

OVOSTAR UNION N.V. AND ITS SUBSIDIARIES

CONSOLIDATED CONDENSED INTERIM FINANCIAL
STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2014

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REPRESENTATION

of the Board of Directors of Ovostar Union N.V. on compliance of the Consolidated Condensed Interim Financial Statements (Unaudited)

The Board of Directors of Ovostar Union N.V. hereby represent that to the best of their knowledge the Consolidated Condensed Interim Financial Statements (Unaudited) of Ovostar Union N.V. and subsidiaries for the three months ended 31 March 2014 and the comparable information are prepared in accordance with the applicable accounting standards and that they give a true, fair and clear view of the assets, financial standing and financial results of Ovostar Union N.V., and that the interim statements for the three months ended 31 March 2014 give a true view of the developments, achievements and situation of the Company.

Board of Directors of Ovostar Union N.V.

Borys Bielikov _____ [signed]

Vitalii Veresenko _____ [signed]

Marc M.L.J. van Campen _____ [signed]

Oleksandr Bakumenko _____ [signed]

14 May 2014

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2014

(in USD thousand, unless otherwise stated)

	Note	For the three months ended 31 March 2014 (unaudited)	For the three months ended 31 March 2013 (unaudited)
Revenue	7	19 539	17 659
Changes in fair value of biological assets	13	953	1 895
Cost of sales		(10 678)	(12 432)
Gross profit		9 814	7 122
Other operating income	8	354	71
Selling and distribution costs		(1 246)	(1 214)
Administrative expenses		(676)	(650)
Other operating expenses	9	(142)	(165)
Operating profit		8 104	5 164
Finance costs		(265)	(114)
Finance income		68	74
Profit before tax		7 907	5 124
Income tax expense	12	(43)	(31)
Profit for the period		7 864	5 093

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the three months ended 31 March 2014
(in USD thousand, unless otherwise stated)

	For the three months ended 31 March 2014 (unaudited)	For the three months ended 31 March 2013 (unaudited)
(continued)		
Profit for the period	7 864	5 093
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation to presentation currency	(40 457)	9
Other comprehensive income for the period, net of tax	(40 457)	9
Total comprehensive income for the period, net of tax	(32 593)	5 102
Profit for the period attributable to:		
Equity holders of the parent company	7 709	5 002
Non-controlling interests	155	91
Total profit for the period	7 864	5 093
Other comprehensive income attributable to:		
Equity holders of the parent company	(39 374)	9
Non-controlling interests	(1 083)	-
Total other comprehensive income	(40 457)	9
Total comprehensive income attributable to:		
Equity holders of the parent company	(31 665)	5 011
Non-controlling interests	(928)	91
Total comprehensive income	(32 593)	5 102
Earnings per share:		
Weighted average number of shares	6 000 000	6 000 000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (USD per share)	1.28	0.83

OVOSTAR UNION N.V. AND ITS SUBSIDIARIES
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CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

(in USD thousand, unless otherwise stated)

	Note	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Assets				
Non-current assets				
Biological assets	13	34 056	43 500	35 262
Property, plant and equipment and intangible assets	14	51 322	66 678	53 473
Deferred tax assets	12	532	770	68
Total non-current assets		85 910	110 948	88 803
Current assets				
Inventories	16	9 769	12 096	11 736
Biological assets	13	11 444	14 672	10 029
Trade and other receivables	17	8 761	12 702	9 867
Prepayments to suppliers		503	486	871
Prepayments for income tax		13	2	-
Cash and cash equivalents	18	8 704	8 608	687
Total current assets		39 194	48 566	33 190
Total assets		125 104	159 514	121 993
Equity and liabilities				
Equity				
Issued capital	19	83	83	77
Share premium		30 933	30 933	30 933
Foreign currency translation reserve		(39 404)	(30)	(15)
Retained earnings		104 444	73 855	73 855
Result for the period		7 709	30 589	5 002
Equity attributable to equity holders of the parent		103 765	135 430	109 852
Non-controlling interests		2 968	3 896	3 349
Total equity		106 733	139 326	113 201
Non-current liabilities				
Interest-bearing loans and other financial liabilities	15	10 460	10 618	1 556
Deferred tax liability	12	583	796	206
Total non-current liabilities		11 043	11 414	1 762
Current liabilities				
Trade and other payables	20	4 397	5 792	5 610
Advances received		81	62	150
Interest-bearing loans and other financial liabilities	15	2 850	2 920	1 270
Total current liabilities		7 328	8 774	7 030
Total liabilities		18 371	20 188	8 792
Total equity and liabilities		125 104	159 514	121 993

Notes on pages 8 - 30 form an integral part of these consolidated condensed interim financial statements

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

(in USD thousand, unless otherwise stated)

	Attributable to equity holders of the parent company						Non-controlling interests	Total equity
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Result for the period	Total		
As at 31 December 2012 (audited)	79	30 933	(26)	50 399	23 456	104 841	3 258	108 099
Profit for the period	-	-	-	-	5 002	5 002	91	5 093
Other comprehensive income	-	-	9	-	-	9	-	9
Total comprehensive income	-	-	9	-	5 002	5 011	91	5 102
Allocation of prior year result	-	-	-	23 456	(23 456)	-	-	-
Exchange differences	(2)	-	2	-	-	-	-	-
As at 31 March 2013 (unaudited)	77	30 933	(15)	73 855	5 002	109 852	3 349	113 201
As at 31 December 2013 (audited)	83	30 933	(30)	73 855	30 589	135 430	3 896	139 326
Profit for the period	-	-	-	-	7 709	7 709	155	7 864
Other comprehensive income	-	-	(39 374)	-	-	(39 374)	(1 083)	(40 457)
Total comprehensive income	-	-	(39 374)	-	7 709	(31 665)	(928)	(32 593)
Allocation of prior year result	-	-	-	30 589	(30 589)	-	-	-
Exchange differences	-	-	-	-	-	-	-	-
As at 31 March 2014 (unaudited)	83	30 933	(39 404)	104 444	7 709	103 765	2 968	106 733

Notes on pages 8 - 30 form an integral part of these consolidated condensed interim financial statements

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the three months ended 31 March 2014
(in USD thousand, unless otherwise stated)

	Note	For the three months ended 31 March 2014 (unaudited)	For the three months ended 31 March 2013 (unaudited)
Operating activities			
Profit before tax		7 907	5 124
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>			
Depreciation of property, plant and equipment and amortisation of intangible assets	10	1 094	1 314
Net change in fair value of biological assets	13	(953)	(1 895)
(Income)/Loss on disposal of property, plant and equipment		(4)	-
Finance income		(68)	(74)
Finance costs		265	114
Impairment of inventories		-	-
Liability for unused vacation		(44)	28
VAT written off		34	114
<i>Working capital adjustments:</i>			
Decrease in trade and other receivables		627	3 134
Increase in prepayments to suppliers		(149)	(453)
Increase in inventories		(1 166)	(1 088)
Decrease in trade and other payables and advances received		(373)	(1 337)
		7 170	4 981
Income tax paid		(20)	(2)
Net cash flows from operating activities		7 150	4 979
Investing activities			
Proceeds from sale of property, plant and equipment		6	-
Purchase of property, plant and equipment		(3 688)	(1 572)
Increase in biological assets	13	(2 515)	(2 313)
Interest received		68	6
Net cash flows used in investing activities		(6 129)	(3 879)
Financing activities			
Proceeds from borrowings		-	384
Repayment of borrowings		(208)	(1 893)
Interest paid		(23)	(48)
Net cash flows used in financing activities		(231)	(1 557)
Net (decrease)/increase in cash and cash equivalents		790	(457)
Effect from translation into presentation currency		(694)	(8)
Cash and cash equivalents at 1 January		8 608	1 152
Cash and cash equivalents at 31 March		8 704	687

