Mriya Agro Holding Public Limited

Consolidated financial statements

As at 31 December 2013

CONTENTS

GENERAL INFORMATION

Directors:

Name	Date of appointment	Date of resignation
Daniel W. Hasler	6 March 2014	
Hans Christian Jacobsen	10 March 2011	
Thomas U.W.Puetter	10 March 2011	
Mykola Guta	12 October 2010	
Andriy Buryak	12 October 2010	
Vladyslav Lugovskiy	12 October 2010	
Ivan Guta	12 October 2010	6 March 2014
Klavdiya Guta	12 October 2010	6 March 2014
Andriy Guta	12 October 2010	6 March 2014

Company secretary:

Vimatex Limited
25 Afroditis Street,
2nd Floor, Flat no. 204,
1060, Nicosia, Cyprus

Independent auditors:

Ernst & Young Cyprus Ltd
Certified Public Accountants and Registered Auditors

Nicosia Tower Centre
P.O. Box 21656
1511 Nicosia
Cyprus

Registered office:

25 Afroditis Street,
2nd Floor, Flat no. 204,
1060, Nicosia, Cyprus

Registration number:

211870

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE FINANCIAL STATEMENTS

In accordance with Article 9, sections (3) (c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 ("Law"), we the members of the Board of Directors and the other responsible persons for the financial statements of Mriya Agro Holding Public Limited (the 'Company') for the year ended 31 December 2013, confirm that, to the best of our knowledge:

(a) the annual consolidated financial statements that are presented on pages 1 to 45 were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Article 9, section (4) of the Law, and give a true and fair view of the assets and liabilities, the financial position and the profit or losses of the Company and the undertakings that are included in the consolidated accounts as a total, and (b) the Directors' report gives a fair review of the developments and the performance of the business as well as the financial position of the Company and the undertakings included in the consolidated accounts as a total, together with a description of the principal risks and uncertainties that they are facing.

Mykola Guta Chief Executive Officer

Andriy Buryak Chief Financial Officer

04 April 2014

DIRECTORS' REPORT

The Directors present their report and consolidated audited financial statements of the Company for the year ended 31 December 2013.

Incorporation and principal activities

Mriya Agro Holding Public Limited (hereinafter referred to as the "Company", or collectively with its subsidiaries as the "Group") was incorporated in Cyprus on 8 November 2007 as a limited liability company under the Cyprus Companies Law, Cap. 113. Following the resolution of general meeting on 16 May 2008, the Company was re-registered as a public limited company.

The principal activity of the Group is agricultural production and trading, including growing of potatoes, wheat, barley, pea, rape, sugar beet, buckwheat and corn. Also, the Group is involved in providing technical assistance in land cultivation and harvesting, providing logistical support, agro-service assistance and intermediary services to other agricultural producers.

Review of the development, performance and current position of the Company and the Group and description of the major risks and uncertainties

The Group's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The most significant risks and uncertainties faced by the Company and the Group and the steps taken to manage these risks, are described in Note 26 (i) and Note 30 to the accompanying consolidated financial statements.

Profits and dividends

The Group's results for the years are set out in the statement of comprehensive income on page 7. The profit for the year amounted to USD 88,486 thousand (2012: USD 174,401 thousand). No dividend was paid or is being proposed and the profit for the year is carried forward to retained earnings.

Expected future development

The Directors do not expect major changes to the principal activities of the Group in the foreseeable future.

Share capital

The authorised capital of the Company comprises 4,363,525 ordinary shares of EUR 0.01 each, 4,250,010 of which (equivalent to USD 63 thousand translated at exchange rate of USD 1.4824/1 EUR, being the rate ruling at the date of the Company's incorporation) were issued, subscribed and fully paid. Details of the issue are described in Note 20 to the accompanying consolidated financial statements.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2013 and at the date of this report are presented in General Information page. On 6 March 2014, Messrs Ivan Guta, Klavdiya Guta and Andriy Guta resigned from their positions as Company directors and, on the same date, Mr Daniel W. Hasler was appointed.

Events subsequent to the reporting date

Significant events that occurred after the end of the financial period are described in Note 31 to the consolidated financial statements.

DIRECTORS' REPORT (continued)

Independent auditors

The independent auditors, Ernst & Young Cyprus Limited, have signified their willingness to continue in office. A resolution proposing their reappointment and authorising the Directors to set their remuneration will be proposed at the Annual General Meeting of the Company.

By order of the Board of Directors

Vimatex Limited
Secretary

Nicosia
04 April 2014

Ernst & Young Cyprus Limited
Nicosia Tower Centre
36 Byron Avenue
P.O.Box 21656
1511 Nicosia, Cyprus

Tel: +357 22209999
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Independent auditors' report

To the members of Mriya Agro Holding Public Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mriya Agro Holding Public Limited (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

Emphasis of matters

We draw attention to Note 27 to the consolidated financial statements, which discloses a considerable volume of certain crop sales to related parties. Our opinion is not qualified in respect of this matter.

We further draw attention to Note 2 to the consolidated financial statements, which describes the political unrest in Ukraine that started in November 2013 and escalated in 2014. The events referred to in Note 2 could adversely affect the Group's results and financial position in a manner not currently determinable. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

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

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

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of
Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, 4 April 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

(in thousands of US dollars, except otherwise stated)

	Notes	*2013*	*2012*
			(Restated)
Revenues	9	498,735	347,935
Net gain on initial recognition of biological assets and agricultural produce and on change in fair value of biological assets	15	163,898	215,102
Total revenues and net gain		**662,633**	**563,037**
Cost of sales	9	(430,860)	(318,270)
Gross profit		**231,773**	**244,767**
Other operating income	9	11,947	13,543
Administrative expenses	9	(29,737)	(25,115)
Selling expenses	4,9	(28,999)	(8,647)
Other operating expenses	9	(22,124)	(16,832)
Operating profit		**162,860**	**207,716**
Finance income	9	11,595	18,948
Finance costs	9	(85,650)	(50,676)
Foreign exchange gain/(loss), net		1,876	(1,142)
Profit before tax		**90,681**	**174,846**
Income tax expense	10	(2,195)	(445)
Profit for the year		**88,486**	**174,401**
Other comprehensive income			
Exchange differences on translation to presentation currency		(469)	1,523
Income tax effect on revaluation of property, plant and equipment	10	(1,472)	–
Other comprehensive loss for the year, net of tax		**(1,941)**	**1,523**
Total comprehensive income for the year, net of tax		**86,545**	**175,924**
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the parent, US dollars	11	20.82	41.04

The accompanying Notes on pages 11 to 45 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

(in thousands of US dollars)

	Notes	2013	2012 (Restated)	2011 (Restated)
Assets				
Non-current assets				
Property, plant and equipment	12	762,585	643,524	366,232
Prepaid lease expenses	13	276,037	152,856	120,675
Intangible assets		593	504	373
Long-term receivables		–	478	479
Biological assets – Non-consumable		11,331	1,884	2,505
Other non-current assets	14	24,391	52,046	28,315
		1,074,937	**851,292**	**518,579**
Current assets				
Biological assets – Consumable	15	199,377	184,822	111,826
Inventories	16	171,528	126,616	87,772
Trade and other receivables	17	85,146	46,731	108,286
Short-term bank deposits	18	178,041	101,833	139,906
Cash at bank	18	7,726	2,030	44,391
Other current assets	19	38,703	24,998	27,054
		680,521	**487,030**	**519,235**
Total assets		**1,755,458**	**1,338,322**	**1,037,814**
Equity and liabilities				
Equity				
Issued capital	20	63	63	63
Share premium		86,245	86,245	86,245
Contribution in capital	20, 27	36,821	33,680	33,680
Other reserves	4,20	(19,211)	(17,270)	(18,793)
Retained earnings	4,8,20	742,057	653,571	479,170
		845,975	**756,289**	**580,365**
Non-current liabilities				
Interest-bearing loans and borrowings	21	450,806	261,007	238,029
Long-term payables	22	20,480	29,676	23,046
Finance lease liability	26	27,633	21,235	24,095
Deferred income on government grants		23	58	63
Deferred tax liability	10	3,680	1,924	2,558
		502,622	**313,900**	**287,791**
Current liabilities				
Interest-bearing loans and borrowings	21	297,282	175,270	112,983
Trade and other payables	23	80,775	70,502	38,321
Finance lease liability	26	20,173	13,664	11,445
Share purchase warrant	24	2,067	2,848	5,178
Deferred income on government grants		2	9	9
Other current liabilities	25	6,562	5,840	1,722
		406,861	**268,133**	**169,658**
Total liabilities		**909,483**	**582,033**	**457,449**
Total equity and liabilities		**1,755,458**	**1,338,322**	**1,037,814**

Signed and authorised for release on behalf of Mriya Agro Holding Public Limited on 04 April 2014:

Director Mykola Guta

Director Andriy Buryak

The accompanying Notes on pages 11 to 45 form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

(in thousands of US dollars)

