



## **CEREAL PLANET PLC**

### **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 31 December 2014**

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A member of Kreston International | A global network of independent accounting firms

Kreston Proios Ltd is a private company incorporated in Cyprus, Inc. No. 171495



# CEREAL PLANET PLC

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BOARD OF DIRECTORS AND OTHER OFFICERS

<b>Board of Directors:</b>	ASK Investment Limited ASK Management Limited Anatoliy Vlasenko
<b>Company Secretary:</b>	ASK Secretarial Services Limited
<b>Independent Auditors:</b>	Kreston Proios Ltd Certified Public Accountants A member of Kreston International A global network of independent accounting firms Corner of Nikis Avenue & 2 Kastoros Street, 1087 Nicosia
<b>Registered office:</b>	Boumpoulinas 11 3rd floor 1060 Nicosia Cyprus
<b>Banker:</b>	Bank of Cyprus Public Company Ltd
<b>Registration number:</b>	HE304677

# CEREAL PLANET PLC

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## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2014.

### **Incorporation**

The Company Cereal Planet PLC was incorporated in Cyprus on 12 April 2012 as a private limited liability Company under the Cyprus Companies Law, Cap. 113.

### **Principal activities**

The core activity of the Group is a production of cereals (buckwheat, pea, wheat, barley, maize, and millet) with the Group's own equipment. The cereals are packed in the consumer packages under the official trade mark which is used for own products and other goods. The principal activity of the Company is the holding of investments.

The Group of Companies has a trade chain in Kharkov and in the region, subsidiaries in Poltava and Sumy, key clients-distributors in large regional and district cities of Ukraine, the sales channels of which are used for sales of Group owned and other trademarks. The Group is a distributor of such leading manufacturers as Kernel (TM Chumak, Stozhar, Shchedry Dar), Odesskiy Tinned Food Factory (TM Gospodarochka), Lutsk Foods (TM Runa), Soyuzpishcheprom (TM TSAR, Russia).

Groups' technological equipment enables grain to be used in baking, confectionary, and medical fields (flax, rape, coriander, sunflower), and to be used in the preparation of fodder for various animals based on millet, canary millet, rape and oats.

Additionally, the Group has been exporting cereals to CIS countries, Europe, and Asia for over 15 years. The prevalent export items are cereals and grain manufactured by the Group, as well as grain purchased from agricultural Companies in bulk, which are exported using the railway and sea transport.

Furthermore, the Group acts as an importer of significant volumes of agricultural products from abroad. The Group imports rice from Pakistan, Vietnam, China and Egypt, as well as cereals, grain crops, flakes, and pasta from the Russian Federation. The experience and long-term presence in this market made it possible to create and permanently expand the circle of partners in various countries of the world, the number of which nowadays exceeds 50 Companies, including a large Russian Group "Razgulyai".

### **Results**

The Group's results for the year are set out on page 5.

### **Share capital**

#### **Authorised capital**

Under its Memorandum the Company fixed its share capital at 2.001.000 ordinary shares of nominal value of €0,03 each.

#### **Issued capital**

Upon incorporation on 12 April 2012 the Company issued to the subscribers of its Memorandum of Association 1.740.000 ordinary shares of €0,03 each at par. On 26 February 2013 the Company issued 40.000 additional shares of nominal value €0,03 each.

### **Board of Directors**

The members of the Company's Board of Directors as at 31 December 2014 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2014.

In accordance with the Company's Articles of Association all directors presently members of the Board retire and being eligible offer themselves for re-election. There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

### **Independent Auditors**

The Independent Auditors, Kreston Proios Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

  
ASK SECRETARIAL SERVICES LIMITED  
ASK Secretarial Services Limited  
Secretary

Nicosia, 26 June 2015

## **Independent auditor's report**

### **To the Members of Cereal Planet PLC Report on the consolidated financial statements**

We have audited the consolidated financial statements of Cereal Planet PLC (the "Company") and its subsidiaries (together with the Company, the "Group") which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### ***Board of Directors' responsibility for the consolidated financial statements***

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

#### ***Auditor's responsibility***

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

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

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

#### ***Basis for qualified opinion***

In respect of the inventory of the Group presented in the consolidated statement of financial position at the value of €2.694.000, the audit evidence we had available was limited because we did not observe the physical inventory count at 31 December 2014. We were unable to obtain sufficient and appropriate audit evidence as to the inventory quantities by other audit procedures.

#### ***Qualified opinion***

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical inventory quantities, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

## **Independent auditor's report**

### **To the Members of Cereal Planet PLC Report on the consolidated financial statements**

#### ***Emphasis of matter***

Without qualifying our opinion, we draw your attention to the political and social unrest that started in Ukraine in November 2013 and further continued in 2014. These events have adversely affected the Company's subsidiary /sub-subsidiaries financial results and could continue to exert negative influence over the Company's financial result and financial position in a manner not currently determinable. We also draw attention to the significant uncertainties at the foreign currency exchange market in Ukraine. These uncertainties can have significant impact on the Company's financial result and financial position to the extent not currently determinable.

#### **Report on other legal requirements**

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit, except that the scope of our work was limited by the matter discussed in the basis for qualified opinion paragraph.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books, except in the case of matters discussed in the basis for qualified opinion paragraph.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion, and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required, except in the case of inventories discussed in the basis for qualified opinion paragraph.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

#### **Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



**Nicos Drymiotis**  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**Kreston Proios Ltd**  
Certified Public Accountants  
**A member of Kreston International**  
A global network of independent accounting firms  
Corner of Nikis Avenue & 2 Kastoros Street, 1087 Nicosia

26 June 2015

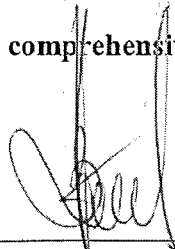
# CEREAL PLANET PLC

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

	Notes	2014	2013
Sales revenue	6	22 432	20 270
Cost of sales	7	(17 269)	(17 644)
<b>Gross profit (loss)</b>		<b>5 163</b>	<b>2 626</b>
Administrative expenses	8	(1 004)	(782)
Selling expenses	9	(1 630)	(1 228)
Other expenses	10	(1 603)	(207)
Other income	11	2 745	776
Finance expenses	12	(563)	(549)
<b>Profit (loss) before taxation</b>		<b>3 108</b>	<b>636</b>
Income tax	13	(57)	(128)
<b>Net profit (loss)</b>		<b>3 051</b>	<b>508</b>
<b>Other comprehensive income (loss):</b>			
Currency translation difference		(2 659)	(137)
<b>Total comprehensive income (loss) for the year</b>		<b>392</b>	<b>371</b>