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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1. Corporate information

Principal activities of Ovostar Union N.V. (referred to herein as the “Company”) and its subsidiary (together – the “Group”) include egg production, distribution, egg products manufacturing and production of sunflower oil. The registered office and principal place of business of the Company is Jan van Goyenkade 8, 1075 HP Amsterdam. The Company was incorporated on 22 March 2011 in Amsterdam. The largest shareholder is Prime One Capital Ltd., Larnaca, Cyprus. Its principal activity is the holding of ownership interests in its subsidiary and strategic management.

The Group operates through a number of subsidiaries in Ukraine (the list of the subsidiaries is disclosed below) and has a concentration of its business in Ukraine, where its production facilities are located. All subsidiary companies are registered under the laws of Ukraine. The registered office and principal place of business of the subsidiary companies in Ukraine is 34 Petropavlivska Street, Kyiv, Ukraine.

Total number of employees of all companies of the Group constituted 1 260 employees as at 31 March 2014 and 1 308 employees as at 31 March 2013.

The company is listed on Warsaw Stock Exchange.

The Group is controlled by the Beneficial Owners – Mr. Borys Bielikov and Mr. Vitalii Veresenko (hereinafter, the “Beneficial Owners”).

The consolidated condensed interim financial statements for the three months ended 31 March 2014 were authorized by the Board of Directors on 14 May 2014.

As at 31 March 2014, 2013 and 31 December 2013, the Group included the following subsidiaries:

Name of the company	Business activities	Ownership		
		As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Limited Liability Company “Ovostar Union”	Strategic management of subsidiary companies in Ukraine	100%	100%	100%
Limited Liability Company “Yasensvit”	Breeder farms, production of hatching eggs, farms for growing young laying flock and for laying flock, production and distribution of shell eggs, poultry feed production	98%	98%	98%
Limited Liability Company “Ovostar”	Egg-products production and distribution	100%	100%	100%
Public Joint Stock Company “Poultry Farm Ukraine”	Production of shell eggs, assets holding	92%	92%	92%
Public Joint Stock Company “Malynove”	Production of shell eggs, assets holding	94%	94%	94%
Public Joint Stock Company “Krushynskyy Poultry Complex”	Trading company, egg trading – non operational activity	76%	76%	76%
Limited Liability Company “Skybynsky Fodder Plant”	In the process of liquidation	99%	99%	99%

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(in USD thousand, unless otherwise stated)

2. Basis of preparation

2.1. Statement of compliance

The consolidated condensed interim financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU" hereinafter).

The companies of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS" hereinafter). UAS principles and procedures may differ from those generally accepted under IFRS EU. Accordingly, the consolidated condensed interim financial statements, which have been prepared from the Group entities' UAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS EU.

2.1. Going concern basis

The financial statements are prepared on a going concern basis, under which assets are sold and liabilities are repaid in the ordinary course of business. The accompanying consolidated condensed interim financial statements do not include adjustments that would need to be made in case if the Group was unable to continue as a going concern.

The USD has been selected as the presentation currency for the Group as: (a) management of the Group manages business risks and exposures, and measures the performance of its businesses in the USD; (b) the USD is widely used as a presentation currency of companies engaged primarily in agricultural; and (c) the USD is the most convenient presentation currency for non-Ukrainian users of these IFRS consolidated financial statements.

2.2. Functional and presentation currency

The functional currency of the Company is U.S. dollar (USD). The consolidated condensed interim financial statements are presented in the company's functional currency, that is, U.S. dollar (USD). The operating subsidiary have Ukrainian hryvnia (UAH) as their functional currency. All values are rounded to the nearest thousands, except when otherwise is indicated.

3. Basis of consolidation

The consolidated condensed interim financial statements are comprised of the financial statements of the Group and its subsidiary as at 31 March 2014 and for the three months that ended.

The consolidated condensed interim financial statements have been prepared on a historical cost basis, except for biological assets, agricultural produce, and certain financial instruments that have been measured at fair value.

The consolidated condensed interim financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiary). Control is achieved when the Parent has the power to govern the financial and operating policies of an entity, either directly or indirectly, so as to obtain benefits from its activities. The financial statements of subsidiary are included in the consolidated condensed interim financial statements of the Group from the date when control effectively commences.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidated level, except when the intragroup losses indicate an impairment that requires recognition in the consolidated condensed interim financial statements.

Non-controlling interests represent the interest in subsidiary not held by the Group. Non-controlling interests at the reporting date represent the minority shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minorities' portion of changes in net assets since the date of the combination. Non-controlling interests are presented within the shareholders' equity.

Any excess or deficit of the consideration paid over the net assets on the acquisition of non-controlling interests in subsidiary is charged or credited to accumulated profits.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used in line with those adopted by the Group. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

4. Use of estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at

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the end of the reporting period. However, due to uncertainty about these estimates, actual results recorded in future periods may differ from such estimates.

These consolidated condensed interim financial statements include management's estimates regarding the value of assets, liabilities, revenues, expenses, and recognized contractual obligations. These estimates mainly include:

4.1. Impairment of property, plant and equipment

In accordance with IAS 36 "Impairment of Assets" the Group reviews the carrying amount of non-current tangible assets (mainly property, plant and equipment) to identify signs of impairment of these assets.

The Company used a model of strategic planning in order to calculate the discounted cash flows (using the "value in use" method as defined in IAS 36) and, thus, assessed the recoverability of the carrying amount of property, plant and equipment. The model was based on budgets and forecasts approved by the management for the next 5 years.

Expected future cash flows reflect long-term production plans formed on the basis of past experience and market expectations. The plans take into account all relevant characteristics of poultry farming, including egg production, volume of meat production, prices for main components of mixed fodder. Thus, the production capacity is the basis for forecasting the future production volume for each subsequent year and related production costs.

Levels of costs included in projected cash flows are based on current long-term production plans. When conducting impairment testing, recent levels of costs are taken into account, as well as the expected cost changes based on the current condition of operating activities and in accordance with the requirements of IAS 36. IAS 36 provides a number of restrictions on future cash flows, which may be recognized in respect of future restructuring and capital modernization expenses.

Below are the key assumptions that formed the basis for forecasting future cash flows in the models:

- prices for main components of mixed fodder based on internal forecasts of the Group's management;
- production data (production of eggs, safety of livestock, meat production volume) based on internal forecasts of the Group's management from past experience;
- selling prices for eggs and poultry meat are based on forecasts of the Group's management and market expectations.

