



**1Q'16**

**Consolidated Condensed Interim  
Financial Statements**

**for the three months ended  
31 March 2016**

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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 represents 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 2016 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 consolidated condensed interim financial statements for the three months ended 31 March 2016 give a true view of the developments, achievements and situation of the Company.

Board of Directors of Ovostar Union N.V.

\_\_\_\_\_  
[signed]  
Borys Bielikov  
Chief Executive Officer

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[signed]  
Vitalii Veresenko  
Chairman, Non-executive director

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[signed]  
Marc van Campen  
Non-executive director

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[signed]  
Sergii Karpenko  
Non-executive director

12 May 2016

Kyiv, Ukraine

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

For the three months ended 31 March 2016

(in USD thousand, unless otherwise stated)

	Note	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
Revenue	8	17 755	17 064
Changes in fair value of biological assets	14	863	775
Cost of sales	-	(11 036)	(9 845)
<b>Gross profit</b>		<b>7 582</b>	<b>7 994</b>
Other operating income	9	228	1 069
Selling and distribution costs	-	(928)	(351)
Administrative expenses	-	(281)	(295)
Other operating expenses	10	(248)	(91)
<b>Operating profit</b>		<b>6 353</b>	<b>8 326</b>
Finance costs	-	(378)	(277)
Finance income	-	199	1 123
<b>Profit before tax</b>		<b>6 174</b>	<b>9 172</b>
Income tax expense	13	(72)	(48)
<b>Profit for the period</b>		<b>6 102</b>	<b>9 124</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss:</b>			
Exchange differences on translation to presentation currency		(8 479)	(32 366)
<b>Other comprehensive income for the period, net of tax</b>		<b>(8 479)</b>	<b>(32 366)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>(2 377)</b>	<b>(23 242)</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the parent company		5 967	8 898
Non-controlling interests		135	226
<b>Total profit for the period</b>		<b>6 102</b>	<b>9 124</b>
<b>Other comprehensive income attributable to:</b>			
Equity holders of the parent company		(8 266)	(31 584)
Non-controlling interests		(213)	(782)
<b>Total other comprehensive income</b>		<b>(8 479)</b>	<b>(32 366)</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent company		(2 299)	(22 686)
Non-controlling interests		(78)	(556)
<b>Total comprehensive income</b>		<b>(2 377)</b>	<b>(23 242)</b>
<b>Earnings per share:</b>			
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)		0.99	1.48

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Borys Bielikov  
Chief Executive Officer

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Vitalii Veresenko  
Non-executive director

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Marc van Campen  
Non-executive director

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Sergii Karpenko  
Non-executive director

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

As at 31 March 2016

(in USD thousand, unless otherwise stated)

	Note	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Biological assets	14	26 392	26 041	19 990
Property, plant and equipment and intangible assets	15	34 050	33 370	29 499
Deferred tax assets		133	145	168
<b>Total non-current assets</b>		<b>60 575</b>	<b>59 556</b>	<b>49 657</b>
<b>Current assets</b>				
Inventories	17	7 851	10 990	5 851
Biological assets	14	7 836	8 409	7 551
Trade and other receivables	18	8 028	10 355	10 264
Prepayments to suppliers		391	420	989
Prepayments for income tax		25	26	6
Cash and cash equivalents	19	15 135	10 962	7 166
<b>Total current assets</b>		<b>39 265</b>	<b>41 162</b>	<b>31 827</b>
<b>Total assets</b>		<b>99 840</b>	<b>100 718</b>	<b>81 484</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued capital	20	68	65	65
Share premium		30 933	30 933	30 933
Foreign currency translation reserve		(123 933)	(115 664)	(109 633)
Retained earnings		160 737	129 783	129 783
Result for the period		5 967	30 954	8 898
<b>Equity attributable to equity holders of the parent</b>		<b>73 772</b>	<b>76 071</b>	<b>60 046</b>
Non-controlling interests	7	2 358	2 436	1 777
<b>Total equity</b>		<b>76 130</b>	<b>78 507</b>	<b>61 823</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and other financial liabilities	16	16 340	13 398	12 363
Deferred tax liability		845	850	276
<b>Total non-current liabilities</b>		<b>17 185</b>	<b>14 248</b>	<b>12 639</b>
<b>Current liabilities</b>				
Trade and other payables	21	2 678	4 184	3 591
Advances received		76	145	166
Interest-bearing loans and other financial liabilities	16	3 771	3 634	3 265
<b>Total current liabilities</b>		<b>6 525</b>	<b>7 963</b>	<b>7 022</b>
<b>Total liabilities</b>		<b>23 710</b>	<b>22 211</b>	<b>19 661</b>
<b>Total equity and liabilities</b>		<b>99 840</b>	<b>100 718</b>	<b>81 484</b>

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Borys Bielikov  
Chief Executive Officer

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[signed]  
Vitalii Veresenko  
Non-executive director

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[signed]  
Marc van Campen  
Non-executive director

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[signed]  
Sergii Karpenko  
Non-executive director

