



AGROTON PUBLIC LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

AGROTON PUBLIC LIMITED

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AGROTON PUBLIC LIMITED**BOARD OF DIRECTORS AND OTHER OFFICERS**

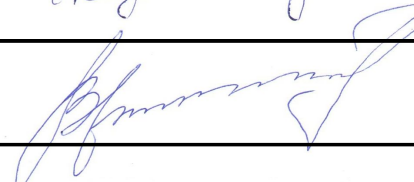
Board of Directors	Iurii Zhuravlov - Chief Executive Officer
	Tamara Lapta - Deputy Chief Executive Officer
	Larysa Orlova - Chief Financial Officer
	Borys Supikhanov - Non-Executive Director
	Volodymyr Kudryavtsev - Non-Executive Director
Audit Committee	Borys Supikhanov (Head of the Committee)
	Volodymyr Kudryavtsev
Remuneration Committee	Borys Supikhanov (Head of the Committee)
	Volodymyr Kudryavtsev
Secretary	Inter Jura Cy (Services) Limited
Independent Auditors	KPMG Limited
Legal Advisors	K. Chrysostomides & Co LLC
Registered office	1 Lampousas Street 1095 Nicosia Cyprus

AGROTON PUBLIC LIMITED

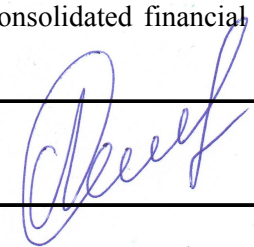
DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PERSON RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

We, the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of Agroton Public Limited (the "Company") for the year ended 31 December 2014, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the consolidated financial statements are true and complete.

Members of the Board of Directors:

Iurii Zhuravlov	
Tamara Lapta	
Larysa Orlova	
Borys Supikhanov	
Volodymyr Kudryavtsev	

Person responsible for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2014:

Larysa Orlova	
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Nicosia, 29 April 2015

AGROTON PUBLIC LIMITED

BOARD OF DIRECTORS' REPORT

The Board of Directors of Agroton Public Limited (the “Company”) presents to the members its annual report together with the audited consolidated financial statements of the Company and of its subsidiary companies (together with the Company, the “Group”) for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Group which remained the same as in the previous year, are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, poultry farming). The poultry farming business has been temporarily abandoned due to the military clashes and armed conflict in Eastern Ukraine.

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 9 to the consolidated financial statements.

The loss for the year attributable to the owners of the Company amounted to USD 80 527 thousand (2013: loss USD 5 598 thousand).

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The Group’s financial position at 31 December 2014 as presented in the consolidated statement of financial position in the consolidated financial statements is not considered satisfactory. The net asset position of the Group has decreased from USD 120 913 thousand at 31 December 2013 to USD 44 638 thousand at 31 December 2014.

The financial performance of the Group for the year as presented in the consolidated statement of profit or loss and other comprehensive income of the consolidated financial statements is not considered satisfactory.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend (2013: USD Nil).

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group and the steps taken to manage these risks are described in note 37 of the consolidated financial statements.

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the outgoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of Ukrainian sovereign debt credit ratings.

AGROTON PUBLIC LIMITED

BOARD OF DIRECTORS' REPORT(cont)

PRINCIPAL RISKS AND UNCERTAINTIES (cont)

In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion translations and also announced a transition to a floating foreign exchange rate regime. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. This event resulted in a significant deterioration between Ukraine and Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in Donetsk and Lugansk regions escalated into military clashes and armed conflict between armed supporters of the self-declared republics of Donetsk and Lugansk regions and Ukrainian forces. As at the date these consolidated financial statements were authorised for issue, the instability and unrest continue, and part of Donetsk and Lugansk regions remains under control of the self-proclaimed republics. As a result, Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's result and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year.

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2014 and at the date of this report are presented on page 1.

There is no requirement in the Company's Articles of Association for the retirement of Directors by rotation, thus all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

The Directors are responsible for formulating, reviewing and approving the Company's and its subsidiary companies strategies, budgets, certain items of capital expenditures and senior personnel appointments. Being a company listed on the Warsaw Stock Exchange, the Directors have established audit and remuneration committees to improve corporate governance.

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

On 4 May 2010, the Company established the Audit Committee and Remuneration Committee, both of which were in force during the year ended 31 December 2014 and continued in force at the date of this report.

AGROTON PUBLIC LIMITED

BOARD OF DIRECTORS' REPORT(cont)

AUDIT COMMITTEE AND REMUNERATION COMMITTEE (cont)

The Audit Committee will assist the Company's Board of Directors in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual financial statements and the half yearly financial statements remains with the Board of Directors. The Audit Committee of the Company, comprising of Mr. Borys Supikhanov and Mr. Volodymyr Kudryavstev and is chaired by Mr. Borys Supikhanov.

The Remuneration Committee assists the Board of Directors in discharging its responsibilities in relation to remuneration, including making recommendations to the Board of Directors and/or the general meeting of the shareholders of the Company on the policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level. The Remuneration Committee of the Company, comprising of Mr. Borys Supikhanov and Mr. Volodymyr Kudryavtsev (both Non-Executive Directors), and is chaired by Mr. Borys Supikhanov and sets and review the scale and structure of the Executive Directors' remuneration packages, including share options and the terms of their service contracts.

EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the reporting period are described in note 39 to the consolidated financial statements.

BRANCHES

The Group did not operate through any registered branches during the year ended 31 December 2014.

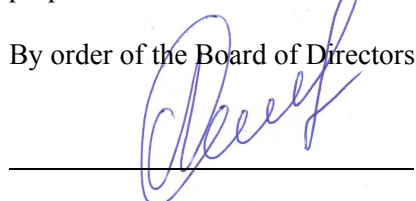
RELATED PARTY BALANCES AND TRANSACTIONS

Disclosed in note 33 to the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the next Annual General Meeting of the Company.

By order of the Board of Directors,



Larysa Orlova
Director

Nicosia, 29 April 2015



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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

AGROTON PUBLIC LIMITED

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Agroton Public Limited (the "Company") and its subsidiaries (together with the Company, the "Group") on pages 9 to 84 which comprise the consolidated statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

Board Members:

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

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

Limassol

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Paphos

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Polis Chrysochou

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Telephone +357 26 322098
Fax +357 26 322722

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

Basis for qualified opinion

In respect of the inventory of the Group presented in the consolidated statement of the financial position at the value of USD 19 932 thousand, the audit evidence we had available was limited because we did not observe the physical inventory count at 31 December 2014, as during 2014, due to the war events and the ongoing armed conflicts in Lugansk region, the access was limited. As a consequence of this situation which impacted and disrupted the operations of the Group, we were unable to obtain sufficient and appropriate audit evidence as to the inventory quantities by other procedures.

Qualified Opinion

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

Emphasis of matter

We draw attention to notes 2.4 and 35 to the consolidated financial statements, which describe the political and social unrest and regional tensions in Ukraine, and indicate that the Group incurred a net loss of USD 80 490 thousand during the year ended 31 December 2014. The loss is after impairment of assets located in the conflict zone which were outside the management and control of the Group amounted to USD 46 279 thousand. The impact of the events referred to in notes 2.4 and 35 about the continuing economic and political crisis in Ukraine and their final resolution cannot be determined and may adversely affect the Ukrainian economy and the operations of the Group and also indicate the existence of a material uncertainty which may cast significant doubt as to the ability of the Group to continue as a going concern. 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, except that the scope of our work was limited by the matter discussed in the basis for qualified opinion paragraph.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books, except in the case of inventory discussed in the basis for qualified opinion paragraph.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required, except in the case of inventory discussed in the basis for qualified opinion paragraph.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 5 is consistent with the consolidated financial statements.

Other matter

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



Maria A. Papacosta, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

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

29 April 2015

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEFor the year ended 31 December 2014*(in USD thousand, unless otherwise stated)*

	Note	2014	2013
Continuing operations			
Revenue	5	58 968	81 393
Cost of sales	6	(60 003)	(92 912)
Net change in fair value less cost to sell of biological assets and agricultural produce	7	19 789	11 893
Gross profit		18 754	374
Other operating income	8	4 872	9 254
Administrative expenses	9	(2 966)	(5 450)
Distribution expenses	10	(1 498)	(1 479)
Other operating expenses	11	(2 830)	(4 362)
Profit/ (loss) from operating activities	13	16 332	(1 663)
Impairment losses	12	(46 279)	-
Gain on derecognition of notes		4 955	-
Fair value losses on financial assets at fair value through profit or loss		(155)	(1 550)
Finance income	14	3 130	2 077
Finance costs	14	(58 365)	(4 444)
Net finance costs		(55 235)	(2 367)
Loss before taxation		(80 382)	(5 580)
Taxation		(2)	-
Loss from continuing operations		(80 384)	(5 580)
Discontinued operations			
Loss from discontinued operations	27	(106)	(110)
Loss for the year		(80 490)	(5 690)
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Effect of translation into presentation currency		4 215	-
Total comprehensive expense for the year		(76 275)	(5 690)
Loss for the year attributable to:			
Owners of the Company		(80 527)	(5 598)
Non-controlling interests		37	(92)
Loss for the year		(80 490)	(5 690)
Total comprehensive expense attributable to:			
Owners of the Company		(76 248)	(5 598)
Non-controlling interests		(27)	(92)
Total comprehensive expense for the year		(76 275)	(5 690)
Loss per share			
Basic and fully diluted loss per share (USD)		(3,51)	(0,26)
Loss per share – continuing operations			
Basic and fully diluted loss per share (USD)		(3,51)	(0,25)

The notes on pages 15 to 84 are integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

(in USD thousand, unless otherwise stated)

	Note	2014	2013
Assets			
Property, plant and equipment	17	10 792	34 677
Intangible assets	18	12 686	29 562
Biological assets	19	2 489	3 162
Other non-current assets	22	8 731	10 742
Total non-current assets		34 698	78 143
Inventories	23	19 932	37 080
Biological assets	19	5 948	6 031
Available for sale investments	20	342	497
Trade and other receivables	24	2 046	36 095
Cash and cash equivalents	26	5 206	7 278
Loans receivable	21	29 795	20 803
Assets held for sale	27	30	197
Total current assets		63 299	107 981
Total assets		97 997	186 124
Equity			
Share capital	28	661	661
Share premium	28	88 532	88 532
Retained earnings		(38 878)	41 649
Foreign currency translation reserve		(5 877)	(10 156)
Total equity attributable to owners of the Company		44 438	120 686
Non-controlling interests		200	227
Total equity		44 638	120 913
Liabilities			
Loans and borrowings	29	31 130	48 915
Total non-current liabilities		31 130	48 915
Loans and borrowings	29	1 588	3 927
Trade and other payables	30	20 508	12 209
Income tax liability		112	114
Liabilities held for sale	27	21	46
Total current liabilities		22 229	16 296
Total liabilities		53 359	65 211
Total equity and liabilities		97 997	186 124

On 29 April 2015 the Board of Directors of Agroton Public Limited authorised these consolidated financial statements for issue.