Review of impairment led to the conclusion that the allowance for impairment of property, plant and equipment is not needed.

Management believes that calculations of the recoverable amount are most sensitive to changes in such assumptions as the price of poultry meat, price of poultry fodder and production data. Management believes that any reasonably possible change in key assumptions on which the recoverable amount of the Company is based will not cause the excess of carrying amount of the Group over its recoverable amount.

Application of IAS 36 requires extensive judgments by the management regarding estimates and assumptions related to future cash flows and discount rate. Given the nature of the current global economic environment, such assumptions and estimates have a high degree of uncertainty. Therefore, other similar assumptions may lead to significantly different results.

4.2. Fair value of biological assets

Estimation of fair value of biological assets is based on the discounted cash flow model. The fair value of biological assets might be affected by the fact that the actual future cash flows will differ from the current forecast, which typically occurs as a result of significant changes in any factors or assumptions used in the calculations.

Among such factors are:

- differences between actual prices and price assumptions used in estimating net realizable value of eggs;
- changes in productivity of laying hens;
- unforeseen operational problems inherent in the branch specificity;
- age of hens at the end of the reporting period;
- changes in production costs, costs of processing and products sales, discount and inflation rates and exchange rates that could adversely affect the fair value of biological assets.

The key assumptions concerning biological assets based on discounted cash flow approach are presented as follows:

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- cost planning at each stage of poultry farming will remain constant in future periods;
- egg production volume will not be significantly changed;
- discount rate for determining the present value of future cash flows expected from the biological assets was set at 31 March 2014: 24.34% (31 March 2013: 24.97%).

Management determined that calculations of the fair value of biological assets are the most sensitive to changes in such assumptions as the volume of egg production, cost planning and prices of eggs and poultry meat. Management believes that any reasonably possible change in key assumptions will not cause any significant change in the fair value of biological assets.

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

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

Although some of these assumptions are obtained from published market data, the majority of these assumptions are estimated based on the Group's historical and projected results.

4.3. Allowances for doubtful debts

The Group forms allowances for doubtful debts to cover any potential losses arising in case of buyer's insolvency. In assessing the adequacy of the allowance for doubtful debts the management takes into account overall current economy conditions, terms of balances for outstanding receivables, the Group's experience to write-off liabilities, customers' solvency and changes in the conditions of payment. Changes in the economy, industry or financial position of individual buyers may cause adjustment to the amount of allowance for doubtful debts reflected in the consolidated condensed interim financial statements.

4.4. Useful lives of property, plant and equipment

The Group estimates useful lives of property, plant and equipment at least at the end of each financial year and, if expectations differ from previous estimates, changes are recorded as changes in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates can have a significant impact on the carrying amount of property, plant and equipment and depreciation expenses during the period.

4.5. Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that the inflow of taxable profit is possible, at the expense of which these losses may be implemented. Significant judgments are required from the management in determining the amount of deferred tax assets that can be recognized on the basis of the possible terms of receipt and the level of future taxable profit together with the future tax planning strategy.

4.6. Tax legislation

Ukrainian tax, currency and customs legislation continues to evolve. Conflicting regulations are subject to varying interpretations. Management believes its interpretations are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities.

5. Summary of significant accounting policies

5.1 Recognition and measurement of financial instruments

Financial assets and financial liabilities are recorded in the Group's consolidated condensed interim statement of financial position when the Group becomes a contractual party regarding the corresponding financial instrument. The Group records the acquisition and sale of financial assets and financial liabilities at the settlement date.

Financial assets and liabilities are initially recognized at fair value plus, if a financial asset or financial liability is recognized not at fair value through profit or loss, incurred operating expenses directly related to the acquisition or issue of this financial asset or financial liability.

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Fair value of investments that are actively traded in organized financial markets is calculated on the basis of current market value at the close of trading on the reporting date. Regarding investments in securities for which there is no active market, fair value is calculated using other methods of valuation of financial instruments. Such valuation methods include the use of information on recent market transactions between well informed, willing to commit such transaction, independent parties, or data about the current market value of another similar instrument, discounted cash flow analysis or other pricing models.

Accounting policy for subsequent revaluation of these items is disclosed below in the appropriate sections of accounting policy.

5.2 Financial assets

Investments recognized in the accounting records and derecognized at the time of transaction, in case if investments are purchased or sold in accordance with the contract, terms of which require delivery of an instrument within the time specified in the relevant market, are initially measured at fair value less transaction costs directly attributable to the transaction, except for financial assets belonging to the category of assets at fair value through profit or loss that are initially recognized at fair value.

5.3 Effective interest rate method

The effective interest rate method is used to calculate the amortized cost of a financial asset and distribute interest income during the relevant period. The effective interest rate is the rate that enables discounting of estimated future cash receipts through the expected life of a financial asset or a shorter period, if applicable.

Revenues relating to debt instruments are recorded at the effective interest rate method, except for financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss - a financial asset is classified as at fair value through profit or loss if it is held for trading or designated at fair value through profit or loss.

A financial asset is classified as held-for-trading if it is:

- purchased originally for the purpose of sale / repayment within a short period of time; or
- a part of the portfolio of identified financial instruments that are managed together, and structure of which demonstrates the intention of profit earning in the short term; or
- a derivative that is not classified as a hedging instrument and is not effective for these purposes.

A financial asset that is not a financial asset held-for-trading may be classified as a financial asset at fair value through profit or loss at the time of recognition in the accounting records if:

- application of such classification eliminates or significantly reduces discrepancies in valuation or accounting, that otherwise might arise, or
- a financial asset is a part of a group of financial assets, financial liabilities or both groups, which are managed and controlled on the basis of fair value in accordance with a documented risk or investment management strategy, and information about this group is provided internally on that basis, or
- it exists in the framework of the contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits to classify the whole contract (asset or liability) as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value with arising gains or losses recognized in the consolidated condensed interim statement of comprehensive income. Net gains or losses recognized in the income statement include dividends and interest received on the relevant financial asset.

Held-to-maturity investments - investments held to maturity are measured at amortized cost using the effective interest rate method, less impairment, and income is recognized using the effective yield method. During the reporting periods presented in these financial statements, the Group had no investments of this category.

Loans and receivables - accounts receivable regarding principal activities, loans, borrowings and other receivables with fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest rate method less impairment and uncollectible debts. Interest income is recognized by applying the effective interest rate, except for short-term receivables for which the amount of such interest income is insignificant.

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Unquoted investments available for sale are accounted for at cost if their fair value cannot be reliably measured.

5.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in bank accounts.

5.5 Short-term deposits

Short-term deposits include deposits with original maturities of more than three months. If short-term deposit can be canceled at the request of the Group companies, it is classified as cash and cash equivalents.