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

For the three months ended 31 March 2016

(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		
<b>As at 31 December 2014 (audited)</b>	<b>73</b>	<b>30 933</b>	<b>(78 057)</b>	<b>104 444</b>	<b>25 339</b>	<b>82 732</b>	<b>2 333</b>	<b>85 065</b>
Profit for the period	-	-	-	-	8 898	8 898	226	9 124
Other comprehensive income	-	-	(31 584)	-	-	(31 584)	(782)	(32 366)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(31 584)</b>	<b>-</b>	<b>8 898</b>	<b>(22 686)</b>	<b>(556)</b>	<b>(23 242)</b>
Allocation of prior period result	-	-	-	25 339	(339)	-	-	-
Exchange differences	(8)	-	8	-	-	-	-	-
<b>As at 31 March 2015 (unaudited)</b>	<b>65</b>	<b>30 933</b>	<b>(109 633)</b>	<b>129 783</b>	<b>8 898</b>	<b>60 046</b>	<b>1 777</b>	<b>61 823</b>
<b>As at 31 December 2015 (audited)</b>	<b>65</b>	<b>30 933</b>	<b>(115 664)</b>	<b>129 783</b>	<b>30 954</b>	<b>76 071</b>	<b>2 436</b>	<b>78 507</b>
Profit for the period	-	-	-	-	5 967	5 967	135	6 102
Other comprehensive income	-	-	(8 266)	-	-	(8 266)	(213)	(8 479)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(8 266)</b>	<b>-</b>	<b>5 967</b>	<b>(2 299)</b>	<b>(78)</b>	<b>(2 377)</b>
Allocation of prior period result	-	-	-	30 954	(954)	-	-	-
Exchange differences	3	-	(3)	-	-	-	-	-
<b>As at 31 March 2016 (unaudited)</b>	<b>68</b>	<b>30 933</b>	<b>(123 933)</b>	<b>160 737</b>	<b>5 967</b>	<b>73 772</b>	<b>2 358</b>	<b>76 130</b>

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[signed]  
Borys Bielikov  
Chief Executive Officer

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[signed]  
Vitalii Veresenko  
Non-executive director

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[signed]  
Marc van Campen  
Non-executive director

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Sergii Karpenko  
Non-executive director

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS**

For the three months ended 31 March 2016

(in USD thousand, unless otherwise stated)

	Note	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
<b>Operating activities</b>			
Profit before tax		6 174	9 172
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>			
Depreciation of property, plant and equipment and amortisation of intangible assets	11	549	487
Net change in fair value of biological assets	14	(863)	(775)
Disposal of property, plant and equipment		-	-
Disposal of biological assets		207	502
Finance income		(199)	266
Finance costs		378	10
Recovery of assets previously written-off	9	(188)	(1)
Impairment of doubtful accounts receivable and prepayments to suppliers	10	82	16
Liability for unused vacation		-	24
VAT written off	10	152	69
<b>Working capital adjustments:</b>			
Decrease/(Increase) in trade and other receivables		2 432	(3 046)
Increase in prepayments to suppliers		(37)	(519)
Decrease/(Increase) in inventories		2 259	(243)
(Increase)/Decrease in trade and other payables and advances received		(1 274)	2 349
		<b>9 669</b>	<b>8 311</b>
Income tax paid		(3)	(7)
<b>Net cash flows from operating activities</b>		<b>9 666</b>	<b>8 304</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(2 528)	(2 999)
Increase in biological assets	14	(2 065)	(2 581)
<b>Net cash flows used in investing activities</b>		<b>(4 593)</b>	<b>(5 580)</b>
<b>Financing activities</b>			
Proceeds from borrowings		-	2 505
Repayment of borrowings		(14)	(137)
Interest received		199	23
Interest paid		(170)	(29)
<b>Net cash flows used in financing activities</b>		<b>14</b>	<b>2 362</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>5 087</b>	<b>5 086</b>
Effect from translation into presentation currency		(914)	(391)
<b>Cash and cash equivalents at 1 January</b>		<b>10 962</b>	<b>2 471</b>
<b>Cash and cash equivalents at 31 March</b>		<b>15 135</b>	<b>7 166</b>

For translating results and financial position into a presentation currency, the Group applies IAS 21 "The Effects of Changes in Foreign Exchange Rates". Procedures and rules applied by the Group are specified in Note 2.3.

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Borys Bielikov  
Chief Executive Officer

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[signed]  
Vitalii Veresenko  
Non-executive director

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[signed]  
Marc van Campen  
Non-executive director

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[signed]  
Sergii Karpenko  
Non-executive director

Notes on pages 8 - 35 form an integral part of these consolidated condensed interim financial statements

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

(in USD thousand, unless otherwise stated)

**1. Corporate information**

Ovostar Union N.V. (referred to herein as the “Company”), a limited liability company registered under the laws of the Netherlands, was incorporated on 22 March 2011 in Amsterdam. Ovostar Union N.V. was formed to serve as the ultimate holding company of LLC “Ovostar Union” and its subsidiaries. Hereinafter, LLC “Ovostar Union” and its subsidiaries are referred to as the “Ovostar Union Group” or the “Group”. The registered office and principal place of business of the Company is Jan van Goyenkade 8, 1075 HP Amsterdam.

Principal activities of the Group include egg production, distribution, egg products manufacturing and production of oilseed oil. The largest shareholder is Prime One Capital Ltd., 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 in Note 7) 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.

Information on other related party relationships of the Group is provided in Note 22.

Total number of employees of all companies of the Group constituted 1 246 employees as at 31 March 2016 and 1 260 employees as at 31 March 2015.

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 2016 were authorized by the Board of Directors on 12 May 2016.

**2. Basis of preparation**

**2.1. Statement of compliance and basis of measurement**

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.

The consolidated condensed interim financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

<u>Items</u>	<u>Measurement bases</u>
<i>Biological assets</i>	<i>Fair value less costs to sell</i>

Details of the Group accounting policies are included in Note 5.