 Tamara Lapta
 Deputy Chief Executive Officer

 Larysa Orlova
 Chief Financial Officer

The notes on pages 15 to 84 are integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	661	88 532	47 247	(10 156)	126 284	319	126 603
Total comprehensive income							
Profit for the year	-	-	(5 598)	-	(5 598)	(92)	(5 690)
Total comprehensive income	-	-	(5 598)	-	(5 598)	(92)	(5 690)
Balance at 31 December 2013	661	88 532	41 649	(10 156)	120 686	227	120 913
Balance at 1 January 2014	661	88 532	41 649	(10 156)	120 686	227	120 913
Total comprehensive income							
Loss for the year	-	-	(80 527)	-	(80 527)	37	(80 490)
Total comprehensive income	-	-	-	4 279	4 279	(64)	4 215
Total comprehensive loss for the year	-	-	(80 527)	4 279	(76 248)	(27)	(76 275)
Balance at 31 December 2014	661	88 532	(38 878)	(5 877)	44 438	200	44 638

The notes on pages 15 to 84 are integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

For the year ended 31 December 2014

(in USD thousand, unless otherwise stated)

- In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.
- Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWSFor the year ended 31 December 2014*(in USD thousand, unless otherwise stated)*

	Note	2014	2013
Cash flows from operating activities:			
(Loss)/ Profit for the year		(80 490)	(5 690)
Adjustments for:			
Depreciation	16	2 799	4 146
Amortisation	16	3 864	5 037
Gain on derecognition of notes		(4 955)	-
Fair value losses on financial assets at fair value through profit or loss		155	1 550
Impairment of inventories	11,12	6 421	3 310
Gain from changes in fair value less cost to sell of biological assets and agriculture produce	7	(19 789)	(11 893)
Impairment of harvest failure	11	222	288
Impairment of trade and other receivables	11,12	34 148	329
Impairment of intangible assets	12	673	-
Impairment of biological assets	12	353	-
Impairment of other non-current assets	12	519	-
Impairment of property, plant and equipment	12	6 574	-
Reversal of provision for bad debts	25	(39)	(184)
Interest income	14	(3 130)	(2 077)
Interest expense	14	2 474	3 845
Trade payables written-off	8	(10)	(136)
Loss on disposal of property, plant and equipment	11	80	140
Loss on disposal of current assets	11	5	-
Gain/(loss) on disposal of subsidiaries	31	43	(533)
Foreign exchange loss	14	55 813	-
Income tax expense		2	-
Cash flow from operations before working capital changes		5 732	(1 868)
Decrease in inventories		5 943	4 418
Decrease in biological assets		333	15 791
Increase in trade and other receivables		(1 603)	119
Increase in trade and other payables		(4 536)	4 931
Net cash from operating activities		5 869	23 391
Income tax paid		(2)	-
Net cash from operating activities		5 867	23 391
Cash flow from investing activities			
Acquisition of property, plant and equipment		(478)	(5 451)
Acquisition of intangible assets		-	(7)
Proceeds from disposal of property, plant and equipment		12	279
Loans granted		(6 000)	(15 389)
Loans repayment		138	-
Equity conversion		-	(2 047)
Disposals of subsidiaries, net of cash acquired		48	145
Net cash used in investing activities		(6 280)	(22 470)

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (cont)

For the year ended 31 December 2014

(in USD thousand, unless otherwise stated)

	Note	2014	2013
Cash flows from financing activities			
Proceeds from borrowings		-	4 369
Repayment of loans and borrowings		-	(7 825)
Net cash used in financing activities		-	(3 456)
Net decrease in cash and cash equivalents		(413)	(2 535)
Cash and cash equivalents at the beginning of the period		7 278	9 813
Effect from translation into presentation currency		(1 659)	-
Cash and cash equivalents at the end of the period		5 206	7 278

The notes on pages 15 to 84 are integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION

Country of incorporation

Agroton Public Limited (the “Company”) was incorporated in Cyprus on 21 September 2009 as a public company with limited liability under the Cyprus Companies Law, Cap. 113. The Company was listed at Warsaw Stock Exchange on 8 November 2010.

The Company’s registered office is at 1 Lampousas Street, 1095 Nicosia, Cyprus.

Principal activities

The principal activities of the Group are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, poultry farming) and milk processing. The poultry farming business has been temporarily abandoned due to the military clashes and armed conflict in Eastern Ukraine.

The Group's subsidiaries, country of incorporation, and effective ownership percentages are disclosed below:

Company name	Country of incorporation	Ownership Interest	Ownership Interest
		31.12.2014	31.12.2013
Living LLC	Ukraine	99,99 %	99,99 %
PE Agricultural Production Firm Agro	Ukraine	99,99 %	99,99 %
Agroton PJSC	Ukraine	99,99 %	99,99 %
ALC Belokurakinskiy Elevator	Ukraine	99,99 %	99,99 %
LLC Belokurakinskiy livestock complex (iv)	Ukraine	-	99,89 %
Agro Meta LLC (i)	Ukraine	99,99 %	99,99 %
Rosinka-Star LLC	Ukraine	99,99 %	99,99 %
Etalon-Agro LLC (i)	Ukraine	99,99 %	99,99 %
ALLC Noviy Shlyah	Ukraine	99,99 %	99,99 %
ALLC Shiykivske	Ukraine	94,58 %	94,58 %
Agro-Chornukhinski Kurchata LLC	Ukraine	99,99 %	99,99 %
Agro-Svinprom LLC (ii)	Ukraine	99,99 %	99,99 %
Agroton BVI Limited	British Virgin Islands	100,00 %	100,00 %
Gefest LLC (i)	Ukraine	100,00 %	100,00 %
Tais-Abb PE (iii)	Ukraine	-	100,00 %
Alinco PE (i)	Ukraine	100,00 %	100,00 %
LLC Lugastan	Ukraine	100,00 %	100,00 %

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION (cont)

- (i) Agro Meta LLC, Etalon-Agro LLC, Gefest LLC , and Alinco PE are in the process of liquidation.
- (ii) In July 2011 the management of Living LLC resolved to dispose subsidiary of the Group namely Agro-Svinprom LLC engaged in the pig-breeding.
- (iii) Tais-Abb PE was liquidated on 13 May 2014.
- (v) In April 2014 The Group sold its ownership interest in LLC Belokurakinskiy livestock complex for the amount of USD 48 thousand (Note 27).

The parent company of the Group is Agroton Public Limited with an issued share capital of 21 670 000 ordinary shares with nominal value EUR 0,021 per share.

The shares at 31 December 2014 and as at the date the signing of these consolidated financial statements were distributed as follows:

	31 December 2014		29 April 2015	
Shareholder	Number of Shares	Ownership interest, %	Number of Shares	Ownership interest, %
Mr. Iurii Zhuravlov	11 270 994	52,01 %	11 270 994	52,01 %
BNY (NOMINEES) LIMITED	4 000 000	18,46 %	4 000 000	18,46 %
Jaspem Capital Partners Limited	1 086 316	5,01 %	1 081 316	4,99 %
BPH Towarzystwo Funduszy Inwestycyjnych S.A.	1 130 950	5,22 %	1 130 950	5,22 %
Others	4 181 740	19,30 %	4 186 740	19,32 %
	<u>21 670 000</u>	<u>100,00 %</u>	<u>21 670 000</u>	<u>100,00 %</u>

2. BASIS OF PREPARATION

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the financial statements of the Company and its subsidiaries (together with the Company, the "Group").

The Company has subsidiary undertakings and according to 142(1)(b) of the Cyprus Companies Law Cap.113 is required to prepare consolidated financial statements and laid them before the members of the Company at the Annual General Meeting.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU'), and the requirements of the Cyprus Companies Law, Cap. 113 and are for the year ended 31 December 2014.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. BASIS OF PREPARATION (cont)

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for the following:

- biological assets and agricultural produce, which are stated at fair value less costs to sell (agricultural produce is measured at fair value at the point of harvest)
- debt securities which are stated at amortised cost

2.3 Functional and presentation currency

The functional currencies of the companies of the Group are the Ukrainian Hryvnia (UAH) and United States Dollar (USD). The currency of Cyprus is Euro, but the principal exposure of the parent undertaking is in US dollars, therefore the functional currency of the Company is considered to be USD. Transactions in currencies other than the functional currency of the Group's companies are treated as transactions in foreign currencies. The Group's management decided to use US dollar (USD) as the presentation currency for financial and management reporting purposes. Exchange differences arising are classified as equity and transferred to the Company's translation reserve.

2.4 Going concern basis

These consolidated financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The Board of Directors and Management are closely monitoring the events in the current operating environment of the Group as described in note 35 and has assessed the current situation and there is no indication of adverse effects while at the same time are taking all the steps to secure Group's short and long term viability. The consolidated financial statements do not comprise any adjustments in case of the Group's inability to continue as a going concern.

2.5 Standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2014. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- IAS 19 (Amendments) "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 July 2014).
- Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 July 2014).
- Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 July 2014).

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 . BASIS OF PREPARATION (cont)

2.5 Standards and interpretations (cont)

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

(ii) Standards and Interpretations not adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 "Accounting for acquisition of Interests in Joint Operations" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)
- Annual Improvements to IFRSs 2012–2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 (Amendments) "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 41 (Amendments) "Bearer plants" (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 38 (Amendments) "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1 January 2016).

The Board of Directors expects that the adoption of these financial reporting standards will not have a material effect on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied accounting policies set out in this note to all years presented in these consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to achieve consistent application of the accounting policies applied by the Group.

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

AGROTON PUBLIC LIMITED

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.1 Basis of consolidation (cont)

Subsidiaries (cont)

The financial statements of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date that control commences until the date control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring them in line with the accounting policies of the Group.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity as transactions with owners acting in their capacity as owners. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

When the Group loses control of a subsidiary, the resulting profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The resulting profit or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

AGROTON PUBLIC LIMITED

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.1 Basis of consolidation (cont)

Business combinations (cont)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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For the year ended 31 December 2014

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.1 Basis of consolidation (cont)

Business combinations (cont)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.2 Foreign currency translation

(a) Transactions and balances

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

Monetary assets and liabilities are translated into the functional currency of each company included into the Group, at the rates ruling at the reporting period. Foreign exchange gains and losses, arising from transactions in foreign currency, and also from translation of monetary assets and liabilities into the functional currency of each company included into the Group at the rate ruling at the end of the year, are recognised in profit or loss.

The exchange rates used in preparation of these consolidated financial statements, are as follows:

Currency	31 December 2014	Weighted average for the year 2014	31 December 2013	Weighted average for the year 2013	31 December 2012
UAH-US dollar	15,7686	11,9090	7,9930	7,9930	7,9930
EUR - US dollar	0,8237	0,7527	0,7533	0,7573	0,7579

The foreign currencies may be freely convertible on the territory of Ukraine at the exchange rate which is close to the exchange rate established by the National Bank of Ukraine. At the moment, the Ukrainian Hryvnia is not a freely convertible currency outside the Ukraine.

(b) Presentation currency

The financial results and position of each subsidiary are translated into the presentation currency as follows:

- At each reporting period of the consolidated financial statements all the assets and liabilities are translated at the exchange rate of the National Bank of Ukraine and the European Central Bank at that date;
- Income and expenses are translated at the average exchange rates (except for the cases when such average exchange rate is not a reasonably approximate value reflecting cumulative influence of all exchange rates prevailing at the date of transaction, in which case income and expenses are translated at the exchange rates at the date of transaction);
- All exchange differences are recognised in other comprehensive income.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.3 Property, plant and equipment

Initial recognition of property, plant and equipment ("PPE")

Property plant and equipment is recognised by the Group as an asset only in a case, when:

- it is probable that the Group will receive certain future economic benefits;
- the historical cost can be assessed in a reliable way;
- it is intended for use during more than one operating cycle (usually more than 12 months);

Expenses after the initial recognition of property, plant and equipment

Any subsequent expenses, increasing the future economic benefits from the asset, are treated as additions. Otherwise, the Group recognises subsequent expenses as expenses of the period, in which they have been incurred. The Group divides all expenses, related to the property, plant and equipment, into the following types:

- current repairs and expenses for maintenance and technical service;
- capital refurbishment, including modernisation.

Subsequent measurement of property, plant and equipment

After initial recognition as an asset, the Group applies the model of accounting for the property, plant and equipment at historical cost, net of accumulated depreciation and any accumulated losses from impairment, taking into account estimated residual values of such assets at the end of their useful lives. Such cost includes the cost of replacing significant parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced from time to time, the Group recognises such parts as individual assets with specific estimated useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying value of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives agreed upon with the technical personnel of the Group.

The estimated useful lives for the property, plant and equipment are as follows:

Construction in progress	Not depreciated
Buildings	10-75 years
Machinery and equipment	2-30 years
Vehicles	2-15 years
Computers and office equipment	1-10 years
Instruments, tools and other equipment	1-10 years

Residual value and useful lives of assets are reviewed at each reporting period and adjusted if appropriate.

The acquired asset is depreciated starting from the following month from the date of placing into operation and depreciation is fully accumulated when useful life ends.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.3 Property, plant and equipment (cont)

Derecognition

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

Impairment

At each reporting period the Group evaluates whether any indicators of possible impairment of an asset exist. If the recoverable value of an asset or a group of assets within property, plant and equipment is lower than their carrying (residual) value, the Group recognises such asset or group of assets as impaired, and accrues a provision for impairment of the amount of excess of the carrying value over the recoverable value of the asset. Impairment losses are recognised immediately in profit or loss.

Assets under construction

Assets under construction comprise costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of the construction in progress, on the same basis as for other property, plant and equipment items, commences when the assets are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management.

3.4 Intangible assets

For the purpose of preparation of the consolidated financial statements the Group defines the following groups of the intangible assets: computer software and land lease rights.

The Group recognizes the object as an intangible asset, if such an object meets the following criteria of recognition:

- it is likely that the Group will receive related to this asset future economic benefits; and
- the cost of this asset can be reliably measured.

Initial recognition and subsequent measurement of intangible assets

Intangible assets are initially recognised at acquisition cost.

After initial recognition, intangible assets are reflected at acquisition cost less accumulated depreciation and accumulated impairment losses.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.4 Intangible assets (cont)

Computer Software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised in profit or loss of the year in which they are incurred. Computer software is amortised on a straight-line basis over the period of useful life of stated asset, usually 5 years. Amortisation starts from the following year from the date of placing into operation and is fully accumulated when useful life terminates.

Land lease rights

Land lease rights acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Land lease rights acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, land lease rights acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as land lease rights acquired separately.

