

**AVANGARDCO INVESTMENTS PUBLIC
LIMITED**

Report and Consolidated Financial Statements

For the year ended 31 December 2014

AVANGARDCO INVESTMENTS PUBLIC LIMITED

CONTENTS	Page
Board of Directors and other officers	1
Declaration of the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of the Company	2
Board of Directors' Report	3-4
Independent Auditors' Report	5-6
Consolidated statement of financial position	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10-11
Notes to the consolidated financial statements	12 -72

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Board of Directors and other officers****BOARD OF DIRECTORS:**

Nataliya Vasylyuk (Chairwoman 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:

3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

LEGAL ADVISORS:

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
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

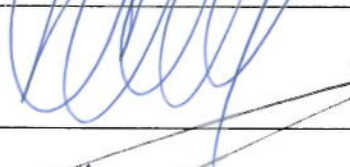

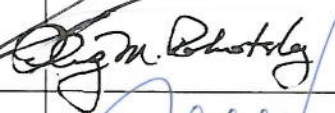

Financial Initiativa
7/9 Schorsa Str.
Kyiv, Ukraine

AVANGARDCO INVESTMENTS PUBLIC LIMITED

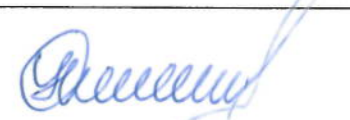
Declaration of the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of the Company

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 2014, 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.

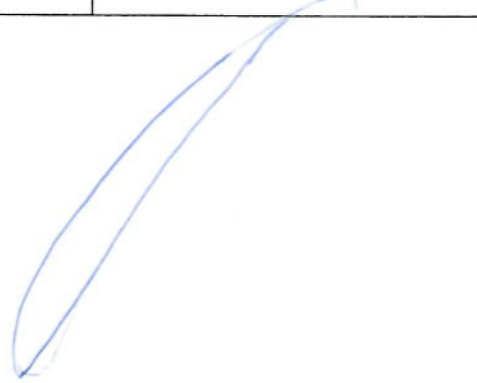
Members of the Board of Directors:

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 2014:

Iryna Melnyk	
--------------	--

12 March 2015



AVANGARDCO INVESTMENTS PUBLIC LIMITED

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 2014.

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 2014 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 26 103 thousand (2013 profit: USD 236 032 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 26 918 thousand compared to a profit of USD 238 083 thousand in the previous year. The Group's total assets also decreased to USD 1 038 327 thousand from USD 1 818 915 thousand mainly as a result of Ukrainian Hryvnia devaluation.

Dividends

The Board of Directors recommended the payment of a dividend for the year amounting to USD 29 542 thousand (2013: USD nil).

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in notes 38 and 40 to the consolidated financial statements.

Ukraine has entered 2014 in a state of political crisis. The following reasons formed a background for this: authorities stopping Euro integration process, President usurping power, growing corruption of officials, simulated maintenance of economic and social stability based not on the economic growth, but at the expense of gold and foreign exchange reserves; and led to the political crisis in the country. As a result of unthoughtful ruling Ukrainian gold and foreign exchange reserves have significantly diminished.

A subsequent stage of the crisis came with Crimea annexation and armed clashes in the Eastern regions of Ukraine. This resulted in significantly lower budget income and increase in budget deficit. In order to fulfill its obligations and avoid default Ukraine had to refer to the IMF for finance aid. The agreement provides for Ukraine's adherence to certain requirements. One of them was the shift to floating exchange rate for Ukrainian Hryvnia by Central Bank (NBU), which led to significant loss in its value (up to 50%) comparing to primary foreign currencies. This increased burden on loan portfolio of Ukrainian companies that had borrowings in foreign currency.

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Board of Directors' Report (cont.)****Principal risks and uncertainties (cont.)**

The Group's management considers that all necessary actions are being performed to maintain financial stability of the Group in current Ukrainian business environment.

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 2014 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 41 to the consolidated financial statements.

Branches

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

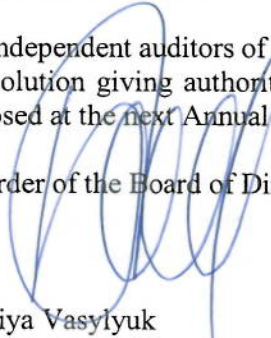
Related party balances and transactions

Disclosed in note 34 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
Chairwoman of the Board

Nicosia, 12 March 2015



KPMG Limited
Chartered Accountants
14 Esperidon Street
1087 Nicosia, Cyprus
P.O.Box 21121
1502 Nicosia, Cyprus

Telephone +357 22 209000
Fax +357 22 678200
E-mail nicosia@kpmg.com.cy
Internet www.kpmg.com.cy

5

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 7 to 72 which comprise the consolidated statement of financial position as at 31 December 2014, 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.

Board Members:

N.G. Syrimis, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou
A.M. Gregoriades, A.A. Demetrou, D.S. Vakis, A.A. Apostolou
S.A. Loizides, M.A. Loizides, S.G. Sofocleous, M.M. Antoniadis
C.V. Vasiliou, P.E. Antoniadis, M.J. Halios, M.P. Michael, P.A. Peleties
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos
M.G. Gregoriades, H.A. Kakoullis, G.P. Savva, C.A. Kalias, C.N. Kallis
M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias
P.S. Theophanous, M.A. Karantoni, C.A. Markides, G.V. Andreou
J.C. Nicolaou, G.S. Prodromou, A.S. Sofocleous, G.N. Syrimis
T.J. Yiasemidis

KPMG Limited, a private company limited by shares registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus

Limassol

P.O. Box 50161, 3601
Telephone +357 25 869000
Fax +357 25 363842

Larnaca

P.O. Box 40075, 6300
Telephone +357 24 200000
Fax +357 24 200200

Paphos

P.O. Box 60288, 8101
Telephone +357 26 943050
Fax +357 26 943062

Paralimni / Ayia Napa

P.O. Box 33200, 5311
Telephone +357 23 820080
Fax +357 23 820084

Polis Chrysochou

P.O. Box 66014, 8330
Telephone +357 26 322098
Fax +357 26 322722

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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

We draw attention to notes 2.4, 37 and 40 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, 37 and 40 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.

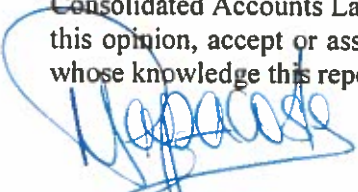
Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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 and 4 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 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any 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

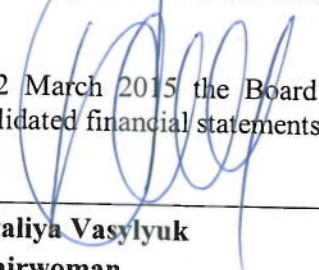
KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

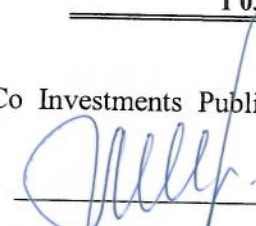
12 March 2015

Consolidated statement of financial position
AS AT 31 DECEMBER 2014
(in USD thousand, unless otherwise stated)