5.6 Impairment of financial assets

Financial assets, except for financial assets at fair value through profit or loss, at each reporting date are assessed for signs indicating impairment. Impairment loss is recognized when there is objective evidence of reduction of the estimated future cash flows on this asset as a result of one or more events that occurred after the financial asset was recorded in the accounting. For financial assets at amortized cost, the amount of impairment is calculated as the difference between the asset's carrying amount and present value of the expected future cash flows discounted using the effective interest rate.

Impairment loss directly reduces the carrying amount of all financial assets, except for accounts receivable on principal activities, carrying amount of which is reduced due to the allowance formed. If the accounts receivable on principal activities are uncollectible, they are written-off against the related allowance. Subsequently received reimbursements of amounts previously written-off are recorded in credit of the allowance account. Changes in the carrying amount of the allowance account are recorded in the profit and loss.

Except for equity instruments available for sale, if in a subsequent period the amount of impairment loss decreases and such decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss previously recognized is recovered by adjusting the items in the income statement. In this case, the carrying amount of financial investments at the date of recovery of impairment cannot exceed its amortized cost, which would be reflected in the case, if impairment was not recognized.

In respect of equity securities available for sale, any increase in fair value after recognition of impairment loss relates directly to equity.

5.7 Writing-off of financial assets

The Group writes-off a financial asset only if rights for cash flows under the corresponding contract terminated the treaty or if a financial asset and corresponding risks and rewards are transferred to other organization. If the Group does not transfer or retain all the principal risks and rewards of ownership of the asset and continues to control the transferred asset, it shall record its share in the asset and related liability in the amount of possible payment of corresponding amounts. If the Group retains all the principal risks and rewards of ownership of the transferred financial asset, it shall continue to account for the financial asset, and reflect a secured loan on income earned.

5.8 Financial liabilities and equity instruments issued by the Group

5.8.1 Accounting as liabilities or equity

Debt and equity financial instruments are classified as liabilities or equity based on the substance of the corresponding contractual obligations.

5.8.2 Equity instruments

Equity instrument is any contract confirming the right for a share in the company's assets remaining after deduction of all its liabilities. Equity instruments issued by the Group are recorded in the amount of generated income net of direct expenses for their issue.

5.8.3 Liabilities under financial guarantee contracts

Liabilities under financial guarantee contracts are initially measured at fair value and subsequently recorded at the higher of:

- cost of contractual obligations determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and

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- cost, less, where applicable, accumulated depreciation reflected in accordance with the principles of revenue recognition set forth below.

5.8.4 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or as other financial liabilities.

Financial liabilities at fair value through profit or loss - Financial liabilities are classified as at fair value through profit or loss if they are held for trading or designated as at fair value through profit or loss.

A financial liability is classified as held for trading if it is:

- assumed mainly to be repurchased within a short period of time; or
- a part of the portfolio of identified financial instruments that are managed together, and structure of which demonstrates the intention of profit earning in the short term; or
- a derivative that is not classified as a hedging instrument and is not effective for these purposes.

A financial liability that is not a financial liability held-for-trading may be classified as a financial liability at fair value through profit or loss at the time of recognition in the accounting records if:

- application of such classification eliminates or significantly reduces discrepancies in valuation or accounting, that otherwise might arise, or
- a financial liability is a part of a group of financial assets, financial liabilities or both groups, which are managed and controlled on the basis of fair value in accordance with a documented risk or investment management strategy, and information about this group is provided internally on that basis, or
- it exists within the framework of the contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits to classify the whole contract (asset or liability) as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value with arising gains or losses recognized in the financial results. Net gains or losses recognized in the income statement include interest paid on a financial liability.

Other financial liabilities - other financial liabilities, including borrowings, are accounted for at fair value less transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with the recognition of interest expenses using the effective (actual) yield.

5.8.5 Trade and other accounts payable

Trade payables are recognized when the counterparty fulfills its contractual obligations and measured at amortized cost using the effective interest rate.

5.8.6 Loans and borrowings

Loans and borrowings are initially recognized at fair value less costs incurred in the transaction. Subsequently, loans and borrowings are stated at amortized cost; any difference between proceeds (net of transaction costs) and the amount of repayment is reflected in the income statement over the period for which loans and borrowings are issued using the effective interest rate method. Loans and borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the obligation to at least one year after the date of balance-sheet preparation.

5.8.7 Writing-off of financial liabilities

The Group writes-off financial liabilities only when they are repaid, cancelled or expire.

5.9 Foreign currency transactions

Transactions in currencies other than the functional currency are initially recorded at exchange rates set on the dates of these transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates applicable at the reporting date. All realized and unrealized gains and losses resulting from exchange rate differences are included in profit or loss for the period.

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Relevant exchange rates are presented as follows:

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
USD/UAH	10.955	7.993	7.993
EUR/UAH	15.072	11.042	10.235
PLN/USD	3.081	3.011	3.213
EUR/USD	0.727	0.726	0.780

5.10 Biological assets

Biological assets represented by the commercial herd and herd replacements are recorded at fair value less estimated selling and distribution expenses. Estimate of fair value of biological assets of the Group is based on discounted cash flow models, according to which the fair value of biological assets is calculated using present value of the expected net cash flows from biological assets discounted at the appropriate rate.

The Group recognizes a biological asset only where it controls an asset as a result of past events; it is probable that the economic benefits from the asset will flow to the Group, fair value or cost of an asset can be estimated with reasonable certainty.

Profit or loss arising on initial recognition of biological assets at fair value less estimated selling and distribution expenses is included in the consolidated condensed interim income statement as incurred.

Agricultural products collected from a biological asset are measured at fair value less estimated selling and distribution expenses. Profit or loss arising on initial recognition of agricultural products at fair value, less estimated selling and distribution expenses, is recognized in the consolidated condensed interim statement of comprehensive income.

5.11 Inventories

Inventories consist mainly of agricultural produce and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost of goods includes the cost of acquisition and, where appropriate, costs incurred in bringing inventories to their present condition and location. Cost is calculated using the weight average method. Net realizable value is calculated based on the estimated selling price less all estimated costs of production completion and sale.

5.12 Property, plant and equipment

Property, plant and equipment are recorded at historical cost or deemed cost, equal to fair value at the date of transition to IFRS, less accumulated depreciation and accumulated impairment losses. Historical cost of an asset of property, plant and equipment includes (a) the purchase price, including non-recoverable import duties and taxes net of trade and other discounts; (b) any costs directly related to the delivery of an asset to the location and condition, which provide its functioning in accordance with the intentions of the Group's management; (c) initial assessment of the costs of dismantling and removal of an asset of property, plant and equipment and restoration of the occupied territory; this obligation is assumed by the Company either upon the acquisition of an asset, or as a result of its operation for a certain period of time for the purposes not related to the production of inventories during this period. Cost of assets created in-house includes cost of materials, direct labor costs and an appropriate proportion of production overheads.

Construction in progress includes costs directly related to the construction of property, plant and equipment, including distribution of variable overheads associated with the construction and prepayments for the property, plant and equipment. Construction in progress is not depreciated. These assets are depreciated from the moment when they are used in economic activity, on the same basis as depreciation on other assets.