Amortisation of land lease rights is recognised on a straight-line basis over their estimated useful lives. For land lease rights, the amortisation period is 10 years.

The amortisation period and the amortisation method for land lease rights are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure are recognised in profit or loss of the year in which they are incurred.

Useful life and amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets.

Derecognition of intangible assets

An intangible asset is derecognised upon its disposal or when the Group's company no longer expects to receive any economic benefits from this asset. Financial result, arising upon write-off or disposal, is calculated as the difference between net income from sale and the carrying amount of intangible assets. If an intangible asset is exchanged for a similar asset, the value of acquired asset amounts to the carrying amount of the disposed asset.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.5 Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provision of the instrument.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment.

(ii) Prepayments from clients

Payments received in advance on sale contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities.

(iii) Loans granted

Loans originated by the Group by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

(iv) Investments

Investments in securities are classified as financial assets at fair value through profit or loss and are presented at their fair value at the reporting date.

The fair value for investments in listed securities is considered to be the current bid prices and is calculated in accordance with the prices published by the Stock Exchange at the reporting date.

Realised and unrealised gains and losses arising from the change in the fair value of investments are recognised in profit or loss.

(v) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(vi) Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.6 Inventories

The Group identifies the following types of inventories:

- raw and other materials (including principal and auxiliary industrial raw and other materials; agricultural purpose materials);
- work-in-progress (including semi-finished products);
- agricultural produce;
- finished goods;
- goods in stock;
- other inventories (including fuel, packaging, construction materials, spare parts, low value items, other materials and consumable supplies).

Work in progress includes the costs incurred during the period, but relating to the preparation of crop areas under sowing for future reporting periods.

Agricultural products derived from biological assets are measured at fair value less costs to sell at the point of harvest. Profit or loss arising upon initial recognition of agricultural products at fair value less estimated costs to sell is recorded in the consolidated statement of profit or loss and other comprehensive income in Income (expenses) from changes in value of biological assets and agricultural produce.

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

The cost of inventories is based on the first-in first-out (FIFO) principle and includes all expenses for acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and preliminary estimated distribution and selling costs.

The Group regularly reviews inventories to determine whether there are any indicators of damage, obsolescence, slow movement, or a decrease in net realisable price. When such events take place, the amount by which inventories are impaired, is reported in profit or loss.

Impairment of inventories

Cost of inventories may be irrecoverable if the realisable value for such inventories has decreased due to their damage, whole or partial obsolescence or resulting from changes in market prices. Cost of inventories may be irrecoverable if possible costs for completion or sale have increased.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.6 Inventories (cont)

Impairment of inventories (cont)

Raw and other materials in inventories are not written-off below cost, if finished goods, in which they will be included, will be sold at cost or above. However, when decrease in price for raw materials indicates that cost of finished goods will exceed the net realisable value, raw materials are written off to net realisation value.

At each reporting period the Group analyses inventories to determine whether they are damaged, obsolete or slow-moving or whether their net realisable value has declined. If such situation occurred, the amount by which inventories are impaired is reflected within 'Other operating (expenses)/income'.

3.7 Biological assets

The following groups of biological assets are distinguished by the Group:

- (a) current – with useful life of 1 year, including:
 - agricultural crops (winter crops, spring crops and industrial crops);
 - animals in growing and fattening (cattle, poultry, etc.);
- (b) non-current – with useful life over 1 year:
 - work and productive livestock (cattle, etc.).

Biological asset is an animal or plant which in the process of biological transformations can create agricultural products or additional biological assets, as well as bring economic benefits in other ways.

Biological assets are stated at initial recognition and at each reporting period at fair value less estimated costs to sell, except for the cases where fair value cannot be determined reliably. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

If there is an active market for a biological asset or agricultural produce, the Group determines the fair value of assets based on their quoted price in the market. If the Group has access to several markets, the definition of fair value is based on the market, which may be used by the Group with the highest probability.

In the absence of an active market, the Group uses one or more of the following indicators to determine the fair value of biological assets:

- price of the most recent transaction in the market, provided that in the period between the date of the transaction and the reporting date there were no significant changes of economic conditions;
- market prices for similar goods;
- sectorial indices.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.7 Biological assets (cont)

In case where there are no market prices or other value indicators to determine the fair value in respect of the biological asset at a particular time, the Group uses the discounted value of the asset's expected net cash flows, while applying a discount coefficient, calculated on the basis of current market conditions for cash flow before tax.

Where there is no information about market prices upon the initial recognition of biological asset, and alternative estimates of fair value are clearly unreliable, such biological asset is valued at cost less accumulated depreciation and impairment losses. Once there is the possibility to determine the fair value of biological assets with reasonable reliability, the biological asset is revalued at fair value less estimated costs to sell (this principle applies only at initial recognition of the biological asset). If the Group has previously valued the biological asset at fair value less estimated costs to sell, this biological asset is recorded at fair value less estimated costs to sell up to the moment of its disposal.

The difference between the fair value less estimated costs to sell and production cost of biological assets is recorded in the consolidated statement of profit or loss and other comprehensive income in Income (expense) from changes in value of biological assets and agricultural products.

Biological assets and future harvest costs

Cost of crops for future harvest consists of actual costs incurred in growing harvest (including lease expenses, costs of land preparation, planting, fertilising, processing, collection, storage). The fair value of winter crops at the end of the year is approximate to its cost due to a minor biological transformation of seeds at the end of the year, significant impact of cultivation quality, weather conditions and precipitation on future harvest, variations in market demand for future harvest. Crops for future harvest are measured at cost.

3.8 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, cash in transit, issued letters of credit and call deposits.

3.9 Impairment of non-current assets

The Group assesses at each reporting period the carrying value of its non-current assets to determine whether there is any objective evidence that non-current assets are impaired. If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The expected recoverable amount of a cash-generating unit is the highest of the cash-generating unit's selling value and its value in use. In estimating value in use, the future cash flows are discounted to present value using a discount rate before taxation which reflects current market assessments of the time value of money and the risks specific to the asset.

AGROTON PUBLIC LIMITED

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.9 Impairment of non-current assets (cont)

If the expected recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) shall be reduced to its recoverable amount. That reduction is an impairment loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation deficit. If the impairment loss is reversed subsequently, then carrying value of an asset (or cash-generating unit) increases to the revised and estimated amount of its recoverable amount, where increased carrying value does not exceed the carrying value which could be determined only in that case if impairment loss for an asset (or cash-generating unit) was not recognised in the previous years. Reversal of the impairment loss is recognised in profit or loss.

3.10 Advances issued and other accounts receivable which are not financial assets

Advances issued are recorded at nominal value less value added tax and any accumulated impairment losses. Other current assets are recorded at nominal cost less accumulated impairment losses.

Impairment of advances issued is recognised if there is objective evidence that repayment of the full amount of the debt does not occur within the contract terms, including the incoming information about substantial financial difficulties of the debtor, the possibility of recognition a debtor as a bankrupt, or probability of debtor's reorganisation, in case of refusal from delivery, etc. Impairment of advances issued and other non-financial current assets is reflected according to order described in subparagraph 'Impairment of Assets' of Note 12.

Advances issued under the contracts for the purchase of property, plant and equipment are recorded in section 'Other non-current assets' of consolidated statement of financial position.

3.11 Value added tax (VAT)

In Ukraine VAT standard rate is 20% on imports and sale of goods and services in the territory of Ukraine and 0% rate for all exports and services rendered outside Ukraine.

The VAT liability is equal to the total amount of VAT accrued during the reporting period and arises at the earlier of goods shipment to the customer or at the date of receipt of payment from the client.

VAT credit is the amount by which a taxpayer is entitled to reduce his/her VAT liabilities in the reporting period. The right to VAT credit arises on the earlier of the date of payment to supplier or the date of receipt of goods.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.11 Value added tax (VAT) (cont)

The Group's agricultural entities apply the special VAT taxation treatment prescribed by the Tax Code of Ukraine, which entered into force on 1 January 2011, regarding the agricultural activities, which provides preferential VAT treatment to support agricultural producers. The Ukrainian government allows qualified agricultural producers which choose to apply the special VAT regime for the agricultural industry to retain the difference between the VAT that they charge on their agricultural products or services and the VAT that they pay on qualified items purchased for their operations, rather than remitting such amounts to the state budget. Agricultural producers qualify for this special VAT regime provided that the revenue received from the sales of agricultural goods produced during the preceding twelve months accounted for more than 75% of their gross revenue. The amounts retained by the Group can be used only for agricultural purposes.

For goods and services supplied at the 20% tax rate, revenue, expenses and assets are recognised net of VAT amount, unless:

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

For the Cyprus Company VAT of 19% (17% up to 13 January 2013 and 18% up to 12 January 2014) applies on expenses.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.12 Income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting period, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The majority of Groups entities are registered as tax payers of fixed agricultural tax and therefore are not payers of corporate tax.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.13 Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, returns, volume rebates and trade discounts. Revenues earned by the Group are recognised on the following bases:

Sale of Goods

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs of possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Services

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3.14 Finance income and costs

Finance income comprises of interest income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and bank charges.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily requires significant time to be prepared for use in accordance with the Group's intentions or for sale, are capitalised as the part of initial value of such asset. All other borrowing costs are expensed in profit or loss in the period they were incurred. Borrowing costs include interest payments and other expenses incurred by the Group related to borrowings.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.15 Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

3.16 Leases

At inception of an arrangement, the Group determines whether an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and liability are recognised at an amount equal to the fair value of the underlying asset, subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using a Group's incremental borrowing rate.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases - The Group as lessee

The leases of the Group are classified as finance leases, if they transfer to the Group substantially all the risk and rewards incidental to ownership of an asset. The Group recognises a finance lease as an asset and liability at the lower of the fair value of the leased asset and the present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

The payments are appointed between the finance expenses and the decrease of the finance lease obligations based on the effective interest method.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.17 Non-controlling interest (NCI)

NCI is represented by interest in the subsidiaries not owned by the Group. It is determined at the reporting period as interest in the fair value of identified assets and liabilities of the subsidiary at the date of acquisition or creation of a new subsidiary, as well as interest in change in net assets of a subsidiary after the acquisition or creation of a new subsidiary.

The Group provides information on NCI in net assets of subsidiaries and companies not connected with formal structure and not having a common parent company separately from items of equity attributable to the owners of the parent company.

3.18 Distribution of dividends

The amount payable to the owners of the Company in the form of dividends is recognised in the financial statements of the Group in the period the dividends were approved by the owners of the Company.

3.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily requires significant time to be prepared for use in accordance with the Group's intentions or for sale, are capitalised as the part of initial value of such asset. All other borrowing costs are expensed in the period they were incurred. Borrowing costs include interest payments and other expenses incurred by the Group related to borrowings.

3.20 Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated financial statements. Such liabilities are disclosed in the notes to the consolidated financial statements, with the exception of when the probability of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is considered more likely than not to occur.

3.21 Provisions

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

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3. SIGNIFICANT ACCOUNTING POLICIES (cont)

3.22 Operating Segments

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

The Group is organised by reportable segments and this is the primary format for segmental reporting. Each reportable segment provides products or services which are subject to risks and rewards that are different than those of other reportable segments.

The Group presents its geographical analysis for segmental revenue by customer location and for assets based on the asset's location. The Group operates mainly in Ukraine.

3.23 Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale (see note 3.15), if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year

3.24 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and the nominal value of share capital issued is taken to share premium. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.25 Events after the reporting period

The Group adjusts the consolidated financial statements amounts if events after the reporting period demand adjustments. Events after the reporting period requiring adjustments of the consolidated financial statements amounts relate to the confirmation or contradiction of the circumstances prevailing at the reporting period, as well as estimates and judgments of management, which are made under conditions of uncertainty and incompleteness of information at the reporting date.

If non-adjusting events that occurred after the reporting period are significant, non-disclosure of information about them may affect the economic decisions of users which are made on the basis of these consolidated financial statements. Accordingly, the Group discloses the nature of such events and estimates of their financial effect or states the impossibility of such estimate for each material category of non-adjusting events that occurred after the reporting period.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS requires from management to exercise judgment, to make estimates and assumptions that influence the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions of accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described below:

4.1 Useful life of property, plant and equipment

The Group estimates the remaining useful life of property, plant and equipment at least once a year at the end of the fiscal year. Should the expectations differ from previous estimates, changes are accounted for as changes in accounting estimates in accordance with IAS 8 'Accounting Policy, Changes in Accounting Estimates and Errors'. These estimates may have a significant effect on the carrying value of property, plant and equipment and depreciation recognised in profit or loss.

4.2 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4.3 Impairment of receivables

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont)

4.3 Impairment of receivables (cont)

The Group provides for doubtful debts to cover potential losses when a customer may be unable to make necessary payments. In assessing the adequacy of provision for doubtful debts, management considers the current economic conditions in general, the age of accounts receivable, the Group's experience in writing off of receivables, solvency of customers and changes in conditions of settlements. Economic changes, industry situation or financial position of separate customers may result in adjustments related to the amount of provision for doubtful debts reflected in the consolidated financial statements as impairments of receivables.