	Note	31 December 2014	31 December 2013
ASSETS			
Property, plant and equipment	5	579 922	1 103 630
Non-current biological assets	6	21 637	76 678
Deferred tax assets	19	2 489	3 059
Held to maturity investments	7	17 959	-
Other non-current assets		28	373
Total non-current assets		622 035	1 183 740
Inventories	9	115 896	193 382
Current biological assets	6	28 228	60 648
Trade accounts receivable, net	10	79 221	88 972
Prepaid income tax	19	48	85
Prepayments and other current assets, net	11	29 094	30 845
Taxes recoverable and prepaid	8	45 949	104 439
Cash and cash equivalents	12	117 856	156 804
Total current assets		416 292	635 175
TOTAL ASSETS		1 038 327	1 818 915
EQUITY			
Share capital	13	836	836
Share premium	13	201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		1 077 158	1 132 803
Effect of translation into presentation currency		(776 404)	(68 194)
Equity attributable to owners of the Company		618 612	1 382 467
Non-controlling interests		27 276	64 631
Total equity		645 888	1 447 098
LIABILITIES			
Long-term loans	14	79 844	61 495
Long-term bond liabilities	15	-	197 131
Deferred tax liabilities	19	26	44
Deferred income	32.1	2 245	4 743
Long-term finance lease	22	63	1
Total non-current liabilities		82 178	263 414
Short-term bond liabilities	15	198 635	-
Current portion of non-current liabilities	18	15 368	14 504
Short-term loans	16	50 000	50 000
Trade payables	20	6 907	15 084
Other accounts payable	21	39 351	28 815
Total current liabilities		310 261	108 403
TOTAL LIABILITIES		392 439	371 817
TOTAL EQUITY AND LIABILITIES		1 038 327	1 818 915

On 12 March 2015 the Board of Directors of AvangardCo Investments Public Limited authorised these consolidated financial statements for issue.


Nataliya Vasylyuk
Chairwoman


Iryna Marchenko
Director, CEO

The notes on pages 12 to 72 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of profit and loss and other comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

	Note	Year ended	
		31 December 2014	31 December 2013
Revenue	24	419 618	661 202
Profit from revaluation of biological assets at fair value	6	15 364	35 158
Cost of sales	25	(314 001)	(429 695)
GROSS PROFIT		120 981	266 665
General administrative expenses	27	(10 772)	(16 746)
Distribution expenses	28	(20 532)	(25 630)
Income from government grants and incentives	32.1	218	299
Impairment of non current assets	5	(23 589)	(20)
Income from special VAT treatment	32.2	36 490	55 198
Other operating expenses	29	(18 680)	(1 657)
PROFIT FROM OPERATING ACTIVITIES		84 116	278 109
Finance income	31	3 176	124
Finance costs	30	(44 101)	(38 887)
Losses on exchange		(71 284)	(2 359)
(LOSS)/PROFIT BEFORE TAX		(28 093)	236 987
Income tax credit	19	1 175	1 096
(LOSS)/PROFIT FOR THE YEAR		(26 918)	238 083
OTHER COMPREHENSIVE INCOME:			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effect from translation into presentation currency		(746 465)	(60)
Effect from changes in ownership		1 715	41 880
TOTAL COMPREHENSIVE INCOME		(771 668)	279 903
(LOSS)/PROFIT FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		(26 103)	236 032
Non-controlling interests		(815)	2 051
		(26 918)	238 083
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the Company		(734 313)	233 387
Non-controlling interests		(37 355)	46 516
		(771 668)	279 903
(Loss)/earnings per share, USD (basic and diluted)	36	(4)	37

The notes on pages 12 to 72 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of changes in equity
FOR THE YEAR ENDED 31 DECEMBER 2014
(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve			
Balance at 1 January 2013	836	115 858	201 164	899 357	(68 135)	1 149 080	18 115	1 167 195
Comprehensive income								
Profit for the year	-	-	-	236 032	-	236 032	2 051	238 083
Effect from translation into presentation currency	-	-	-	-	(59)	(59)	(1)	(60)
Total comprehensive income	-	-	-	236 032	(59)	235 973	2 050	238 023
Transactions with owners								
Effect from changes in ownership	-	-	-	(2 586)	-	(2 586)	44 466	41 880
Total transactions with owners	-	-	-	(2 586)	-	(2 586)	44 466	41 880
Balance at 31 December 2013	836	115 858	201 164	1 132 803	(68 194)	1 382 467	64 631	1 447 098
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								
Profit 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	836	115 858	201 164	1 106 700	(776 404)	648 154	25 561	673 715
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

- (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 20% for the tax year 2013 and 17% for 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.
- (3) In the year ended 31 December 2009, the beneficial owner made an Additional Capital Contribution of the amount of UAH 925 122 311 (USD equivalent is USD 115 858 thousand), in his capacity as an owner. This transaction was carried out under a debt for equity swap agreement resulting in a contribution but no issue of shares.

The notes on pages 12 to 72 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of cash flows
FOR THE YEAR ENDED 31 DECEMBER 2014
(in USD thousand, unless otherwise stated)

	Note	Year ended	
		31 December 2014	31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before income tax		(28 093)	236 987
Adjustments for:			
Depreciation of property, plant and equipment	5	21 792	25 487
Change in allowance for irrecoverable amounts		12 921	683
Other provisions		(357)	131
(Profit)/loss on disposal of current assets		(44)	377
Loss on disposal of property, plant and equipment		2 168	365
Impairment of current assets		9 140	1 123
Effect of fair value adjustments on biological assets	6	(15 364)	(35 158)
Gains realised from accounts payable written-off		(3 888)	(296)
Amortization of deferred income on government grants		(218)	(299)
Discount bonds amortization		1 504	1 352
Discount on VAT government bonds on initial recognition		12 679	-
Discount on VAT government bonds amortization		(1 459)	-
Impairment of non current assets		23 589	-
Interest income		(3 176)	(124)
Interest payable on loans		28 051	28 770
Losses on exchange		36 822	-
Operating profit before working capital changes		96 067	259 398
Increase in trade receivables		(36 919)	(33 272)
Increase in prepayments and other current assets		(16 816)	(9 785)
Increase in taxes recoverable and prepaid		(13 074)	(1 872)
Increase in inventories		(32 159)	(16 030)
Increase/(decrease) in deferred income		7	(5)
Decrease in other non-current assets		214	18
Increase/(decrease) in trade payables		2 909	(9 055)
Decrease in biological assets		40 920	479
Decrease in finance leases		(744)	(2 552)
Increase in other accounts payable		9 822	7 342
Cash generated from operations		50 227	194 666
Interest paid		(8 983)	(7 136)
Income tax paid		(73)	(92)
Net cash generated from operating activities		41 171	187 438
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments and receipts - property, plant and equipment		(77 030)	(184 808)
Interest received		159	124
Net cash used in investing activities		(76 871)	(184 684)

The notes on pages 12 to 72 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of cash flows (cont.)
FOR THE YEAR ENDED 31 DECEMBER 2014
(in USD thousand, unless otherwise stated)

	Note	Year ended	
		31 December 2014	31 December 2013
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans received		96 144	85 334
Repayment of loans		(62 760)	(88 516)
Interest paid for bonds issued		(20 000)	(22 043)
Repayment of short-term bonds		-	(25 023)
Blocked deposit		-	794
Net cash generated from/(used in) financing activities		13 384	(49 454)
Net decrease in cash		(22 316)	(46 700)
Cash and cash equivalents at 1 January		156 804	203 504
Effect from translation into presentation currency		(16 632)	-
Cash and cash equivalents at 31 December	12	117 856	156 804

The notes on pages 12 to 72 form an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(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 Anexartias & Kyriakou Matsi, 3040 Limassol, Cyprus.

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 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 2014 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 78% of its own fodder. The Group's activities cover almost all the territory of Ukraine.