	Notes	*2013*	*2012*
Cash flows from operating activities			
Cash receipts from customers		501,931	409,683
Cash payments to suppliers and employees		(346,261)	(208,124)
Government grants other than interest reimbursement		–	38
Cash generated from operations		**155,670**	**201,597**
Interest received		8,303	10,754
Interest paid		(58,357)	(44,302)
Income tax paid		(1,419)	(937)
Net cash flows from operating activities		**104,197**	**167,112**
Cash flows from investing activities			
Purchase of property, plant and equipment		(161,578)	(252,891)
Purchase of intangible assets		(261)	(203)
Prepayments for land lease rights	13	(39,334)	(1,501)
Acquisition of land lease rights through asset's acquisitions	13	(69,949)	(42,542)
Acquisition of subsidiaries, less cash acquired	8	(21,583)	(206)
Prepaid consideration for acquisition of subsidiaries		–	(32,079)
Proceeds from sale of property, plant and equipment		77	7,013
Placement on deposits		(216,521)	(136,972)
Withdrawal from deposits		140,312	174,939
Loans (granted to)/repaid by related parties	27	(29,898)	28,454
Net cash flows used in investing activities		**(398,735)**	**(255,988)**
Cash flows from financing activities			
Proceeds from loans and borrowings		847,489	210,750
Repayment of loans and borrowings		(549,648)	(146,754)
Payment of finance lease liabilities		(23,609)	(13,610)
Repayments of loans granted by related parties		(98)	(3,856)
Proceeds from sales and leaseback transactions	12	26,100	–
Net cash flows from financing activities		**300,234**	**46,530**
Net increase/(decrease) in cash and cash equivalents		**5,696**	**(42,346)**
Net foreign exchange difference		–	(15)
Cash and cash equivalents at 1 January	18	2,030	44,391
Cash and cash equivalents at 31 December	18	**7,726**	**2,030**

The accompanying Notes on pages 11 to 45 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(in thousands of US dollars)

	Issued capital	*Share premium*	*Contribution in capital (Note 20)*	*Other reserves (Note 20)*	*Retained earnings*	*Total*
Balance at 31 December 2011 (audited and as previously reported, Note 4)	**63**	**86,245**	**33,680**	**(1,273)**	**476,688**	**595,403**
Adjustments	–	–	–	(17,520)	2,482	(15,038)
Balance at 31 December 2011 (audited and restated, Note 4)	**63**	**86,245**	**33,680**	**(18,793)**	**479,170**	**580,365**
Profit for the year	–	–	–	–	174,401	174,401
Other comprehensive income	–	–	–	1,523	–	1,523
Total comprehensive income	**–**	**–**	**–**	**1,523**	**174,401**	**175,924**
Balance at 31 December 2012 (audited restated, Note 4, 8)	**63**	**86,245**	**33,680**	**(17,270)**	**653,571**	**756,289**
Profit for the year	–	–	–	–	88,486	88,486
Other comprehensive loss	–	–	–	(1,941)	–	(1,941)
Total comprehensive income	**–**	**–**	**–**	**(1,941)**	**88,486**	**86,545**
Additional paid-in capital	–	–	3,141	–	–	3,141
Balance at 31 December 2013	**63**	**86,245**	**36,821**	**(19,211)**	**742,057**	**845,975**

The accompanying Notes on pages 11 to 45 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

(in thousands of US dollars)

1. Corporate information

Mriya Agro Holding Public Limited (hereinafter referred to as the "Company", or collectively with its subsidiaries as the "Group") was incorporated in Cyprus on 8 November 2007 as a limited liability company under the Cyprus Companies Law, Cap. 113. Following the resolution of general meeting on 16 May 2008, the Company was re-registered as a public limited company.

The Company's registered office is located at 25 Afroditis Street, 2nd Floor, Office 204, 1060 Nicosia, Cyprus.

The Group's principal activity is agricultural production and trading, including growing of potatoes, wheat, barley, rape, sugar beet and corn in Ukraine. Also, the Group provides technical assistance in land cultivation and harvesting; provides logistical support, agro-service assistance and intermediary services to other agricultural producers.

As at 31 December 2013 and 2012 the Company's shareholders and their respective declared interests were as follows:

	Interest	***Number of shares***
HF Asset Management Limited	80.00%	3,400,004
BNY (Nominees) Limited	20.00%	850,000
Other individuals	Less than 1%	6
	100.00%	**4,250,010**

As at 31 December 2013 and 2012, the Group's parent, HF Asset Management Limited, was ultimately owned by four members of Guta family, who together exercise ultimate control over the Group.

On 12 June 2008, 20% of the Company's shares were accepted to trading on Frankfurt Stock Exchange in the form of GDRs. The shares represented by GDRs are held by custodian for the benefit of BNY (Nominees) Limited acting as depository. The owners of GDRs are not entitled to vote at the shareholders meetings of the Company. They can however instruct BNY (Nominees) Limited to exercise voting rights attributable to the number of ordinary shares represented by GDRs.

2. Operating environment and current political situation in Ukraine

The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, fiscal, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets. The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

In November 2013, the Ukrainian Government declined to sign the association agreement with the European Union, which resulted in protests and signs of political unrest. In January-March 2014, the political unrest escalated. In February 2014, the President and majority of Government officials were dismissed by the Parliament. The Parliament has initiated certain political reforms, has appointed a transitional Government and is forming a set of anti-crisis measures. On 21 March 2014, Ukraine signed a political association with the European Union.

Furthermore, from 1 January 2014 to 3 April 2014, the Ukrainian Hryvnia devaluated against major foreign currencies by approximately 39%, and the National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market. The international rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

Management is monitoring these developments in the current environment and taking actions where appropriate. Further negative developments, including the political unrest, could adversely affect the Group's results and financial position in a manner not currently determinable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for some groups of property, plant and equipment, biological assets, agricultural produce and a share purchase warrant that have been measured by reference to fair value.

These consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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 assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit and loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

4. Changes in accounting policy and disclosures

Voluntary change to the accounting of property, plant and equipment

Up to 31 December 2012 all items of property, plant and equipment were measured after initial recognition at revalued amounts. Given the increasing volume of capital investments in construction of highly-specialized and technologically complex objects, such as silos, seeds and starch plants and agro-chemistry facilities, for which estimation of fair values involves significant number of assumptions and is based on inputs that are not readily available, the Group resolved to revise its accounting policy for the respective items of property, plant and equipment. Accordingly, with effect from 1 January 2013 such items are combined in one group – plants and storage facilities – and measured at historical cost less accumulated depreciation and impairment losses, if any.

The Group believes that the revised accounting policy provides more relevant and reliable information to the users of the consolidated financial statements.

The change in accounting policy was applied retrospectively. The following adjustments were made to the consolidated financial statements:

As at 31 December 2012	***As previously reported***	***Adjustments***	***As restated***
Property, plant and equipment	661,006	(14,916)	646,090
Other reserves	250	(17,520)	(17,270)
Retained earnings	650,981	2,604	653,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Changes in accounting policy and disclosures (continued)

Voluntary change to the accounting of property, plant and equipment (continued)

For the year ended 31 December 2012	***As previously reported***	***Adjustments***	***As restated***
Selling expenses	(8,769)	122	(8,647)

As at 31 December 2011	***As previously reported***	***Adjustments***	***As restated***
Property, plant and equipment	381,270	(15,038)	366,232
Other reserves	(1,273)	(17,520)	(18,793)
Retained earnings	476,688	2,482	479,170

In addition to above described restatement, certain reclassifications have been made to the comparative consolidated statement of comprehensive income and disclosures to statement of financial position in order to comply with classifications made in current reporting period. Such reclassifications had no impact on net profit and total comprehensive income of the Group.

The Group applied, for the first time, certain standards and amendments that require restatement of previously issued financial statements. These include IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard and amendment is described below:

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 29.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Group's financial position or performance.

5. Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Goodwill is initially measured at cost, which is the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed at fair value. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

Foreign currency translation

The functional currency of each of the Group's entities is Ukrainian Hryvnia (UAH).

For the convenience of the principal users, the Group's presentation currency is the US dollar (USD).

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange 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.

ii) 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 consolidation of 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 equity balances are translated at the exchange rate as at the dates of the initial transactions. The exchange differences arising on the translation are recognised in other comprehensive income. The relevant exchange rates of UAH for USD were:

	2013	***2012***	***2011***
As at 31 December	7.9930	7.9930	7.9898
Average	7.9930	7.9910	7.9676

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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, and excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as 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 agricultural produce

Revenue from the sale of agricultural produce is recognised when significant risks and rewards of ownership of the goods have passed to the buyer, which may occur on delivery or on shipment of the goods, depending on the terms of the contracts with customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Rendering of services

Revenues from services are recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Taxes

Fixed agricultural tax

According to effective legislation, the Ukrainian subsidiaries of the Group involved in production, processing and sale of agricultural products may opt for paying fixed agricultural tax (FAT) in lieu of income tax, land tax and some other local taxes if the revenues from sale of their self-grown agricultural products constitute not less than 75% of their total (gross) revenues. The FAT is assessed at 0.15% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). As at 31 December 2013, 43 Ukrainian subsidiaries of the Group elected to pay FAT (2012: 24, 2011: 27). The rest of the Group's entities are subject to a regular income tax and unified tax (3 subsidiaries in 2013 and 1 subsidiary in 2012).

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 by the Group entities that are not registered as payers of FAT or unified tax. Current income tax is computed using the tax rates and tax laws that are enacted in the countries where the Group operates and generates taxable income.

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 generally recognised for all taxable temporary differences.

Deferred income tax assets are generally 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.

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.