Additionally a general provision for doubtful debts is provided on all receivables due for more than 365 days.

Bad debts which maturity has already expired are written-off from the consolidated statement of financial position along with a corresponding adjustment to the provision for doubtful debts.

Bad debts which are subsequently recovered are reversed in the consolidated financial statements through profit or loss.

The Group does not accrue provisions for doubtful debts on balances with related parties regardless of the origin date of current debt.

4.4 Legal proceedings

The Group's management applies significant assumptions in the measurement and recognition of provisions for and risks of exposure to contingent liabilities related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or the crystallising of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have a significant effect on the future results of operating activity.

4.5 Impairment of obsolete and surplus inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and preliminary estimated distribution and selling costs. The writing-off of inventories is reflected on a first-in first-out (FIFO) basis.

At each reporting period the Group assesses the necessity to impair obsolete and surplus inventory. The Group analyses inventories to determine whether they are damaged, obsolete or slow-moving or whether their net realisable value has declined.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont)

4.6 Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective regions in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile.

Cyprus taxes

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

In Management's opinion, the Company is in substantial compliance with the tax laws governing its operations. However the risk remains that the relevant authorities could take different positions with regard to interactive issues and the effect could be significant.

The Company met the tax filing in Cyprus. To the best of Management's knowledge, no breaches of tax law have occurred. Thus, the Company has not recorded any provisions for potential impact of any such breaches as at 31 December 2014 and 31 December 2013.

4.7 Contingent liabilities

Contingent liabilities are determined by the occurrence or non-occurrence of one or more future events. Measurement of contingent liabilities is based on management's judgments and estimates of the outcomes of such future events. In particular, the tax laws in Ukraine are complex and significant management judgement is required to interpret those laws in connection with the tax affairs of the Group, which is open to challenge by the tax authorities.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont)

4.8 Legal proceedings

The Group's Management applies significant assumptions in the measurement and recognition of provisions for and risks of exposure to contingent liabilities related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or the crystallising of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have a significant effect on the future results of operating activity.

4.9 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board of Directors.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont)

4.9 Measurement of fair values (cont)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 38 (b) – biological assets;
- Note 38 (a) – financial instruments.

5. REVENUE

	<u>2014</u>	<u>2013</u>
Sales of goods	56 847	78 271
Rendering of services	2 121	3 122
Total	<u><u>58 968</u></u>	<u><u>81 393</u></u>

Revenue generated from sale of goods was as follows:

	<u>2014</u>	<u>2013</u>
Livestock and related revenue	15 461	21 591
Winter wheat	19 233	23 066
Sunflower	19 038	23 108
Corn in grain	2 815	4 557
Other agricultural crops	300	5 949
Total	<u><u>56 847</u></u>	<u><u>78 271</u></u>

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5. REVENUE (cont)

Sales volume for main agricultural products in tonnes was as follows:

	2014	2013
	tonnes	tonnes
Winter wheat	129 602	122 964
Sunflower	65 716	55 991
Corn in grain	24 763	32 448
Total	220 081	211 403

Sales volume for milk yield for the year ended 31 December 2014 was 10 654 thousand tonnes (2013: 11 113 thousand tonnes).

Revenue generated from rendering of services relates to storage and handling services granted to third parties.

Livestock and related revenue includes revenue from poultry and other livestock related products.

6. COST OF SALES

	2014	2013
Livestock and related operations	17 626	26 485
Plant breeding and related operations	41 657	66 045
Other activities	720	382
Total	60 003	92 912

7. NET CHANGE IN FAIR VALUE LESS COST TO SELL OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

	2014	2013
Non-current biological assets	1 075	(207)
Current biological assets	18 714	12 100
Total	19 789	11 893

The net change in fair value less costs to sell per type of biological asset was:

	2014	2013
Animals in growing and fattening	1 210	567
Crops under cultivation (Note 19)	18 579	11 326
Total	19 789	11 893

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8. OTHER OPERATING INCOME

	Note	<u>2014</u>	<u>2013</u>
Government grants		3	42
VAT grant		4 631	8 359
Reversal of provision for bad debts	25	39	184
Trade payables written-off		10	136
Other income		189	-
Gain on disposal of subsidiary companies	31	-	533
Total		<u>4 872</u>	<u>9 254</u>

9. ADMINISTRATIVE EXPENSES

	Note	<u>2014</u>	<u>2013</u>
Personnel expenses	15	1 521	2 630
Amortisation of intangible assets	16	5	7
Depreciation charge	16	62	99
Transportation expenses		257	406
Materials		181	279
Insurance		126	536
Professional fees		499	969
Communication services		32	53
Other expenses		283	471
Total		<u>2 966</u>	<u>5 450</u>

10. DISTRIBUTION EXPENSES

	Note	<u>2014</u>	<u>2013</u>
Personnel expenses	15	142	295
Depreciation charge	16	17	26
Amortisation of the prepayment for ther immediate right to use the elevator	22	693	693
Transportation expenses		566	336
Marketing and advertising expenses		7	21
Utilities		39	61
Other expenses		34	47
Total		<u>1 498</u>	<u>1 479</u>

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11. OTHER OPERATING EXPENSES

	Note	<u>2014</u>	<u>2013</u>
Depreciation charge	16	36	60
Impairment of trade and other receivables	25	669	329
Loss on disposal of property, plant and equipment		80	140
Loss on disposal of current assets		5	15
Impairment of inventories		1 751	3 310
Impairment of harvest failure	19	222	288
Fines and penalties		-	12
Donations		30	137
Other expenses		37	71
Total		<u>2 830</u>	<u>4 362</u>

12. IMPAIRMENT LOSSES

The Group's assets were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has test the related product lines for impairment and has recognised impairment losses for the following assets:

	Note	<u>2014</u>	<u>2013</u>
Impairment of property plant and equipment	17	6 574	-
Impairment of non-current assets	22	519	-
Impairment of biological assets	19	353	-
Impairment of cash and equivalents	26	11	-
Impairment of trade and other receivables	25	33 479	-
Impairment of inventories	23	4 670	-
Impairment of intangible assets	18	673	-
Total		<u>46 279</u>	<u>-</u>

13. PROFIT/ (LOSS) FROM OPERATING ACTIVITIES

(Loss)/profit from operating activities is stated after charging the following items:

	Note	<u>2014</u>	<u>2013</u>
Depreciation of property, plant and equipment	17	2 799	4 146
Amortisation of intangible assets	18	2 371	3 544
Loss on disposal of property, plant and equipment	11	80	140
Personnel expenses	15	9 315	13 481
Independent auditors' remuneration for the statutory audit of annual accounts		75	161
Independent auditors' remuneration for other assurance services		-	87

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2014*(in USD thousand, unless otherwise stated)***14. NET FINANCE COSTS**

	<u>2014</u>	<u>2013</u>
Interest income	3 130	2 048
Interest income on financial assets measured at amortised cost	-	29
Finance income	<u>3 130</u>	<u>2 077</u>
Interest on bank loans	-	(278)
Interest on non-bank loans	(267)	(221)
Interest on notes	(2 207)	(3 346)
Bank charges	(78)	(159)
Loss on foreign exchange differences	(55 813)	(440)
Finance costs	<u>(58 365)</u>	<u>(4 444)</u>
Net finance costs	<u>(55 235)</u>	<u>(2 367)</u>

15. PERSONNEL EXPENSES

	<u>2014</u>	<u>2013</u>
Wages and salaries	6 802	9 774
Contributions to state funds	2 513	3 707
Total	<u>9 315</u>	<u>13 481</u>

Payroll and related taxes were presented as follows:

	Note	<u>2014</u>	<u>2013</u>
Production personnel		7 652	10 556
Administrative personnel	9	1 521	2 630
Distribution personnel	10	142	295
Total		<u>9 315</u>	<u>13 481</u>

The number of employees at 31 December 2014 and 31 December 2013 were presented as follows:

	<u>2014</u>	<u>2013</u>
Average number of employees, persons	2 583	2 771
Key management personnel	12	13

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2014*(in USD thousand, unless otherwise stated)***16. DEPRECIATION AND AMORTISATION**

	Note	2014	2013
<i>Depreciation charge:</i>			
Depreciation of production property, plant and equipment		2 684	3 961
Administrative expenses	9	62	99
Distribution expenses	10	17	26
Other expenses	11	36	60
Total	17	2 799	4 146
<i>Amortisation charge:</i>			
Amortisation of land lease rights		-	-
Amortisation of land lease rights prepayments		2 366	3 537
Amortisation of land lease rights prepayments		800	800
Amortisation of the prepayment for the immediate right to use elevator	10	693	693
Amortisation of intangible assets	9	5	7
Total		3 864	5 037
Total depreciation and amortisation		6 663	9 183

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17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Total
Cost							
Balance at 1 January 2013	1 420	35 418	29 746	7 630	216	321	74 751
Additions	5 113	338	-	-	-	-	5 451
Disposals	(9)	(725)	(287)	(31)	(14)	(13)	(1 079)
Transfers	(4 687)	1 609	2 415	607	38	18	-
Balance at 31 December 2013	1 837	36 640	31 874	8 206	240	326	79 123
Balance at 1 January 2014	1 837	36 640	31 874	8 206	240	326	79 123
Additions	478	-	-	-	-	-	478
Disposals	(1)	(17)	(899)	(791)	(10)	(9)	(1 727)
Transfers	(437)	148	272	11	3	3	-
Effect from translation into presentation currency	(917)	(18 100)	(15 563)	(3 856)	(116)	(159)	(38 711)
Balance at 31 December 2014	960	18 671	15 684	3 570	117	161	39 163

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For the year ended 31 December 2014

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17. PROPERTY, PLANT AND EQUIPMENT (cont)

	Construction in progress	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Total
Accumulated depreciation and impairment losses							
Balance at 1 January 2013	-	18 031	16 455	6 081	173	220	40 960
Charge for the year	-	1 356	2 435	306	18	31	4 146
On disposals	-	(360)	(250)	(26)	(14)	(10)	(660)
Transfers	-	-	(78)	78	-	-	-
Balance at 31 December 2013	-	19 027	18 562	6 439	177	241	44 446
Balance at 1 January 2014	-	19 027	18 562	6 439	177	241	44 446
Charge for the year	-	940	1 641	192	12	14	2 799
On disposals	-	(2)	(834)	(787)	(9)	(3)	(1 635)
Impairment	106	4 402	1 867	189	5	5	6 574
Effect from translation into presentation currency	(26)	(10 692)	(9 808)	(3 076)	(89)	(122)	(23 813)
Balance at 31 December 2014	80	13 675	11 428	2 957	96	135	28 371
Carrying amounts:							
As at 1 January 2013	1 420	17 387	13 291	1 549	43	101	33 791
As at 31 December 2013	1 837	17 613	13 312	1 767	63	85	34 677
As at 31 December 2014	880	4 996	4 256	613	21	26	10 792

Due to political and economic developments and military conflict in Eastern Ukraine, the Group has temporarily suspended the investment plan for the upgrading of SJSC Khlib Ukraine Novoaydarsky Elevator. The management has the intention to resume with the investment plan as soon as the conditions in Eastern Ukraine allow this. The total amount spent up to 31 December 2014 for the upgrading of the elevator amounted to USD 961 thousand.

Additionally, the property, plant and equipment were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has test the related product lines for impairment and has recognised an impairment loss for property, plant and equipment of USD 6 574 thousand.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2014*(in USD thousand, unless otherwise stated)***18. INTANGIBLE ASSETS**

	Computer software	Land lease rights	Total
Cost			
Balance as at 1 January 2013	31	35 368	35 399
Additions	7	-	7
Balance as at 31 December 2013	38	35 368	35 406
Additions	-	-	-
Effect from translation into presentation currency	(19)	(17 440)	(17 459)
Balance as at 31 December 2014	19	17 928	17 947
Accumulated amortisation and impairment losses			
Balance as at 1 January 2013	9	2 291	2 300
Amortisation charge	7	3 537	3 544
Balance as at 31 December 2013	16	5 828	5 844
Amortisation charge	5	2 366	2 371
Impairment	-	673	673
Effect from translation into presentation currency	(9)	(3 618)	(3 627)
Balance as at 31 December 2014	12	5 249	5 261
Carrying amounts:			
As at 1 January 2013	22	33 077	33 099
As at 31 December 2013	22	29 540	29 562
As at 31 December 2014	7	12 679	12 686

The ownership of land lease rights previously held by subsidiary companies Gefest LLC, Alinco PE, Tais-Abb PE and LLC Lugastan have been transferred to Agroton PJSC and PE Agricultural Production Firm Agro.