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**
(in USD thousand, unless otherwise stated)

1. General information (cont.)

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 2014	Ownership interest (%) 31 December 2013
PJSC Avangard	Keeping of technical laying hen, production and selling of eggs	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%
PJSC Ptakhohospodarstvo Chervonyi Prapor		Ukraine	98,00%	98,00%
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%
LLC Makarivska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC PF Volnovaska		Ukraine	100,00%	100,00%
PJSC Cross-PF Zorya		Ukraine	89,00%	89,00%
PJSC Ptakhofabryka Pershe Travnya		Ukraine	93,00%	93,00%
PJSC Chernivetska Ptakhofabryka		Ukraine	98,00%	98,00%
ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC Areal-Snigurivka		Ukraine	100,00%	100,00%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		Ukraine	100,00%	100,00%
PPB LLC Ptysecompleks		Ukraine	100,00%	100,00%
PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Avangard-Agro of PJSC Avangard		Incubation (production and sale of day-old chick), farming of young poultry for sale, and poultry	Ukraine	99,00%
SC Gorodenkivska Ptakhofabryka of PJSC Avangard	Ukraine		99,00%	99,00%
SC Rogatynska Ptakhofabryka of PJSC Avangard	Ukraine		99,00%	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		89,00%	89,00%
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervonyiPrapor	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		97,00%	97,00%
LLC Rohatyn-Korm	Production and selling of animal feed		Ukraine	99,00%
PJSC Vuhlehirskiy Eksperimentalnyi Kombikormoviy Zavod		Ukraine	100,00%	100,00%
PJSC Volnovaskiy Kombinat Khliboproduktiv		Ukraine	99,00%	99,00%
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	100,00%	100,00%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	93,00%	93,00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	96,00%	94,00%
LLC Agrarniy Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%
LLC Imperovo LTD	Rental services	Ukraine	96,00%	94,00%

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

1. General information (cont.)

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 2014 with nominal value of € 0,10 per share.

The shares were distributed as follows:

Owner	31 December 2014		31 December 2013	
	Number of shares	Ownership interest (%)	Number of shares	Ownership interest (%)
Quickcom Limited	-	-	1	-
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	-	3	-
	6 387 185	100,0%	6 387 185	100,0%

As at 31 December 2014 and 31 December 2013 the interests in Omtron Limited and Tanchem Limited beneficially owned by UkrLandFarming Plc were as follows:

	Ownership interest (%) as at 31 December 2014	Ownership interest (%) as at 31 December 2013
Omtron Limited	100%	-
Tanchem Limited	100%	-

As at 31 December 2014 and 31 December 2013 the direct interests in Quickcom Limited, Omtron Limited, Tanchem Limited, Mobco Limited, UkrLandFarming Plc beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	Ownership interest (%) as at 31 December 2014	Ownership interest (%) as at 31 December 2013
Quickcom Limited	100%	100%
Omtron Limited	-	100%
Tanchem Limited	-	100%
Mobco Limited	100%	100%
UkrLandFarming Plc	95%	100%

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

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 2014

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 40. The consolidated financial statements do not comprise any adjustments in case of the Group's inability to continue as a going concern.

2.5 Standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations

As from 1 January 2014, the Group adopted all changes to International Financial Reporting Standards (IFRSs) 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 2014. 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 July 2014).
- Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 July 2014).
- Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 July 2014).

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

2.5 Standards and interpretations (cont.)

Adoption of new and revised International Financial Reporting Standards and Interpretations (cont.)

(ii) Standards and Interpretations not adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 "Accounting for acquisitions of Interests in Joint Operations" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1: 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)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 (Amendments) "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 41 (Amendments) "Bearer plants" (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 38 (Amendments) "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1 January 2016).

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 2014.

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

3.1 Basis of consolidation (cont.)

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)**3.1 Basis of consolidation (cont.)***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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

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 2014	Weighted average for the year ended 31 December 2014	31 December 2013	Weighted average for the year ended 31 December 2013
US dollar to Ukrainian Hryvnia	15,7686	11, 9095	7,9930	7, 9930
Euro	0,8199	0,7566	0,7239	-

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

3.3 Property, plant and equipment (cont.)

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

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)**3.3 Property, plant and equipment (cont.)***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 uninstalled 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

3.4 Financial instruments (cont.)

(i) Non-derivative financial assets (cont.)

(b) Available for sale financial assets (cont.)

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 available-for-sale).

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)**3.4 Financial instruments (cont.)**

(i) Non-derivative financial assets (cont.)

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)**3.4 Financial instruments (cont.)***(i) Non-derivative financial assets (cont.)**Financial assets measured at amortised cost (cont.)*

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.

(a) 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)**3.4 Financial instruments (cont.)**

(ii) Non-derivative financial liabilities (cont.)

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

Bonds consist of capital securities and are presented at amortised cost. The amortized cost is the fair value of securities issued after the deduction of interest payments plus the cumulative amortization using the effective interest method of any difference between the initial amount and the amount of maturity.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and allocate revenue or interest expense over the relevant period. The real interest rate is the rate that exactly discounts estimated future cash payments or receipts at the expected term of the financial instruments, or when appropriate a shorter period, to the net book value of the financial asset or financial liability.

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

3.6 Inventories (cont.)

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, where 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)**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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

3.10 Value added tax (VAT) (cont.)

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)**3.11 Income tax (cont.)***Deferred tax (cont.)*

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 date.

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)

3.14 Leases (cont.)

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;

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)**3.17 Government grants (cont.)**

- 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 transferred 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

3. Significant accounting policies (cont.)**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".

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

4. Significant accounting judgements and estimates (cont.)**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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

4. Significant accounting judgements and estimates (cont.)**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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

4. Significant accounting judgements and estimates (cont.)**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 40).

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

4. Significant accounting judgements and estimates (cont.)**4.11 Measurement of fair values (cont.)**

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.

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

4.12 Ukrainian business environment

Ukraine has entered 2014 in a state of political crisis. The following reasons formed a background for this: authorities stopping Euro integration process, President usurping power, growing corruption of officials, simulated maintenance of economic and social stability based not on the economic growth, but at the expense of gold and foreign exchange reserves; and led to the political crisis in the country. As a result of unthoughtful ruling Ukrainian gold and foreign exchange reserves have significantly diminished.

A subsequent stage of the crisis came with Crimea annexation and armed clashes in the Eastern regions of Ukraine. This resulted in significantly lower budget income and increase in budget deficit. In order to fulfill its obligations and avoid default Ukraine had to refer to the IMF for finance aid. The agreement provides for Ukraine's adherence to certain requirements. One of them was the shift to floating exchange rate for Ukrainian Hryvnia by Central Bank (NBU), which led to significant loss in its value (up to 50%) comparing to primary foreign currencies. This increased burden on loan portfolio of Ukrainian companies that had borrowings in foreign currency.

Although, in May 2014 Ukraine elected President, who has declared European integration strategy, which slightly stabilized situation in country, military conflict on the East of Ukraine and conflict related to Crimea annexation are still main destabilizing factors. It is extremely hard to forecast the crisis outcome for Ukraine.

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.

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

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 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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (cont.)

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Cost								
As at 1 January 2013	3 464	301 995	48 381	101 353	6 340	3 100	521 381	986 014
Acquisitions	-	501	557	24	30	75	208 233	209 420
Disposals	-	(223)	(158)	(2)	(34)	(37)	(9)	(463)
Foreign currency translation	(1)	(19)	(3)	(8)	-	-	(22)	(53)
Internal transfers	-	60 713	203	5 044	316	119	(66 395)	-
Reclassification	-	30	111	-	-	(30)	(111)	-
As at 31 December 2013	3 463	362 997	49 091	106 411	6 652	3 227	663 077	1 194 918
Accumulated depreciation								
As at 1 January 2013	-	22 612	6 441	32 658	2 851	1 380	-	65 942
Depreciation charge	-	12 719	4 308	7 154	770	536	-	25 487
Depreciation eliminated on disposal	-	(37)	(63)	-	(10)	(27)	-	(137)
Foreign currency translation	-	(2)	-	(2)	-	-	-	(4)
Reclassification	-	22	4	-	-	(26)	-	-
As at 31 December 2013	-	35 314	10 690	39 810	3 611	1 863	-	91 288
Net carrying value								
Balance at 31 December 2013	3 463	327 683	38 401	66 601	3 041	1 364	663 077	1 103 630

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (cont.)