**2.2. Going concern basis**

The consolidated condensed interim 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.

**2.3. 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.

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(in USD thousand, unless otherwise stated)

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.

The Group translates its results and financial position into the presentation currency as the follows:

- assets and liabilities for each statement of financial position presented (ie including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or separate income statement presented (ie including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

During 2016 and 2015, the exchange rate had significant fluctuations. Consistent with IAS 21, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate. On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in “Other comprehensive income” and accumulated in the “Foreign currency translation reserve”.

Relevant exchange rates are presented as follows:

	Closing rate as at 31 March 2016 (unaudited)	Average rate for the 3 months 2016 (unaudited)	Closing rate as at 31 December 2015 (audited)	Closing rate as at 31 March 2015 (unaudited)	Average rate for the 3 months 2015 (unaudited)
USD/UAH	26.2181	25.6537	24.0007	23.4426	21.1157
EUR/UAH	29.6893	28.2764	26.2231	25.4493	23.7893
PLN/USD	3.7556	3.9594	3.9148	3.7760	3.7209
EUR/USD	0.8806	0.9069	0.9169	0.9217	0.8874

**3. Basis of consolidation**

The consolidated condensed interim financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2016. Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in USD thousand, unless otherwise stated)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 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 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.

If there is an indication that an asset may be impaired, the Group uses 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, assess 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 egg processing, 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 are based on internal forecasts of the Group's management;
- production data (production of eggs, safety of livestock, meat production volume, production of egg products) based on internal forecasts of the Group's management from past experience;
- selling prices for eggs, egg products and poultry meat are based on forecasts of the Group's management and market expectations.

Management believes that calculations of the recoverable amount are most sensitive to changes in such assumptions as the price of poultry meat, price of eggs and eggs product, price of poultry fodder and production data. Management believes that any reasonably possible change in key assumptions on which the recoverable amount of the Group 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;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in USD thousand, unless otherwise stated)

- 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:

- cost planning at each stage of poultry farming will remain constant in future periods;
- egg production volume will not be significantly changed;
- egg sale price in future periods;
- long-term inflation rate of Ukrainian hryvnia in future periods;
- discount rate for determining the present value of future cash flows expected from the biological assets was set at 31 March 2016: 33.47% (31 March 2015: 28.02%).

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, eggs product 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.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability  
Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in USD thousand, unless otherwise stated)

### 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 financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

##### *Initial recognition and measurement*

Financial assets are recognised initially at transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset

#### 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 using 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.

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*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.

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 in the statement of financial position comprise short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

### 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.

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

### 5.8.4 Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition as loans and borrowings, payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

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

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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.

### 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 raw materials, package and packing materials, agricultural produce and finished goods. Inventories are valued at the lower of cost and net realisable 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 weighted average method. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect to the purchases of raw materials.

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

### 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 bringing an asset to the location and condition, which allow its functioning in accordance with the intentions of the Group's management; (c) initial assessment of the costs of dismantling and removal in the asset of property, plant and equipment and restoring 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.

Subsequently capitalised costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to the consolidated statement of comprehensive income as incurred.

Depreciable amount is the cost of an asset of property, plant and equipment, or any other amount, less its residual value. The residual value of an asset is the estimated amount that the company would receive to date from the sale of an item 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:

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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 the end of each reporting period the Group identifies signs of possible impairment of assets. If any such indication exists, the Group reviews the carrying amount of its items 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 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.

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.



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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 directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 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 base 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 obligation amount.

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.

### 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.

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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 three months 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.

In 2016, Ukrainian corporate income tax was levied at a rate of 18% (2015: 18%)

**Fixed agricultural tax:** The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer.

### 5.23 Value Added Tax

For the three months ended 31 March 2016 and 2015, 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 2016 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 the 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 refunds and other government grants*

The Group's companies are subject to special tax treatment for VAT (Note 9). The Group's enterprises, which qualify as agricultural producers, are entitled to retain the net VAT payable. VAT amounts payable are not transferred to the State, but credited to the entity's separate special account to support the agriculture activities of the Group. Net result on VAT operations, calculated as excess of VAT liability over VAT credit is charged to profit or loss. VAT receivable exceeding VAT liability is used as a reduction in tax liabilities of the next period.

Government grants are recognised as income over the periods necessary to match them with the related costs, or as an offset against finance costs when received as compensation for the finance costs for agricultural producers. To the extent the conditions attached to the grants are not met at the reporting date, the received funds are recorded in the Group's consolidated financial statements as deferred income.

Other government grants are recognised at the moment when the decision to disburse the amounts to the Group is made.

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Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

### 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 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 the 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 Reclassification

Certain comparative information presented in the consolidated condensed interim financial statements for the three months ended 31 March 2015 has been revised in order to achieve comparability with the presentation used in the consolidated condensed interim financial statements for the three months ended 31 March 2016. Such reclassifications and revisions were not significant to the Group financial statements.

## 6. New and amended standards

### 6.1. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of the Group's financial liabilities. The IASB effective date is 1 January 2018 with early adoption permitted.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The IASB effective date is 1 January 2018, with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

- **IFRS 16 Leases**

IFRS 16, published in January 2016, establishes a revised framework for determining whether a lease is recognised on the (Consolidated) Statement of Financial Position. It replaces existing guidance on leases, including IAS 17. The IASB effective date is 1 January 2019, with early adoption permitted. The Group will assess the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

- **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the

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entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 has not been yet endorsed by the EU. The IASB effective date is 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

- **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The IASB has published 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)'. The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments have not been endorsed by the EU. The Group is currently assessing the impact of these amendments on the financial statements.