Additionally, the intangible assets were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has test the related product lines for impairment and has recognised an impairment loss for intangible assets of USD 673 thousand.

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19. BIOLOGICAL ASSETS

Biological assets were presented as follows:

	<u>2014</u>	<u>2013</u>
Crops under cultivation	4 101	2 455
Animals in growing and fattening	1 847	3 576
<i>Total current biological assets</i>	<u>5 948</u>	<u>6 031</u>
Cattle	2 482	3 151
Other	7	11
<i>Total non-current biological assets</i>	<u>2 489</u>	<u>3 162</u>
Total	<u>8 437</u>	<u>9 193</u>

19.1 Crops under cultivation

At 31 December 2014 and 31 December 2013 the crops under cultivation were presented as follows:

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	<u>Thousands of hectares</u>	<u>Carrying values</u>	<u>Thousands of hectares</u>	<u>Carrying values</u>
Winter wheat plantings	42	4 070	20	2 402
Other plantings	1	31	2	53
Total	<u>43</u>	<u>4 101</u>	<u>22</u>	<u>2 455</u>

The reconciliation of crops under cultivation carrying value at 31 December 2014 was presented as follows:

	<u>2014</u>	<u>2013</u>
At 1 January	2 455	6 502
Increase in value as a result of capitalisation of cost	37 865	54 121
Decrease in value as a result of harvesting	(52 434)	(69 206)
Gain from presentation of biological assets at fair value	18 579	11 326
Impairment of harvest failure (note 11)	(222)	(288)
Effect from translation into presentation currency	(2 142)	-
At 31 December	<u>4 101</u>	<u>2 455</u>

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19. BIOLOGICAL ASSETS (cont)

19.1 Crops under cultivation (cont)

The main crops harvested and the fair value at the time of harvesting in the year ended 31 December 2014 was as follows:

	31 December 2014		31 December 2013	
	Volume, tonnes	Amount, USD thousand	Volume, tonnes	Amount, USD thousand
Winter wheat	160 031	24 035	181 307	34 891
Sunflower	73 848	22 654	72 297	26 882
Corn	26 492	3 275	54 741	7 433
Other sowing	81 540	2 470	-	-
Total	341 911	52 434	308 345	69 206

Impairment of harvest failure amounted to USD 222 thousand (2013: USD 288 thousand) is included in "Other operating expenses"(Note 11). The impairment identified was the result of bad weather conditions.

Expenses capitalised in biological assets mainly include fertilisers, fuel, seeds, labour and the operating lease rentals.

19.2 Non-current biological assets and animals in growing and fattening

Non-current biological assets:

	31 December 2014		31 December 2013	
	Number, heads	Fair value	Number, heads	Fair value
Cattle	2 471	2 482	2 448	3 151
Horses	10	7	14	11
Total		2 489		3 162

Animals in growing and fattening:

	31 December 2014		31 December 2013	
	Number, heads	Fair value	Number, heads	Fair value
Cattle	3 296	1 841	3 233	2 375
Poultry	-	-	464 932	1 181
Horses	14	6	33	20
Total		1 847		3 576
Grand total		4 336		6 738

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19. BIOLOGICAL ASSETS (cont)

19.2 Non-current biological assets and animals in growing and fattening (cont)

Reconciliation of non-current biological assets carrying value was presented as follows:

	2014	2013
At 1 January	3 162	2 606
Decrease in value due to sale of assets	(1)	(3)
Increase in value as a result of capitalisation of cost	3 247	5 015
Decrease in value as a result of harvesting agricultural products	(3 223)	(4 188)
Gain/(loss) from presentation of biological assets at fair value	1 075	(207)
Transfer between group of assets	75	(61)
Effect from translation into presentation currency	(1 846)	-
At 31 December	2 489	3 162

Expenses capitalised in biological assets of animals include mixed fodder, electricity, labour, depreciation and other.

Reconciliation of animals in growing and fattening carrying value was presented as follows:

	2014	2013
At 1 January	3 576	4 268
Increase in value as a result of asset acquisition	171	210
Increase in value as a result of capitalisation of cost	11 363	21 762
Decrease in value as a result of harvesting agricultural products	(10 692)	(22 615)
Decrease in value as a result of sale of assets	(107)	(884)
Mortality	(396)	-
Impairment	(353)	-
Transfer between groups of assets	(75)	61
Gain from presentation of biological assets at fair value	135	774
Effect from translation into presentation currency	(1 775)	-
At 31 December	1 847	3 576

Due to the military conflict in Eastern Ukraine the Group has temporarily abandoned the poultry farming business. As a result, the Group has recognised loss for biological assets of USD 353 thousand.

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20. AVAILABLE FOR SALE INVESTMENTS

Financial assets designated at fair value through profit or loss represents equity securities of Bank of Cyprus converted into shares after the decree issued by Central Bank of Cyprus on 29 March 2013. Based on that decree and the measurements for recapitalization of Bank of Cyprus, 47,5% of the uninsured deposits of the affected deposits have been converted into Bank of Cyprus shares.

In August 2013, pursuant to the above measurements, Bank of Cyprus, has issued to the Company 1 591 105 shares with nominal value €1,00 each. These shares have been identified, classified and measured according to the relevant provisions of IAS 39 “Financial instruments: Recognition and Measurement” and IFRS 13 “Fair Value Measurement”.

Bank of Cyprus shares are marketable securities and are valued at market value at the close of business on 31 December by reference to the Cyprus Stock Exchange quoted bid prices. At 31 December 2014 the bid price was €0,215 per share. In prior year, following the decree on the rescue by own means of Bank of Cyprus issued by Central Bank of Cyprus, trading of Bank of Cyprus equity securities had been temporarily suspended by both the Cyprus Stock Exchange and the Athens Stock Exchange. Hence, the 2013 value of shares was estimated by the Company’s management.

The exposure of the Company to market risk in relation to financial assets is reported in note 37 to the consolidated financial statements.

21. LOANS RECEIVABLE

	Note	2014	2013
<i>Current assets</i>			
Loans to related parties (Note 32)		26 933	10 900
Loans to third parties		2 862	9 903
Total		29 795	20 803

- On 29 June 2012, the Company has entered into a loan agreement with Stimi Agri Limited amounting to USD 2 million. The loan bears interest of 20% per annum and expired on 29 June 2013. On 28 June 2013 the two parties agreed to postpone the repayment dates to 31 December 2014. During 2014 the two parties agreed to further postpone the repayment date to 31 December 2015. The above loan is unsecured.
- On 29 June 2012, the Company has entered into a loan agreement with Stiom Agri Limited amounting to USD 2 million. The loan bears interest at a rate of 10% per annum and expired on 11 March 2013. On 28 June 2013 the two parties agreed to postpone the repayment dates to 31 December 2014. During 2014 the two parties agreed to further postpone the repayment to 31 December 2015. The above loan is unsecured.
- On 4 March 2013, the Company has entered into a loan agreement with Agriland Trading Limited amounting to USD 10 million. The loan bears interest at a rate of 20% and expired on 4 March 2014. During 2014 the two parties agreed to further postpone the repayment to 31 December 2015. The above loan is unsecured.
- On 1 October 2013, the Company has entered into a loan agreement with Network Limited amounting to USD 10 million. The loan bears interest at a rate of 10% and expired on 1 October 2014. During 2014 the two parties agreed to further postpone the repayment to 1 October 2015. The above loan is unsecured.

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22. OTHER NON-CURRENT ASSETS

	2014	2013
Advances:		
Advance for land lease	8 000	8 000
Less: amortisation	(3 600)	(2 800)
Advance for land lease - net	4 400	5 200
Prepayments:		
Prepayments for the immediate right to use the elevator	10 000	10 000
Less: Provisions for impairment	(3 591)	(3 072)
Less: amortisation	(2 078)	(1 386)
Prepayments for the immediate right to use elevator	4 331	5 542
Total	8 731	10 742

On 20 July 2011, PE Agricultural Production Firm “Agro” entered into an investment agreement with SJSC Khib Ukraine Novoaydarsky Elevator, in respect of the Novoaydarsky Elevator. Based on the agreement PE APF “Agro” undertakes to invest USD 1 155 thousand for the upgrading of the elevator until 20 July 2021 and upon completion of the project, “Agro” will become the 54% owner of the elevator while the remaining 46% will continue to be owned by the existing owner. In case “Agro” invests additional amounts in the upgrading of the elevator, its participation in the ownership rights will increase. The grain elevator with a total storage capacity of 130 000 tons was previously rented by the Group as part of its operations.

During the year 2011, Agroton Public Ltd made a prepayment of USD 10 000 thousand in relation to this investment agreement specifically for its rights to secure use of this elevator. The fair value of these rights was evaluated at USD 6 928 thousand hence an impairment loss of USD 3 072 thousand was accounted for in the consolidated statement of profit or loss.

The total amount spent by PE Agro for the upgrading of the elevator amounted to USD 961 thousand. The cost is included in construction in progress in property, plant and equipment.

Additionally, the land lease rights were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has test the related product lines for impairment and has recognised an impairment loss for advances for land lease rights of USD 519 thousand.

23. INVENTORIES

	2014	2013
Raw materials	686	2 029
Work-in-progress	3 905	10 117
Agricultural produce	14 658	23 389
Finished goods	28	215
Other	655	1 330
Total	19 932	37 080

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23. INVENTORIES (cont)

Work-in-progress:

Work in progress includes expenditure capitalised in respect of 72 thousand hectares (2013: 77 thousand hectares) of plough land prepared for sowing in the current or following year.

The main agricultural produce was as follows:

	<u>2014</u>	<u>2013</u>
Winter wheat	3 331	2 949
Sunflower	10 204	17 625
Corn	302	499
Other agricultural crops	821	2 316
Total	<u>14 658</u>	<u>23 389</u>

The main agricultural produce volume in tonnes was as follows:

	<u>2014</u>	<u>2013</u>
Winter wheat	29 849	16 127
Sunflower	44 812	45 085
Corn	3 508	2 821
Total	<u>78 169</u>	<u>64 033</u>

At 31 December 2014 there were no loans secured by inventories (2013: nil).

Inventories were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has test the related product lines for impairment and recognised an impairment loss for inventories of USD 4 670 thousand.

24. TRADE AND OTHER RECEIVABLES

	Note	<u>2014</u>	<u>2013</u>
Trade receivables		1 494	3 227
Provision for impairment of receivables	25	(611)	(1 837)
Trade receivables, net		883	1 390
Prepayments to suppliers		1 098	1 290
Other receivables		33 305	33 375
Provision for impairment of prepayments and other receivables	25	(33 566)	(234)
VAT recoverable		326	274
Total		<u>2 046</u>	<u>36 095</u>

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24. TRADE AND OTHER RECEIVABLES (cont)

On 29 June 2012, the Company entered into a preliminary agreement with Stiomi Agri Limited ('Seller') for the acquisition of 100% of the issued share capital of Private Enterprise 'Peredilske'. The parties agreed that the price for transfer of the company's shares amounting to USD 23 080 000.

On 26 December 2012, the Company entered into a preliminary agreement with Stiomi Agri Limited ('Seller') for the acquisition of 100% of the issued share capital of Limited Liability Company 'Skhid Potencial-Resurs'. The parties agreed that the price for transfer of the company's shares shall amount to USD 10 000 000.

On 3 September 2013 both agreements for the acquisition of PE “Peredilske” and of LLC “Skhid-Potencial-Resurs” have been cancelled. The parties agreed that the whole amount paid should be returned to the Company within twelve months of the signing of the cancellation agreements, either in cash and/or an equivalent market value’s worth of agricultural goods.

Due to political and economic developments and military conflict in Eastern Ukraine, Stiomi Agri Limited is currently unable to repay this amount to the Group. It is highly probable that this amount will never be recovered, therefore an impairment loss for USD 33 080 thousand was recognised.

Additionally, the trade and other receivables were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has recognised an impairment loss for trade and other receivables of USD 399 thousand.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 37 to the consolidated financial statements.

25. MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS

The movement in the provision for doubtful debts in respect of trade and other receivables was as follows:

	Note	<u>2014</u>	<u>2013</u>
At 1 January		2 071	2 750
Provision for the year	11	669	329
Impairment losses	12	33 479	-
Reversal of provision for bad debts	8	(39)	(184)
Write-off of provision for bad debt from receivables		(963)	(824)
Effect of translation into presentation currency		(1 040)	-
At 31 December	24	<u>34 177</u>	<u>2 071</u>

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26. CASH AND CASH EQUIVALENTS

	2014	2013
Fixed deposit	717	537
Cash at bank - USD	2 192	6 132
Cash at bank - UAH	2 274	475
Cash at bank - Euro	-	8
Cash in hand	23	126
Total	5 206	7 278

The cash and cash equivalent were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has recognised an impairment loss for the cash and cash equivalents of USD 11 thousand.