  
Anatoliy Vlasenko  
Director

  
ASK MANAGEMENT LIMITED  
ASK Management Limited  
Director

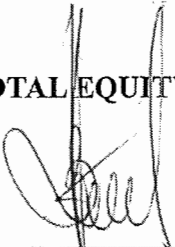


  
ASK INVESTMENT LIMITED  
ASK Investment Limited  
Director

# CEREAL PLANET PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

	Note	2014	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant, and equipment	14	1 664	2 861
Intangible assets	15	6	44
Deferred tax asset	13	-	21
		<b>1 670</b>	<b>2 926</b>
<b>Current assets</b>			
Inventory	16	2 694	3 153
Trade and other receivables	17	3 827	2 615
Prepayments and other current assets	18	835	818
Cash and cash equivalents	19	23	34
		<b>7 379</b>	<b>6 620</b>
<b>TOTAL ASSETS</b>		<b>9 049</b>	<b>9 546</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	20	53	53
Share premium	21	111	111
Exchange differences on translation to presentation currency		(2 700)	(41)
Retained earnings		5 852	2 801
		<b>3 316</b>	<b>2 924</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	9	48
Loans and borrowings	22	39	-
		<b>48</b>	<b>48</b>
<b>Current liabilities</b>			
Loans and borrowings	22	2 195	3 051
Trade payables	23	2 215	2 820
Advances received and other liabilities	24	1 275	703
		<b>5 685</b>	<b>6 574</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9 049</b>	<b>9 546</b>
			
Anatoliy Vlasenko Director	ASK Management Limited Director	ASK Investment Limited Director	

The notes on pages 10 to 35 form an integral part of these consolidated financial statements.



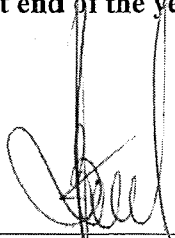
# CEREAL PLANET PLC


## CONSOLIDATED STATEMENT OF CASH FLOWS


For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

	Note	2014	2013
<b>Cash flows from operating activities</b>			
Profit before tax		3 107	636
Adjustments for:			
Depreciation of property, plant and equipment	14	80	117
Exchange difference arising on the translation of assets on foreign currencies		(247)	(1 491)
Interest expense	12	(563)	549
Cash flows from operations before working capital changes		<b>2 377</b>	<b>(189)</b>
Increase in inventories and work in progress	16	459	156
Increase in trade and other receivables	17	(826)	1 630
(Decrease)/increase in trade and other payables	23	(436)	(1 387)
Cash flows from operations		<u>1 574</u>	<u>210</u>
Income tax paid		(40)	(293)
<b>Net cash flows from operating activities</b>		<b>1 534</b>	<b>(83)</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of property, plant and equipment	14	(142)	(475)
<b>Net cash flows used in investing activities</b>		<b>(142)</b>	<b>(475)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		-	111
Obtaining loans and borrowings		731	4 040
Repayments of borrowings		(2 134)	(3 630)
<b>Net cash flows (used in)/from financing activities</b>		<b>(1 403)</b>	<b>521</b>
Net decrease in cash and cash equivalents		(11)	(37)
Cash and cash equivalents:			
At beginning of the year/period		34	71
<b>At end of the year/period</b>		<b>23</b>	<b>34</b>

  
 \_\_\_\_\_  
 Anatoliy Vlasenko  
 Director

  
 \_\_\_\_\_  
 ASK Management Limited  
 Director

  
 \_\_\_\_\_  
 ASK Investment Limited  
 Director

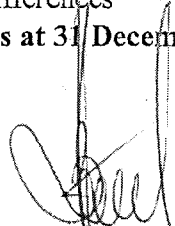
# CEREAL PLANET PLC


## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

	Issued capital (Note 20)	Share premium (Note 21)	Exchange differences on translation to presentation currency	Retained earnings (outstanding loss)	Total
As at 31 December 2012	52	-	96	2 293	2 441
Net income (loss) for the period	-	-	-	508	508
Issue of share capital	1	111	-	-	112
Foreign exchange differences	-	-	(137)	-	(137)
As at 31 December 2013	53	111	(41)	2 801	2 924
Net income (loss) for the period	-	-	-	3 051	3 051
Foreign exchange differences	-	-	(2 659)	-	(2 659)
As at 31 December 2014	53	111	(2 700)	5 852	3 316

  
Anatoliy Vlasenko  
Director

  
ASK MANAGEMENT LIMITED  
ASK Management Limited  
Director

  
ASK INVESTMENT LIMITED  
ASK Investment Limited  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

### 1. Information about the Group and its principal activities

#### Country of incorporation

The Company Cereal Planet PLC (the "Company") was incorporated in Cyprus on 12 April 2012 as a public Company limited by shares under the Cyprus Companies Law, Cap. 113. Its registered office is at Boumpoulinas 11, 3rd floor, 1060, Nicosia, Cyprus.

#### The Group

These consolidated financial statements also include:

Limited Liability Company "Cereal Ukraine" (LLC "Cereal Ukraine"), incorporated on 22 August 2012 in accordance with requirements of the Ukrainian legislation and located at the address: 10 Kashtanova str., Kharkiv 61124.

Limited Liability Company "Olimp" (LLC "Olimp"), incorporated on 24 July 1998 in accordance with requirements of the Ukrainian legislation and located at the address: 10 Kashtanova str., Kharkiv 61124.

Agrarian Private Firm "Ranok" (APF "Ranok"), incorporated on 10 June 1999 in accordance with requirements of the Ukrainian legislation and located at the address: 10 Kashtanova str., Kharkiv 61124 (registered address: 75/59 Mokhnachanska str., Kharkiv).

Limited Liability Company "Selkhozform" (LLC "Selkhozform"), incorporated on 08 May 2001 in accordance with requirements of the Ukrainian legislation and located at the address: 2 Central lane, Yurchenkove, Vovchanskyi district, Kharkiv region, 62543.