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 and other government grants

The Group's entities involved in the production and sale of agricultural products that met certain quantitative thresholds are subject to the privileged VAT regime, whereby such entities were granted the right to retain net VAT liabilities, rather than remitting such amounts to the state budget, as other taxpayers are required to do. Net VAT liabilities are transferred to entity's separate special bank account to finance the agricultural activities of the Group. The excess of VAT liability over VAT credit is charged to profit or loss as government grant. VAT receivable exceeding VAT liability is used as a reduction of tax liabilities in the next periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Summary of significant accounting policies (continued)

Taxes (continued)

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants are recognised as income on a systematic basis over the periods that the related costs, which they are intended to compensate, are expensed. 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.

Biological assets

Biological assets represent unharvested crops and livestock and are recognised and subsequently measured at fair value after deduction for estimated selling costs. The fair value of the Group's biological assets is calculated as the present value of anticipated future cash flows from the asset before tax. The fair value calculation for unharvested crops is based on existing crop hectares and assessments regarding crop yield, selling prices and future cultivation costs. The fair value of livestock is based on expected volume of milk produced during the productive lives of the dairy cattle, expected volume of meat at the date of slaughter, respective anticipated prices, average expected productive lives of the livestock and future production costs. The discount rate is estimated by reference to current market-determined pre-tax rates.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset at each subsequent reporting date is included in profit and loss in the period in which it arises.

The biological assets are classified as current or non-current depending on the expected pattern of consumption of the economic benefits embodied in the biological assets.

Agricultural produce

Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated costs to sell at the point of harvest. Where applicable, costs to sell include commissions to brokers and dealers, levies by regulatory agencies, commodity exchanges and transfer taxes and duties.

Costs to sell exclude transport costs necessary to get assets to a market. Such measurement becomes cost of agricultural produce at the date of harvest.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is included in profit and loss in the year in which it arises.

Property, plant and equipment

Property, plant and equipment is initially recognised at cost. Such cost includes the cost of replacing part of property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

After initial measurement, land and buildings, plant and machinery, motor vehicles and tools and devices are carried at fair value less accumulated depreciation (except for land, which is not depreciated) and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Repair and maintenance costs are expensed as incurred.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss, in which case the increase is recognised in profit and loss. A revaluation deficit is recognised in profit and loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

Asset category	***Useful life (years)***
Buildings and constructions	7-80
Plants and storage facilities	8-60
Plant and machinery	3-30
Motor vehicles	5-20
Tools and devices	3-7

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

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.

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 item 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 profit and loss as part of finance costs.

Leased assets are depreciated over their useful lives, unless there is no reasonable certainty that the Group will obtain ownership of leased assets by the end of the lease term, in which case the related assets are depreciated over the shorter of their estimated useful lives and the lease terms.

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

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 an entity incurs in connection with the borrowing of funds.

Prepaid lease expenses

The payments made by the Group on entering into or acquiring land-use rights represent prepaid lease expenses that are amortised over the lease term in accordance with the expected pattern of consumption of the economic benefits embodied in the land-use rights.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost of inventories is determined as follows:

Agricultural produce – the fair value less costs to sell at the point of harvesting.

Work in progress – cost of direct materials and labour and a proportion of overheads based on normal operating capacity but excluding borrowing costs. Costs are capitalised in work in progress for preparing and treating land prior to seeding in the next period. Work in progress is transferred to biological assets once the land is seeded.

Raw materials, goods for resale and other inventories – purchase cost on a first-in first-out basis.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Summary of significant accounting policies (continued)

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, which is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It 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. 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 that require annual impairment testing regardless of impairment indicators. The Group has determined that for the year ended 31 December 2013, there are no indications of assets impairment; therefore, no impairment testing was performed.

Financial assets

Initial recognition and subsequent measurement

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 recognised 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 bank deposits, trade and other receivables, other long-term receivables (all classified as loans and receivables in accordance with IAS 39).

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 amortised cost using the effective interest rate method, less any allowance for impairment. Amortised 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 recognised as income or expenses when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Summary of significant accounting policies (continued)

Financial assets (continued)

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.

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, 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.

For financial assets classified as loans and receivables, the Group first assesses whether objective evidence of impairment exists for each of the financial assets that are 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.

The carrying amount of the asset is directly reduced for credit losses and the amount of the loss is recognised as part of other operating expenses in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount at 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 and receivables 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 write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Summary of significant accounting policies (continued)

Financial liabilities

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 recognised initially at fair value less, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings, finance lease, share purchase warrant and financial liabilities through profit and loss.

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 amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Share purchase warrant

After initial recognition at its fair value, share purchase warrant is subsequently measured at fair value through profit or loss.

Interest-bearing loans and borrowings

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

Financial liabilities through profit and loss

The Group's financial liabilities through profit and loss include derivative financial instruments that are not designated as hedging instruments. After initial recognition gains or losses on such financial liabilities are recognised in finance income or finance costs.

Derecognition

A financial liability is derecognised 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 not traded in an active market

The Group's financial instruments are not traded in an active market. Accordingly, the fair value of such instruments is determined using appropriate valuation techniques. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

Offsetting of financial instruments

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

Issued capital

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Summary of significant accounting policies (continued)

Gratis contributions of non-monetary assets from shareholders and ultimate controlling parties

Gratis contributions of non-monetary assets from the shareholders and ultimate controlling parties are accounted for as equity transactions and recorded as contribution in capital at fair values of assets received.

Earnings per share

Earnings per share are calculated by dividing net profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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 recognised in the financial statements when 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 but not recognised when the possibility of an outflow of resources embodying economic benefits is remote.

Cash and cash equivalents

Cash 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 consolidated cash flow statement, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts, if any.

6. Significant accounting judgments and assumptions

The preparation of the Group’s consolidated financial statements requires management to make judgments, 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. The estimates and associated assumptions are based on historical experience, development plans and other relevant factors. Actual results may differ from these estimates.

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of a special purpose entity

In June 2011, one of the Group's subsidiaries established a special-purpose investment fund (the Fund) to manage financing of some of the Group's operating activities. According to Ukrainian legislation, the Fund is not a legal entity, but rather a venture operated and managed by the Group's subsidiary and owned by investors (the Group's related parties) on the basis of joint partial ownership. The investors are not permitted by law to intervene in the operations of the entity that operates and manages the Fund. The investors may, however, exercise some oversight functions limited to approving contracts with registrar, custodian, auditor and valuator and authorizing changes to the Fund's by-laws. The Fund's by-laws determine the investment policy and the mechanisms and frequency of profit distributions.

The Fund was established in order to accomplish a narrow and well-defined objective and in 2013 and 2012 it was operating solely for the benefit of the Group's entities. As at 31 December 2013 and 2012, there were no significant residual benefits in the Fund to which investors could be entitled. Based on the analysis of all facts and circumstances, the management concluded that the Fund is a special purpose entity of the Group and, accordingly, it was consolidated in these financial statements. The balances and transactions between the Group entities and the Fund were fully eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Significant accounting judgments and assumptions (continued)

Judgments (continued)

Accounting for land improvements

As part of the technological process the Group entities make various improvements to the agricultural land in order to maximise the returns. Based on management judgement such improvements may have either short or longer term yield improvement effect. If maximisation of the returns is expected only for winter crops carried in the statement of financial position, the related costs are completely attributed to the respective biological assets; in case the maximised returns are expected for longer periods and, accordingly, all the costs incurred, such as green manure planting, cannot be attributed to the existing biological assets, such costs are carried to the next reporting period(s) either as part of work-in-progress or are included in other long-term assets.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revaluation of property, plant and equipment

As described in Notes 5, the Group applies revaluation model of accounting for all groups of property, plant and equipment, except for plant and storage facilities group, revaluation of which was ceased since 1 January 2013 (Note 4). Under revaluation method, property, plant and equipment is carried at fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. Estimation of the fair value of property, plant and equipment involves significant judgment and use of assumptions. Management engaged external independent appraisers to estimate the fair value of property, plant and equipment as at 30 November 2011.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates, for possible consequences of future tax audits. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the respective tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile. The Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as possible; therefore no provision has been recognised.

Fair value of biological assets

Due to the lack of observable market prices for the Group’s biological assets in their condition at the reporting dates, the fair value of such biological assets was estimated by present valuing the net cash flows expected to be generated from the assets discounted at a current market-determined pre-tax rate.

Fair values of biological assets were based on the following key assumptions:

- expected crop yield is based on the historical information adjusted for the effect of expected weather conditions;
- the average productive life of livestock is determined based on internal statistical information;
- prices for grains, milk and meat are obtained from external verifiable sources;
- prices for sugar beet are determined by reference to available wholesale prices for sugar as adjusted for average processing costs;
- cultivation and production costs are projected based on actual historical information;
- the discount rate is estimated by reference to current market-determined pre-tax rates.

During the year ended 31 December 2013 and 31 December 2013 fair value of current and non-current biological assets was estimated using discount factor of 12%.

Further details on biological assets are disclosed in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Significant accounting judgments and assumptions (continued)

Estimates and assumptions (continued)

Fair value of share purchase warrant

The fair value of share purchase warrant is determined using Black-Scholes model based on the following inputs:

- current stock price, sourced from Bloomberg,
- strike price as specified in the share purchase warrant,
- risk-free interest rate and volatility based on historical information.