Capitalized costs include principal expenses for modernization and replacement of assets parts, which prolong their useful lives or improve their ability to generate income. Cost of repairs and maintenance of property, plant and equipment that do not meet the above criteria for capitalization are recognized in profit or loss in the period in which they were incurred.

Depreciable amount is the cost of an asset of property, plant and equipment, or any other amount, replacing the cost, less its residual value. The residual value of an asset is the estimated amount that the company would receive

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to date from the sale of an asset of property, plant and equipment, less estimated costs of disposal if the asset reached the age and condition, in which, presumably, it will be at the end of its useful life. Assets under finance lease are depreciated over the shorter of estimated useful life on the same basis as own assets or over the period of the relevant lease.

Depreciation is provided to write-off the depreciable amount over the useful life of an asset and is calculated using the straight-line method. Useful lives of the groups of property, plant and equipment are as follows:

Buildings	10 - 40 years
Plant and equipment	5 - 25 years
Vehicles	3 - 10 years
Furniture and fittings	3 - 5 years
Construction in progress and uninstalled equipment	No depreciation

The residual value, useful life and depreciation method are reviewed at the end of each financial year. Impact of any changes arising from estimates made in prior periods is recorded as a change in an accounting estimate.

Gains or losses arising from disposal or liquidation of an asset of property, plant and equipment, are defined as the difference between sales proceeds and carrying amount of an asset and recognized in profit or loss.

5.13 Impairment of property, plant and equipment

At each reporting date the Group reviews the carrying amount of its assets of property, plant and equipment to determine whether any signs of impairment exist due to depreciation. If any such indication exists, the expected recoverable amount of an asset is estimated to determine the amount of impairment losses, if any.

In order to determine the impairment losses, assets are grouped at the lowest levels for which it is possible to identify separately the cash flows (cash generating unit).

The recoverable amount is the higher of the fair value less selling and distribution expenses and value of an asset in use. In assessing the value of an asset in use, the estimated future cash flows associated with the asset, are discounted to their present value using pre-tax discount rate that reflects current market estimates of time value of money and the risks inherent in the asset.

If, according to the estimates, the recoverable amount of an asset (cash generating unit) is less than its carrying amount, the carrying amount of an asset (cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case the impairment loss is considered as a revaluation decrease.

In cases where impairment losses are subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of recovery amount, however, in such a way that the increased carrying amount does not exceed the carrying amount that would be determined, if an impairment loss was not recognized in respect of an asset (cash generating unit) in previous years. Reversal of impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case, the reversal of an impairment loss is considered as a revaluation increase.

5.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortization is calculated on a straight line basis over the useful life of an asset, which is 10 years.

5.15 Borrowing costs

Borrowing costs are capitalized by the Group in the asset if they are directly attributable to the acquisition or construction of a qualifying asset, including construction in progress, costs for acquisition of which arose since 1 January 2008. Other borrowing costs are recognized as an expense in the period they were incurred.

5.16 Leases

Leases are classified as finance leases when according to the terms of lease the lessee assumes all principal risks and rewards incident to ownership of the leased property. Other leases are classified as operating leases. Income and expenses associated with operating leases are accrued on a straight-line basis and recorded in the income statement over the lease term.

5.17 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. Operating lease payments are recognized as an expense in the income statement evenly over the lease term.

5.18 Group as a lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

5.19 Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. Such liabilities are disclosed in the notes to the financial statements, except where the probability of outflow of resources embodying economic benefits is insignificant.

Contingent assets are not recognized in the financial statements, but disclosed in the notes to the extent that it is probable that the economic benefits will flow to the Group.

5.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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.

The amount recognized as a provision is the best estimate of compensation necessary to repay a current liability on the reporting date, which takes into account all the risks and uncertainties inherent in this liability. In cases where the amount of provision is estimated using cash flows that can be required to repay current liabilities, its carrying amount represents the present value of these cash flows.

Where there is a possibility that one or all of the economic benefits necessary to recover the amount of provision will be reimbursed by a third party, the receivables are recognized as an asset if there is actual assurance that such reimbursement will be received and the amount of receivables can be measured reliably.

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5.21 Revenue recognition

Revenues from the sale of goods are recognized when the Group has transferred to the buyer all significant risks and rewards of ownership of the goods, and it is probable that the economic benefits associated with this transaction will flow to the Group.

Revenues from rendering of services are recognized in the reporting period in which the services were provided, based on the level of completion of the specific transaction and only when the amount of revenue can be reliably measured and it is probable that the economic benefits associated with this transaction will flow to the Group.

Income and expenses relating to the same transaction or event are recognized simultaneously. Interest income is recognized using the effective interest rate method.

5.22 Income tax

Income tax is calculated in accordance with the requirements of the applicable legislation of Ukraine. Income tax is calculated on the basis of financial results for the year adjusted to items that are not included in taxable income or that cannot be attributed to gross expenses. It is calculated using tax rates effective at the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used to calculate taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recorded taking into account the degree of certainty in sufficient taxable income, which enables to realize temporary differences related to gross expenses.

Deferred tax is calculated at tax rates, which presumably will be applied during the sale of related assets or repayment of related liabilities.

Assets and liabilities on deferred income tax are offset when: a) The Group has a legally enforceable right to offset the recognized current income tax assets and liabilities; b) the Group intends either to perform settlement by offsetting counterclaims, or simultaneously sell the asset and settle the liability; c) deferred tax assets and liabilities relate to income taxes levied by the same taxation authority in each future period in which it is intended to repay or reimburse a significant amount of deferred tax liabilities and assets.

Deferred income tax is recognized in the income statement, except when it relates to items recognized directly in equity. In this case the deferred tax is also recognized in equity.

5.23 Value Added Tax

For the three months ended 31 March 2014 and 2013, VAT was levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine. In 2014 VAT rate remains at the same level.

VAT output equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in the reporting period. According to Ukrainian legislation, rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.

5.24 Government grants

Government grants are stated at fair value when there is reasonable assurance that the grant will be received.

Ukrainian legislation provides a variety of tax benefits and subsidies for agricultural companies. Such benefits and subsidies are approved by the Supreme Council of Ukraine, the Ministry of Agrarian Policy, Ministry of Finance, local authorities. Under the applicable legislation, agricultural producers are entitled to use VAT benefit regarding agricultural transactions.

VAT positive balance on agricultural transactions is directed at supporting agriculture, and negative - to be included in expenses. The amount of VAT revenues and expenses is included in other operating income and expenses in the statement of comprehensive income.

5.25 Partial compensation of interest rates on loans raised by the agricultural companies from financial institutions

The Group companies are entitled to compensation from the government of a share of interest expenses incurred on loans which were received for agricultural purposes. The amount of interest compensation depends on the

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term and purpose of the loan. Due to the fact that the payment of interest compensations depends on the capabilities of the country's budget, they are recognized on a cash basis as other operating income in the period of receipt.

5.26 Related party transactions

For the purposes of these consolidated condensed interim financial statements, the parties are considered to be related if one of the parties has a possibility to control or considerably influence the operational and financial decisions of other company. While considering any relation which can be defined as related party transactions it is necessary to take into consideration the substance of the transaction not only their legal form.