As at 31 December 2014 and 31 December 2013 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 2014	31 December 2013
Buildings and structures	39 440	81 346
Machinery and equipment	15 241	161
Equipment for biological assets	7 546	7 123
Vehicles	91	221
Other equipment	1	4
Assets under construction-in-progress and uninstalled equipment	1 881	41 430
	64 200	130 285

As at 31 December 2014 and 31 December 2013 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 66 thousand and USD 7 784 thousand respectively. The carrying amount of contractual commitments is presented in Note 22.

As at 31 December 2014 the property, plant and equipment were impaired by USD 23 589 thousand in connection with the military conflict on the East of Ukraine and the Crimea annexation (note 40).

6. Biological assets

	Note	31 December 2014	31 December 2013
Non-current biological assets			
Replacement poultry	a), b)	21 637	76 678
		21 637	76 678
Current biological assets			
Commercial poultry	a), b)	28 228	60 646
Other biological assets		-	2
		28 228	60 648
Total		49 865	137 326

a) Commercial poultry and replacement poultry were as follows:

	31 December 2014		31 December 2013	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	6 880	17 492	2 370	13 833
Hy-Line	15 665	30 762	28 244	117 673
Hisex	68	87	1 288	3 288
NOVOgen	280	604	-	-
Brown Nick	326	548	630	2 530
Decalb	123	372	-	-
	23 342	49 865	32 532	137 324

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

6. Biological assets (cont.)

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

Balance at 1 January 2013	103 610
Acquisitions	114 401
Increase in value as a result of increase in weight/number	132 523
Net change in fair value	35 158
Decrease in value resulting from assets disposal	(97 157)
Effect from translation into presentation currency	-
Decrease in value resulting from hens slaughtering	(150 903)
Other changes	(308)
Balance at 31 December 2013	137 324
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

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 27.97% prevailing as at 31 December 2014 was applied (for the year ended 31 December 2013: 25.0%).

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 2014 and 31 December 2013 were as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
VAT government bonds	26 433	-
Discount VAT government bonds	(8 474)	-
	<u>17 959</u>	<u>-</u>
	<u>31 December 2014</u>	<u>31 December 2013</u>
Coupon receivable	1 177	-

During the year 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

8. Taxes recoverable and prepaid

Taxes recoverable and prepaid as at 31 December 2014 and 31 December 2013 were as follows:

	Note	31 December 2014	31 December 2013
VAT settlements	a)	45 891	104 346
Other taxes prepaid		58	93
		45 949	104 439

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 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Raw and basic materials	87 116	132 264
Work-in-progress	276	606
Agricultural produce	1 382	2 150
Finished goods	16 771	33 939
Package and packing materials	8 313	13 997
Goods for resale	290	6 350
Other inventories	1 748	4 076
	115 896	193 382

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

The Group produced shell eggs in the quantity of 6 305 801 236 (2013: 7 018 584 086 items) which have fair value amounted to USD 407 697 thousand (2013: USD 605 883 thousand).

10. Trade accounts receivable, net

Trade accounts receivable as at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Trade receivables-gross	87 695	89 040
Provision for doubtful debts	(8 474)	(68)
	79 221	88 972

As at 31 December 2014 an amount of USD 11 968 thousand or 15.0% of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 31 December 2013—see note 38).

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 38 to the consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

11. Prepayments and other current assets, net

Prepayments and other current assets as at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Prepayments	16 250	18 144
Provision for doubtful debts	(1 522)	(1 213)
Other non-trade accounts receivable	7 758	13 914
Current portion of VAT bonds	6 608	-
	29 094	30 845

The exposure of the Group to credit risk and impairment losses in relation to prepayments and other current assets is reported in note 38 to the consolidated financial statements.

12. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Cash in banks	117 812	154 771
Cash in hand	44	33
Other bank accounts in foreign currency	-	2 000
Cash and cash equivalents represented in consolidated statement of cash flows	117 856	156 804

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 38 to the consolidated financial statements.

13. Share capital

	31 December 2014		31 December 2013	
	Number of shares	Share capital, USD ths	Number of shares	Share capital, USD ths
<i>Authorised</i>				
Ordinary shares Euro 0,10 each	6 500 000	908	6 500 000	908
<i>Issued and fully paid</i>				
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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

14. Long-term loans

Long-term loans as at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Long-term bank loans in national currency	1 389	2 860
Long-term bank loans in foreign currency	93 084	70 448
Total loans	94 473	73 308
Commodity credit	561	1 109
	95 034	74 417
Current portion of non-current liabilities for bank loans in national currency	(231)	(1 430)
Current portion of non-current liabilities for bank loans in foreign currency	(14 959)	(11 492)
	79 844	61 495

a) As at 31 December 2014 and 31 December 2013 the long-term bank loans by maturities were as follows:

	31 December 2014	31 December 2013
Less than one year	15 190	12 922
From 1 to 2 years	18 680	13 165
From 2 to 3 years	16 255	12 619
From 3 to 4 years	12 473	10 133
From 4 to 5 years	9 747	6 375
Over 5 years	22 128	18 094
	94 473	73 308

b) As at 31 December 2014 and 31 December 2013 the long-term bank loans by currencies were as follows:

	31 December 2014	31 December 2013
Long-term bank loans in UAH	1 389	2 860
Long-term bank loans in EUR	93 084	70 448
	94 473	73 308

c) As at 31 December 2014 and 31 December 2013 the interest rates for long-term bank loans were as follows:

	31 December 2014	31 December 2013
Long-term bank loans denominated in UAH	18%	14%
Long-term bank loans in EUR	1.5%+EURIBOR- 2.7%+EURIBOR	1.5%+EURIBOR- 1.75%+EURIBOR

d) Commodity credit in the amount of USD 561 thousand (2013: USD 1 109 thousand) is represented by a liability of the Group's companies, OJSC "Volnovahskyi Kombinat Khilboproduktiv" 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

14. Long-term loans (cont.)

The exposure of the Group to interest rate risk and liquidity risk in relation to loans and borrowings is reported in note 38 to the consolidated financial statements.

15. Bond liabilities

Bond liabilities as at 31 December 2014 and 31 December 2013 were as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Par value	200 000	200 000
Discount on issued bonds	(1 365)	(2 869)
	<u>198 635</u>	<u>197 131</u>
	<u>31 December 2014</u>	<u>31 December 2013</u>
Coupon payable	3 462	3 462

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.

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

The exposure of the Group to interest rate risk and liquidity risk in relation to bond liabilities is reported in note 38 to the consolidated financial statements.

16. Short-term loans

Short-term loans as at 31 December 2014 and 31 December 2013 were as follows:

	Note	<u>31 December 2014</u>	<u>31 December 2013</u>
Short-term bank loans in foreign currency	a), b), c)	50 000	50 000
		<u>50 000</u>	<u>50 000</u>

a) As at 31 December 2014 and 31 December 2013 the short-term bank loans by maturity were as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
From 3 to 6 months	-	50 000
From 6 to 12 months	50 000	-
	<u>50 000</u>	<u>50 000</u>

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

16. Short-term loans (cont.)

b) As at 31 December 2014 and 31 December 2013 the short-term bank loans by currencies were as follows:

	31 December 2014	31 December 2013
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 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Short-term bank loans denominated in USD	11.5%	10.25%

The exposure of the Group to interest rate risk and liquidity risk in relation to short term borrowings is reported in note 38 to the consolidated financial statements.