- **Annual improvements 2012-2014 Cycle**

These improvements are endorsed by the EU. The effective date is 1 January 2016. The improvements are not expected to have a material impact on the Group. They include:

*IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

This improvement adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

*IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)*

The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.

This improvement clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

*IAS 19 Employee Benefits*

This amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

*IAS 34 Interim Financial Reporting*

The amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference

- **Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments have been endorsed by the EU. The effective date is 1 January 2016. These amendments are not expected to have any impact to the Group.

- **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments have been endorsed by the EU. The effective date is 1 January 2016. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- **Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated

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cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. These improvements have been endorsed by the EU. The effective date is 1 January 2016. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- **Amendments to IAS 27: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. These improvements have been endorsed by the EU. The effective date is 1 January 2016. These amendments will not have any impact on the Group's consolidated financial statements.

- **Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative**

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. These improvements have been endorsed by the EU. The effective date is 1 January 2016. These improvements are not expected to have a material impact on the Group.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. These improvements have not been endorsed by the EU. The IASB effective date is 1 January 2016. The Group is not an investing company and therefore the amendment has no effect.

The following new or amended standards are not expected to have a significant impact on consolidated financial statements:

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016);
- Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016).

### 6.2. Adoption of new and revised standards and interpretations

The Group has adopted the following amended IFRS and IFRIC which are effective for annual periods beginning on or after 1 January 2015:

- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 February 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- **Annual improvements 2010-2012 Cycle**

These improvements are effective from 1 February 2015 and are not expected to have a material impact on the Group, except for the potential effect on disclosures. The improvements include:

*IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition

If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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*IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

*IFRS 8 Operating Segments*

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

*IFRS 13 Fair Value Measurement*

*(amendments to the basis of conclusions only, with consequential amendments to the bases of conclusions of other standards)*

The amendments clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

*IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- **Annual improvements 2011-2013 Cycle**

These improvements are effective from 1 February 2015 and are not expected to have a material impact on the Group. They include:

*IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

*IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

*IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

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**7. Subsidiaries and Non-controlling interests**

As at 31 March 2016, 2015 and 31 December 2015 the Group included the following subsidiaries:

Name of the company	Business activities	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
Limited Liability Company "Ovostar Union"	Strategic management of subsidiary companies in Ukraine	100.0%	100.0%	100.0%
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	98.0%	98.0%	98.0%
Limited Liability Company "Ovostar"	Egg-products production and distribution	100.0%	100.0%	100.0%
Public Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding	92.0%	92.0%	92.0%
Public Joint Stock Company "Malynove"	Production of shell eggs, assets holding	94.0%	94.0%	94.0%
Public Joint Stock Company "Krushynskyy Poultry Complex"	Trading company, egg trading – non operational activity	76.0%	76.0%	76.0%
Limited Liability Company "Skybynskyy Fodder Plant"	In the process of liquidation	98.6%	98.6%	98.6%

The following tables summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group elimination:

31 March 2016 (unaudited)	LLC "Yasensvit"	PJSC "Poultry Farm Ukraine"	PJSC "Malynove"	PJSC "Krushynskyy Poultry Complex"	Intra- group eliminati ons	Total
<b>NCI percentage</b>	<b>2.0%</b>	<b>8.0%</b>	<b>6.0%</b>	<b>24.0%</b>		
Non-current assets	28 189	4 572	6 155	0		
Current assets	50 086	2 675	1 129	560		
Non-current liabilities	-	(25)	(224)	(3)		
Current liabilities	(3 455)	(101)	(4 387)	(8)		
<b>Net assets</b>	<b>74 821</b>	<b>7 121</b>	<b>2 673</b>	<b>549</b>		
Carrying amount of NCI	1 496	570	160	132	-	2 358
Revenue	16 586	2 373	1 052	-		
Profit (loss)	7 705	(207)	75	(30)		
OCI	(6 388)	(662)	(242)	(70)		
<b>Total comprehensive income</b>	<b>1 317</b>	<b>(869)</b>	<b>(167)</b>	<b>(100)</b>		
Profit allocated to NCI	154	(17)	5	(7)		135
OCI allocated to NCI	(128)	(53)	(15)	(17)		(213)
Cash flows from operating activities	6 822	(1)	32	(0)		
Cash flows from investment activities	-	-	-	-		
Cash flows from financing activities (dividend to NCI: nil)	-	-	-	-		
Net (decrease)/ increase in cash and cash equivalents	6 388	(1)	28	(1)		