#### Principal activities

The core activity of the Group is a production of cereals (buckwheat, pea, wheat, barley, maize, and millet) with the Group's own equipment. The cereals are packed in the consumer packages under the official trade mark which is used for own products and other goods. The principal activity of the Company is the holding of investments.

The Group of Companies has a trade chain in Kharkov and in the region, subsidiaries in Poltava and Sumy, key clients-distributors in large regional and district cities of Ukraine, the sales channels of which are used for sales of Group owned and other trademarks. The Group is a distributor of such leading manufacturers as Kernel (TM Chumak, Stozhar, Shchedry Dar), Odesskiy Tinned Food Factory (TM Gospodarochka), Lutsk Foods (TM Runa), Soyuzpishcheprom (TM TSAR, Russia).

Groups' technological equipment enables grain to be used in baking, confectionary, and medical fields (flax, rape, coriander, sunflower), and to be used in the preparation of fodder for various animals based on millet, canary millet, rape and oats.

Additionally, the Group has been exporting cereals to CIS countries, Europe, and Asia for over 15 years. The prevalent export items are cereals and grain manufactured by the Group, as well as grain purchased from agricultural Companies in bulk, which are exported using the railway and sea transport.

Furthermore, the Group acts as an importer of significant volumes of agricultural products from abroad. The Group imports rice from Pakistan, Vietnam, China and Egypt, as well as cereals, grain crops, flakes, and pasta from the Russian Federation. The experience and long-term presence in this market made it possible to create and permanently expand the circle of partners in various countries of the world, the number of which nowadays exceeds 50 Companies, including a large Russian Group "Razgulyai".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

### 2. Group's operating environment

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, for financial support. The Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus. Herewith, the introduction of restrictions on banking transactions is an obligatory requirement for The Eurogroup. Restrictions on the free cash flow were imposed by the authorities of the Republic of Cyprus two years ago - in March 2013. In the past two years, restrictions were gradually decreased and now they are completely cancelled. In accordance with the order of the Ministry of Finance dated March 13, 2015 it is allowed to transfer up to EUR 1 million per one subject (individual, credit institution or paying agent) outside of the Cyprus whatever the reason for such transfer.

Ukraine has been experiencing substantial politic and economic changes in recent years, and these changes continuously influenced activities of the Group. Currently Ukraine goes through great problems, however in case of positive results the country would be much more competitive and developed. Unique combination of natural, intellectual, human and production resources in line with effective and professional government opens plenty of new opportunities for development of the country in geopolitical scale, which is also changing permanently. So, prospects for future economic stability in Ukraine considerably depend upon effective economic steps and reforms together with development of legislation and politics, which are not under the control of the Group. These consolidated financial statements represent current assessment of the management of Ukrainian business environment on activities of the Group, its financial position. However, the future conditions could differ from this assessment.

The further political developments are currently unpredictable and may adversely affect the Ukrainian economy. As of the date of this report, operation of the Group's facilities throughout Ukraine continued to operate normally.

### 3. Accounting policies

#### 3.1 Basis for preparation

##### *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2014 which include the comparative figures of 2013.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. These consolidated financial statements have been prepared by the consolidation of the historical financial statements of each of the Group's Companies, on the basis of the accounting records of these Companies.

These consolidated financial statements comprise the consolidated results of activities of the below Companies. The consolidated financial statements include balances, income and expenses of the following Companies:

- Cereal Planet PLC
- Limited Liability Company "Cereal Ukraine"
- Limited Liability Company "Olimp"
- Agrarian Private Firm "Ranok"
- Limited Liability Company "Selkhozform"

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2014**

(In thousands of EUR, unless otherwise stated)

Despite the legal separation, the Group's activities aim to achieve a common mission and goal. The majority of key management personnel is the same across the whole Group.

The Company incorporated the assets and liabilities of the existing entities at their pre-combination carrying amounts without fair value uplift. The pre-combination book values reflect the carrying values in the books of the existing entities. This is on the basis that there is no substantive economic change. In essence, the combination of all entities reflects the results and financial position of the existing business. All it causes is a change in the structure of the Group. No new goodwill is recorded. The difference between the cost of the transaction and the carrying value of the net assets is recorded in equity.

All intra-group transactions, balances and unrealised profit resulting from intra-group transactions are eliminated. Unrealised losses are also eliminated, except in cases where there is clear indication of impairment of the underlying asset. When necessary, adjustments were made to the accounting policies of the subsidiaries in order for them to be in line with the Group's accounting policies.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These consolidated financial statements have been prepared as part of the Group's transition to International Financial Reporting Standards ("IFRS"). Until 31 December 2010 the Group had not prepared financial statements under IFRS, but accordingly to National Accounting Standards that were valid in Ukraine (National GAAPs).

***Functional and presentation currency***

The Company's functional and presentation currency is the Euro (EUR). The functional currency of each of the Group's Ukrainian entities is the Ukrainian Hryvnya (UAH).

For the convenience of the principal users, the Group's presentation currency was determined to be the Euro. Consolidated financial statements are presented in thousands of EUR.

The relevant exchange rates of UAH for EUR used for the conversion to the Group's presentation currency were:

	<b>2014</b>	<b>2013</b>
As at 31 December	19.2329	11.04153
Average	15.7392	10.61465

***Going concern assumption***

As disclosed in Note 2, in the nearest future the Group will continue to suffer from the effect of the unstable economy in Ukraine. Therefore, there is uncertainty which may affect future operations and the recoverability of the Group's assets, as well as its ability to maintain and repay its liabilities as they fall due.

The consolidated financial statements of the Group have been prepared on the basis of the going concern assumption, which means the recoverability of assets and repayment of liabilities in the course of the normal operating cycle.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

### 3.2 IFRS and interpretations issued but not yet effective

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning 1 January 2014.