17. Securities

Long-term loans (Note 14) and short-term loans (Note 16) as at 31 December 2014 and 31 December 2013 were secured on assets as follows:

	31 December 2014	31 December 2013
Buildings and structures	39 440	81 346
Machinery and equipment	15 241	161
Equipment for biological assets	7 546	7 123
Vehicles	91	221
Other equipment	1	4
Assets under construction-in-progress and uninstalled equipment	1 881	41 430
Total	64 200	130 285

As at 31 December 2014 surety providers of the bonds of UkrLandFarming Plc were as follows: PJSC Agrofirmia Avis, LLC Areal-Snigurivka, PJSC Chernivetska Ptakhofabryka, PJSC Chornobaivske, ALLC Donetska Ptakhofabryka, SC Gorodenkivska Ptakhofabryka of PJSC Avangard, LLC Imperovo Foods, PSPC Interbusiness, LLC Makarivska Ptakhofabryka, PJSC Ptakhofabryka Pershe Travnja, PJSC Ptakhohospodarstvo Chervonyi Prapor, LLC Slovyany, LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka, LLC PF Volnovaska.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

18. Current portion of non-current financial liabilities

The current portion of non-current financial liabilities as at 31 December 2014 and 31 December 2013 was as follows:

	31 December 2014	31 December 2013
<i>Trade and other payables</i>		
Deferred income (current portion)	154	304
<i>Financial liabilities</i>		
Current portion of finance lease liabilities	20	1 065
VAT included in current portion of finance lease liabilities	4	213
Current portion of non-current liabilities for bank loans in foreign currency	14 959	11 492
Current portion of non-current liabilities for bank loans in national currency	231	1 430
	15 368	14 504

The exposure of the Group to liquidity risk in relation to non-current financial liability is reported in note 38 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 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Influence of temporary differences on deferred tax assets		
Property, plant and equipment, non-current assets	2 138	2 811
Provisions	335	205
Total deferred tax assets	2 473	3 016
Influence of temporary differences on deferred tax liabilities		
Deferred expenses	(10)	(1)
Total deferred tax liabilities	(10)	(1)
Net deferred tax assets	2 463	3 015
	31 December 2014	31 December 2013
Total deferred tax assets	2 489	3 059
Total deferred tax liabilities	(26)	(44)
Net deferred tax assets	2 463	3 015

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

19. Deferred tax assets and liabilities, income tax expense (cont.)

Principal components of income tax expense

As at 31 December 2014 the rate of income tax in Ukraine was equal to 18% (31 December 2013: 19%)

	<u>31 December 2014</u>	<u>31 December 2013</u>
Current income tax	(64)	(25)
Deferred tax asset	1 239	1 121
Income tax credit for the period	1 175	1 096

Reconciliation of deferred tax liabilities

	<u>31 December 2014</u>	<u>31 December 2013</u>
Balance as at 1 January	3 015	1 894
Deferred tax credit	1 239	1 121
Effect of translation into presentation currency	(1 791)	-
Balance as at 31 December	2 463	3 015

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

	<u>31 December 2014</u>	<u>31 December 2013</u>
Accounting (loss)/profit before tax	(28 093)	236 987
Less accounting profit of the companies being fixed agricultural tax payers	(125 096)	(294 850)
	<u>(153 189)</u>	<u>(57 863)</u>
Accounting loss of the companies being income tax payers at the rate 12,5%	(83 265)	(33 024)
Accounting loss of the companies being income tax payers at the rate 18%	(69 924)	(24 839)
	<u>(153 189)</u>	<u>(57 863)</u>
Income tax, taxable at the rate of 12,5%	(10 408)	(4 128)
Income tax, taxable at the rate of 18%	(12 586)	(4 719)
Tax effect of allowances and income not subject to tax	24 169	9 943
Tax as per consolidated statement of profit or loss and other comprehensive income - credit	1 175	1 096

As at 1 January 2013	18
Income tax accrued for the year	(25)
Income tax paid for the year	92
Effect of translation into presentation currency	-
As at 31 December 2013 / 1 January 2014	85
Income tax accrued for the year	(64)
Income tax paid for the year	73
Effect of translation into presentation currency	(46)
As at 31 December 2014	48

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

19. Deferred tax assets and liabilities, income tax expense (cont.)

The income tax payers in 2014 and 2013 were the following companies: LLC “Rohatyn-Korm”, OJSC “Vuhlelhirskyi Ekspermentalnyi Kombikormovy Zavod”, OJSC “Volhovatskiy Kombinat Khiboproductiv”, LLC “Kamyans-Podilsky Kombikormovy Zavod”, LLC “Pershe Travnaya Kombikormovy 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 2014 and 31 December 2013 were as follows:

	Note	31 December 2014	31 December 2013
Trade payables		6 385	12 514
Short-term notes issued	a)	522	2 570
		6 907	15 084

a) As at 31 December 2014 and 31 December 2013 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 38 to the consolidated financial statements.

21. Other accounts payable

Other accounts payable as at 31 December 2014 and 31 December 2013 were as follows:

	Note	31 December 2014	31 December 2013
Accrued expenses for future employee benefits		515	1 575
Other accrued expenses		211	291
Wages and salaries and related taxes liabilities		1 415	2 569
Other taxes and compulsory payments liabilities	a)	1 133	2 034
Accounts payable for property, plant and equipment		709	5 721
Advances received from customers	b)	394	4 779
Interest payable		5	1 397
Accrued coupon on bonds		3 462	3 462
Dividends payable		29 542	161
Other payables	c)	1 965	6 826
		39 351	28 815

- 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.

The exposure of the Group to liquidity risk in relation to other accounts payable is reported in note 38 to the consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

22. Finance lease liabilities

	Minimum lease payments	Future finance charges	Current value of minimum lease payments
As at 31 December 2014			
Less than one year	47	27	20
Between one and five years	94	41	53
Total	141	68	73

	Minimum lease payments	Future finance charges	Current value of minimum lease payments
As at 31 December 2013			
Within a year	1 141	76	1 065
Between one and five years	1	-	1
Total	1 142	76	1 066

The finance lease liabilities also contain the VAT payments that are as follows:

	31 December 2014	31 December 2013
Short-term VAT payable	4	213
Long-term VAT payable	10	-
Total	14	213

Net carrying value of property, plant and equipment acquired via finance lease as at 31 December 2014 and 31 December 2013 was as follows:

	31 December 2014	31 December 2013
Equipment for biological assets	-	7 766
Vehicles	66	18
	66	7 784

The exposure of the Group to interest rate risk and liquidity risk in relation to finance lease liabilities is reported in note 38 of the consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

23. Profit from operating activities

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

	Note	Year ended	
		31 December 2014	31 December 2013
Depreciation of property, plant and equipment	5	(21 792)	(25 487)
Loss on disposal of non current assets	29	(2 168)	(365)
Provisions for doubtful debts and amounts written off	29	(12 921)	(683)
Payroll and related expenses	33	(20 969)	(29 634)
Independent auditors' remuneration for statutory audit of annual accounts		(553)	(494)
		<u>(553)</u>	<u>(494)</u>

24. Revenue

Sales revenue for the year ended 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Revenue from finished goods	418 375	659 240
Revenue from goods sold and services rendered	1 243	1 962
	<u>419 618</u>	<u>661 202</u>

For the year ended 31 December 2014 USD 46 506 thousand (2013: USD 44 615 thousand) or 11.1% (2013: 6.8%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients.