The method of valuation is further described in Note 24.

7. Standards issued but not yet effective and not early adopted

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

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. They are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Business combinations

Acquisitions in 2013

During the year ended 31 December 2013, the Group acquired from third parties 100% participation in the following Ukrainian agricultural producers and traders.

Name of the company	*Date of incorporation*	*Date of acquisition*
PE Agrariya	19 October 2005	1 August 2013
LLC "Herrom Invest-Chemerivtsi"	14 May 2007	7 August 2013
LLC "Agro-Dar MKF"	23 August 2005	21 October 2013
LLC "Landkom Symoniv"	29 June 2010	19 December 2013

These business combinations have been accounted for using the acquisition method. The acquisition date fair values of acquired assets and liabilities were finalised as at 31 December 2013. The fair values of identifiable assets and liabilities at the date of acquisition were as follows:

	PE Agrariya	*LLC "Herrom Invest-Chemerivtsi"*	*LLC "Agro-Dar MKF"*	*LLC "Landkom Symoniv"*	*Total*
Intangible assets	7	1	–	2	10
Property, plant and equipment (Note 12)	2,456	4,447	1,227	3,026	11,156
Prepaid land lease rights (Note 13)	8,078	9,234	2,309	12,374	31,995
Area, covered by acquired prepaid land lease rights, ha	*3,574*	*3,115*	*484*	*6,115*	*13,288*
Inventories	3,222	244	128	1,099	4,693
Trade receivables	1,197	1	320	–	1,518
Other current assets	231	35	9	45	320
Cash	–	2	1	16	19
	15,191	**13,964**	**3,994**	**16,562**	**49,711**
Trade and other payables	(3,815)	(71)	(327)	(1,226)	(5,439)
Other current liabilities	(502)	(883)	(39)	(131)	(1,555)
	(4,317)	**(954)**	**(366)**	**(1,357)**	**(6,994)**
Total identifiable net assets at fair value	**10,874**	**13,010**	**3,628**	**15,205**	**42,717**
Gain on bargain purchase (Note 9)	(378)	(301)	(77)	-	(756)
Purchase consideration transferred (in cash)	**10,496**	**12,709**	**3,551**	**15,205**	**41,961**

The fair value of trade receivables at the dates of acquisitions amounts to USD 1,518 thousand, which is equal to gross amount of accounts receivable acquired. None of the trade receivables have been impaired. As at 31 December 2013 majority of these accounts receivable were collected.

Analysis of cash flows on acquisition:

	PE Agrariya	*LLC "Herrom Invest-Chemerivtsi"*	*LLC "Agro-Dar MKF"*	*LLC "Landkom Symoniv"*	*Total*
Cash paid	10,496	12,709	3,551	15,205	41,961
Cash acquired	–	(2)	(1)	(16)	(19)
Net cash outflow/(inflow)	**10,496**	**12,707**	**3,550**	**15,189**	**41,942**

It is not practicable to determine what would be the revenue and net profit for the year ended 31 December 2013 had the acquisitions occurred on 1 January 2013 in accordance with IFRS, because the acquired operating companies maintained their books in accordance with local accounting standards that are significantly different from IFRS. From the date of acquisition and up to 31 December 2013 the revenue and net profit generated by the acquired companies amounted to USD 24,392 thousand and USD 20,958 thousand, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Business combination (continued)

Acquisitions in 2012

During the year ended 31 December 2012, the Group completed the acquisition of 100% interests in Farruka Limited, which owns 100% participation interest in a number of Ukrainian agricultural producers and companies. These business combinations have been accounted for using the acquisition method. The acquisition date fair values of acquired assets and liabilities were preliminary as at 31 December 2012 and were finalised and adjusted as a result of obtaining additional information from appraiser as at 31 December 2013. The fair values of identifiable assets and liabilities at the date of acquisition were as follows:

	Farruka Limited			*Agro-Vita PP*	*Total*
	Provisional fair value recognized on acquisition (reported as at 31 December 2012)	***Adjustment***	***Fair value recognized on acquisition (adjusted as at 31 December 2013)***	***Fair value recognized on acquisition (reported as at 31 December 2012)***	***Fair value recognized on acquisition (adjusted as at 31 December 2013)***
Property, plant and equipment (Note 12)	10,733	(2,566)	8,167	61	8,228
Prepaid land lease rights	10,178	2,552	12,730	–	12,730
Area, covered by acquired prepaid land lease rights, ha	*4,040*	–	*4,040*	–	*4,040*
Inventories	2,948	–	2,948	74	3,022
Biological assets – Consumables (Note 15)	–	–	–	318	318
Trade receivables	126	–	126	–	126
Other current assets	–	–	–	15	15
Cash	6	–	6	–	6
	23,991	**(14)**	**23,977**	**468**	**24,445**
Long-term payables	(4)	–	(4)	–	(4)
Trade and other payables	(1,778)	–	(1,778)	(112)	(1,890)
Other current liabilities	(2,213)	–	(2,213)	(9)	(2,222)
	(3,995)	**–**	**(3,995)**	**(121)**	**(4,116)**
Total identifiable net assets at fair value	**19,996**	**(14)**	**19,982**	**347**	**20,329**
Gain on bargain purchase (*) (Note 9)	(14)	14	–	(141)	(141)
Purchase consideration transferred (in cash)	**19,982**	**–**	**19,982**	**206**	**20,188**

(*) Gain arises because the fair value of the acquired non-monetary assets exceeds the amount paid for those assets.

The fair value of trade receivables at the dates of acquisitions amounts to USD 126 thousand, which is equal to gross amount of accounts receivable acquired. None of the trade receivables have been impaired and full contractual amounts were collected as at 31 December 2012.

Analysis of cash flows on acquisition:

Cash	***Farruka Limited***	***Agro-Vita PP***	***Total***
Cash paid	19,982	206	20,188
Cash acquired	(6)	–	(6)
Net cash outflow	**19,976**	**206**	**20,182**

It is not practicable to determine what would be the revenue and net profit for the year ended 31 December 2012 had the acquisitions occurred on 1 January 2012 in accordance with IFRS, because the acquired operating companies maintained their books in accordance with local accounting standards that are significantly different from IFRS. From the date of acquisition and up to 31 December 2012 the revenue and net profit generated by the acquired companies amounted to USD 2,207 thousand and USD 18,241 thousand, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Revenues and expenses

Revenues

	2013	*2012*
Sales of agricultural produce	473,911	331,499
Rendering of services and other sales	24,824	16,436
	498,735	**347,935**

Cost of sales

	2013	*2012*
Cost of agricultural produce	407,559	300,562
Cost of services and other sales	23,301	17,708
	430,860	**318,270**

Other operating income

	2013	*2012*
Government grants related to crop growing	9,681	11,441
Gain on bargain purchase (Note 8)	756	141
Gain on accounts payable write-off	102	1,133
Other government grants	26	47
Other income	1,382	781
	11,947	**13,543**

Administrative expenses

	2013	*2012*
Staff costs	11,679	12,195
Professional services	5,480	3,669
Rental expenses	3,208	2,293
Fuel expenses	2,056	1,111
Depreciation and amortisation	2,008	981
Business trips	1,746	1,037
Bank charges	1,333	1,457
Maintenance expenses	696	679
Communication services	496	541
Auditors' remuneration (*)	484	423
Insurance expenses	147	332
Other expenses	404	397
	29,737	**25,115**

(*) the auditors' remuneration comprised the following:

	2013	*2012*
Statutory audit of the Company's separate parent financial statements and audit of the Group's consolidated financial statements	279	278
Review of the Group's interim condensed consolidated financial statements	104	93
Tax compliance services	3	3
Other assurance services	98	49
	484	**423**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Revenues and expenses (continued)

Selling expenses

	2013	*2012 (restated)*
Transportation and storage services	22,338	8,055
Depreciation	3,648	–
Fuel expenses	1,537	107
Staff costs	438	48
Advertising and marketing expenses	16	160
Other expenses	1,022	277
	28,999	**8,647**

Other operating expenses

	2013	*2012*
Drying and cleaning loss of agricultural produce	14,033	13,120
Bad debt expenses	2,716	161
Inventory write-off	1,228	-
Charity	1,221	1,256
Fines and penalties	504	-
Loss on disposal of property, plant and equipment, net	335	776
Other expenses	2,087	1,519
	22,124	**16,832**

Finance income

	2013	*2012*
Interest income on deposits and loans	8,853	11,231
Interest income on receivables (at amortised cost)	1,961	5,387
Total interest income	**10,814**	**16,618**
Gain on change in fair value of share purchase warrant (Note 24)	781	2,330
	11,595	**18,948**

Finance costs

	2013	*2012*
Interest costs	75,391	45,733
Finance lease charges	4,354	3,828
Total interest expenses	**79,745**	**49,561**
Loss on initial recognition of financial instruments	1,577	1,115
Bank commissions	2,251	–
Net loss on financial instruments at fair value through profit and loss	2,077	–
	85,650	**50,676**

10. Income tax

The major components of income tax expense for the year ended 31 December are:

	2013	*2012*
Current income tax expense	1,911	1,079
Deferred tax relating to the origination and reversal of temporary differences	284	(634)
Income tax expense reported in profit and loss	**2,195**	**445**
Deferred tax relating to the components of other comprehensive loss:		
Net loss on revaluation of property, plant and equipment	(1,472)	–
Income tax charged to other comprehensive loss	**(1,472)**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Income tax (continued)