The exposure of the Group to credit risk and interest rate risk in relation to cash and cash equivalents is reported in note 37 to the consolidated financial statements.

27. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

Discontinued operations

The assets and liabilities of subsidiary companies Agro-Svinprom LLC and Belokurakinskiy livestock complex LLC, operating in pig-breeding, have been presented as held for sale following the Management decision in July 2011 and December 2013 respectively to dispose both companies.

In this respect the Management of the Group has advertised their intention for the sale of the two subsidiaries to the public media, for attraction of prospective new investors. Belokurakinskiy livestock complex LLC was disposed on 14 April 2014.

2014	Agro- Svinprom LLC	Belokurakinskiy livestock complex LLC	Total
Results of discontinued operations			
Administration expenses	(63)	-	(63)
Loss on disposal subsidiaries	(43)	-	(43)
Operating loss for the year	(106)	-	(106)
Loss on sale of discontinued operation	-	(43)	(43)
Loss for the year	(106)	-	(106)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2014*(in USD thousand, unless otherwise stated)***27. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE (cont)**

2013	Agro- Svinprom LLC	Belokurakinskiy livestock complex LLC	Total
Results of discontinued operations			
Revenue	22	-	22
Cost of sales	(10)	-	(10)
Gross profit	12	-	12
Administration expenses	(132)	-	(132)
Other income	10	-	10
Total comprehensive loss for the year	(110)	-	(110)

Held for sale

At 31 December 2014 the disposal group comprised the following assets and liabilities:

	Agro- Svinprom LLC	Belokurakinskiy livestock complex LLC	Total
Assets classified as held for sale			
Property, plant and equipment	30	-	30
Total	30	-	30
Liabilities classified as held for sale			
Trade and other payables	(21)	-	(21)
Total	(21)	-	(21)
Net assets	9	-	9

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27. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE (cont)

At 31 December 2013 the disposal group comprised the following assets and liabilities:

	Agro-Svinprom LLC	Belokurakinskiy livestock complex LLC	Total
Assets classified as held for sale			
Property, plant and equipment	59	135	194
Other receivables and prepayments	2	-	2
Cash and cash equivalents	1	-	1
Total	62	135	197
Liabilities classified as held for sale			
Trade and other payables	(46)	-	(46)
Total	(46)	-	(46)
Net assets	16	135	151

In December 2013, the entity Belokuraninskiy livestock complex LLC was separated from Agro-Svinprom LLC for the purpose of subsequent sale.

28. SHARE CAPITAL AND SHARE PREMIUM

	2014 Number of shares	2014 Nominal value, USD	2013 Number of shares	2013 Nominal value, USD
Authorised share capital:				
Ordinary shares of EUR 0,021 each	<u>47 619 048</u>	<u>1 321 500</u>	<u>47 619 048</u>	<u>1 321 500</u>
	Number of shares	Nominal value, USD	Share premium, USD	Total, USD
Issued and fully paid:				
At 1 January 2013	<u>21 670 000</u>	<u>661 128</u>	<u>88 531 664</u>	<u>89 192 792</u>
At 31 December 2013	<u>21 670 000</u>	<u>661 128</u>	<u>88 531 664</u>	<u>89 192 792</u>
At 31 December 2014	<u>21 670 000</u>	<u>661 128</u>	<u>88 531 664</u>	<u>89 192 792</u>

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28. SHARE CAPITAL AND SHARE PREMIUM (cont)

Issued capital

- i Upon incorporation on 21 September 2009, the Company issued to the subscribers of its Memorandum of Association 12 000 000 ordinary shares of nominal value EUR0,021 each, amounting to EUR 252 000 (USD equivalent of USD 370 591).
- ii On 4 November 2009 the Company issued 4 000 000 additional ordinary shares of nominal value EUR 0,021 each, amounting to EUR 84 000 (USD equivalent of USD 123 715), at a premium of EUR 6,93 per share, amounting to a total share premium of EUR 27 720 000 (USD equivalent of USD 38 791 285).

Global Depositary Receipts “GDRs” were issued against the 4 000 000 new shares by “The Bank of New York Mellon” for USD 9,72875 per each new share. The total consideration of the share capital issued was USD 38 915 000 out of which USD 123 715 is the total nominal value credited to the share capital account and USD 38 791 285 is the share premium reserve. Share issue expenses of USD 317 154 were deducted from the share premium reserve.

- iii The members of the Company held an Extraordinary General Meeting on 25 June 2010 where they authorized and approved the increase of the issued share capital of the Company from 16 000 000 ordinary shares of EUR 0,021 each amounting to EUR 336 000 (USD equivalent of USD 494 306) to 21 670 000 ordinary shares of nominal value of EUR 0,021, by the creation of 5 670 000 ordinary shares of a nominal value of EUR 0,021 each, ranking pari passu with the existing shares of the Company.

On 29 October 2010 the Company proceeded and issued 5 670 000 ordinary shares of nominal value EUR 0,021 each, amounting to EUR 119.070 (equivalent to USD 166 822), at a premium of EUR 6,7595 per share amounting to a total share premium of EUR 38 326 365 (USD equivalent of USD 54 222 634). The issue price for shares in the Company’s public offering was set at PLN 27 per share. The Company raised total gross proceeds of PLN 153 090 000 (USD equivalent of USD 54 389 456) from the public offering. Share issue expenses of USD 4 165 101 were deducted from the share premium reserve.

Listing of the Company to the Warsaw Stock Exchange

During the year 2010, the Board of Directors of the Company resolved to proceed with the initial public offering of 5 670 000 new ordinary shares of the Company and the application for the admission of the entire issued share capital of the company, including the Offer Shares to trading on the regulated market of the Warsaw Stock Exchange.

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29. LOANS AND BORROWINGS

	2014	2013
<i>Non-current liabilities</i>		
Notes	31 130	48 915
	31 130	48 915
<i>Current liabilities</i>		
Loan from owner	1 588	1 304
Accrued notes interest payable	-	2 623
	1 588	3 927
	-	-
Total loans and borrowings	32 718	52 842

Notes

On 14 July 2011, the Company's issued USD 50 000 000 12,50% Notes due on 14 July 2014, have been admitted to the official list of the UK Listing authority and to the London Stock Exchange Plc and trading on the London Stock Exchange's regulated market.

The Notes bear interest at a rate of 12,50% per annum payable semi-annually in arrears on 14 January and 14 July in each year, commencing on 14 January 2012.

The Notes are recognised initially at fair value USD 50 000 000 net of issue costs equal to USD 2 777 014. The difference between the proceeds (net of issue costs) and the redemption value as at 14 July 2014 is recognised in the consolidated statement of profit or loss over the period of the issue.

On 8 August 2013 with the consent of the Noteholders the Company has amended the terms and conditions of the Notes as follow:

- Extend the maturity of the Notes by 60 months to 14 July 2019 in order to lengthen the average maturity of the Groups funding sources;
- Postpone the interest payment that was due for payment to Noteholders on 14 July 2013 to 14 January 2014;
- Decrease the interest rate with effect from 14 January 2013 from 12,5% to 8% per annum;
- Amend the definition of Leverage Ratio Exception so that the maximum Consolidated Leverage Ratio would be 4,0 rather than 3,0; and
- Amend the definition of Permitted Indebtedness so that Additional Indebtedness is not to exceed USD 20 million (rather than USD 5 million) at any time outstanding.

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29. LOANS AND BORROWINGS (cont)

On 18 December 2013 the Company has secured a second consent of the Noteholders to amend the terms and conditions of the Notes as follow:

- Postpone to 14 January 2015 the interest payments that was due for payment to Noteholders on 14 January 2014 (including the postponed 14 July 2013 Interest Payment) and the one that would be due for payment to Noteholders on 14 July 2014;
- Further decrease the interest rate with effect from 14 January 2013 from 8% to 6%;
- Permit the Issuer, the Sureties and any of their respective subsidiaries to re-purchase Notes, which they may at their option hold, re-sell or surrender for cancellation;
- Remove the augmented quorum requirement for any Noteholders' meeting the business of which includes any Reserved Matter(s), so that the quorum requirement for any Noteholders' meeting for passing an Extraordinary Resolution (whether or not the business of such meeting includes any Reserved Matter(s) shall henceforth be two or more persons present in person holding Notes or being proxies or representatives and holding or representing in the aggregate more than half of the principal amount of the Notes for the time being outstanding;
- Reduce the proportion of votes required to pass an Extraordinary Resolution from not less than three-quarters in principal amount of the Notes owned by the Noteholders who are present in person or represented by proxy or representative at the relevant Noteholders' meeting to more than half of the principal amount of such Notes;
- Reduce the principal amount of Notes required to be held by Noteholders in order to pass an Extraordinary Resolution by way of electronic consent or written resolution from not less than three-quarters in principal amount of the Notes outstanding to more than half of such principal amount; and
- Remove restrictions on the Issuer's ability to declare or pay dividends to shareholders.

On 15 December 2014 the Company has secured a third consent of the Noteholders to amend the terms and conditions of the Notes as follow:

- Postpone to 14 January 2016 the interest payments that was due for payment to Noteholders on 14 January 2015 (including the postponed 14 July 2013, 14 January 2014 and 14 July 2014 Interest Payments) and the interest payment that will be due for payment to Noteholders on 14 July 2015; and
- Waive any Event of Default or Potential Event of Default arising as a result of the Issuer's failure to deliver and publish its audited annual financial statements and accompanying certificate for the financial year ended 31 December 2014 within the period stipulated therefor in breach of Condition 3.2(n) (Financial Information) of the terms and conditions of the Notes.

The following subsidiaries are acting as surety providers:

- Living LLC
- PE Agricultural Production Firm Agro
- Agroton PJSC
- Agro Meta LLC
- ALLC Noviy Shlyah
- ALLC Shiykivske

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29. LOANS AND BORROWINGS (cont)

- Agro Svymprom LLC
- Agro Chornukhinski Kurchata LLC
- Rosinka-Star LLC
- AF named by Shevchenko

In February 2013 subsidiary company AF named by Shevchenko has been sold to a third party and subsequently released from its suretyship in respect of the Notes.

Bank loans

On 25 July 2013, Agroton PJSC obtained a loan of USD 1 867 thousand from SP Bank, with interest bearing 22% which was repaid on 25 November 2013.

On 25 July 2013, Agroton PJSC obtained a loan of USD 2 502 thousand from Ukrkomunbank, with interest bearing 24% which was repaid on 29 November 2013. The collaterals for these loans released by the repayment date.

30. TRADE AND OTHER PAYABLES

	<u>2014</u>	<u>2013</u>
Trade payables	1 305	1 771
Payroll and related expenses accrued	445	1 054
Advances received	61	7 632
Liabilities for other taxes and mandatory payments	49	57
VAT payable	-	94
Payable for operating lease of land	776	1 205
Accrued expenses	67	170
Other provisions	22	27
Other liabilities	17 783	199
Total	<u>20 508</u>	<u>12 209</u>

The exposure of the Group to liquidity risk in relation to trade accounts payable is reported in Note 37 to the consolidated financial statements.

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31. ACQUISITION/DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries

During 2014, the Group sold to third parties the following subsidiaries:

Disposal of subsidiaries

During 2013, the Group sold to third parties the following subsidiaries:

Name of company	Country of incorporation	Type of activity	Date of disposal	Ownership interest disposed
AF named by Shevchenko Markivskiy sirzavod LLC	Ukraine	Agricultural activity	08/02/2013	99,99%
OJSC 'Breeding Poultry Farm 'Mirnyi'	Ukraine	Milk processing	25/07/2013	100%
	Ukraine	Poultry farming	2013	76,46%

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2014*(in USD thousand, unless otherwise stated)***31. ACQUISITION/DISPOSAL OF SUBSIDIARIES (cont)**

The fair value of net assets disposed was:

	AF named by Shevchenko	Markivskiy sirzavod LLC	OJSC 'Breeding Poultry Farm 'Mirnyi'	Total
Assets				
Property, plant and equipment	-	-	3	3
Non-current assets	-	-	3	3
Inventories	-	111	-	111
Current assets	-	111	-	111
Total assets	-	111	3	114
Liabilities	-	-	-	-
Trade and other payables	26	-	476	502
Current income tax liabilities	-	-	-	-
Current liabilities	26	-	476	502
Total liabilities	26	-	476	502
Net assets disposed	(26)	111	(473)	(388)
Consideration received	1	144	-	145
Consideration received, net of cash disposed	1	144	-	145
Net assets disposed	(26)	111	(473)	(388)
Consideration received, net of cash disposed	1	144	-	145
Profit on disposal of subsidiaries	27	33	473	533

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32. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the profit attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

Loss attributable to the owners of the Company:

	2014	2013
	USD '000	USD '000
Loss from continuing operations attributable to the owners of the Company	(76 142)	(5 488)
Loss from discontinued operations attributable to the owners of the Company	(106)	(110)
Total loss attributable to the owners of the Company	(76 248)	(5 598)
<i>Weighted average number of ordinary shares:</i>		
Weighted average number of ordinary shares at 31 December	21 670 000	21 670 000

Loss per share from continuing and discontinued operations attributable to the owners of the Company during the year (in USD per share):

Loss per share from continuing operations	(3,51)	(0,25)
Loss per share from discontinued operations	-	(0,01)
Total basic loss per share	(3,51)	(0,26)

Loss per share is the loss for the year after taxation attributable to the owners of the Company divided by weighted average number of shares in issue for each year.