25. Cost of sales

Cost of sales for the year ended 31 December 2014 and 31 December 2013 was as follows:

	Note	31 December 2014	31 December 2013
Cost of finished goods sold	26	(312 277)	(428 141)
Cost of goods sold and services rendered		(1 724)	(1 554)
		<u>(314 001)</u>	<u>(429 695)</u>

26. Cost of sales by elements

The cost of finished goods sold (Note 25) for the year ended 31 December 2014 and 31 December 2013 as follows:

	Note	31 December 2014	31 December 2013
Raw materials		(252 139)	(354 379)
Payroll of production personnel and related taxes	33	(14 515)	(20 313)
Depreciation		(21 206)	(24 556)
Services provided by third parties		(24 272)	(28 670)
Other expenses		(145)	(223)
	25	<u>(312 277)</u>	<u>(428 141)</u>

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

27. General administrative expenses

General administrative expenses for the year ended 31 December 2014 and 31 December 2013 were as follows:

	Note	31 December 2014	31 December 2013
Salaries and wages of administrative personnel	33	(5 400)	(8 563)
Services provided by third parties		(4 261)	(5 957)
Depreciation		(100)	(132)
Repairs and maintenance costs		(69)	(150)
Tax expenses, except for income tax		(275)	(444)
Material usage		(395)	(575)
Other expenses		(272)	(925)
		(10 772)	(16 746)

28. Distribution expenses

Distribution expenses for the year ended 31 December 2014 and 31 December 2013 were as follows:

	Note	31 December 2014	31 December 2013
Salaries and wages of distribution personnel	33	(1 054)	(758)
Transport expenses		(9 742)	(11 146)
Depreciation		(478)	(740)
Services provided by third parties		(8 917)	(11 425)
Packing materials		(14)	(1 002)
Repairs and maintenance costs		(111)	(61)
Other expenses		(216)	(498)
		(20 532)	(25 630)

29. Other operating expenses

Other operating expenses for the year ended 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Profit/(loss) on disposal of current assets	44	(377)
Loss on disposal of non current assets	(2 168)	(345)
Impairment of current assets	(9 140)	(1 123)
Gain realised from writing-off of accounts payable	3 888	296
Foreign currency sale income	1 566	3 111
Provision for doubtful debts and amounts written off	(12 921)	(683)
Fines, penalties recognized	(622)	(1 366)
Other income	673	(1 170)
	(18 680)	(1 657)

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

30. Finance costs

Finance costs for the year ended 31 December 2014 and 31 December 2013 was as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Interest payable on loans	(8 052)	(7 811)
Capitalised interest	-	533
Total finance expenses on loans	(8 052)	(7 278)
Finance expenses on finance lease	(43)	(328)
Finance expenses on bonds	(21 503)	(22 844)
Other finance expenses	(14 503)	(8 437)
	<u>(44 101)</u>	<u>(38 887)</u>

31. Finance income

Finance income for the year ended 31 December 2014 and 31 December 2013 includes the interest income from VAT government bonds and placement of deposits, amounted to USD 3 176 thousand and USD 124 thousand respectively.

32. Government grants received

32.1 Income from government grants and incentives

Income from government grants and incentives received for the year ended 31 December 2014 and 31 December 2013 was as follows:

	Note	<u>31 December 2014</u>	<u>31 December 2013</u>
Amortization of deferred income on government grants	a)	218	299
		<u>218</u>	<u>299</u>

a) *Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions*
In compliance with the legislation of Ukraine, the agricultural producers received partial compensation of interest rates by loans received by agro-industrial enterprises from financial institutions based on competitiveness and compensation principles.

b) *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.

c) *Other grants*

The item "Other grants" comprises the following grants: grants for sowing of winter crops, grants for meat, grants for maintaining parent flock.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

32. Government grants received (cont.)

32.2 Income from special VAT treatment

Income from special VAT treatment received for the year ended 31 December 2014 and 31 December 2013 amounted to USD 36 490 thousand and USD 55 198 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 that met the criteria for the use of these VAT benefits except: from (LLC Rohatyn-Korm, LLC Kamyanskyi Kombikormoviy Zavod, OJSC Vuhlehirskyi Eksperementalny Kombikormoviy Zavod, OJSC Volnovaskyi Kombinat Khiboproduktiv, LLC Pershe Travnnya Kombikormoviy Zavod, LLC Imperovo Foods, LLC Imperovo LTD, LLC Agrarnyi Holding Avangard, AvangardCo Investments Public Limited).

33. Payroll and related taxes

	Note	31 December 2014	31 December 2013
Salary		(13 150)	(18 583)
Contributions to state funds		(7 819)	(11 051)
		(20 969)	(29 634)
		Year ended	
	Note	31 December 2014	31 December 2013
Payroll of production personnel and related taxes	26	(14 515)	(20 313)
Salaries and wages of administrative personnel	27	(5 400)	(8 563)
Salaries and wages of distribution personnel	28	(1 054)	(758)
		(20 969)	(29 634)
		Year ended	
		31 December 2014	31 December 2013
Average number of employees, persons		4 477	4 549

34. 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.

The Group enters into transactions with both related and unrelated parties. It is generally not possible to objectively determine whether any transaction with a related party would have been entered into if the parties had not been related, or whether such transactions would have been effected on the same terms, conditions and amounts if the parties had not been related.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

34. Related party balances and transactions (cont.)

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 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Salary	1 753	2 430
Contributions to state funds	418	720
	2 171	3 150

Outstanding amounts of the Group for transactions with related parties as at 31 December 2014 and 31 December 2013 were as follows:

	Outstanding balances with related parties as at	
	31 December 2014	31 December 2013
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	2	59
D. Companies in which activities are significantly influenced by the Group's owners	5 516	10 386
	5 518	10 445
Trade accounts receivable		
C. Companies in which the Group's owners have an equity interest;	4	76
D. Companies in which activities are significantly influenced by the Group's owners	156	184
	160	260
Cash and cash equivalents		
D. Companies in which activities are significantly influenced by the Group's owners	14 550	9 913
	14 550	9 913
Long-term finance lease		
D. Companies in which activities are significantly influenced by the Group's owners	53	-
	53	-
Current portion of non-current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	23	-
	23	-
Trade accounts payable		
C. Companies in which the Group's owners have an equity interest;	-	12
D. Companies in which activities are significantly influenced by the Group's owners	33	198
	33	210
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	8 719	45
D. Companies in which activities are significantly influenced by the Group's owners	14 424	717
	23 143	762

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

34. Related party balances and transactions (cont.)

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 thereafter 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 (31 December 2013: 4.72%).

As at 31 December 2014 Prepayments and other current assets, net include unpaid contribution to the share capital of LLC Imperovo Foods in the amount of USD 4 451 thousand (31 December 2014: USD 9 926 thousand).

The Group's transactions with related parties for the year ended 31 December 2014 and 31 December 2013 were as follows:

	Transactions with related parties for the year ended	
	31 December 2014	31 December 2013
Sales revenue		
C. Companies in which the Group's owners have an equity interest;	-	16
D. Companies in which activities are significantly influenced by the Group's owners	1 372	1 046
	1 372	1 062
General administrative expenses		
C. Companies in which the Group's owners have an equity interest;	-	(67)
D. Companies in which activities are significantly influenced by the Group's owners	(77)	(126)
	(77)	(193)
Distribution expenses		
C. Companies in which the Group's owners have an equity interest;	-	(455)
D. Companies in which activities are significantly influenced by the Group's owners	(5 471)	(395)
	(5 471)	(850)
Other operating income/(expenses), net		
C. Companies in which the Group's owners have an equity interest;	(1)	117
D. Companies in which activities are significantly influenced by the Group's owners	(320)	(11)
	(321)	106
Finance income		
D. Companies in which activities are significantly influenced by the Group's owners	54	118
	54	118
Finance costs		
D. Companies in which activities are significantly influenced by the Group's owners	(59)	-
	(59)	-

For the year ended 31 December 2014 and 31 December 2013 transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 3 271 thousand and USD 2 221 thousand respectively. All those services were provided on market terms.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

35. 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 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)
<i>including:</i>							-
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 PERIOD	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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014
(in USD thousand, unless otherwise stated)