5.27 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

6. New and amended standards

6.1. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated condensed interim financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

At the date of approval of these consolidated condensed interim financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective: New and amended standards

	Effective for annual accounting period beginning on or after
IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7)	1 January 2015
Amendment to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities"	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities	1 January 2014
Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IFRIC 21 "Levies"	1 January 2014
IFRS 14 "Regulatory Deferral Accounts"*	1 January 2016
Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions*	1 July 2014

* not yet adopted by the European Union.

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.

6.2. Adoption of new and revised standards

The Group has adopted IFRS 13 Fair Value Measurement in the current reporting period. IFRS 13 requires prospective application from 1 January 2013. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. Other than the additional disclosures, the application of IFRS 13 had no material impact on the amounts recognized in the consolidated financial statements.

The Group has also applied IAS 19 Employee Benefits (as revised in 2011), and "Disclosures – Offsetting Financial Assets and Financial Liabilities" (IFRS 7 amendments)". The adoption of these standards and amendments did not have a material impact on the financial position or performance of the Group.

The Group has adopted "Presentation of items of Other Comprehensive Income" (Amendments to IAS 1). The main change resulting from amendments to IAS 1 is a requirement to group items presented in "Other comprehensive income" (OCI) on the basis of whether they are potentially able to be reclassified to profit or loss subsequently (reclassification adjustments). The amendments affect presentation only and have no impact on the Group's financial position or performance.

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7. Segment information

All of the Group's operations are located within Ukraine.

Segment information is analyzed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are therefore as follows:

Egg operations segment	- sales of egg - sales of chicken meat
Egg products operations segment	sales of egg processing products
Sunflower products operations segment	sales of sunflower oil and related products

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 5. Sales between segments are mainly carried out at market prices. Segment result represents operating profit before tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments.
- All liabilities are allocated to reportable segments.

The following table presents revenue, results of operations and certain assets and liabilities information regarding segments for the three months ended 31 March 2014 and 2013:

For the three months ended 31 March 2014 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	18 426	6 102	1 275	25 803
Inter-segment revenue	(5 466)	(739)	(59)	(6 264)
Revenue from external buyers	12 959	5 363	1 217	19 539
Profit before tax	6 210	1 686	11	7 907

For the three months ended 31 March 2013 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	17 262	5 225	937	23 424
Inter-segment revenue	(5 676)	(89)	-	(5 765)
Revenue from external buyers	11 586	5 136	937	17 659
Profit before tax	3 953	1 158	13	5 124

For the three months ended 31 March 2014 and 2013 no sales were settled by barter transactions.

Segment assets, liabilities and other information regarding segments as at 31 March 2014, 2013 and as at 31 December 2013, were presented as follows:

As at 31 March 2014 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	116 072	8 711	321	125 104
Total segment liabilities	15 928	2 443	-	18 371
Addition to property, plant and equipment and intangible assets	3 665	23	-	3 688
Net change in fair value of biological assets and agricultural produce	669	284	-	953
Depreciation and amortization	(997)	(86)	(12)	(1 094)
Interest income	55	13	-	68
Interest on debts and borrowings	(189)	(13)	-	(202)
Income tax expense	(43)	-	-	(43)

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As at 31 December 2013 (audited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	145 744	13 424	346	159 514
Total segment liabilities	17 518	2 670	-	20 188

As at 31 March 2013 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	108 607	12 966	420	121 993
Total segment liabilities	6 470	2 322	-	8 792
Addition to property, plant and equipment and intangible assets	1 292	280	-	1 572
Net change in fair value of biological assets and agricultural produce	1 270	625	-	1 895
Depreciation and amortization	(917)	(397)	-	(1 314)
Interest income	5	1	-	6
Interest on debts and borrowings	(14)	(34)	-	(48)
Income tax expense	(10)	(21)	-	(31)

8. Other operating income

	Note	For the three months ended 31 March 2014 (unaudited)	For the three months ended 31 March 2013 (unaudited)
Income from refund under the special legislation:			
Income from special VAT treatment	a)	291	66
Total income from refund under the special legislation		291	66
Gain on disposal of property plant and equipment		4	-
Other income		59	5
Total other operating income		354	71

Recovery of assets previously written-off mainly represents amounts of inventory surplus identified in the reporting period during the stock-taking.

a) Income from special VAT treatment

Ukrainian agricultural producers, including the certain companies of the Group, benefit from a special regime of taxation. According to special regime rules, agricultural producers are permitted to retain the difference between the VAT that they charge on their agricultural products (prior to 1 January 2011 - at a rate of 20%) and the VAT paid on items purchased for their operational needs. This income and expenses are recognized in the consolidated financial statements on a net basis in other operating income/expenses.

All members of the Group qualify for the use of VAT benefits except for Limited Liability Company "Ovostar", Open Joint Stock Company "Krushynskyy Poultry Complex", Limited Liability Company "Skybynsky Fodder Plant", Limited Liability Company "Ovostar Union", Public Joint Stock Company "Malynove".

According to the new Tax Code of Ukraine, VAT benefit will be cancelled as at 1 January 2018.

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9. Other operating expenses

	For the three months ended 31 March 2014 (unaudited)	For the three months ended 31 March 2013 (unaudited)
VAT written-off	(34)	(114)
Loss on disposal of inventories	(99)	(29)
Fines and penalties	-	(1)
Other expenses	(9)	(21)
Total other operating expenses	(142)	(165)

10. Amortisation and depreciation expenses

	For the three months ended 31 March 2014 (unaudited)	For the three months ended 31 March 2013 (unaudited)
Depreciation and amortisation - Cost of sales	(734)	(1 084)
Depreciation and amortisation - Selling and distribution costs	(5)	(4)
Depreciation and amortisation - Administrative expenses	(355)	(226)
Total amortisation and depreciation expenses	(1 094)	(1 314)

11. Employee benefits expense

	For the three months ended 31 March 2014 (unaudited)	For the three months ended 31 March 2013 (unaudited)
Wages, salaries and social security costs of production personnel	(1 093)	(1 505)
Wages, salaries and social security costs of distribution personnel	(90)	(96)
Wages, salaries and social security costs of administrative personnel	(91)	(152)
Total employee benefits expense	(1 274)	(1 752)

12. Income tax

Companies of the Group that are involved in agricultural production pay the Fixed Agricultural Tax (the "FAT") in accordance with the applicable laws. The FAT is paid in lieu of corporate income tax, land tax, duties for geological survey works and duties for trade patents.

The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of comprehensive income in administrative expenses.