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

	2013	*2012*
Profit before tax	90,681	174,846
Profit generated by FAT and unified tax payers (exempt from income tax)	(8,052)	(58,587)
Gain/(loss) generated by CPT payers (Ukrainian operations)	144,454	144,715
Loss generated by CPT payers (Cyprus)	(57,847)	(28,456)
Loss generated by CPT payers (Switzerland)	(3,766)	–
Loss generated by CPT payers (the Netherlands)	(212)	–
Income tax at the rate applicable in Ukraine (2013: 19%, 2012: 21%)	27,446	30,390
Income tax rate at the rate applicable in Cyprus (2013: 12.5%, 2012: 10%)	(7,231)	(2,846)
Income tax rate at the rate applicable in Switzerland (10%)	(377)	–
Income tax rate at the rate applicable in the Netherlands (20%)	(42)	–
Tax effect of non-taxable income	(25,607)	(29,575)
Tax effect of non-deductible expenses	8,006	2,476
Income tax expense	**2,195**	**445**

Deferred income tax as at 31 December relates to the following:

	2012	*Charged to profit and loss*	*Charged to other comprehen-sive income*	*2013*
Deferred tax asset/(liability):				
Property, plant and equipment (i)	(1,924)	(214)	(1,472)	(3,610)
Biological assets (ii)	–	(70)	–	(70)
Net deferred tax liability	**(1,924)**	**(284)**	**(1,472)**	**(3,680)**

	2011	*Charged to profit and loss*	*Charged to other comprehen-sive income*	*2012*
Deferred tax asset/(liability):				
Property, plant and equipment (i)	(2,165)	241	–	(1,924)
Prepayments made (ii)	(393)	393	–	–
Net deferred tax liability	**(2,558)**	**634**	**–**	**(1,924)**

The nature of the temporary differences is as follows:

(i) Property, plant and equipment – differences in depreciation patterns and estimates of the remaining useful lives, different cost basis (fair value vs. historical cost).

(ii) Biological assets – differences in the period of recognition.

As at 31 December 2013, the Group has not recognised deferred tax liability of USD 95,613 thousand (2012: USD 96,371 thousand) in respect of temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not have any plans that could lead to reversal of these differences in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2013	*2012*
Net profit attributable to ordinary equity holders of the parent	**88,486**	**174,401**
Weighted average number of ordinary shares for basic earnings per share	4,250,010	4,250,010
Net profit per share attributable to ordinary equity holders of the parent, USD	**20.82**	**41.04**

There have been no transactions involving ordinary shares or potential ordinary shares in 2012 and 2013 years. The Company had 113,515 authorized ordinary shares not issued as at 31 December 2013 (2012: 113,515).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Property, plant and equipment

	Freehold land, buildings and construc-tions	*Plants and storage facilities*	*Plant and machinery*	*Motor vehicles*	*Tools and devices*	*Construc-tion in progress*	*Total*
Cost or revalued amount:							
At 31 December 2011 (audited and as previously reported, Note 4)	**122,823**	**–**	**125,450**	**23,716**	**6,712**	**138,546**	**417,247**
Effect of restatement (Note 4)	(70,552)	46,980	–	–	–	–	(23,572)
At 31 December 2011 (restated)	**52,271**	**46,980**	**125,450**	**23,716**	**6,712**	**138,546**	**393,675**
Translation to presentation currency	(33)	(70)	(58)	(11)	(3)	(58)	(233)
Additions and transfers	875	81,726	29,523	5,384	2,211	(16,854)	102,865
Acquired through business combination (Note 8)	1,497	6,354	20	–	357	–	8,228
Acquired through assets acquisition	47,319	116,722	–	–	6	25,664	189,711
Disposals	(179)	–	(257)	(155)	(92)	–	(683)
At 31 December 2012	**101,750**	**251,712**	**154,678**	**28,934**	**9,191**	**147,298**	**693,563**
Additions and transfers	17,763	39,619	13,840	4,018	1,090	(11,226)	65,104
Acquired through business combination (Note 8)	9,463	–	1,593	95	5	–	11,156
Acquired through assets acquisition	70,486	–	4,964	788	69	2,465	78,772
Disposals	(269)	–	(296)	(63)	(5)	–	(633)
At 31 December 2013	**199,193**	**291,331**	**174,779**	**33,772**	**10,350**	**138,537**	**847,962**
Accumulated depreciation and impairment:							
Balance at 31 December 2011 (audited and as previously reported, Note 4)	**13,949**	**–**	**17,128**	**1,966**	**2,934**	**–**	**35,977**
Effect of restatement (Note 4)	(10,943)	2,409	–	–	–	–	(8,534)
At 31 December 2011	**3,006**	**2,409**	**17,128**	**1,966**	**2,934**	**–**	**27,443**
Translation to presentation currency	(2)	(1)	(10)	(1)	(2)	–	(16)
Depreciation charge for the year	3,042	3,280	12,548	2,875	980	–	22,725
Disposals	(8)	–	(17)	(48)	(40)	–	(113)
At 31 December 2012	**6,038**	**5,688**	**29,649**	**4,792**	**3,872**	**–**	**50,039**
Depreciation charge for the year	8,080	7,767	14,400	3,440	1,740	–	35,427
Disposals	(11)	–	(57)	(19)	(2)	–	(89)
At 31 December 2013	**14,107**	**13,455**	**43,992**	**8,213**	**5,610**	**–**	**85,377**
Net book value							
At 31 December 2011	**49,265**	**44,571**	**108,322**	**21,750**	**3,778**	**138,546**	**366,232**
At 31 December 2012	**95,712**	**246,024**	**125,029**	**24,142**	**5,319**	**147,298**	**643,524**
At 31 December 2013	**185,086**	**277,876**	**130,787**	**25,559**	**4,740**	**138,537**	**762,585**

Pledged assets

As at 31 December 2013 property, plant and equipment with a carrying value of USD 72,208 thousand (2012: USD 92,812 thousand) is pledged as security for the Group's bank loans (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Property, plant and equipment (continued)

Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2013 was USD 498 thousand (2012: USD 1,446 thousand), being the interest costs incurred in connection with borrowing funds specifically for the purpose of obtaining qualifying assets.

Finance lease

The carrying value of plant and equipment held under finance leases at 31 December 2013 amounted to USD 69,362 thousand (2012: USD 44,145 thousand).

Sales and lease back arrangements

In 2013, the Group entered in several sales and lease back transactions with finance lease companies, whereby the Company sold property, plant and equipment for a total cash consideration of USD 26,100 thousand, and then leased back these items of property, plant and equipment on terms of the relevant finance leases (2012: USD 3,948 thousand).

13. Prepaid lease expenses

The movement in prepaid lease expenses was as follows:

	Cost	***Accumulated amortisation***	***Net book value***
At 1 January 2012	**127,341**	**(6,666)**	**120,675**
Foreign currency translation	(63)	9	(54)
Acquired through business combination (Note 8, restated)	12,730	–	12,730
Acquired through assets acquisitions	42,542	–	42,542
Prepayments for land lease rights (restated)	1,501	–	1,501
Charge for the year	–	(24,538)	(24,538)
At 31 December 2012 (restated)	**184,051**	**(31,195)**	**152,856**
Additions and transfers	10,392	–	10,392
Acquired through business combination (Note 8) (*)	31,995	–	31,995
Acquired through assets acquisitions (*)	69,949	–	69,949
Prepayments for land lease rights (*)	39,334	–	39,334
Charge for the year	–	(28,489)	(28,489)
At 31 December 2013	**335,721**	**(59,684)**	**276,037**

(*) Prepaid lease expenses represent the fees paid by the Group to acquire land lease rights and include all directly related costs that were incurred to take over the land lease contracts with ultimate landholders.

In 2013, the Group acquired, through business combinations and assets acquisitions, the rights to use 60,127 hectares of land. The consideration for additional 24,500 hectares was paid during the year, but the related land lease rights were not transferred to the Group prior to 31 December 2013.

14. Other non-current assets

Other non-current assets consisted of the following as at 31 December:

	2013	***2012***
Prepaid consideration for acquisition of subsidiaries	8,035	32,085
VAT	16,356	19,961
	24,391	**52,046**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Biological assets – Consumable

Biological assets – Consumable consisted of the following as at 31 December:

	2013	*2012*
Un-harvested crops	196,772	182,858
Cattle	2,605	1,964
	199,377	**184,822**

A reconciliation of changes in the carrying amount of biological assets for the year ended 31 December is as follows:

		2013	*2012*
As at 1 January		**184,822**	**111,826**
Translation to presentation currency		–	(63)
Acquired through business combination (Note 8)		–	318
Acquired through assets acquisition		1,989	–
Costs incurred during the year	(i)	259,528	208,048
Net gain on initial recognition of biological assets and agricultural produce and on change in fair value of biological assets	(ii)	163,898	215,102
Crops harvested during the year	(iii)	(410,731)	(350,409)
Waste of biological assets		(129)	–
As at 31 December		**199,377**	**184,822**

(i) Costs incurred during the year are as follows:

	2013	*2012*
Raw materials	161,145	137,079
Depreciation and amortisation of prepaid lease expenses	51,865	38,129
Land lease expenses	34,264	20,263
Staff costs	8,493	7,540
Services	2,212	3,751
FAT	1,549	1,286
	259,528	**208,048**

(ii) Gain arising from change in fair value less estimated costs-to-sell represents the aggregate gain or loss arising during the period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs-to-sell of biological assets. A discounted cash flow model was used to determine the fair values of biological assets.