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31 March 2015 (unaudited)	LLC "Yasensvit"	PJSC "Poultry Farm Ukraine"	PJSC "Malynove "	PJSC "Krushynsk yy Poultry Complex"	Intra- group elimination s	Total
<b>NCI percentage</b>	<b>2.0%</b>	<b>8.0%</b>	<b>6.0%</b>	<b>24.0%</b>		
Non-current assets	24 091	3 269	3 106	1		
Current assets	32 080	1 853	643	665		
Non-current liabilities	-	(78)	-	-		
Current liabilities	(4 361)	(475)	(239)	2		
<b>Net assets</b>	<b>51 810</b>	<b>4 569</b>	<b>3 510</b>	<b>668</b>		
Carrying amount of NCI	1 036	366	211	160	-	1 773
Revenue	15 344	128	28	-		
Profit (loss)	5 724	1 402	(21)	(1)		
OCI	(23 273)	(1 748)	(1 716)	(307)		
<b>Total comprehensive income</b>	<b>(17 549)</b>	<b>(346)</b>	<b>(1 737)</b>	<b>(308)</b>		
Profit allocated to NCI	114	112	(1)	-		225
OCI allocated to NCI	(465)	(140)	(103)	(74)		(782)
Cash flows from operating activities	2 319	286	201	-		
Cash flows from investment activities	(1 944)	(261)	(201)	-		
Cash flows from financing activities (dividend to NCI: nil)	-	(33)	-	-		
Net (decrease)/ increase in cash and cash equivalents	375	(8)	-	-		

**8. 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	<ul style="list-style-type: none"> <li>▪ sales of egg</li> <li>▪ sales of chicken meat</li> </ul>
Egg products operations segment	<ul style="list-style-type: none"> <li>▪ sales of egg processing products</li> </ul>
Oilseed operations segment	<ul style="list-style-type: none"> <li>▪ sales of sunflower oil, rapeseed oil and related products</li> </ul>

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. Operating profit before tax represents segment result. 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 2016 and 2015:



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3 months ended 31 March 2016 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Revenue	23 709	5 475	1 195	30 379
Inter-segment revenue	(11 505)	(610)	(509)	(12 624)
<b>Revenue from external buyers</b>	<b>12 204</b>	<b>4 865</b>	<b>686</b>	<b>17 755</b>
<b>Profit before tax</b>	<b>4 996</b>	<b>1 178</b>	<b>-</b>	<b>6 174</b>

3 months ended 31 March 2015 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
Revenue	18 556	5 515	1 466	25 537
Inter-segment revenue	(6 471)	(1 508)	(495)	(8 474)
<b>Revenue from external buyers</b>	<b>12 085</b>	<b>4 007</b>	<b>971</b>	<b>17 063</b>
<b>Profit before tax</b>	<b>7 717</b>	<b>1 455</b>	<b>-</b>	<b>9 172</b>

In 2016 and 2015 no sales were settled by barter transactions.

Segment assets, liabilities and other information regarding segments as at 31 March 2016, 2015 and 31 December 2015 were presented as follows:

31 March 2016 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
<b>Total segment assets</b>	<b>93 944</b>	<b>5 614</b>	<b>282</b>	<b>99 840</b>
<b>Total segment liabilities</b>	<b>22 566</b>	<b>1 143</b>	<b>1</b>	<b>23 710</b>
Addition to property, plant and equipment and intangible assets	4 137	-	-	4 137
Net change in fair value of biological assets and agricultural produce	608	255	-	863
Depreciation and amortization	(508)	(39)	(2)	(549)
Interest income	199	-	-	199
Interest on debts and borrowings	(170)	-	-	(170)
Income tax expense	(3)	(69)	-	(72)

31 December 2015 (audited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
<b>Total segment assets</b>	<b>91 569</b>	<b>9 035</b>	<b>114</b>	<b>100 718</b>
<b>Total segment liabilities</b>	<b>20 965</b>	<b>1 245</b>	<b>1</b>	<b>22 211</b>

31 March 2015 (unaudited)	Operations segment			Consolidated
	Egg	Egg products	Oilseed	
<b>Total segment assets</b>	<b>65 689</b>	<b>15 596</b>	<b>199</b>	<b>81 484</b>
<b>Total segment liabilities</b>	<b>17 971</b>	<b>1 686</b>	<b>4</b>	<b>19 661</b>
Addition to property, plant and equipment and intangible assets	1 885	1 114	-	2 999
Net change in fair value of biological assets and agricultural produce	550	225	-	775
Depreciation and amortization	(446)	(36)	(5)	(487)
Interest income	18	5	-	23
Interest on debts and borrowings	(213)	(6)	-	(219)
Income tax expense	(17)	(31)	-	(48)

The following table presents information about revenue from external buyers divided by geographic location for the three months ended 31 March 2016 and 2015:

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	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
Ukraine	11 438	12 739
Middle East	5 240	4 039
European Union	1 021	-
Africa	-	246
CIS	49	39
Other	7	1
<b>Total</b>	<b>17 755</b>	<b>17 064</b>

**9. Other operating income**

	Note	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
<b>Income from refund under the special legislation:</b>			
Income from special VAT treatment	a)	-	1 055
<b>Total income from refund under the special legislation</b>		<b>-</b>	<b>1 055</b>
Gain on recovery of assets previously written off		188	1
Other income		40	13
<b>Total</b>		<b>228</b>	<b>1 069</b>

**a) Income from special VAT treatment**

According to the Tax Code of Ukraine, companies that generated not less than 75% of gross revenues for the previous tax year from sales of own agricultural products are entitled to retain VAT on sales products, net of VAT paid on purchases, for use in agricultural production. In accordance with the Tax Code, the VAT rate is currently effective at 20%.

Included in VAT refunds for the three months ended 31 March 2016, 2015 were specific VAT subsidies for the production and sale of eggs and egg products for further processing.

In accordance with the new legislation (the Law "On amending the Tax Code of Ukraine and certain legislative acts of Ukraine in terms of ensuring the balanced budget receipts in 2016" was adopted effective 1 January 2016), agricultural producers will be entitled to retain only a portion of VAT on agricultural operations. Producers of shell eggs, poultry and other agriculture producers shall retain VAT in a portion of 50%.