35. Operating segments (cont.)

Reportable segment information for the year ended 31 December 2013 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	681 136	135 270	279 740	153 110	7 878	-	1 257 134
Intra-group elimination	(244 322)	(90 210)	(255 522)	-	(5 878)	-	(595 932)
Revenue from external buyers	436 814	45 060	24 218	153 110	2 000	-	661 202
Income from revaluation of biological assets at fair value	26 296	8 862	-	-	-	-	35 158
Other operating income/(expenses)	(3 032)	(434)	(616)	2 187	(2 141)	-	(4 036)
Income from government grants and incentives	299	-	-	-	-	-	299
OPERATING PROFIT/(LOSS)	223 315	10 071	(7 796)	60 958	(10 798)	-	275 750
Finance income	85	7	9	17	6	-	124
Finance costs, <i>including:</i>	(4 458)	-	-	(5 196)	(29 233)	-	(38 887)
Interest payable on loans	(652)	-	-	(5 196)	(1 430)	-	(7 278)
Income tax expense	-	-	(261)	1 384	(27)	-	1 096
NET PROFIT/(LOSS) FOR THE PERIOD	218 942	10 078	(8 048)	57 163	(40 052)	-	238 083
TOTAL ASSETS	2 689 258	100 595	526 735	716 109	591 226	(2 805 008)	1 818 915
Capitalised expenses	153 472	7 651	13 103	2 513	32 682	-	209 420
Depreciation	12 826	1 075	421	10 459	706	-	25 487
TOTAL LIABILITIES	941 016	16 431	463 284	421 590	343 449	(1 813 953)	371 817

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		Non-current assets	
	For the year ended		As at	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Ukraine	262 869	470 483	622 035	1 183 740
Middle East and North Africa	94 079	124 898	-	-
Far East	25 167	41 989	-	-
Central and West Africa	33 384	21 199	-	-
Rest of the World	4 119	2 633	-	-
Total	419 618	661 202	622 035	1 183 740

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

36. (Loss)/earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2014 and 31 December 2013 was based on profit attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	Year ended	
	31 December 2014	31 December 2013
<i>(Loss)/profit attributable to the owners of the Company:</i> (in USD thousands)		
(Loss)/profit attributable to the owners of the Company	(26 103)	236 032
<i>Weighted average number of shares:</i>		
Weighted average number of ordinary shares at 31 December	6 387 185	6 387 185
<i>(Loss)/earnings per share (USD)</i>	(4)	37

Earnings per share is the profit 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.

37. Contingent and contractual liabilities

Ukrainian business and economic environment

The main operating activity of the Group is carried out within Ukraine. Laws and other regulatory acts affecting the activities of entities in Ukraine may be subject to changes during short periods of time. As a result, assets and operating activity of the Group may be exposed to risk in case of any unfavourable changes in political and economic environment.

Ukraine has entered 2014 in a state of political crisis. The following reasons formed a background for this: authorities stopping Euro integration process, President usurping power, growing corruption of officials, simulated maintenance of economic and social stability based not on the economic growth, but at the expense of gold and foreign exchange reserves; and led to the political crisis in the country. As a result of unthoughtful ruling Ukrainian gold and foreign exchange reserves have significantly diminished.

A following stage of the crisis came with Crimea annexation and armed clashes in the Eastern regions of Ukraine. This resulted in significantly lower budget income and increase in budget deficit. In order to fulfill its obligations and avoid default Ukraine had to refer to the IMF for finance aid. The agreement provides for Ukraine's adherence to certain requirements. One of them was the shift to floating exchange rate for Ukrainian Hryvnia by Central Bank (NBU), which led to significant loss in its value (up to 50%) comparing to primary foreign currencies. This increased burden on loan portfolio of Ukrainian companies that had borrowings in foreign currency.

Although, in May 2014 Ukraine elected President, who has declared European integration strategy, which slightly stabilized situation in country, military conflict on the East of Ukraine and conflict related to Crimea annexation are still main destabilizing factors. It is extremely hard to forecast the crisis outcome for Ukraine.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

37. Contingent and contractual liabilities (cont.)*Ukrainian business and economic environment (cont.)*

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.

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.

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

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

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

37. Contingent and contractual liabilities (cont.)*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 2014 and 31 December 2013 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.

38. Financial risk management

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

- a) credit risk;
- b) liquidity risk;
- c) market risk;
- d) 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

38. Financial risk management (cont.)

Risk management framework (cont.)

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 timing and terms of effective contracts for finance lease is disclosed in Note 22;
- 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 2014 and 31 December 2013 was presented as follows:

Financial assets	31 December 2014	31 December 2013
Cash and cash equivalents	117 856	156 804
Held to maturity investments	24 567	-
Trade accounts receivable	79 221	89 040
Total	221 644	245 844

The majority of the Group's cash and cash equivalents as at 31 December 2014 are held with banks which are rated A2 as per Moody's Rating Agency and the minority is held with financial institutions rated as B1, Ba1, B2, Baa2, Caa3 and financial institutions in Ukraine which are not rated.

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 2014 and 2013 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:

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

38. Financial risk management (cont.)

a) Credit risk (cont.)

For the year ended 31 December 2014 USD 46 506 thousand or 11.1% from the Group's revenue 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.

For the year ended 31 December 2013 USD 44 615 thousand or 6.8% from the Group's revenue is refers to the sales transactions carried out with one of the Group's clients. As at 31 December 2013 USD 11 077 thousand or 12.5% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

Trade receivables as at 31 December 2014 and 31 December 2013 by dates of origin were presented as follows:

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
31 December 2013	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	31 198	22 631	18 118	6 459	2 638	7 920	8	88 972

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 2014	31 December 2013
As at 1 January	(1 281)	(982)
Change in provisions	(13 781)	(1 226)
Write-offs	860	927
Effect of translation into presentation currency	4 206	-
As at 31 December	(9 996)	(1 281)

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.

In accordance with 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:

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

38. Financial risk management (cont.)

b) Liquidity risk (cont.)

Exposure to liquidity risk

31 December 2014

	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non-derivative financial liabilities					
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)	-	-
Short-term bond liabilities	(220 000)	-	(220 000)	-	-
Trade accounts payable	(6 907)	(6 907)	-	-	-
Dividends payable	(29 542)	-	(29 542)	-	-
	(432 800)	(6 907)	(326 652)	(75 821)	(23 420)

31 December 2013

	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Bank loans	(134 371)	-	(67 743)	(47 280)	(19 348)
Finance lease (including VAT)	(1 142)	-	(1 141)	(1)	-
Current liabilities for bonds	(3 462)	-	(3 462)	-	-
Long-term bond liabilities	(240 000)	-	(20 000)	(220 000)	-
Trade accounts payable	(15 084)	(15 084)	-	-	-
Dividends payable	(161)	-	(161)	-	-
	(394 220)	(15 084)	(92 507)	(267 281)	(19 348)

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

38. Financial risk management (cont.)

c) Market risk (cont.)

i) Foreign currency risk (cont.)

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in functional currency (UAH) 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 accounts payable	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 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
Other accounts payable	29 546
Cash and cash equivalents	(84 951)
Accrued coupon on bonds	3 462
Net exposure to foreign currency risk	146 699

The Group's exposure to foreign currency risk and the amount in local currency as at 31 December 2013 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	TOTAL
Long-term bond liabilities	197 131	-	197 131
Short-term bank loans (including overdrafts)	50 000	-	50 000
Long-term bank loans	-	70 448	70 448
Trade accounts payable	263	847	1 110
Accounts payable for property, plant and equipment	6	5 576	5 582
Other accounts payable	24	26	50
Cash and cash equivalents	(143 152)	(3 621)	(146 773)
Trade accounts receivable	(32 098)	-	(32 098)
Accrued coupon bond	3 462	-	3 462
Net exposure to foreign currency risk	75 636	73 276	148 912

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

38. Financial risk management (cont.)

c) Market risk (cont.)

i) Foreign currency risk (cont.)