The discounted cash flow model, used for determining the fair value of un-harvested biological assets included the following significant assumptions as at 31 December 2013:

	Yield in tons per hectare	**Price per ton less cost to sell, USD**
Winter wheat	6.3	234
Winter barley	5.3	213
Winter rape	3.3	500
Triticale	4.3	150
Lucerne	15.0	104

The significant unobservable inputs used in the fair value measurement of the Group's biological assets are discount rate, yield and price per ton less cost to sell. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. An increase in discount rate leads to a decrease in fair value, whereas increase in prices and yields leads to increase in fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Biological assets – Consumable (continued)

(iii) Crops harvested during the year are initially recognised at fair value which is determined by reference to domestic prices for crops at the point of harvesting as adjusted for expected costs to sell.

The carrying amounts of un-harvested crops as at 31 December are as follows:

	2013		*2012*	
	Hectares	***Amount***	***Hectares***	***Amount***
Winter wheat	110,000	124,617	137,555	151,874
Winter rape	45,000	52,027	30,060	30,387
Winter barley	25,000	19,775	–	–
Triticale	454	152	–	–
Lucerne	142	201	–	–
Winter rye	–	–	1,818	597
Carrying amount	**180,596**	**196,772**	**169,433**	**182,858**

16. Inventories

Inventories consisted of the following as at 31 December:

	2013	*2012*
Agricultural produce (at cost or net realisable value)	40,759	52,363
Work in progress (at cost)	83,130	32,740
Raw materials (at cost)	40,604	36,550
Spare parts (at cost)	3,863	1,810
Other inventories (at cost)	3,172	3,153
	171,528	**126,616**

17. Trade and other receivables

Trade and other receivables consisted of the following as at 31 December:

	2013	*2012*
Trade receivables from third parties	43,210	17,956
Trade receivables from related parties (Note 27)	12,978	28,613
Loans granted to related parties (Note 27)	28,958	162
	85,146	**46,731**

Trade receivables from third parties are non-interest bearing and are generally settled on 1-5 day terms. For larger customers the Group grants credit for up to 90 days. For terms and conditions of related party balances refer to Note 27.

18. Cash and bank deposits

Cash at bank earned interest at fixed rates that varied from 0.1% to 5% per annum (2012: 0.5% to 2% per annum).

Bank deposits earned interest at fixed rates of 8.35%-9.5% (2012: 3.85%-4%, 2011: 5.5%-16.7%) per annum depending on the maturity period. Short-term deposits were placed for periods varying between ten days and one year depending on the Group's cash requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Cash and bank deposits (continued)

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise the following at 31 December:

	2013	*2012*
Cash at bank	7,726	2,030
	7,726	**2,030**

19. Other current assets

Other current assets consisted of the following as at 31 December:

	2013	*2012*
VAT and other taxes receivable	27,130	18,376
Prepayments made	11,573	6,622
	38,703	**24,998**

20. Issued capital and reserves

Share capital

As at 31 December 2013, 2012 and 2011, the authorized, issued and fully paid share capital of the Company was as follows:

	Number of shares	
	2013	*2012*
Number of shares authorised for issue	4,363,525	4,363,525
Number of shares issued and fully paid	4,250,010	4,250,010

The issued and fully paid capital of the Company as at 31 December 2013 was USD 63 thousand represented by 4,250,010 ordinary shares with par value of EUR 0.01 each.

Contribution in capital

Contributions in capital mostly represent gratis transfers of property, plant and equipment from the members of Guta family, who exercise ultimate control over the Group. Such transfers are measured at fair value of property, plant and equipment received by the Group.

Retained earnings

The Company's ability to pay dividends depends upon the receipt of dividends and distributions from its Ukrainian subsidiaries.

In accordance with local legislation, the Ukrainian subsidiaries can distribute all statutory profits as dividends or transfer them to reserves as specified in their charters. Subsequent use of amounts transferred to reserves may be legally restricted; amounts transferred to reserves typically must be used for the purpose designated when the transfer is made. Profit distributions by Ukrainian entities are normally only declared from current or accumulated earnings as shown in the Ukrainian statutory financial statements, and not out of amounts previously transferred to reserves.

The retained earnings presented in these consolidated financial statements include certain adjustments relating to Ukrainian subsidiaries, which are appropriate for presenting the financial position of the Group in accordance with International Financial Reporting Standards as adopted by the European Union. Accordingly, retained earnings included in the consolidated statements of financial position as at 31 December 2013 and 2012 do not show the amount of distributable reserves available to the shareholders. As at 31 December 2013 and 2012, the unaudited financial statements of the Ukrainian subsidiaries prepared in accordance with Ukrainian Accounting Standards show a combined amount of distributable reserves (accumulated profit of current and previous years) of USD 533,845 thousand and USD 458,910 thousand, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Issued capital and reserves (continued)

Other reserves

Movement in other reserves comprised:

	Asset's revaluation reserve	*Foreign currency translation reserve*	*Total*
Balance at 1 January 2011	**52,286**	**(74,729)**	**(22,443)**
Foreign currency translation	–	(2,100)	(2,100)
Revaluation, net of tax	23,270	–	23,270
Balance at 31 December 2011 (audited and as previously reported)	**75,556**	**(76,829)**	**(1,273)**
Adjustments (Note 4)	(17,520)	–	(17,520)
Balance at 31 December 2011 (audited and restated)	**58,036**	**(76,829)**	**(18,793)**
Foreign currency translation	–	1,523	1,523
Balance at 31 December 2012	**58,036**	**(75,306)**	**(17,270)**
Income tax on revaluation (Note 10)	(1,472)		(1,472)
Foreign currency translation	–	(469)	(469)
Balance at 31 December 2013	**56,564**	**(75,775)**	**(19,211)**

Asset's revaluation reserve is used to record increases in the fair value of land and buildings, plant and machinery, motor vehicles, tools and devices and decreases to the extent that such decreases relate to increases on the same assets previously recognised in equity.

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements into presentation currency.

21. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings consisted of the following as at 31 December:

	2013	*2012*
Current		
Interest-bearing loans and borrowings	262,397	143,050
Current portion of long-term loans and borrowings	18,444	22,501
Interest accrued	16,441	9,719
	297,282	**175,270**
Non-current		
Interest-bearing loans and borrowings	469,250	283,508
Less: current portion of long-term loans and borrowings	(18,444)	(22,501)
	450,806	**261,007**
Total interest-bearing loans and borrowings	**748,088**	**436,277**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Interest-bearing loans and borrowings (continued)

As at 31 December interest rate and currency split for interest-bearing loans and borrowings were as follows:

	Contractual interest rate p.a.	*Maturity*	*2013*	*Maturity*	*2012*
UAH					
Fixed rate	8.7-18%	2014	5,358	–	–
			5,358		**–**
EUR					
Fixed rate	10.75%	2014	6,917	2013	6,010
Floating rate	Euribor + 5.6%	2014-2016	18,332	2016	17,414
			25,249		**23,424**
USD					
Fixed rate	8-10.95%	2014-2018	613,585	2013-2017	287,381
Floating rate	Libor + 5-7.5%	2014-2017	103,896	2013-2018	125,472
			717,481		**412,853**
			748,088		**436,277**

The Group's available undrawn borrowing facilities from IFC comprised USD 65,000 thousand as at 31 December 2013. Subsequently to reporting date the Group has not utilized any facility.

The Group must comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied with by the Group are as follows: current ratio, liabilities to tangible net worth, prospective debt service coverage ratio and a ratio of short-term debt to the sum of accounts receivable, inventories and current biological assets. As at 31 December 2013, the Group complied with all these covenants.

As at 31 December 2013 the Group's interest-bearing loans and borrowings were secured by property, plant and equipment (Note 12) in amount of USD 72,208 thousand (2012: USD 92,812 thousand).

22. Long-term payables

As at 31 December 2013, long-term payables represent USD 20,480 thousand due for machinery purchased in 2010-2013 (2012: USD 29,676 thousand). The following table represents total contractual payments (including current portion presented as part of trade payables for property, plant and equipment) under the respective purchase contracts and amortised cost of those payments as at 31 December each year:

	Payments		*Amortised cost*	
	2013	*2012*	*2013*	*2012*
Payable within one year	14,055	14,218	13,390	13,531
Payable in second to fifth year inclusive (Note 29)	24,018	35,827	20,480	29,676
Total payments	**38,073**	**50,045**	**33,870**	**43,207**
Less: Unamortised discount	(4,203)	(6,838)	–	–
Amortised cost	**33,870**	**43,207**	**33,870**	**43,207**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Trade and other payables

Trade and other payables consisted of the following as at 31 December:

	2013	*2012*
Trade payables for raw materials and services due to third parties	58,299	33,671
Trade payables for property, plant and equipment due to third parties	17,044	30,930
Trade and other payables to related parties (Note 27)	1,468	2,149
Payable to employees	1,829	2,666
Loans due to related parties (Note 27)	75	303
Other	2,060	783
	80,775	**70,502**

24. Share purchase warrant

	2013	*2012*
Share purchase warrant (Note 29)	2,067	2,848
	2,067	**2,848**

Pursuant to a share purchase warrant dated 10 June 2010 entered into between the Company and IFC, the Company has granted IFC the right to purchase up to 2.041% of the Company's issued shares for a total amount up to USD 25 million at an exercise price determined according to a formula set out in the share purchase warrant. The warrant is exercisable any time during five years.