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".

**10. Other operating expenses**

	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
VAT written-off	(152)	(69)
Impairment of doubtful accounts receivable and prepayments to suppliers	(82)	(16)
Loss on disposal of inventories	-	(3)
Other expenses	(14)	(3)
<b>Total</b>	<b>(248)</b>	<b>(91)</b>

**11. Amortisation and depreciation expenses**

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	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
<b>Depreciation and amortisation:</b>		
Cost of sales	(518)	(459)
Selling and distribution costs	(2)	(2)
Administrative expenses	(29)	(26)
<b>Total</b>	<b>(549)</b>	<b>(487)</b>

**12. Employee benefits expense**

	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
<b>Wages, salaries and social security:</b>		
Costs of production personnel	(652)	(731)
Costs of distribution personnel	(56)	(60)
Costs of administrative personnel	(77)	(93)
<b>Total</b>	<b>(785)</b>	<b>(884)</b>

**13. 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 2016, 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 2015: at a 18% rate). The deferred income tax assets and liabilities as of 31 March 2016 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 the three months ended 31 March 2016 and 2015 were:

	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
Current income tax	(3)	(1)
Deferred tax	(69)	(47)
<b>Income tax (expense)/benefit reported in the income statement</b>	<b>(72)</b>	<b>(48)</b>

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**14. Biological assets**

As at 31 March 2016, 2015 and 31 December 2015 commercial and replacement poultry were presented as follows:

	31 March 2016 (unaudited)		31 December 2015 (audited)		31 March 2015 (unaudited)	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
<b>Non-current biological assets</b>						
<i>Replacement poultry</i>						
Hy-line	4 203	26 392	3 947	26 041	3 314	19 990
<b>Total non-current biological assets</b>	<b>4 203</b>	<b>26 392</b>	<b>3 947</b>	<b>26 041</b>	<b>3 314</b>	<b>19 990</b>
<b>Current biological assets</b>						
<i>Commercial poultry</i>						
Hy-line	2 587	7 836	2 547	8 409	2 255	7 551
<b>Total current biological assets</b>	<b>2 587</b>	<b>7 836</b>	<b>2 547</b>	<b>8 409</b>	<b>2 255</b>	<b>7 551</b>
<b>Total biological assets</b>	<b>6 791</b>	<b>34 228</b>	<b>6 494</b>	<b>34 450</b>	<b>5 569</b>	<b>27 541</b>

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 will 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 2016 and 2015 was presented as follows:

	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
<b>As at 01 January</b>	<b>34 450</b>	<b>37 178</b>
Increase in value as a result of assets acquisition	-	235
Increase in value as a result of capitalization of cost	2 065	2 346
Income/(Losses) from presentation of biological assets at fair value	863	775
Decrease in value as a result of assets disposal	(207)	(502)
Exchange differences	(2 943)	(12 491)
<b>As at 31 March</b>	<b>34 228</b>	<b>27 541</b>

For the three months ended 31 March 2016 the Group produced shell eggs in the quantity of 317 162 thousand items (31 March 2015: 276 957 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, using corresponding discount rate which is equal to 33.47% (31 March 2015: 28.02%). 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.

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

	Assumption as at	Assumption as at
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	31 March 2016 (unaudited)	31 March 2015 (unaudited)
Eggs sale price, USD per item (UAH per item)	0.061 (1.569)	0.057 (1.205)
Discount rate, %	33.47%	28.02%
Long-term inflation rate of Ukrainian hryvnia, %	112.40%	116.00%

Based on the current situation in Ukraine that provides a high degree of uncertainty in relation to many of the assumptions in the biological assets revaluation model, and guided by the prudence concept, the Group used conservative approach for calculation of fair value of biological assets as at 31 March 2016.

Changes in key assumptions that were used in fair value estimation of biological assets had the following influence on the value of biological assets as at 31 March 2016 and 2015:

	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2015 (unaudited)
1% decrease in egg sale price	(894)	(714)
1% increase in discount rate	(474)	(370)
1% increase in long-term inflation rate of Ukrainian hryvnia	417	294

**15. Property, plant and equipment and intangible assets**

During the three months ended 31 March 2016, the Group's additions to property, plant and equipment amounted to USD 4 137 thousand (2015: USD 2 999 thousand). In particular the Group acquired equipment for poultry houses in the amount equal to USD 3 661 thousand (2015: USD 2 891 thousand) and capital expenditures in amount of USD 476 thousand (2015: 108 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 2016 and 2015 respectively the Group has put into operation fixed assets of book value equal to USD 1 816 thousand and USD 2 469 thousand respectively.

As at 31 March 2016 net book value of property plant and equipment which was used as collateral for bank loans is nil and property, plant and equipment via finance lease amounted to USD 170 thousand (2015: USD 1 120 thousand and USD 207 thousand, respectively).

As at 31 March 2016 construction-in-progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 1 688 thousand (2015: USD 884 thousand).

As at 31 March 2016, included within property, plant and equipment were fully depreciated assets with the original cost of USD 2 479 thousand (2015: USD 1 898 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 2016, 2015 and 31 December 2015.