There are no options or instruments convertible into shares and so basic and diluted earnings per share are the same.

33. RELATED PARTY BALANCES AND TRANSACTIONS

As at 31 December 2014 and the date of this report, the Company is controlled by Mr. Iurii Zhuravlov, who holds directly 52,01% of the Company's share capital. The remaining 47,99% of the shares is widely held.

In the ordinary course of its business, the Group has engaged and continues to engage, in transactions with both related and unrelated parties.

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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33. RELATED PARTY BALANCES AND TRANSACTIONS (cont)

According to these criteria the related parties of the Group are divided into the following categories:

- a. Companies in which Group's companies have an equity interest;
- b. Companies in which key management personnel has an equity interest;
- c. Key management personnel;
- d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.

Salary costs of key management personnel for the years ended 31 December 2014 and 31 December 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Wages and salaries	72	125
Other employees benefits	-	11
Contributions to social funds	25	47
Total	<u><u>97</u></u>	<u><u>183</u></u>

Key management personnel include Directors (Executive and Non-Executive), the Chief Financial Officer, the Chief Agronomist, the Head of the Food Production Division and the Head of the Livestock Division.

	<u>2014</u>	<u>2013</u>
<i>Number of key management personnel, persons</i>	12	13

Outstanding balances with related parties:

Loans receivable	<u>2014</u>	<u>2013</u>
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	26 933	10 900
Total	<u><u>26 933</u></u>	<u><u>10 900</u></u>

Loans payable		
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	1 588	1 304
Total	<u><u>1 588</u></u>	<u><u>1 304</u></u>

Other payable		
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	17 659	1 304
Total	<u><u>17 659</u></u>	<u><u>1 304</u></u>

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33. RELATED PARTY BALANCES AND TRANSACTIONS (cont)

The Group's transactions with related parties:

Finance income	2014	2013
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	2 253	29
Total	2 253	29
Expenses		
c. Key management personnel	97	183
Total	97	183

34. OPERATING SEGMENTS

A reportable segment is a separable component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generates revenues other than risks and income of those components that are peculiar to other reportable segments.

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All reportable segments' results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For the year ended 31 December 2014 the Group identified the following reportable segments, which include products and services, that differ by levels of risk and conditions of generation of income:

(i) Plant breeding segment raises and sells agricultural products and renders accompanying services. The main types of agricultural produce which are sold in this reportable segment are wheat, rye, barley, sunflowers and rape. The main services which are sold in this reportable segment are ploughing, handling and grain storage services.

(ii) Livestock segment raises and sells biological assets and agricultural products of cattle breeding. The main biological assets and agricultural products which are sold in this reportable segment are poultry, cattle, pigs and milk.

No operating segments have been aggregated to form the above reportable operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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34. OPERATING SEGMENTS (cont)

Management monitors the operating results of each of the unit separately for the purpose of making decisions about resources allocation and evaluation of operating results.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the condensed consolidated financial statements. Group financing (including finance expense and finance income) and income taxes, are managed on a group basis and are not allocated to operating segments.

The Group carries out its core financial and economic activities in the territory of Ukraine. Accordingly, the Group selects one geographical reportable segment.

Information by reportable segment is presented as follows:

2014	Livestock	Plant breeding	Other	Group level	Total
Total revenue	15 863	42 148	3 307	-	61 318
Inter-segment sales	402	762	1 186	-	2 350
External revenues	15 461	41 386	2 121	-	58 968
Net change in fair value less cost to sell of biological assets and agricultural produce	1 210	18 579	-	-	19 789
Expenses (excluding depreciation and amortisation)	(28 595)	(76 220)	(1 382)	-	(106 197)
Impairment losses	(7 491)	(38 788)	-	-	(46 279)
(Loss)/profit for the year (excluding depreciation and amortisation)	(19 415)	(55 043)	739	-	(73 719)
Depreciation and amortisation	(2 346)	(4 257)	(60)	-	(6 663)
(Loss)/profit before taxation from continuing operations	(21 761)	(59 300)	679	-	(80 382)
Reportable segment assets	10 140	55 889	1 831	30 137	97 997
Reportable segment liabilities	5 382	45 536	740	1 701	53 359

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34. OPERATING SEGMENTS (cont)

2013	Livestock	Plant breeding	Other	Group level	Total
Total revenue	21 842	62 507	6 780	-	91 129
Inter-segment sales	(251)	(5 826)	(3 659)	-	(9 736)
External revenues	21 591	56 681	3 121	-	81 393
Net change in fair value less cost to sell of biological assets and agricultural produce	567	11 326	-	-	11 893
Expenses (excluding depreciation and amortisation)	(25 246)	(59 062)	(307)	(5 068)	(89 683)
(Loss)/profit for the year (excluding depreciation and amortisation)	(3 088)	8 945	2 814	(5 068)	3 603
Depreciation and amortisation	(1 241)	(2 646)	(75)	(5 221)	(9 183)
(Loss)/profit before taxation from continuing operations	(4 329)	6 299	2 739	(10 289)	(5 580)
Reportable segment assets	21 657	85 250	4 403	74 814	186 124
Reportable segment liabilities	641	62 292	238	2 039	65 210

35. OPERATING ENVIROMENT

Cyprus economic environment

The Cyprus economy has been adversely affected by the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. These events led to negotiations between the Republic of Cyprus and the European Commission, the European Central Bank and the International Monetary Fund (the “Troika”) for financial support which resulted into the Eurogroup decisions on 25 March 2013. The decisions involved:

- the formulation of an Economic Adjustment Program for the country entailing the provision of financial assistance of up to €10 billion, the disbursements of which are subject to ongoing reviews by the Troika.
- the restructuring of the two largest(systemic) banks in Cyprus through a “bail in”.

During 2014 the banking sector in Cyprus undertook significant measures in anticipation of and subsequent to the EU-wide comprehensive assessment which consisted of thorough asset quality reviews and stress tests, and as a result it was recapitalised. Nevertheless the banking sector continues to face challenges due to the high level of non-performing loans and the limited availability of credit.

The Company’s management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company’s management has concluded that no provisions or impairment charges are necessary.

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35. OPERATING ENVIROMENT (cont)

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

Ukrainian economic and political environment

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings.

In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in Donetsk and Lugansk regions escalated into military clashes and armed conflict between armed supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces. As at the date these consolidated financial statements were authorized for issue, the instability and unrest continue, and part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics. As a result, Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Going concern basis

The dangers which may arise from unexpected external factors such as competition, and the further deterioration of the market conditions cannot be ignored. In addition the current financial position of the Company, the uncertain economic conditions in Cyprus, the unavailability of finance, the blockage of funds, together with the current instability of the banking system and the anticipated overall future economic recession may hinder the management's effort to sustain the group as a going concern. However having regard to the fact that with the consent of the Noteholders, the Company has amended the terms and conditions of the Notes with an extension of maturity date and postponement of interest payments, the Board of Directors believes that the Company will remain a going concern and that no indications of any kind of threat of liquidation exists in the foreseeable future.

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35. OPERATING ENVIROMENT (cont)

The consolidated financial statements do not include any adjustments that would be necessary in case the Company was not able to continue operating as a going concern which could include:

4. The ability of the Company to repay its Noteholders
5. The ability of the Company's trade and other debtors to repay the amounts due to the Company
6. The cash flow forecasts of the Company and the assessment of impairment of other financial and non-financial assets
7. The recoverability of the deferred tax asset
8. The ability to realize the current assets held for sale
9. The ability of the Company to repay its loans
10. The ability of the Company to meet its obligations towards its customers

36. CONTINGENT AND CONTRACTUAL LIABILITIES

Economic environment

The exposure of the Group to the economic environment and possible impact is disclosed in note 35 to the consolidated financial statements.

Taxation

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business cycles. In connection with this, tax laws in Ukraine are subject to frequent changes. Furthermore, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and regulations may lead to severe fines and penalties.

The Company operates in the Cypriot tax jurisdiction and its subsidiaries in tax jurisdiction of the respective countries of incorporation. The Group's management must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's uncertain tax positions are reassessed by management at every reporting period end. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting period.

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36. CONTINGENT AND CONTRACTUAL LIABILITIES (cont)

Legal matters

In the course of its economic activities, the Group is involved in legal proceedings with third parties. In most cases, the Group is the initiator of such proceedings with the purpose of preventing from losses in the economic sphere or minimise them.

The Group's management considers that as at the reporting period, active legal proceedings on such matters will not have any significant influence on its financial position.

Pension and other liabilities

Most employees of the Group receive pension benefits from the Pension Fund, a Ukrainian Government organisation in accordance with the applicable laws and regulations of Ukraine. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions from salaries.

At 31 December 2014 and 31 December 2013 the Group's entities had no liabilities for supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees.

Leases

The Group had the following liabilities under land operating lease agreements as at 31 December 2014 and 31 December 2013:

	<u>2014</u>	<u>2013</u>
Less than 1 year	3 647	7 526
Between 1 to 5 years	9 087	27 503
More than 5 years	991	9 684
Total	<u>13 725</u>	<u>44 713</u>

Plough-land is leased by the Group from individuals. The total size of leased plough-land at 31 December 2014 is 124 thousand hectares (2013: 124 thousand hectares). The average rental payment for leased plough-land in the year ended 31 December 2014 ranges between 3% - 6% (year ended 31 December 2013: 3% - 5%) from the normative value of land.

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37. FINANCIAL RISK MANAGEMENT

Risk Management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group is not a finance company, thus it uses financial instruments as may be necessary in order to obtain finance for its activities, not for the purpose of receiving income. In the process of its activities the Group uses the following financial instruments: cash and cash equivalents, bank deposits, accounts receivable, bank loans, finance leases, accounts payable.

The Group is exposed to the following risks resulting from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk of fair value) and operation risk. This explanation contains information relating to the Group's exposure to each of the risk types mentioned above, Group's objectives, its policy and procedures of these risks measurement and management.

Additional disclosures of quantitative information are presented in multiple other sections of these financial statements, including:

- information on finance income and expenses is disclosed in Note 14 (all finance income and expenses are recognised as a part of profit or loss for the year);
- information on cash is disclosed in Note 26;
- information on trade and other receivables is disclosed in Note 24;
- information on loans receivable is disclosed in Note 21;
- information on trade and other payables is disclosed in Note 30;
- information on significant terms of borrowings and loans granted is disclosed in Note 29.

a) Credit risk

Credit risk is the risk of financial loss for the Group in case of non-fulfilment of financial obligations by a client or counterparty under the respective agreement. In the reporting period the Group's financial assets that are exposed to credit risk are represented as follows: cash and balances on bank accounts, trade and other accounts receivable (except for receivables that are not represented by financial assets), loans receivable.

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37. FINANCIAL RISK MANAGEMENT (cont)

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group recognises impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period was presented as follows:

	Note	<u>2014</u>	<u>2013</u>
Financial assets			
Fixed deposit	26	717	537
Loan to owner	33	26 933	10 900
Loans to third parties	21	2 862	9 903
Cash at bank	26	4 489	6 615
Trade receivables	24	883	1 390
Other receivables	24	33 305	33 375
Total		<u><u>69 189</u></u>	<u><u>62 720</u></u>

Credit quality of financial assets

The table below shows an analysis of the Group's cash balances on bank accounts by the credit rating of the bank in which they are held:

Bank group based on credit ratings by Moody's	Note	<u>2014</u>	<u>2013</u>
Baa1		2 191	-
D+		-	5 056
Ca		2 246	-
Caa2		22	-
Caa3		718	-
E		-	1 884
Unrated		29	338
Total	26	<u><u>5 206</u></u>	<u><u>7 278</u></u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. FINANCIAL RISK MANAGEMENT (cont)

The ageing of trade receivables at the end of the reporting period that was not impaired was as follows:

2014	<u>0-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>over one year</u>	<u>Total</u>
Carrying amount of trade receivables	808	39	36	-	883
2013	<u>0-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>over one year</u>	<u>Total</u>
Carrying amount of trade receivables	812	243	335	-	1 390

The column '0-90 days' represents the amounts neither past due nor impaired.