As at 31 December 2013 the fair value of share purchase warrant was determined using Black-Scholes model based on the following inputs:

- the current stock price of USD 223 was taken from Bloomberg (2012: 105),
- the strike price equals USD 25 million divided by number of shares under the warrant (USD 288),
- risk-free interest rate was 8.35% (2012: 7.37%) and
- the volatility was determined on the basis of historical information as 33.28% (2012: 38.44%, 2011: 50.66%).

The share purchase warrant belongs to level 2 (i.e. other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly) in the hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

25. Other current liabilities

Other current liabilities consisted of the following as at 31 December:

	2013	*2012*
VAT and other taxes payable	3,415	4,106
Advances received	3,147	1,734
	6,562	**5,840**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Commitments and contingencies

(i) Tax risks

Ukrainian tax and regulatory environment and inherent risks

The Group conducts the majority of its operations in Ukraine, and as such the main part of its activities is regulated by Ukrainian laws. In general Ukrainian legislation and in particular regulations regarding taxation and other operational matters, including legislation governing the taxation of agricultural producers, currency exchange controls and custom regulations, are still very underdeveloped and continue to evolve at a very fast pace. Legislation and regulations are rarely clearly written and are subject to varying interpretations by local, regional and national authorities and other Governmental bodies as well as by the courts. Inconsistent interpretations by the authorities and the courts alike are rather usual and thus there is no clear guidance on the position of the authorities and the courts on most subjects. This includes also the new transfer pricing legislation discussed below.

As part of its operating activities, the Group is involved in certain transactions, which may be regarded as having an economic substance different from their legal form, as determined and treated by the Ukrainian tax legislation.

The Group management believes that it has sufficient basis to support its compliance with all regulations, and that it has paid and accrued all taxes that are applicable. However, in view of ambiguity of tax legislation, certain Group's transactions may be challenged by the relevant governmental authorities and/or the Group's approach to these transactions may not be supported by court within the litigation process. Such possible tax contingencies could materialize and require the Group to pay additional taxes and penalties up to approximately USD 5,600 thousand as at 31 December 2013 (2012: 8,280 thousand).

Transfer pricing

In September 2013 Ukraine introduced new transfer pricing legislation, which requires that prices in controlled transactions be at the arm's length level. Transactions fall under transfer pricing control if they cumulatively exceed an established annual threshold with counterparties, which are: (i) non-resident related parties; (ii) related parties – tax residents of Ukraine if these are loss-making companies, or are not regular CPT or VAT-payers, or pay these taxes at a lower rate, or use single tax or agricultural tax regimes; (iii) residents of "low-tax" jurisdictions (including non-related parties) where a nominal or effective CPT rate is at least 5% below the Ukrainian CPT rate. This new transfer pricing legislation does not contain detailed guidelines to regulate or clarify a number of issues. Additionally there is currently no administrative or court practice on transfer pricing matters, which can provide guidance as to the position of the authorities or the courts on the application of this new legislation.

According to transfer pricing rules effective before September 2013 arm's length prices should apply to (i) all transactions for VAT purposes and (ii) certain transactions for CPT purposes, in particular: barter transactions, transactions with related parties and entities that are not CPT payers under general rules (e.g. fixed agricultural tax payers, non-residents). The previous transfer pricing rules allowed 20% deviation from the arm's length price and did not require annual transactions to reach a threshold to be subject to transfer pricing control. As part of its operating activities, the Group carried out transactions for significant amounts that are subject to the aforementioned transfer pricing requirements and that as such have to be made at arm's length prices for tax purposes.

The Group management believes that in 2013 the Group complied with the statutory transfer pricing regulations and that all controlled transaction, which it carried out were priced at arm's length, and therefore no accruals for material tax exposures regarding transfer pricing have been recognized in the financial statements.

(ii) Capital commitments

As at 31 December 2013 the Group had outstanding commitments for the purchase of property, plant and equipment in amount of USD 135,551 thousand (2012: USD 147,808 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Commitments and contingencies (continued)

(iii) Lease commitments

Finance lease

Finance lease obligations represent mainly the amounts due for the lease of agricultural machinery and equipment. As at 31 December 2013 and 2012, future minimum lease payments under finance lease together with the present value of the net minimum lease payments were as follows:

	Payments		***Amortised cost***	
	2013	***2012***	***2013***	***2012***
Payable within one year	21,426	14,022	20,173	13,664
Payable in second to fifth year inclusive	35,141	27,516	27,633	21,235
Total payments	**56,567**	**41,538**	**47,806**	**34,899**
Less: Unamortised discount	(8,761)	(6,639)	–	–
Amortised cost	**47,806**	**34,899**	**47,806**	**34,899**

Operating lease – group as a lessee

The Group has entered into, or acquired from third parties, commercial lease agreements for land. These leases have an average term of 5-10 years for land lease agreements on farming land and 49 years for land lease agreements on industrial land.

At the end of each of the lease terms, the lessee has the option to renew the lease agreements. To exercise the renewal option, the lessee is required to give notice to the lessor of such renewal not later than 30 days before the end of the lease term.

As at 31 December 2013 and 2012 future minimum rentals payable under non-cancellable operating leases were as follows:

	2013	***2012***
Within one year	29,453	27,655
More than one year but not more than five years	108,266	92,858
More than five years	65,321	34,435
	203,040	**154,948**

As at 31 December 2013, the Group also had commitments related to rent payments for office premises including USD 3,263 thousand (2012: USD 1,293 thousand) payable in the next four years.

27. Related party disclosures

In the course of the business, the Group companies enter into transactions with related parties that are entities under common control of Guta family members and, to lesser extent – with the key management personnel.

Terms and conditions of transactions with related parties are determined in each individual case based on the specific arrangements between the parties involved. Management believes that amounts due from related parties are not impaired and that the amounts payable to related parties will be settled in full.

The transactions with related parties during the years ended 31 December 2013 and 2012 were as follows:

		2013	***2012***
Sales of goods and services to entities under common control	(i)	51,078	59,339
Loans (granted to)/repaid by entities under common control	(ii)	(29,898)	28,454
Purchases of inventories and services from entities under common control	(iii)	(8,003)	(4,509)
Purchase of property, plant and equipment	(iv)	(7,661)	(16,475)
Payments to equity holders of the parent reinvested to the Group's business	(v)	(45,372)	(26,303)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Related party disclosures (continued)

The balances due from and owed to related parties as at 31 December were as follows:

		2013	*2012*
Trade receivables due from entities under common control (Note 17)	(i)	12,978	28,613
Loans granted to entities under common control (Note 17)	(ii)	28,958	162
Trade and other payables owed to:			
-entities under common control	(iii)	1,468	2,149
-key management personnel		268	671
Advances received from entities under common control	(i)	2,362	352

(i) Sales of goods and services to entities under common control and related accounts receivable and advances received

In 2013, the Group earned USD 46,345 thousand of revenues from sales of agricultural produce to the entities under common control (2012: USD 54,949 thousand). This constitutes approximately 10% of total sales of agricultural produce for the year ended 31 December 2013 (2012: 17%).

Initial pricing and volumes of agricultural produce to be sold by the Group are agreed by the parties before the start of operational season. The pricing arrangements imply that the Group's consideration for the agricultural produce sold approximates total proceeds from sale of the products processed from such agricultural produce by entities under common control after deduction of their margin and cost of processing.

Also, the Group entities sold other goods and rendered services to entities under common control.

The related trade receivables due from related parties as at 31 December 2013 and 2012 are unsecured, non-interest bearing, and are normally settled in cash on one to nine months terms.

In 2013, the Group recognised finance costs of USD 475 thousand on initial recognition of trade receivables from related parties at fair value (2012: USD 982 thousand) and finance income of USD 1,962 thousand from subsequent measurement of these balances at amortised cost (2012: USD 5,388 thousand).

(ii) Loans granted to and received from entities under common control

Loans granted to and received from entities under common control are unsecured and non-interest bearing.

In 2013, the Group recognised finance costs of USD 1,102 thousand on initial recognition of loans granted to entities under common control at fair value (2012: USD 133 thousand).

(iii) Purchase of inventory and services

In the course of business, the Group entities make some purchases from entities under common control, including mostly transportation, storage, rental and consulting services. The related costs incurred were included in cost of sales, administrative and selling expenses as appropriate.

(iv) Purchases of property, plant and equipment

In 2013, the Group purchased property, plant and equipment from entities under common control and equity holders of the parent for total cash consideration of USD 7,661 thousand (2012: USD 16,475 thousand).

The entity under common control participates in the construction of most significant property, plant and equipment items mainly by controlling the construction process.