During the three months ended 31 March 2014, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a 18% rate (31 March 2013: at a 19% rate). The new Tax Code of Ukraine effective as of 1 January 2011, introduced gradual decreases in income tax rates over the future years (from 23% effective 1 April 2011 to 18% effective 1 January 2014 and further), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 31 March 2014 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The major components of income tax expense for three months ended 31 March 2014 and 2013 are:

	For the three months ended 31 March 2014 (unaudited)	For the three months ended 31 March 2013 (unaudited)
Current income tax	(6)	(23)
Deferred tax	(37)	(8)
Income tax (expense)/benefit reported in the income statement	(43)	(31)

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13. Biological assets

As at 31 March 2014 2013, and 31 December 2013 commercial and replacement poultry were presented as follows:

	As at 31 March 2014 (unaudited)		As at 31 December 2013 (audited)		As at 31 March 2013 (unaudited)	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
Non-current biological assets						
<u>Replacement poultry</u>						
Hy-line	3 073	34 056	2 981	43 500	2 445	34 035
Hy-sex	-	-	-	-	132	1 227
Total non-current biological assets	3 073	34 056	2 981	43 500	2 577	35 262
Current biological assets						
<u>Commercial poultry</u>						
Hy-line	1 617	9 786	1 894	13 244	1 743	10 029
Hy-sex	114	1 658	121	1 428	-	-
Total current biological assets	1 731	11 444	2 015	14 672	1 743	10 029
Total biological assets	4 804	45 500	4 996	58 172	4 320	45 291

Classification of biological assets into non-current and current component is based on the life cycle of a biological asset. Biological assets that will generate cash flow more than one year are classified as non-current biological assets, biological assets that generate cash flow less than one year are classified as current biological assets.

Reconciliation of commercial and replacement poultry carrying values for the three months ended 31 March 2014 and 2013 was presented as follows:

	For the three months ended 31 March 2014 (unaudited)	For the three months ended 31 March 2013 (unaudited)
As at 01 January	58 172	41 084
Increase in value as a result of assets acquisition	172	177
Increase in value as a result of capitalization of cost	2 602	2 561
Income/(Losses) from presentation of biological assets at fair value	953	1 895
Decrease in value as a result of assets disposal	(259)	(426)
Exchange differences	(16 140)	-
As at 31 March	45 500	45 291

For the three months ended 31 March 2014 the Group produced shell eggs in the quantity of 229 564 thousand items (31 March 2013: 213 764 thousand).

Fair value of biological assets was estimated by the Group's specialists which have experience in valuation of such assets. Fair value was calculated by discounting of expected net cash flow (in nominal measuring) at the moment of eggs produced selling using corresponding discount rate which is equal to 24.34% (31 March 2013: 24.97%). Management supposes that sale price and production and distribution costs fluctuations will comply with forecasted index of consumer price in Ukraine. The major assumptions were performed on the basis of internal and external information and it reflected Management's assessment of the future agricultural prospect.

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy.

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Value measurement is a maximum value exposed to the following assumptions which were used in fair value calculations:

	Assumptions which were used for the fair value calculations of biological assets:	
	For the three months ended	For the three months ended
	31 March 2014	31 March 2013
	(unaudited)	(unaudited)
Eggs sale price, USD per item	0.100	0.092
Discount rate, %	24.34%	24.97%
Long-term inflation rate of Ukrainian hryvnya, %	106.50%	108.30%

Changes in key assumptions that were used in fair value estimation of biological assets will have the following influence on the value of biological assets as at 31 March 2014 and 2013:

	For the three months ended	For the three months ended
	31 March 2014	31 March 2013
	(unaudited)	(unaudited)
1% decrease in egg sale price	(993)	(782)
1% increase in discount rate	(735)	(577)
1% increase in long-term inflation rate of Ukrainian hryvnya	674	523

14. Property, plant and equipment and intangible assets

During the three months ended 31 March 2014, the Group's additions to property, plant and equipment amounted to USD 3 688 thousand (2013: USD 1 572 thousand). In particular the Group acquired equipment for poultry houses in the amount equal to USD 3 020 thousand (2013: USD 167 thousand) and capital expenditures in amount of USD 668 thousand (2013: 887 thousand) were incurred in connection with the reconstruction and improvement of the existing facilities and reconstruction of poultry buildings.

For the three months ended 31 March 2014 and 2013 respectively the Group has put into operation fixed assets of book value equal to USD 1 172 thousand and USD 2 117 thousand respectively.

As at 31 March 2014 net book value of property plant and equipment which was used as collateral for bank loans amounted to USD 2 919 thousand and property, plant and equipment via finance lease amounted USD 709 thousand (2013: USD 4 374 thousand and plant and equipment via finance lease USD 833 thousand).

As at 31 March 2014 construction-in-progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 91 thousand (2013: USD 416 thousand).

As at 31 March 2014, included within property, plant and equipment were fully depreciated assets with the original cost of USD 3 011 thousand (2013: USD 2 987 thousand).

Impairment assessment

The Group reviews its property, plant and equipment each period to determine if any indication of impairment exists. Based on these reviews, there were no indicators of impairment as of 31 March 2014, 2013 and 31 December 2013.

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15. Interest-bearing loans and other financial liabilities

	Currency	Effective interest rate, %	Maturity	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Current interest-bearing loans and other financial liabilities						
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	363	365	338
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	179	180	167
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	142	143	132
UniCreditBank loan	UAH	29.0%	01.11.2013	-	-	384
Landesbank Berlin AG loan	EUR	1.65%+EURIBOR (6m)	30.12.2020	1 985	1 985	-
Other non-current loans	UAH	-	-	61	82	84
Short-term financial lease liabilities (a)	UAH	7.0%	28.09.2017	120	165	165
Total current interest-bearing loans and other financial liabilities				2 850	2 920	1 270
Non-current interest-bearing loans and other financial liabilities						
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	181	274	507
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	90	135	250
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	103	140	228
Landesbank Berlin AG loan	EUR	1.65%+EURIBOR (6m)	30.12.2020	9 785	9 617	-
Long-term financial lease liabilities (a)	UAH	7.0%	28.09.2017	301	452	571
Total non-current interest-bearing loans and other financial liabilities				10 460	10 618	1 556
Total interest-bearing loans and other financial liabilities				13 310	13 538	2 826

Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and other legal matters. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

As at 31 March 2014 and 2013 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.

Under normal conditions of loans Credit Agricole, the interest rate up to 5.92% + EURIBOR. In the case in violation of the terms of repayment of loans Credit Agricole, the interest rate increases to 10%.

As at 31 March 2014 net book value of property plant and equipment which was used as collateral for bank loans amounted to USD 2 919 thousand and property, plant and equipment via finance lease amounted USD 709 thousand (2013: USD 4 374 thousand and plant and equipment via finance lease USD 833 thousand).

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(a) Finance lease liabilities

	As at 31 March 2014 (unaudited)		As at 31 December 2013 (audited)		As at 31 March 2013 (unaudited)	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amounts payable under finance lease:						
Within a year	146	120	203	165	212	165
From one to five years	330	301	500	452	647	571
Above 5 years	-	-	-	-	-	-
	476	421	703	617	859	736
Less: financial expenses of future periods	(55)	-	(86)	-	(137)	-
Present value of lease liabilities	421	421	617	617	722	736
Less: amount to be paid within a year		(120)		(165)		(165)
Amount to be paid after one year		301		452		571

Finance lease obligations represent amounts due under agreements for lease of poultry cage equipment with Ukrainian companies. Net carrying value of property, plant and equipment acquired via finance lease as at 31 March 2014, 2013 and 31 December 2013 was as follows:

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Plant and equipment	709	740	833
Total	709	740	833

As at 31 March 2014 and 2013 there were no restrictions imposed by lease arrangements, in particular those concerning dividends, additional debt or further leasing.