The ageing of trade receivables at the end of the reporting period that was impaired was as follows:

2014	<u>0-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>over one year</u>	<u>Total</u>
Carrying amount of trade receivables	-	-	-	611	611
2013	<u>0-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>over one year</u>	<u>Total</u>
Carrying amount of trade receivables	-	-	-	1 837	1 837

As at 31 December 2014, an amount of USD 342 thousand and USD 257 thousand or 23% of the total carrying value of trade receivables is due from the two most significant debtors. For the year ended 31 December 2014, an amount of USD 13 563 thousand (32%) and USD 12 681 thousand (30%) from Group's revenue refers to the sales transactions carried out with two of the Group's clients.

As at 31 December 2013, an amount of USD 242 thousand and USD 177 thousand or 7% of the total carrying value of trade receivables is due from the two most significant debtors. For the year ended 31 December 2013, an amount of USD 21 121 (26%) and USD 5 049 (6%) from the Group's revenue refers to the sales transactions carried out with two of the Group's clients.

b) Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfil its financial obligations at the date of maturity. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

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37. FINANCIAL RISK MANAGEMENT (cont)

The table below represents the expected maturity of components of working capital.

Exposure to liquidity risk

2014	Note	Carrying amounts	Contractual cash flows	3 month or less	3-12 month	Between 1- 5 years	Over 5 years
Loan from owner	33	1 588	1 588	-	-	1 588	-
Notes	29	31 130	38 781	-	-	38 781	-
Trade payables	30	1 305	1 305	-	1 305	-	-
Other payables	30	18 559	18 559	-	18 559	-	-
Total		52 582	60 233	-	19 864	40 369	-

2013	Note	Carrying amounts	Contractual cash flows	3 month or less	3-12 month	Between 1- 5 years	Over 5 years
Loan from owner	33	1 304	1 431	-	1 431	-	-
Notes	29	51 538	69 500	-	-	13 500	56 000
Trade payables	30	1 771	1 771	-	1 771	-	-
Other payables	30	1 404	1 404	-	1 404	-	-
Total		56 017	74 106	-	4 606	13 500	56 000

c) Market risk

Market risk is the risk of negative influence of changes in market prices, such as foreign exchange rates and interest rates, on revenue position of the Group or on the value of the Group's available financial instruments.

The objective of market risk management provides control over the Group's exposure to market risk, as well as keeping its level within reasonable limits.

Description of the Group's exposure to such market components as currency risk and interest risk is given below:

Foreign currency risk

Foreign currency risk which represents a part of market risk is the risk of change in value of financial instruments due to changes in foreign exchange rates.

Management does not use derivative financial instruments to hedge foreign currency risks and does not follow the official policy for distribution of risks between liabilities in one or another currency. However, in the period of receiving new borrowings and loans, management uses its own estimates to take the decision as to which currency of the liability will be more favourable for the Group during the expected period till maturity.

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37. FINANCIAL RISK MANAGEMENT (cont)

Exposure to foreign currency risk

The Group's exposure to foreign currency risk as at 31 December 2014 based on carrying amounts was as follows:

(in conversion to USD thousand)

	Russian Ruble	United States Dollars	Euro
Cash and cash equivalents	-	-	-
Trade and other receivables	-	-	-
Trade and other payables	-	-	-
Total carrying amount	-	-	-

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

(in conversion to USD thousand)

	Russian Ruble	United States Dollars	Euro
Cash and cash equivalents	-	-	8
Trade and other receivables	1	-	10
Trade and other payables	-	-	(58)
Total carrying amount	1	-	(40)

Sensitivity analysis (foreign currency risk)

An increase of 100 basis points in foreign currency rates at 31 December would have decreased profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and equity.

	2014		2013	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Euro	-	-	(4)	(4)
United States Dollars	-	-	-	-
	-	-	(4)	(4)

Interest rate risk

Interest rate risk is the risk that expenditure or the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly

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37. FINANCIAL RISK MANAGEMENT (cont)

At present, the Group's approach to limit the interest rate risk consists of borrowings at fixed interest rates.

Structure of interest rate risk

The structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	<u>2014</u>	<u>2013</u>
<i>Fixed rate instruments</i>		
Financial assets	30 512	20 803
Financial liabilities	(32 718)	(52 842)
<i>Total</i>	<u>(2 206)</u>	<u>(32 039)</u>
<i>Variable rate instruments</i>		
Financial assets	-	5 489
<i>Total</i>	<u>(2 206)</u>	<u>(26 550)</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2013 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	<u>2014</u>		<u>2013</u>
	Effect on profit or loss	Effect on equity	Effect on profit or loss
Fixed rate instruments	22	22	320
Variable rate instruments	-	-	549

d) Operational risk

Crops under cultivation

The Group's operations are subject to seasonal fluctuations as a result of weather conditions. In particular, the cultivation of crops is adversely affected by winter weather conditions, which occur primarily from January to March. The first half of the year typically results in lower revenues and results for cultivations.

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37. FINANCIAL RISK MANAGEMENT (cont)

Livestock

The Group's agro-industrial business is subject to risks of outbreaks of various diseases that could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

e) Capital management

The Group's management follows the policy of providing a firm capital base which allows supporting the trust of investors, creditors and market and ensuring future business development.

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio. The Group's overall strategy remains unchanged from prior year. To manage capital, the Group's management, above all, uses calculations of financial leverage coefficient (ratio of leverage ratio) and ratio between net debt and EBITDA.

Financial leverage is calculated as a ratio between net debt and total amount of capital. This ratio measures net debt as a proportion of the capital of the Group, i.e. it correlates the debt with total equity and shows whether the Group is able to pay the amount of outstanding debts. An increase in this coefficient indicates an increase in borrowings relative to the total amount of the Group's capital. Monitoring this indicator is necessary to keep the optimal correlation between own funds and borrowings of the Group in order to avoid problems from over leverage. It is calculated as cumulative borrowings net of cash and cash equivalents. Total amount of capital is calculated as own capital reflected in the consolidated statement of financial position plus the amount of net debt.

For the ratio of net debt to EBITDA, the calculation of net debt is as above. EBITDA is an indicator of income before taxes, interest depreciation and amortisation. It is useful for the Group's financial analysis, since the Group's activity is connected with long-term investments in vessels, property, plant and equipment. EBITDA does not include depreciation, so that in the Group's opinion, it reflects the approximate cash flows deriving from the Group's income in a more reliable way.

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37. FINANCIAL RISK MANAGEMENT (cont)

Financial leverage ratio calculation

The ratio of net debt to EBITDA gives an indication of whether income obtained from operating activities is sufficient to meet the Group's liabilities.

	2014	2013
Notes	31 130	51 538
Loan from owner	1 588	1 304
Total amount of borrowings	32 718	52 842
Loans receivable	(29 795)	(20 803)
Cash and cash equivalents	(5 206)	(7 278)
Net debt	(2 283)	24 761
Share capital	661	661
Share premium	88 532	88 532
Retained earnings	(38 878)	41 649
Foreign currency translation reserve	(5 877)	(10 156)
Non-controlling interests	200	228
Total equity	44 638	120 914
Total amount of equity and net debt	42 355	145 675
Financial leverage coefficient	(5,4)%	17,0 %

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

	2014	2013
Loss for the year	(80 490)	(5 690)
Income tax charge	2	-
Impairment losses	46 279	-
Finance income	(3 130)	(2 077)
Finance costs	58 365	4 444
EBIT (Earnings before interest and income tax)	21 026	(3 323)
Depreciation and amortisation	6 663	9 183
EBITDA (earnings before interest, income tax, depreciation and amortisation)	27 689	5 860
Net debt /EBITDA	(0,1)	4,2

During the year there were no changes in approaches to capital management. The Group is not subject to any external regulatory capital requirements.

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38. FAIR VALUES

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The tables below analyse the financial and non-financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

The different levels have been defined as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs)

a) Fair value of financial assets

Assumptions in assessing fair value of financial instruments and assessment of their subsequent recognition

As no readily available market exists for the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instruments. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holding of the particular instrument.

At 31 December 2014, the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

- *Cash and cash equivalents* - the fair value is estimated to be the same as the carrying value for these short-term financial instruments.
- *Trade and other receivables* - the fair value is reasonably estimated to be the same as the carrying value, as provision for doubtful debts is reasonable estimation of discount needed for reflection of credit risk influence.
- *Trade and other payables* - the fair value is estimated to be the same as the carrying value for trade and other payables.

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38. FAIR VALUES (cont)

Application of the effective interest rate method for calculating carrying value of short - term receivables, interest free loans granted and received and payables has been applied to reflect fair values.

- *Bank and other loans* - the fair value of bank and other loans, is estimated to approximate the total carrying value as the nominal interest rate of bank and other loans is approximately tied to the market rate concerning bank loans with similar credit risk rate and repayment period at the reporting period.
- *Equity securities* – the fair value of equity securities is measured using the available quoted market prices from the relevant stock exchange which the securities are listed.

b) Fair value of non-financial assets

Assumptions in assessing fair value of non-financial instruments and assessment of their subsequent recognition

Biological assets of the Group are measured at fair value within level 3 of the fair value hierarchy, except for parent flock, cattle and horses that are measured using the market comparison technique based on market prices for livestock of similar age, breed and geographic location, which is measured at fair value within level 2 of the fair value hierarchy.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that reports directly to the Chief Financial Officer, and has overall responsibility for fair value measurement of biological assets.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. The valuation team assesses and documents the evidence obtained to support the conclusion that the valuation meets the requirements of IFRS, including the level in the fair value hierarchy. Significant valuation issues are reported to the Chief Financial Officer.

The Group's agro-industrial business is subject to risks of outbreaks of various diseases that could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

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38. FAIR VALUES (cont)

The valuation requires management to make certain assumptions about unobservable inputs to the model of which the significant unobservable inputs are disclosed in the table below:

Level 3 fair values

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Crops under cultivation	As at 31 December 2014 the biological transformation is insignificant, the fair value approximate cost	not applicable	not applicable

The table below analyses biological assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. The different levels have been defined as follows:

	Level 1	Level 2	Level 3	Total
31 December 2014				
Non-financial assets				
Plants and plantation	-	-	4 101	4 101
Livestock	-	4 336	-	4 336
	-	4 336	4 101	8 437

There were no transfers between any levels of the fair value hierarchy during the year 31 December 2014.

The reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 and Level 2 of the fair value hierarchy is analyzed in note 18 of these consolidated financial statements.

Total gain or losses for the period as shown in the reconciliation (note 19) are presented on the face of the consolidated statement of comprehensive income as “Net change in fair value less costs to sell of biological assets and agricultural produce” (31 December 2014: USD 19 789 thousand).

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38. FAIR VALUES (cont)

The following table analyses the fair values of financial instruments not measured at fair value, by the levels in the fair value hierarchy into which such fair value measurement is categorized:

	Carrying amount			Fair value				
	Loans and receivables	Available -for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2014	-	-	-	-	-	-	-	-
<i>Financial Assets measured at fair value</i>	-	-	-	-	-	-	-	-
Assets held for sale	-	30	-	30	-	-	30	30
<i>Financial assets not measured at fair value</i>	-	-	-	-	-	-	-	-
Available for sale investments	-	342	-	342	-	-	342	342
Trade receivables	883	-	-	883	-	-	883	883
Loans receivable	29 795	-	-	29 795	-	-	29 795	29 795
Cash and cash equivalents	5 206	-	-	5 206	-	-	5 206	5 206
	35 884	372	-	36 256	-	-	36 256	36 256
<i>Financial Liabilities not measured at fair value</i>	-	-	-	-	-	-	-	-
Notes	-	-	31 130	31 130	-	-	31 130	31 130
Loans payable	-	-	1 588	1 588	-	-	1 588	1 588
Trade payables	-	-	1 305	1 305	-	-	1 305	1 305
Other payables	-	-	18 559	18 559	-	-	18 559	18 559
	-	-	52 582	52 582	-	-	52 582	52 582

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38. FAIR VALUES (cont)

The fair value of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position as at 31 December 2014, are as follows.

	Carrying amount	Fair value
Financial assets		
Available for sale investments	342	342
Trade receivables	883	883
Cash and cash equivalents	5 206	5 206
Loans receivable	29 795	29 795
Financial liabilities		
Notes	31 130	31 130
Loans payable	1 588	1 588
Trade payables	1 305	1 305

As at 31 December 2014, the fair value of the above financial instruments approximates to their carrying amount, except for notes whose fair value was USD 31 130 thousand (31 December 2013: USD 51 538).

39. EVENTS AFTER THE REPORTING PERIOD

Events referred to in note 35 to the consolidated financial statements will continue to influence the Group's operations in 2015. While the management believe it is taking all necessary measures to maintain the sustainability of the business in the current circumstances, a further deterioration of economic and political conditions in Ukraine could adversely affect the Group's results and financial position, so that it is currently impossible to predict.

On 29 April 2015 the Board of Directors of Agroton Public Limited authorised these consolidated financial statements for issue.