The Company has not adopted the following IFRS and Interpretations of IFRS Interpretations Committee published but not yet effective:

- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (changes concerning methods of disposal of assets) — beginning on or after 01 January 2016;
- IFRS 7 “Financial Instruments: Disclosures” (update regarding servicing contracts and error corrections) — beginning on or after 01 January 2016;
- IFRS 9 “Financial Instruments: Classification and Measurement” (full published version includes requirements of previously issued additional amendments regarding a new forward-looking ‘expected loss’ impairment model and changes to requirements of qualification and measurement of financial assets) — beginning on or after 01 January 2018;
- IFRS 10 “Consolidated Financial Statements” (addition on selling/adding assets between the investor and associate Company or joint venture) — beginning on or after 01 January 2016;
- IFRS 11 “Joint Arrangements” (update regarding accounting for the acquisition of shares in the joint operations) — beginning on or after 01 January 2016;
- IFRS 12 “Disclosure of Interests in Other Entities” (amendments to IFRS 10, IAS 28) — beginning on or after 01 January 2016;
- IFRS 14 “Regulatory Deferral Accounts” (new standard) — beginning on or after 01 January 2016;
- IFRS 15 “Revenue from Contracts with Customers” (new standard) — beginning on or after 01 January 2017;
- IAS 1 “Presentation of Financial Statement” (amendments resulting from the disclosure initiative) — beginning on or after 01 January 2016;
- IAS 11 “Construction Contracts” replacement of IFRS 15 “Revenue from Contracts with Customers” — beginning on or after 01 January 2017;
- IAS 16 “Property, Plant and Equipment” (amendments regarding the clarification of acceptable methods of depreciation and amortization and bringing bearer plants into the scope) — beginning on or after 01 January 2016;
- IAS 18 “Revenue” replacement of IFRS 15 “Revenue from Contracts with Customers” — beginning on or after 01 January 2017;
- IAS 19 “Employee Benefits” (questions concerning the discount rate in the regional sectors) — beginning on or after 01 January 2016;
- IAS 27 “Consolidated and Separate Financial Statements” (amendments reinstating the equity method in separate financial statements) — beginning on or after 01 January 2016;
- IAS 28 “Investments in Associates” (amendments to IFRS 10, IFRS 12) — beginning on or after 01 January 2016;
- IAS 34 “Interim Financial Reporting” (changes regarding disclosures in the interim financial statements) — beginning on or after 01 January 2016;
- IAS 38 “Intangible Assets” (amendments regarding the clarification of acceptable methods of depreciation and amortization) — beginning on or after 01 January 2016;
- IAS 39 “Financial Instruments: Recognition and Measurement” (replacement of IFRS 9 “Financial Instruments” requirements for the classification, measurement, impairment, hedge accounting and derecognition) — beginning on or after 01 January 2018;
- IAS 41 “Agriculture” (amendments regarding the owners of agriculture plants) — beginning on or after 01 January 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

Adoption of these standards and interpretations will not have any material effect on the financial position or performance of the Group. They will however give rise to additional disclosures, including revisions to accounting policies.

### 3.3. Summary of significant accounting policies

The main principles of accounting policy, which have been adopted in the preparation of this audit consolidated financial information, are set out below.

#### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

##### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

##### *Rendering of services*

Revenues from services are recognized when such services are rendered and revenue can be reliably measured.

#### Taxes

##### *Current income tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

##### *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

***Value added tax***

Revenues, expenses and assets are recognised net of the amount of value-added tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is disclosed on the face of the consolidated statement of financial position.

**Property, plant and equipment**

Items of property, plant and equipment are stated at cost, less accumulated depreciation and/or accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, capitalised directly attributable borrowing costs in accordance with early adopted International Financial Reporting Standard IAS 23 Borrowing Costs (Revised), any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

<b>Group of property, plant and equipment</b>	<b>Useful life (years)</b>
Buildings	50
Plant and equipment	20
Motor vehicles	10
Other	10



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Land is considered to be the asset which has unlimited useful life and is not depreciated.

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Low-value items (materiality level – 1.000 UAH) of plant, property and equipment are expensed upon acquisition.

**Intangible assets**

*Software*

Costs that are directly associated with identifiable and unique software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintenance of software programs are recognised as an expense when incurred. Software costs are amortised using the straight-line method over their useful lives. The management of the Company decided that the useful economic life of the computer software will be two years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

*Trademarks*

Trademarks are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful- lives. The management of the Company decided that the useful economic life of trademarks will be two years. Amortisation commences when the trademark is available for use and is included within administrative expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**Leases**

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

*Group as a lessee*

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

*Group as a lessor*

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

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***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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Finance costs**

Interest expense and other borrowing costs are charged to profit or loss as incurred.

**Financial instruments**

**Financial assets**

***(1) Initial recognition***

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investment not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and cash equivalents as well as loan, trade and other receivables.

***(2) Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the combined statement cash flows, cash and cash equivalents consist of cash as defined above.

**Loans, trade and other receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an

active market. After initial measurement, such financial assets are carried at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized as income or expenses when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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**(3) Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**(4) Impairment**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**(5) Financial assets carried at amortised cost**

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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The carrying amount of the asset is directly reduced for credit losses and the amount of the loss is recognised as other operating expenses in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting profit and loss. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

### **Financial liabilities**

#### ***(1) Initial recognition and measurement***

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

#### ***(2) Subsequent measurement***

The measurement of financial liabilities depends on their classification as follows:

#### **Trade and other payables**

After initial recognition, trade and other payables with fixed maturity are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

#### **Interest-bearing loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as through the amortization process.

#### ***(3) Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the combined statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### Issued capital

Share capital is recognized at the fair value of consideration received. Any excess over the nominal value of shares is taken to the share premium reserve.

Cost incurred for issuing new share capital when the issuance results in a net increase or decrease to equity are charged directly to equity. Costs incurred for issuing new share capital when the issuance does not result in a change in equity are taken to profit or loss.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### Inventories

Originally inventories are stated at the lower of cost and net realisable value after making an allowance for any obsolete or slow-moving items. The cost of inventories includes the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. At disposal cost of raw materials, spare parts and goods is determined based on the FIFO method, whereas cost of finished goods is determined based on the weighted average cost method.

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

### Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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Impairment losses of continuing operations are recognised in profit and loss in those expense categories consistent with the function of the impaired asset, except for property, plant and equipment previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The Group does not have the assets, for which annual impairment testing is required.

