the above financial instruments approximated to their carrying amount besides long-term bonds whose fair value was USD 102 114 thousand (short-term bonds 31 December 2014: USD 125 750 thousand).

39. RISKS RELATED TO THE GROUP'S OPERATING ENVIRONMENT IN UKRAINE

Events that took place in Ukraine in 2014 do directly or indirectly influence any business activity in the country in 2015.

Ukraine is still in an armed conflict with pro-Russian terrorists and Russian military forces.

Until the conflict is resolved, Ukraine will face the following problems: inability to attract investments, capital outflow, negative trade balance and hryvnia devaluation as a result which inevitably leads to lowering of living standards and decrease in population purchasing power.

Those events have influenced Group's operations in 2014 and are still influencing the Group in the 2015. Three companies of the Group, namely LLC Yuzhnaya – Holding, SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding, PPB LLC Ptytsecompleks, in a Crimea region have been put into conservation; other four companies, namely PJSC Ptakhohospodarstvo Chervonyi Prapor, SC Ptakhofabryka Chervonyi Prapor Poultry of PJSC Ptakhohospodarstvo Chervoniy Prapor, PSPC Interbusiness and PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, are located in the territory currently controlled by the terrorists. The Group has lost an ability to control those companies therefore recognized an impairment loss from the lost assets in the 3rd quarter of 2014. Besides that, a portion of the market has been lost (Crimea accounted for 5% of Ukrainian consumer market and Donetsk and Lugansk regions amounted to 15% of the market).

The Group is facing the following problems:

- Increase in costs due to a significant part of import-containing consumables;
- Decrease in demand as a result of diminishing purchasing power and increased production of eggs by households;
- Significant decrease in marginality as cost level has grown more than sales price due to domestic demand decline.

As a result of above factors and to avoid eggs overproduction in Ukraine, the Group has decrease its headcount and intends to maintain it at a current level until situation in Ukraine is stabilized.

If military conflict continues the Group will aim to preserve its assets and maintain current market position.

Despite a difficult period in history of the Group we are hoping for positive changes in the following years. Ukraine is currently in a process of "painful" but essential reforms which influence all ministries and agencies. One of the most noticeable reforms concerns bank sector. Tax legislation also gradually changes. A very critical administrative reform has started (power decentralization and influence levers transfer to local authorities). All reforms are supported by a number of international institutions e.g. IMF, World Bank and countries including Germany, Japan, USA and others. Government's political will to pursue implementation of reforms, and international support inspire confidence that Ukraine will be able to overcome current economic crisis and will be victorious in a military conflict, which undoubtedly will positively influence Group's operations.

40. EVENTS AFTER THE REPORTING PERIOD

There were no further material events after the reporting period except the fact that while Management believes it is taking all necessary measures to maintain the sustainability of the business in the current circumstances, a further deteriorate of economic and political conditions in Ukraine could adversely affect the Group's results and financial position so that it is currently impossible to predict.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 23 March 2016.