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**16. Interest-bearing loans and other financial liabilities**

	Currency	Effective interest rate, %	Maturity	31 March 2016 (un-audited)	31 December 2015 (audited)	31 March 2015 (un-audited)
<b>Current interest-bearing loans and other financial liabilities</b>						
Landesbank Berlin AG / AKA		2.25%+				
Ausfuhrkredit-Gesellschaft mbH loan	EUR	EURIBOR (6m)	30.12.2021	1 637	1 572	1 313
Landesbank Berlin AG loan	EUR	1.65%+ EURIBOR (6m)	30.12.2020	2 058	1 977	1 564
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	-	-	87
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	-	-	118
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	-	-	93
Other current loans	UAH	-	-	26	28	27
Short-term financial lease liabilities (a)	UAH	7.0%	28.09.2017	50	57	63
<b>Total current interest-bearing loans and other financial liabilities</b>				<b>3 771</b>	<b>3 634</b>	<b>3 265</b>
<b>Non-current interest-bearing loans and other financial liabilities</b>						
Landesbank Berlin AG / AKA		2.25%+				
Ausfuhrkredit-Gesellschaft mbH loan	EUR	EURIBOR (6m)	30.12.2021	11 072	8 372	5 892
Landesbank Berlin AG loan	EUR	1.65%+ EURIBOR (6m)	30.12.2020	5 243	4 985	6 393
Long-term financial lease liabilities (a)	UAH	7.0%	28.09.2017	25	41	78
<b>Total non-current interest-bearing loans and other financial liabilities</b>				<b>16 340</b>	<b>13 398</b>	<b>12 363</b>
<b>Total interest-bearing loans and other financial liabilities</b>				<b>20 111</b>	<b>17 032</b>	<b>15 628</b>

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 2016 and 2015 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.

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

As at 31 March 2016 net book value of property plant and equipment which was used as collateral for bank loans is nil and property, plant and equipment via finance lease amounted USD 170 thousand (2015: USD 1 120 thousand and plant and equipment via finance lease USD 207 thousand).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(in USD thousand, unless otherwise stated)

**(a) Finance lease liabilities**

	31 March 2016 (unaudited)		31 December 2015 (audited)		31 March 2015 (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
<b>Amounts payable under finance lease:</b>						
Within a year	54	50	62	57	74	63
From one to five years	26	25	43	41	83	78
Above 5 years	-	-	-	-	-	-
	80	75	105	98	157	141
Less: financial expenses of future periods	(5)		(7)		(16)	
Present value of lease liabilities	75	75	98	98	141	141
Less: amount to be paid within a year		(50)		(57)		(63)
Amount to be paid after one year		25		41		78

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 2016, 2015 and 31 December 2015 was as follows:

	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
Plant and equipment	170	191	207
<b>Total</b>	<b>170</b>	<b>191</b>	<b>207</b>

As at 31 March 2016, 2015 and 31 December 2015 there were no restrictions imposed by lease arrangements, in particular those concerning dividends, additional debt or further leasing.

**17. Inventories**

	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
Raw materials	4 513	8 099	2 540
Agricultural produce and finished goods	1 957	1 458	2 252
Package and packing materials	601	684	558
Work in progress	77	50	156
Other inventories	750	752	429
(Less: impairment of agricultural produce and finished goods)	(49)	(53)	(84)
<b>Total</b>	<b>7 851</b>	<b>10 990</b>	<b>5 851</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(in USD thousand, unless otherwise stated)

**18. Trade and other receivables**

	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
Trade receivables	6 730	9 092	6 478
VAT for reimbursement	1 493	1 431	3 606
Receivables for securities sold but not yet settled	64	70	72
VAT for reimbursement under special legislation	-	-	340
Other accounts receivable	39	37	22
Provision for doubtful accounts receivable	(297)	(275)	(254)
<b>Total</b>	<b>8 028</b>	<b>10 355</b>	<b>10 264</b>

**19. Cash and cash equivalents**

	Note	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
Cash in banks	a)	15 127	10 955	7 158
Cash on hand		8	7	8
<b>Total</b>		<b>15 135</b>	<b>10 962</b>	<b>7 166</b>

**a) Cash in banks by country of bank location denominated in the following currencies:**

	Currency	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
Ukraine	UAH	9 904	3 727	1 209
Ukraine	USD	5 030	5 192	264
Ukraine	EUR	38	96	12
Ukraine	PLN	53	51	-
<b>Total in Ukraine</b>		<b>15 025</b>	<b>9 067</b>	<b>1 485</b>
Poland	USD	15	1 782	3 308
Poland	EUR	30	57	2 355
Poland	PLN	14	0	1
<b>Total in Poland</b>		<b>59</b>	<b>1 839</b>	<b>5 664</b>
Netherlands	EUR	41	47	4
<b>Total in Netherlands</b>		<b>41</b>	<b>47</b>	<b>4</b>
Denmark	USD	2	2	1
Denmark	EUR	1	1	4
<b>Total in Denmark</b>		<b>2</b>	<b>2</b>	<b>5</b>
<b>Total cash in banks</b>		<b>15 127</b>	<b>10 955</b>	<b>7 158</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(in USD thousand, unless otherwise stated)

**20. Equity**

**Issued capital and capital distribution**

For the three months ended 31 March 2016 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.

As at 31 March 2016, 2015 and 31 December 2015 the shareholder interest above 5% in the Share capital of Company was as follows:

	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
Prime One Capital Ltd.	70.24%	70.24%	71.24%
Generali Otworthy Fundusz Emerytalny	9.94%	9.94%	9.94%
FAIRFAX FINANCIAL Holdings Limited	5.35%	5.35%	-
AVIVA Otworthy Fundusz Emerytalny Aviva BZ WBK	5.02%	5.02%	5.02%
AMPLICO OFE	-	-	-

**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 the reporting date. The EUR 60 000 (equivalent to 6 000 000 shares) has been converted into USD 68 141 (31 March 2015: USD 65 112). The result arising from 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 2016 and 2015, there were no movements in share premium.