Foreign currency transactions and translation to presentation currency

**(1) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**(2) Translation to presentation currency**

At each reporting date, the assets and liabilities of each Company are translated into the Group's presentation currency at the rate of exchange prevailing at the reporting date. The revenues and expenses for the year or, if shorter, the period of combined subsidiary in the Group are translated at the exchange rate prevailing at the date of transaction or average exchange rate for the period if it approximates the rate as of the date of transaction. The exchange differences arising on the translation are recognised in other comprehensive income.

**Contingent assets and liabilities**

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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### Transactions with related parties

Parties are considered to be related if one party has a possibility of controlling the other party or affecting it considerably in taking financial or operational decisions. This definition of a related party may differ from the one under the legislation of Ukraine.

As defined by IAS 24 "Related party disclosures" related parties represent:

(a) A person or a close member of that person's family is related to a reporting entity if that person: has control or joint control over the reporting entity;

has significant influence over the reporting entity; or

is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

Both entities are joint ventures of the same third party.

One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

The entity is controlled or jointly controlled by a person identified in (a).

A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### Subsequent events

Events, which took place after the reporting date and prior to the date of approval of financial reports to be issued which provide additional information regarding the financial statements of the Group, are reflected in financial statements. Events that took place after the reporting date and which do not affect financial statements of the Group as at this date are disclosed in the Notes to the consolidated financial statements if these events are significant.

## 4. Financial risks management

### Factors of financial risks

The Group is exposed to financial risks, namely, market price risk, interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk, litigation risk, reputation risk and other risks arising from the Group's activities.

The Group's overall risk management programme is concentrated on uncertainties of financial markets and targeted at minimisation of potential negative consequences.

The Group's risk management policy is presented below.

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## 4.1. Financial instruments by category

31 December 2014	Available-for-sale financial assets	Fair value through profit or loss	Loans and receivable	Total
<b>Assets as per statement of financial position:</b>				
Trade and other receivables	-	-	3 827	3 827
Prepayments and other current assets	-	-	835	835
Cash and cash equivalents	-	23	-	23
<b>Total:</b>	-	<b>23</b>	<b>4 662</b>	<b>4 685</b>

31 December 2014	Fair value through profit or loss	Borrowings and other financial liabilities	Total
<b>Liabilities as per statement of financial position:</b>			
Loans and borrowings	-	2 234	2 234
Trade payables	-	2 215	2 215
Advances received and other liabilities	-	1 275	1 275
<b>Total:</b>	-	<b>5 724</b>	<b>5 724</b>

31 December 2013	Available-for-sale financial assets	Fair value through profit or loss	Loans and receivable	Total
<b>Assets as per statement of financial position:</b>				
Trade and other receivables	-	-	2 615	2 615
Prepayments and other current assets	-	-	818	818
Cash and cash equivalents	-	34	-	34
<b>Total:</b>	-	<b>34</b>	<b>3 433</b>	<b>3 467</b>

31 December 2013	Fair value through profit or loss	Borrowings and other financial liabilities	Total
<b>Liabilities as per statement of financial position:</b>			
Loans and borrowings	-	3 051	3 051
Trade payables	-	2 820	2 820
Advances received and other liabilities	-	703	703
<b>Total:</b>	-	<b>6 574</b>	<b>6 574</b>

## 4.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Market interest rates fluctuations effect the financial position and cash flows of the Group depending whether such change relates to financial assets or financial liabilities.

Most financial assets of the Group are interest free with the exception of cash and cash equivalents that give insignificant finance income because of the low short-term interest rates; the risk of their change is insignificant. Due to this the Group does not expose a significant risk because of market interest rates fluctuations that relate to financial assets.

The following table demonstrates the concentration risk of interest rates of the Group:

	31.12.2014	31.12.2013
Financial liabilities	2 234	3 051



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**4.3 Foreign currency risk**

Currency risk is the risk that the value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates in respect to the national currency. Currency risks arise when future transactions and recognised assets are presented in currency other than presentation currency of the Group faces risk of currency exchange rates fluctuation mainly concerning US Dollars (USD), the Euro (EUR) and the Russian Rouble (RUB). Group's management monitors currency exchange rate permanently and takes necessary actions.

The table below presents carrying value of the monetary assets and monetary liabilities nominated in foreign currency as at the reporting date.

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
USD	872	245	193	1 146
EUR	4	1	-	-
RUB	239	-	106	-
	<b>1 115</b>	<b>246</b>	<b>299</b>	<b>1 146</b>

The following table demonstrates the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

	Increase/ decrease in rate,	Effect on profit or loss before tax
<b>2014</b>		
USD	+10%	63
USD	-10%	(63)
RUB	+10%	24
RUB	-10%	(24)
<b>2013</b>		
USD	+10%	(95)
USD	-10%	95
EUR	+10%	10
EUR	-10%	(10)

In 2014, Group's profit is not sensitive to a reasonably possible change in EURO rates.

**4.4 Market price**

The Group is exposed to financial risks, which occur as a result of changes in market prices for foods. The Group does not foresee that the prices for foods will decrease in the near future and thus concluded neither derivative nor any other contracts in order to manage price risks. The Group regularly reviews its price perspectives for foods taking into account the necessity of active financial risks management.

**4.5 Credit risk**

The Group faces credit risk that is determined as the risk that a contractor will fail to fully pay off the amount of debt at the redemption date. Maximum level of Group's credit risk, in general, is stated in carrying value of financial assets, which is provided in statement of financial position. The influence of possible offsetting of assets and liabilities on the reduction of potential credit risk is insignificant. Provisions for impairment are established for the discharge of losses that may be incurred at the date of statement of financial position (if available).

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The Group's policy on credit risk management is aimed at carrying out operations with contractors with a positive reputation and credit history. It is worth stating that the results of world financial crisis had a significant influence on Ukrainian economy that, for one's turn, results in a significant increase of credit risk because of unstable financial conditions of a significant number of contractors.

**4.6 Liquidity risk**

Liquidity risk is the risk that the Group may face difficulties during the repayment of its financial liabilities. Increase in a risk level may arise when the maturity of assets and liabilities do not match, when the maturity of financial assets exceed the maturity of financial liabilities.

The task of Group's management is to keep the balance between continual financing and sufficient cash and other highly liquid assets, and to keep a proper level of credit liabilities to suppliers and banks. The Group analyses the term of debt and plans its liquidity depending on the anticipated term of liabilities fulfilment.