(v) Payments to equity holders of the parent reinvested to the Group's business

In 2013, the Group companies entered into a series of transactions with each other and with the equity holders of the parent, aimed at redistributing financial resources so that some of Group's entities could discharge certain contractual obligations. In the course of such transactions, the Group entities paid USD 45,372 thousand to equity holders of the parent (2012: USD 26,303 thousand). These payments were subsequently reinvested to the Group's business in the form of land lease payments and purchased plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Related party disclosures (continued)

(vi) Compensation to management personnel

Key management personnel consist of six top executives and two non-executives of the Group (2012: six top executives and two non-executives). In 2013 total compensation to these key management personnel, included in administrative expenses – staff costs, amounted to USD 5,773 thousand (2012: USD 6,638 thousand). The amounts not paid as at 31 December 2013 and 2012 are included in trade and other payables.

28. Fair value of financial instruments

Set out below is the comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the consolidated statements of financial position:

	Carrying amount		***Fair value***	
	2013	***2012***	***2013***	***2012***
Financial assets				
Long-term receivables	–	478	–	478
Trade and other receivables	85,146	46,731	85,146	46,731
Cash and bank deposits	185,767	103,863	185,767	103,863
Financial liabilities				
Interest-bearing loans and borrowings	748,088	436,277	737,888	446,311
Finance lease liability	47,806	34,899	46,908	33,128
Long-term payables	20,480	29,676	18,695	23,107
Trade and other payables	80,775	70,502	80,775	70,502
Share purchase warrant	2,067	2,848	2,067	2,848

The face values of financial assets and liabilities with a maturity of less than one year, less any estimated credit adjustments, are assumed to be their fair values.

Fair value of long-term interest-bearing loans and borrowings, finance lease liability and long-term payables is estimated by discounting the expected future cash outflows at market rate of interest or, in the case of publicly traded debt – based on the market quotations. The fair value of share purchase warrant was determined using the Black-Scholes model (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

31 December 2013		***Fair value measurement using***			
	Date of valuation	***Total***	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
Assets measured at fair value:					
Revalued property, plant and equipment (Note 12)					
Freehold land and buildings	30 Nov 2011	185,143	–	–	185,143
Plant and machinery	30 Nov 2011	130,787	–	–	130,787
Motor vehicles	30 Nov 2011	25,556	–	–	25,556
Tools and devices	30 Nov 2011	4,740	–	–	4,740
Biological assets – Consumable	31 Dec 2013	199,377	–	–	199,377
Biological assets – Non-consumable	31 Dec 2013	11,331	–	–	11,331
Assets for which fair values are disclosed (Note 28):					
Long-term receivables	31 Dec 2013	–	–	–	–
Trade and other receivables	31 Dec 2013	85,146	–	85,146	–
Cash and bank deposits	31 Dec 2013	185,767	–	185,767	–
Liabilities measured at fair values (Note 28):					
Share purchase warrant	31 Dec 2013	2,067	–	2,067	–
Liabilities for which fair values are disclosed (Note 28):					
Finance lease liability	31 Dec 2013	46,908	–	46,908	–
Interest-bearing loans and borrowings	31 Dec 2013	737,888	–	737,888	–
Long-term payables	31 Dec 2013	18,695	–	18,695	–
Trade and other payable	31 Dec 2013	80,775	–	80,775	–

There have been no transfers between Level 1 and Level 2 during the period.

30. Financial risk management objectives and policies

The Group's principal financial liabilities, other than finance lease liability and derivative, comprise interest-bearing loans and borrowings, trade and other payables and long-term payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has various financial assets, such as trade and other receivables, long-term receivables, cash and bank deposits, which arise directly from its operations. The Group has not entered into any derivative arrangements, except for the share purchase warrant with IFC (Note 24).

The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the Group's senior management and shareholders.

The Group is exposed to market risk, credit risk and liquidity risk. The policies for managing each of these risks are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, accounts receivable, accounts payable and finance lease.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt with floating interest rates, mainly linked to LIBOR.

The following tables demonstrate the Group's sensitivity to a reasonably possible change in interest rates. The analyses were applied to interest-bearing loans and borrowings based on the assumption that the amount of liability outstanding at the reporting date was outstanding for the whole year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

2013	***Increase/decrease in interest rate***	***(Decrease)/Increase of profit before tax, thousand USD***
LIBOR	+0.03%	(32)
LIBOR	-0.03%	32
EURIBOR	+0.12%	(22)
EURIBOR	-0.12%	22

2012	***Increase/decrease in interest rate***	***(Decrease)/Increase of profit before tax, thousand USD***
LIBOR	+0.05%	(58)
LIBOR	-0.05%	58
EURIBOR	+0.16%	(29)
EURIBOR	-0.16%	29

The Group has not entered into transactions designed to hedge against the interest rate risk.

Foreign currency risk

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies. Such exposure arises from sales or purchases by the Group's entities in currencies other than their respective functional currencies. The Group has not entered into transactions designed to hedge against these foreign currency risks.

The following tables demonstrate the Group's sensitivity to a reasonably possible change in the exchange rates of Ukrainian hryvnia to US dollar and EUR. The analyses were applied to monetary assets and liabilities denominates in foreign currencies at the reporting dates.

31 December 2013	***Increase/decrease in foreign currency exchange rates***	***(Decrease)/Increase of profit before tax***
UAH/EUR	+30,00%	(12,049)
UAH/EUR	-5.00%	2,008
UAH/USD	+30,00%	(229,232)
UAH/USD	-5.00%	38,205
UAH/CHF	+30,00%	(101)
UAH/CHF	-5.00%	17

31 December 2012	***Increase/decrease in foreign currency exchange rates***	***(Decrease)/Increase of profit before tax***
UAH/EUR	+12.67%	(7,904)
UAH/EUR	-12.67%	7,904
UAH/USD	+7.10%	(30,862)
UAH/USD	-7.10%	30,862
UAH/CHF	+25.30%	–
UAH/CHF	-25.30%	–

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and bank loans and borrowings.

The Group analyses the aging of its assets and the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments. In the case of insufficient or excessive liquidity in individual entities, the Group reallocates resources and funds among Group entities to achieve optimal financing of the business needs of each entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments as at 31 December 2013 and 2012:

31 December 2013	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Total*
Interest-bearing loans and borrowings	19,444	107,415	217,326	632,457	976,642
Finance lease liability	–	6,175	15,251	35,141	56,567
Long-term payables	–	–	–	24,018	24,018
Trade and other payables	–	70,500	11,031	–	81,531
	19,444	**184,090**	**243,608**	**691,616**	**1,138,758**

31 December 2012	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Total*
Interest-bearing loans and borrowings	25,000	85,036	95,785	343,137	548,958
Finance lease liability	–	3,664	10,358	27,516	41,538
Long-term payables	–	–	–	35,827	35,827
Trade and other payables	–	60,454	10,568	–	71,022
	25,000	**149,154**	**116,711**	**406,480**	**697,345**

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The financial instruments, which potentially expose the Group to significant concentrations of credit risk, consist principally of cash in banks, and trade and other receivables. The Group's maximum credit risk exposure at 31 December 2013 comprised USD 270,913 thousand (2012: USD 150,594 thousand).

Credit risk is managed in accordance with the procedures established by the Group's senior management. Credit evaluations are performed for all customers requiring credit over a certain amount in accordance with the criteria approved by the management. The credit risk exposure is regularly monitored and analysed on a case-by-case basis. The Group does not require collateral as security for the financial assets.

At 31 December 2013, the Group had 18 customers (2012: 9 customers, 2011: 7 customers) that owed the Group more than USD 1,000 thousand each and collectively accounted for approximately 78% (2012: 73%) of all receivables.

As at 31 December 2013 and 2012 the ageing of the Group's trade and other receivables was as follows:

	Neither past due, nor impaired	*Past due, but not impaired*				
		Less than 3 months	*3-6 months*	*6-12 months*	*More than 12 months*	*Total*
2013	25,379	45,204	7,355	1,925	5,283	85,146
2012	33,760	5,570	3,108	3,474	819	46,731

Capital risk management

The Group considers debt and shareholders' equity as primary capital sources. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements and capital expenditures and sustain the Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital to ensure and maintain flexibility relating to the Group's access to capital markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Financial risk management objectives and policies (continued)

Capital risk management (continued)

No changes were made in the objectives, policies or processes of capital risk management during the year ended 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt its interest-bearing loans and borrowings, finance lease liability, trade and other payables, share purchase warrant less cash and bank deposits.

	2013	***2012***
Interest-bearing loans and borrowings (Note 21)	748,088	436,277
Finance lease liability (Note 26)	47,806	34,899
Long-term payables (Note 22)	20,480	29,676
Trade and other payables (Note 23)	80,775	70,502
Share purchase warrant (Note 24)	2,067	2,848
Less cash and bank deposits (Note 18)	(185,767)	(103,863)
Net debt	**713,449**	**470,339**
Total equity attributable to parent	**845,975**	**756,289**
Total capital and net debt	**1,559,424**	**1,226,628**
Gearing ratio	**46%**	**38%**

Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy. The Group's policy is to keep the gearing ratio below 40% whenever possible.

31. Events after the reporting period

In January 2014 the Group repaid USD 25 million of loan to European Bank for Reconstruction and Development.

Subsequent to the reporting date, the Group entered into agreement with International Finance Corporation (IFC), whereby share purchase warrant granted to IFC (Note 24) will be cancelled in three equal instalments in exchange for cash consideration totalling USD 36,942 thousand.