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:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
31 December 2014			
USD	20%	(2 278)	(2 278)
EUR	15%	(97)	(97)
Effect in USD thousand:			
31 December 2014			
	Increase in currency rate against EUR	Effect on profit before tax	Effect on equity
USD	5%	(7 335)	(7 335)
Effect in USD thousand:			
31 December 2013			
	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
USD	15%	(11 345)	(11 345)
EUR	10%	(7 328)	(7 328)

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.

Structure of interest rate risk

As at 31 December 2014 and 31 December 2013 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	31 December 2014	31 December 2013
Instruments with fixed interest rate		
Financial assets	24 567	-
Financial liabilities	(250 024)	(249 991)
Instruments with variable interest rate		
Financial liabilities	(93 084)	(71 728)

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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

38. Financial risk management (cont.)

c) Market risk (cont.)

ii) Interest rate risk (cont.)

As at 31 December 2014 and 31 December 2013 the Group's sensitivity to changes of LIBOR or EURIBOR by 5% was presented as follows:

Effect in USD thousand:	Increase/(decrease) of floating rate	Effect on profit before tax
31 December 2014		
EURIBOR	5%	(6)
EURIBOR	-5%	6
31 December 2013		
LIBOR	5%	(1)
LIBOR	-5%	1
EURIBOR	5%	(14)
EURIBOR	-5%	14

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 balance sheet 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

38. Financial risk management (cont.)

c) Market risk (cont.)

ii) Interest rate risk (cont.)

Capital management (cont.)

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 2014 and 31 December 2013 the Group's financial leverage coefficient was 25,9% and 10,3% respectively.

	Carrying value	
	31 December 2014	31 December 2013
Short-term loans	50 000	50 000
Long-term loans	79 844	61 495
Current portion of long-term loans	15 190	12 922
Long-term finance lease (including VAT)	88	1 280
Long-term bond liabilities	-	197 131
Short-term bond liabilities	198 635	-
Total borrowings	343 757	322 828
Cash and cash equivalents	(117 856)	(156 804)
Net debt	225 901	166 024
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	1 077 158	1 132 803
Foreign currency translation reserve	(776 404)	(68 194)
Non-controlling interests	27 276	64 631
Total equity	645 888	1 447 098
Total amount of equity and net debt	871 789	1 613 122
Financial leverage coefficient	25,9%	10,3%

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

38. Financial risk management (cont.)

c) Market risk (cont.)

ii) Interest rate risk (cont.)

Capital management (cont.)

Financial leverage ratio calculation (cont.)

For the year ended 31 December 2014 and 31 December 2013 ratio of net debt to EBITDA amounted to:

	Year ended	
	31 December 2014	31 December 2013
(LOSS)/PROFIT FOR THE YEAR	(26 918)	238 083
Income tax credit	(1 175)	(1 096)
Finance income	(3 176)	(124)
Finance expenses	44 101	38 887
Impairment of non current assets	23 589	20
Losses on exchange	71 284	2 359
EBIT (earnings before interest and income tax)	107 705	278 129
Depreciation	21 792	25 487
EBITDA (earnings before interest, income tax, depreciation and amortisation)	129 497	303 616
Net debt at the year end	225 901	166 024
Net debt at the year end / EBITDA	1,74	0,55

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.

39. 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).

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

39. Fair values (cont.)

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.

	Level 1	Level 2	Level 3	Total
31 December 2014				
Biological Assets	-	-	49 865	49 865
31 December 2013				
Biological Assets	-	-	137 324	137 324

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended 31 December 2014.

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 2014	31 December 2013
Discount rate	27,97%	25,00%
Inflation rate	101,40%	100,50%

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 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)
31 December 2013		
Discount rate	1,00%	(1 303)
Discount rate	-1,00%	1 318
Inflation rate	0,50%	6 075
Inflation rate	-0,50%	(6 059)

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

39. Fair values (cont.)

There were no transfers to/from Level 3 of the fair value hierarchy during the year ended 31 December 2014.

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 comprehensive income as “Profit from revaluation of biological assets at fair value” (31 December 2014: USD 15 364 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 2014					
<i>Financial Assets</i>					
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
<i>Financial Liabilities</i>					
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
31 December 2013					
<i>Financial Assets</i>					
Cash and cash equivalents	-	156 804	-	156 804	156 804
Trade and other receivables	-	-	88 972	88 972	88 972
<i>Financial Liabilities</i>					
Trade payables	-	-	15 084	15 084	15 084
Bank loans	-	124 417	-	124 417	124 417
Long term bond liabilities	201 984	-	-	201 984	197 131

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 2014, 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the consolidated financial statements FOR THE YEAR ENDED 31 DECEMBER 2014

(in USD thousand, unless otherwise stated)

39. Fair values (cont.)

Held to maturity investments - the fair value is estimated using the discounted expected future cashflow on the VAT government bond.

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 2014 the fair value of the above financial instruments approximated to their carrying amount besides short-term bonds whose fair value was USD 125 750 thousand (long-term bonds 31 December 2013: USD 201 984 thousand).

40. Risks related to the Group's operating environment in Ukraine

Situation that has taken place in Ukraine directly and indirectly influences any business activity in the country.

Key negative events for Ukraine in 2014 were Crimea annexation by Russian Federation and military conflict at the Donbass region of Ukraine arranged and supported by Russian Federation.

Despite the fact that area of military conflict is only 3% of Ukraine's total area, the country suffers from all negative aspects typical for similar conflicts in the world. These include investments outflow, decrease in export, and as a result currency devaluation, increase in unemployment, decrease in population standards of living and consequently domestic demand.

At the year 2014 end we have seen a slight conflict de-escalation which gives hopes for cessation of hostilities in 2015.

The abovementioned events had influenced the Group's activities in 2014. Thus 3 companies of the Group (LLC Yuzhnaya – Holding, SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding, PPB LLC Pitysecompleks) in Crimea were put into conservation as well as 4 companies (PJSC Ptakhohospodarstvo Chervonyi Prapor, SC Ptakhofabryka Chervonyi Prapor Poultry, PSPC Interbusiness, PJSC Vuhlehirskiyi Eksperimentalnyi Kombikormovyi Zavod) located in the territory under terrorist's control. The Group has lost an ability to control assets of those companies therefore those assets had been impaired and this was recognized as a loss in 3rd quarter of 2014. Besides that, markets for products had partially been lost (Crimea totaled up to 5% of Ukrainian consumer market and Donetsk and Lugansk regions amounted to 15%).

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2014**

(in USD thousand, unless otherwise stated)

40. Risks related to the Group's operating environment in Ukraine (cont.)

On the basis of uncertainty in military conflict development, the Group prepares different scenarios of its activities. Currently one of the main targets of the Group is preservation of its assets operational, retaining its domestic market share and increase its presence in foreign markets. In order to implement this strategy, the Group is not planning to increase poultry head count due to a decrease in domestic demand however it is actively exploring export possibilities and livestock will be increased only if the Group has access to new foreign distribution markets for our products. The Group is not planning to increase poultry head count in the next year and consequently production indicators. If military conflict continues the Group will aim at retention of current market share. Otherwise, the Group will work to arrange production and distribution in a postwar region as soon as possible.

41. Events after the reporting period

The Group is currently in process of restructuring through mergers and acquisitions mechanism. 19 poultry farms participate in this process and will merge in two legal entities. Poultry farms will merge into PJSC Ptakhohospodarstvo Chervonyi Prapor and PSPC Interbusiness companies which changed their registration from ATO zone to Kyiv. Other companies of the Group such as fodder plants, egg powder production plant, farming of young poultry, and day old chicks production company will still remain a separate legal entity. Such change in structure is aimed at risks reduction (confiscation, nationalization) for companies located in a conflict area or adjacent to it and is expected to increase business management effectiveness. The Group expects to finalize the restructuring procedure in the first half of 2015.

There were no further material events after reporting period except the fact that while Management believe 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.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 12 March 2015.