It is worth paying attention to the fact that due to unstable finance and economic situation in Ukraine, the attraction of external financing resources in case of necessity to support a sufficient liquidity level is seemed to be quite problematic.

**4.7 Capital management**

The Group considers loan capital and authorised/share capital as main sources of equity. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group's policy to manage equity is directed at ensuring and supporting optimal capital structure with a view of decrease in total expenses for raising capital and ensuring flexibility of access of the Group to equity markets.

The Group's management permanently controls the capital structure and can adjust its policy and management capital purposes with a view of changes in operating environment, market trends, and development strategy of the Group. For the years ended 31 December 2013, 2011 and 2010 rules and procedures applied by the Group to manage capital have not changed. The Group controls equity with the leverage that is a result of division of net debts by the amount of equity and net debt. The Group includes loans and borrowings and other payables less cash and cash equivalents.

	<b>2014</b>	<b>2013</b>
Loans and borrowings (note 22)	2 234	3 051
Trade and other payables	2 215	2 820
Advances received and other liabilities	1 275	703
Cash and cash equivalents (note 19)	(23)	(34)
<b>Net debt</b>	<b>5 701</b>	<b>6 540</b>
Equity	3 316	2 924
<b>Equity and net debt</b>	<b>9 017</b>	<b>9 464</b>
Leverage	63.2%	69.1%

**4.8 Operational risk**

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and system management of the Group, and from the human effect and weather conditions. The Group's systems are evaluated, maintained and upgraded continuously.

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### 4.9 Compliance risk

Compliance risk is the risk of financial loss that arises from non-compliance with laws and other regulations.

### 4.10 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits.

### 4.11 Reputation risk

The risk of loss of reputation is the result of the negative publicity relating to the Group's operations (whether true or false) and may result in a reduction of its clients, reduction in revenue and legal cases against the Group.

### 4.12 Other risk

The general economic environment prevailing in Cyprus, Ukraine and internationally may affect the Group's operations to a great extent. The concepts as inflation, unemployment, and development of gross domestic product are directly linked to the economic course of every country. Any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

## 5. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with the IFRS requires the management to make judgements, estimates and assumptions, which affect the reported amounts of assets and liabilities in the statements, and the disclosure of information about potential assets and liabilities. These estimates are based on the information available as at the date of preparing financial statements. Actual results may differ from current estimates. These estimates are periodically reviewed and if necessary these corrections are reflected in the financial results for the period, in which they have become known.

### Judgements

The management of the Group while implementing the accounting policies makes various judgements which could significantly affect the amounts presented in the consolidated financial statements. Major management's judgements, which have material effect on the consolidated financial statements, are presented below.

### Doubtful debt allowance for accounts receivable

Doubtful debt allowance for accounts receivable is established on the basis of the Group's estimate for solvency of specific debtors. If there is a decrease in solvency of any large debtor, or actual loss from debtors' non-fulfilment of liabilities exceeds the Group's estimates, actual results may differ from the determined estimates. Accrual (and reversal) of doubtful debt allowance for accounts receivable may be considerable.

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**Provisions for unused vacation**

The management of the Group has decided to provide for unused vacations, since there is a legal obligation to compensate in cash the unused vacations for the employees when certain circumstances occur (e.g. dismissal). The timing of such obligations is uncertain and the amount provided is the management's best estimate of potential expenses necessary to settle the existing liability as at the end of each reporting period.

**Measurement of issued loans at amortised cost**

Issued interest-free loans are classified as non-derivative financial assets which have been measured after initial recognition at amortised cost. However, the management is significantly concerned about maturity and payment schedule of the issued loans, since the majority of them are provided to key management personnel. Consequently, all further decisions about prolongation of loan agreements or early repayment of these loans will be made at the ultimate controlling party level and depend on the range of internal and external factors. Such uncertainty about future cash flows does not allow recognizing the amortised cost of these loans correctly. Hence, the receivable balance for the issued interest-free loans is measured at face value rather than at amortised cost. There were no interest-free loans as at the balance sheet dates.

**Taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made

**6. Sales revenue**

	<u>2014</u>	<u>2013</u>
Sales proceeds of finished production	19 167	12 753
Sales of goods	2 947	7 307
Sales proceeds of services	318	210
	<u>22 432</u>	<u>20 270</u>

**7. Cost of sales**

	<u>2014</u>	<u>2013</u>
Cost of sales of finished production	13 925	10 069
Cost of goods	3 028	6 535
Cost of sales of services	316	1 040
	<u>17 269</u>	<u>17 644</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**8. Administrative expenses**

	<b>2014</b>	<b>2013</b>
Salary and related charges	101	254
Services banks	-	60
Information and advice	542	43
Repairs	41	15
Mail services and communication	15	16
Auditors' remuneration	15	2
Other professional fees	17	145
Other	273	247
	<b>1 004</b>	<b>782</b>

**9. Selling expenses**

	<b>2014</b>	<b>2013</b>
Transportation	936	175
Salary and related charges	174	485
Marketing costs	239	212
Lease charges	-	88
Customs clearance	52	36
Electric power	-	5
Permission and quality documentation	31	16
Containers and packaging	88	49
Repairs and maintenance	22	19
Other	88	143
	<b>1 630</b>	<b>1 228</b>

**10. Other expenses**

	<b>2014</b>	<b>2013</b>
Doubtful debts	3	-
Loss of the right to a tax credit	(2)	4
Fines, penalties	6	3
Other expenses	1 596	200
	<b>1 603</b>	<b>207</b>

**11. Other income**

	<b>2014</b>	<b>2013</b>
Net foreign exchange gains	996	343
Gain from surpluses found during stocktaking	26	229
Bad and doubtful debts	-	101
Gain from sale of fixed assets and inventories	227	25
Trade payables write-off	12	35
Government grants	-	-
Other income	1 484	43
	<b>2 745</b>	<b>776</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

## 12. Finance expenses

	2014	2013
Interest expenses	563	549
	<u>563</u>	<u>549</u>

## 13. Income tax expenses

	2014	2013
Current income tax expense	65	161
Deferred income tax	(8)	(33)
	<u>57</u>	<u>128</u>

The corporation tax rate in Cyprus is 12.5%.

Under Ukrainian tax jurisdiction the Group's income was subject to income tax. In 2013 tax rate was 19% (2012: 21%). The tax rate applicable in Ukraine from 1st January 2014 is 18%.