16. Inventories

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Agricultural produce and finished goods	5 716	6 281	6 258
Raw materials	2 746	4 312	3 933
Package and packing materials	1 017	1 121	1 025
Work in progress	88	111	78
Other inventories	429	582	619
(Less: impairment of agricultural produce and finished goods)	(227)	(311)	(177)
Total inventories at the lower of cost and net realisable value	9 769	12 096	11 736

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17. Trade and other receivables

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Trade receivables	6 074	8 748	5 904
VAT for reimbursement	2 458	4 138	3 159
VAT for reimbursement under special legislation	3	3	-
Receivables for securities sold but not yet settled	153	210	210
Other accounts receivable - related party	-	-	975
Other accounts receivable	410	65	35
Provision for doubtful accounts receivable	(337)	(462)	(416)
Total trade and other receivables	8 761	12 702	9 867

18. Cash and cash equivalents

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Cash in banks	8 698	8 594	673
Cash on hand	6	14	14
Total cash at banks and on hand	8 704	8 608	687

19. Equity

Issued capital and capital distribution

For the three months ended 31 March 2014 there were no changes in issued capital.

As referred to in Note 1, the Company was incorporated on 22 March 2011.

The Company's authorized share capital amounts to EUR 225 000 and consists of 22 500 000 ordinary shares with a nominal value off EUR 0.01 each. As at 31 December 2011, 6 000 000 ordinary shares were issued and fully paid. In June 2011 the shares of the Company were listed on the Warsaw Stock Exchange.

At 31 March 2014, 2013 and 31 December 2013 the largest single shareholder interest in the Company was as follows:

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Prime One Capital Ltd.	71.24%	71.24%	74.03%
Generali Otworthy Fundusz Emerytalny	9.94%	9.94%	12.15%
AMPLICO OFE	5.80%	5.80%	-
AVIVA Otworthy Fundusz Emerytalny Aviva BZ WBK	5.02%	5.02%	5.02%

Foreign currency translation reserve

According to section 373, Book 2 of the Dutch Civil Code, the Company's share capital has been converted at the exchange rate prevailing at reporting date. The EUR 60 000 (equivalent to 6 000 000 shares) has been converted into USD 82 524 (31 March 2013: USD 76 926). The result arising of exchange rate differences has been recorded in the "Foreign currency translation reserve".

The foreign currency translation reserve is used also to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share premium

As has been mentioned previously, in June 2011 the Group's shares have been placed on WSE. As a result of the transaction, USD 33 048 thousand was raised while the IPO costs amounted to USD 2 115 thousand. In these financial statements funds raised as a result of IPO are reflected in share premium as at 31 December 2011. For the three months ended 31 March 2014 and 2013, there were no movements in share premium.

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Dividends payable of the Company

During the three months ended 31 March 2014 and 2013, no dividends have been declared and paid.

20. Trade and other payables

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Trade payables	2 896	4 014	3 727
Employee benefit liability	298	421	501
Taxes payable	171	249	55
Liability for unused vacation	230	375	283
VAT liabilities	96	4	739
Income tax payables	4	5	-
Other payables	702	724	305
Total trade and other payables	4 397	5 792	5 610

21. Related party disclosures

For the purposes of these consolidated financial statements, the parties are considered to be related, if one of the parties has the ability to exercise control over the other party or influence significantly the other party in making financial and operating decisions. In considering the transactions with each possible related party, the particular attention is paid to the essence of relationships, not merely their legal form.

Related parties may enter into transactions, which may not always be available to unrelated parties, and they may be subject to such conditions and such amounts that are impossible in transactions with unrelated parties.

According to the criteria mentioned above, related parties of the Group are divided into the following categories:

- (A). Key management personnel;
- (B). Companies which activities are significantly influenced by the Beneficial Owners;
- (C). Other related parties.

The following companies and individuals are considered to be the Group's related parties as at 31 March 2014, and 2013:

(A). Key management personnel:

	Position:
Borys Bielikov	Executive director (shareholder)
Vitalii Veresenko	Non-executive director (shareholder)
Oleksander Bakumenko	Non-executive director
Marc van Campen	Non-executive director
Sergey Sovgira	Executive director
Tatiana Komarova	Chief Financial Officer
Natalia Malyovana	Commercial director
Natalia Vlasniuk	Marketing director
Vitalii Voron	Production director
Yuriy Gusar	Director (PJSC "Poultry Farm Ukraine")
Valentina Pavlenko	Logistics director

(B). Companies which activities are significantly influenced by the Beneficial Owners:

Agrofirma Boryspilsky Hutir LLC
Aleksa LTD LLC

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As at 31 March 2014, 2013 and 31 December 2013, trade accounts receivable from related parties and advances issued to related parties were presented as follows:

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
Loan issued to the Beneficial Owners			
(A). Key management personnel:			
<i>Borys Bielikov</i>	-	-	975
	-	-	975
Prepayments to related parties			
(B). Companies which activities are significantly influenced by the Beneficial Owners:			
<i>Aleksa LTD LLC</i>	130	165	199
	130	165	199

22. Commitments and contingencies

Contingent liabilities

Operating environment. The principal business activities of the Group are within Ukraine. Emerging markets such as Ukraine are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Ukraine and the Ukraine's economy in general. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes and the Group's assets and operations could be at risk if there are any adverse changes in the political and business environment.

Political crisis. Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. The National Bank of Ukraine, among other measures, has imposed temporary restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market. In February 2014, Ukraine's sovereign rating has been downgraded to CCC with a negative outlook.

In February 2014, the Parliament of Ukraine voted for reinstatement of the 2004 Constitution and dismissal of the incumbent President. New presidential elections are scheduled for May 2014 and a transitional government has been formed. In March 2014, Crimea, an autonomous region of Ukraine, was effectively annexed by the Russian Federation. The further political developments are currently unpredictable and may adversely affect the Ukrainian economy. As of 31 March 2014 and for the three months then ended, the Group's assets are not located in the Crimea region. As of the date of this report, operation of the Group's facilities throughout Ukraine continued to operate normally through the first quarter of 2014.

Taxation. Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

In December 2010, the 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 take effect later (such as, Section III dealing with corporate income tax, came into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for agricultural industry from 1 January 2018, as discussed in Note 11, the Tax Code also changes various other taxation rules.

As of the date these financial statements were authorized for issue, additional clarifications and guidance on application of the new tax rules were not published and certain revisions were proposed for consideration of the Ukrainian Parliament.

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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 of effects of its adoption on the operations of the Group.

Legal issues. The Group is involved in litigations and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its financial position or operating results.

Capital commitments. As at 31 March 2014 the Group had contract liabilities for acquisition of property, plant and equipment equal to USD 57 thousand (2013: USD 12 906 thousand).

23. Subsequent events

There were no significant events that occurred after the balance sheet date.