**Dividends payable of the Company**

During the three months ended 31 March 2016 and 2015, no dividends have been declared and paid.

**21. Trade and other payables**

	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
Trade payables	2 189	3 474	2 688
Employee benefit liability	177	182	163
Liability for unused vacation	138	151	172
Taxes payable	61	111	94
VAT liabilities	25	37	403
Income tax payables	23	25	-
Other payables	65	206	71
<b>Total</b>	<b>2 678</b>	<b>4 184</b>	<b>3 591</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(in USD thousand, unless otherwise stated)

**22. Related party disclosures**

For the purposes of these consolidated condensed interim 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. Considering the transactions with each possible related party, 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 2016, and 2015:

<b>(A). Key management personnel:</b>	<b>Position:</b>
Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Marc van Campen	Non-executive director
Sergii Karpenko	Non-executive director
Vladimir Polishchuk	Chief Financial Officer
Natalia Malyovana	First Deputy CEO / Commercial director
Arnis Veinbergs	Deputy CEO in charge of Production activity
Vitalii Voron	Production director
Liliia Chernyak	HR director

**(B). Companies which activities are significantly influenced by the Key management personnel:**

- Agrofirma Boryspilsky Hutir LLC
- Aleksa LTD LLC

As at 31 March 2016, 2015 and 31 December 2015 trade accounts receivable from related parties and advances issued to related parties were presented as follows:

	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2015 (unaudited)
<b>Prepayments to related parties</b>			
<i><b>(B). Companies which activities are significantly influenced by the Beneficial Owners:</b></i>			
Aleksa LTD LLC	52	56	57
<b>Total</b>	<b>52</b>	<b>56</b>	<b>57</b>

**(C). Other related parties:**

For the three months ended 31 March 2016, and 2015 the Group has no other related parties.

**23. Commitments and contingencies**

**Contingent liabilities**

**Operating environment.** In 2016, the political and economic turmoil in Ukraine continued. In 2016, Ukraine also continued to suffer from the separatist movements in the Luhansk and Donetsk regions.

During the three months ended 31 March 2016 the Ukrainian hryvnia slightly devalued mostly due to the political instability related to the criticism towards the government.

However, the National bank of Ukraine expects Ukraine to show a positive GDP growth rate of 1.1% in 2016 and have inflation rate at the level of 12% by the end of 2016. Such baseline scenario assumes that the situation in the east of the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in USD thousand, unless otherwise stated)

country will not deteriorate, Ukraine will continue the cooperation with the IMF and the global commodity prices will continue increasing over the year.

In early 2015, the Government of Ukraine agreed with the IMF on a four-year program for a USD 17.5 billion loan aimed at supporting the economic stabilization of Ukraine. The program defines economic reforms that must be undertaken by the Government of Ukraine to reinstate sustainable economic growth in the mid-term. Significant external financing is required to support economic stabilization and the political situation depends, to a large extent, upon success of the Ukrainian government's efforts; yet further economic and political developments are currently difficult to predict and an adverse effect on the Ukrainian economy may continue. The Group does not have any assets in Crimea, Donetsk or Luhansk regions.

In 2015 and 2016, political and economic relationships between Ukraine and the Russian Federation remained strained, leading to a significant reduction in trade and economic cooperation. On 1 January 2016, the free-trade section of Ukraine's Association Agreement with the European Union came into force. In late 2015, the Russian Federation denounced its free trade agreement with Ukraine and further trade restrictions were announced by both countries.

**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.

From 1 January 2016 Tax Code of Ukraine was changed in part which regulates the privileged VAT regime for agricultural companies. New procedure provides redistribution of special VAT liabilities for agrarian companies:

- on transactions with grain and industrial crops – 85% is paying to the State budget, 15 % is transferring to the entity's special bank account and can be used to make payments relating to the agricultural activities;
- for operations with animal products - 20% to the State budget, 80% to the special bank account;
- other transactions of agricultural goods / services – 50% to the State budget, 50% to the special bank account.

In 2015 agricultural companies did not remitted special VAT liabilities to the State budget, but used for their agricultural activities

The Group is currently estimating the impact of these new changes but does not expect these to result in a significant change in the Group's effective tax rate

Starting from 1 September 2013, the Tax Code of Ukraine introduced new rules, based on OECD transfer pricing guidelines, for determining and applying fair market prices, which significantly changed transfer pricing regulations in Ukraine. The Group exports goods and services, which may potentially fall under the scope of the new Ukrainian transfer pricing regulations. The Group submitted a controlled transaction report within the required deadline. Management believes that the Group is in compliance with transfer pricing regulation requirements.

Given its current economic and political issues, the Government is considering implementing certain reforms in the tax system of Ukraine by adopting the Law of Ukraine 'On Amending the Tax Code of Ukraine and Certain Laws of Ukraine', which is effective from 1 January 2015, except for certain provisions that will take effect at a later date. Management believes that the Group has been in compliance with all requirements of effective tax legislation and currently is assessing the possible impact of the introduced amendments.

**Legal issues.** As at 31 March 2016 and 2015 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 2016 the Group had contract liabilities for acquisition of property, plant and equipment to USD 778 thousand (2015: USD nil).

### 24. Subsequent events

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