A reconciliation of the tax expense based on the statutory rate with the actual tax expense is as follows:

	2014	%	2013	%
Profit before tax	3 107	100	636	100
Income tax at the rate applicable in Ukraine	559	18	147	19
Tax effect of non-deductible expenses (income)	(471)	(84)	(16)	2
Change in tax rate resulted	(31)	(1)	(3)	(0)
Income tax benefit	<u>57</u>	<u>(67)</u>	<u>128</u>	<u>17</u>

As at 31 December 2014 and 2013 Group's deferred taxes were the following:

	2014	Currency translation differences	Change in the expected tax rate	Origin and reversal of temporary differences	2013
<b>Deferred tax asset</b>	-	-	-	(42)	42
Advances received	-	-	-	-	-
Provision for unused vacations	-	-	-	(9)	9
Provision for trade and other receivable	-	-	-	(33)	33
<b>Deferred tax liability</b>	(9)	-	-	60	(69)
Property, plant and equipment	-	-	-	69	(69)
Provision for unused vacations	(3)	-	-	(3)	-
Provision for trade and other receivable	(6)	-	-	(6)	-
	<u>(9)</u>	-	-	<u>18</u>	<u>(27)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

	2013	Currency translation differences	Change in the expected tax rate	Origin and reversal of temporary differences	2012
<b>Deferred tax asset</b>	<b>42</b>	<b>(2)</b>	<b>(2)</b>	<b>3</b>	<b>(43)</b>
Provision for unused vacations	9	-	-	4	5
Provision for trade and other receivable	33	(2)	(2)	(1)	38
<b>Deferred tax liability</b>	<b>(69)</b>	<b>4</b>	<b>5</b>	<b>27</b>	<b>105</b>
Property, plant and equipment	(69)	4	5	27	(105)
	<b>(27)</b>	<b>2</b>	<b>3</b>	<b>30</b>	<b>(62)</b>

In the Consolidated Statement of Financial Position deferred taxes were as follows:

	2014	2013
Deferred tax asset	-	21
Deferred tax liability	(9)	(48)
	<b>(9)</b>	<b>(27)</b>

**14. Property, plant and equipment and construction in process**

	2014	2013
Property, plant, and equipment	1 363	2 347
Construction in process	301	514
	<b>1 664</b>	<b>2 861</b>

In the Consolidated Statement of Financial Position property, plant and equipment were as follows:

	Buildings	Plant and equipment	Vehicles	Other PPE	Total
<i>Cost or deemed cost</i>					
<b>As of 31 December 2012</b>	<b>738</b>	<b>1 190</b>	<b>168</b>	<b>58</b>	<b>2 154</b>
Additions	-	1 389	214	20	1 623
Disposals	(1)	(926)	(153)	(39)	(1 119)
Currency translation difference	(34)	(73)	(10)	(2)	(119)
<b>As of 31 December 2013</b>	<b>703</b>	<b>1 580</b>	<b>219</b>	<b>37</b>	<b>2 539</b>
Additions	1	62	34	2	99
Disposals	-	(2)	(22)	-	(24)
Currency translation difference	(300)	(694)	(79)	7	(1 066)
<b>As of 31 December 2014</b>	<b>404</b>	<b>946</b>	<b>152</b>	<b>46</b>	<b>1 548</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

	Buildings	Plant and equipment	Vehicles	Other PPE	Total
<i>Accumulated depreciation</i>					
<b>As of 31 December 2012</b>	<b>53</b>	<b>223</b>	<b>83</b>	<b>41</b>	<b>400</b>
Depreciation for the period	15	78	20	4	117
Disposals	(1)	(193)	(84)	(36)	(314)
Currency translation difference	(2)	(7)	(1)	(1)	(11)
<b>As of 31 December 2013</b>	<b>65</b>	<b>101</b>	<b>18</b>	<b>8</b>	<b>192</b>
Depreciation for the period	9	54	15	2	80
Disposals	-	-	(1)	-	(1)
Currency translation difference	(29)	(54)	(8)	5	(86)
<b>As of 31 December 2014</b>	<b>45</b>	<b>101</b>	<b>24</b>	<b>15</b>	<b>185</b>
<i>Net book value</i>					
<b>As of 31 December 2012</b>	<b>685</b>	<b>967</b>	<b>85</b>	<b>17</b>	<b>1 754</b>
<b>As of 31 December 2013</b>	<b>638</b>	<b>1 479</b>	<b>201</b>	<b>29</b>	<b>2 347</b>
<b>As of 31 December 2014</b>	<b>359</b>	<b>845</b>	<b>128</b>	<b>31</b>	<b>1 363</b>

The carrying amount of fixed assets that are pledged as a security for the fulfilment of the Group's obligations under loan agreements as of 31 December 2014 amount to EUR 1.082 thousand (2013: EUR 1.935 thousand).

## Revaluation

As at 1 January 2011 the Group carried buildings, plant and equipment and vehicles at fair value determined by accredited independent appraiser.

The fair values of buildings, plant and equipment and vehicles is determined by reference to market based evidence using the comparison and cost methods. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset. The fair value of buildings, plant and equipment and vehicles as deemed cost is recognised at the date of transition to IFRS in accordance with IFRS I. The amount of revaluation adjusted for deferred tax effect of revaluation is transferred to retained earnings on the date of transition.

## 15. Intangible assets

	2014	2013
Intangible assets:		
at cost	41	72
amortisation	(35)	(28)
	<b>6</b>	<b>44</b>

As of 31 December 2014 the Group's intangible assets consist of copyright and related rights for the software with carrying value EUR 6 thousand (2012: EUR 44 thousand).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

**16. Inventories**

	<u>2014</u>	<u>2013</u>
Raw materials	1 042	738
Merchandise	425	1 207
Finished goods	1 013	935
Construction materials	3	3
Inventory transferred for conversion	48	30
Spare parts	82	131
Other inventory	81	109
	<u>2 694</u>	<u>3 153</u>

The carrying amount of goods that are pledged as a security for the fulfilment of obligations under loan agreements as at 31 December 2014 amount to EUR 556 thousand (2013: EUR 1.330 thousand).

**17. Trade and other receivables**

	<u>2014</u>	<u>2013</u>
Trade receivables	3 849	2 784
Provision for doubtful debts	(24)	(185)
Other receivables	2	16
	<u>3 827</u>	<u>2 615</u>

The fair value of trade and other receivables to one year approximately equals to their net book value presented above.

**18. Prepayments and other current assets**

	<u>2014</u>	<u>2013</u>
Prepayments	374	499
Provision for impairment of advances to suppliers	(6)	(128)
Income tax receivables	5	94
VAT receivables	386	229
Other taxes receivables	65	-
Other currents assets	11	124
	<u>835</u>	<u>818</u>

**19. Cash and cash equivalents**

	<u>2014</u>	<u>2013</u>
Cash on hand	1	9
Cash at bank	22	25
Cash in transit	-	-
	<u>23</u>	<u>34</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(In thousands of EUR, unless otherwise stated)

**20. Share capital**

	2014		2013	
	Number of shares	€	Number of shares	€
<b>Authorised</b>				
Ordinary shares of €0,03 each	2.001.000	60	2.001.000	60
<b>Issued and fully paid</b>				
Balance at 1 January	1.780.000	53	1.740.000	52
Issue of shares	-	-	40.000	1
<b>Balance at 31 December</b>	<b>1.780.000</b>	<b>53</b>	<b>1.780.000</b>	<b>53</b>

**Authorised capital**

Under its Memorandum the Company fixed its share capital at 2.001.000 ordinary shares of nominal value of €0,03 each.

**Issued capital**

Upon incorporation on 12 April 2012 the Company issued to the subscribers of its Memorandum of Association 1.740.000 ordinary shares of €0,03 each at par.

On 26 February 2013 the Company issued additional 40.000 shares of nominal value €0,03 each.

On 8 April 2013 the Board of Directors resolved that up to 260.000 shares be placed at the alternative trading platform "NewConnect" of the Warsaw Stock Exchange. This decision has been approved by an Extraordinary General Meeting held on the 25 April 2013.

During 2014 there were no changes in issued capital and in the amount of floated shares.

**21. Share premium**

	Share premium	Total
Balance at 31 December 2013 / 1 January 2014	111	-
Issue of shares	-	111
Balance at 31 December 2014	111	111

On 26 February 2013 the Company issued additional 40.000 shares at a premium of €2,78 each

**22. Loans and borrowings**

	2014	2013
<b>Current</b>		
Interest-bearing loans and borrowings current	1 967	3 006
Overdraft	228	45
	<b>2 195</b>	<b>3 051</b>
<b>Non-current</b>		
Interest-bearing loans and borrowings non-current	39	-
Less: current portion of non-current loans and borrowings	-	-
Total interest-bearing and borrowings	<b>2 234</b>	<b>3 051</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Contractual interest rate per anum	Maturity	Liabilities
<b>2014</b>			
Fixed rate	27-27,15%	2015	39
Fixed rate	20-23%	2015	2 195
Fixed rate	14-15,45%	2016	-
			<b>2 234</b>
<b>2013</b>			
Fixed rate	27-27.15%	2014	607
Fixed rate	20-23%	2014	1 296
Fixed rate	14-15.45%	2014	1 148
			<b>3 051</b>

The Company's undrawn borrowings as at 31 December 2014 amount to €68 thousand (2013: €816 thousand).

**23. Trade and other payables**

	2014	2013
Trade payables	2 213	2 816
Interest payables	2	4
	<b>2 215</b>	<b>2 820</b>

**24. Advances received and other liabilities**

	2014	2013
Advances received from customers	1 112	421
Employee benefit liabilities	12	34
Social insurance	1	11
Payables for unused vacations	17	45
Shareholders' current accounts	-	8
Accruals	8	25
Income tax payable	2	3
Other taxes payable	108	4
Other current liabilities	15	152
	<b>1 275</b>	<b>703</b>

The fair value of trade and other payables to one year approximately equals to their fair value.

**25. Transactions with key management personnel**

Related parties include the Companies under common control and key management.

The ultimate controlling parties of the Group are Mr. Vlasenko A., Mr. Vlasenko A., Mr. Slavgorodskiy A., Mr. Dobruskin I. and Ms. Steshenko V.

The following tables provide the total amount of transactions, which have been entered into with related parties during:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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	Repayment of raised loans	Raising of loans	Purchases of goods and services	Sales of goods and services
<b>2014</b>				
Entities under common control	-	-	25	112
Key management personnel	1 120	2 203	-	-
	<b>1 120</b>	<b>2 203</b>	<b>25</b>	<b>112</b>
<b>2013</b>				
Entities under common control			432	237
Key management personnel	396	397	346	1
	<b>396</b>	<b>397</b>	<b>778</b>	<b>238</b>

The outstanding balances due from/to related parties as at 31 December 2014 and 2013 were follows:

	Advances received and other current liabilities	Prepayments and other current assets	Trade and other payables	Trade and other receivables
<b>2014</b>				
Entities under common control	31	-	11	21
Key management personnel	885	-	-	-
	<b>916</b>	<b>-</b>	<b>11</b>	<b>21</b>
<b>2013</b>				
Entities under common control	61	16	1 379	179
Key management personnel	-	24	69	15
	<b>61</b>	<b>40</b>	<b>1 448</b>	<b>194</b>

For the year ended 31 December 2014, the remuneration of the key management personal amounted to EUR 32.000 (2013: EUR 27.000).

## 26. Commitments and contingencies

### Legal claims

As discussed in Note 2, the Group conducts the majority of its operations in Ukraine. Ukrainian legislation and regulations regarding taxation and other operational matters continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities and other Governmental bodies as well as by the courts. Instances of inconsistent interpretations are rather usual and thus there is no clear guidance on the position of the authorities and the courts on most subjects.

### 27. Post balance sheet events

We draw attention to the extremely difficult economic and political situation in Ukraine which can affect the assets and liabilities of the Group. The current devaluation of the national currency of Ukraine has a direct dependence on the structural problems of the economy of Ukraine and overcome of this trend is associated with the modernization of the economy and diversification of the major export channels of foreign currency earnings. These problems give grounds for prediction that Ukraine is expected the pre-default state without dosed financial assistance. Dependence of the functioning of the economy from attracted funds at this moment is critical.