

**AVANGARDCO INVESTMENTS PUBLIC
LIMITED**

Interim Consolidated Financial Statements

For the 3 months ended 31 March 2014

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The notes on pages 6 to23 form an integral part of these interim consolidated financial statements.

Interim consolidated statement of financial position

AS AT 31 MARCH 2014

(in USD thousand, unless otherwise stated)

	Note	31 March 2014	31 December 2013
ASSETS			
Property, plant and equipment		821 166	1 103 630
Non-current biological assets	4	50 720	76 678
Deferred tax assets		2 232	3 059
Other non-current assets		273	373
Total non-current assets		874 391	1 183 740
Inventories	6	155 166	193 382
Current biological assets	4	54 074	60 648
Trade accounts receivable, net	7	67 301	88 972
Prepaid income tax		23	85
Prepayments and other current assets, net	8	21 942	30 845
Taxes recoverable and prepaid	5	80 462	104 439
Cash and cash equivalents	9	178 472	156 804
Total current assets		557 440	635 175
TOTAL ASSETS		1 431 831	1 818 915
EQUITY			
Share capital		836	836
Share premium		201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		1 178 960	1 132 803
Effect of translation into presentation currency		(486 136)	(68 194)
Equity attributable to owners of the Company		1 010 682	1 382 467
Non-controlling interest		46 615	64 631
Total equity		1 057 297	1 447 098
LIABILITIES			
Long-term loans	10	72 630	61 495
Long-term bond liabilities	11	197 490	197 131
Deferred tax liabilities		32	44
Deferred income		3 398	4 743
Long-term finance lease		92	1
Total non-current liabilities		273 642	263 414
Short-term bond liabilities		-	-
Current portion of non-current liabilities	13	15 861	14 505
Short-term loans	12	50 000	50 000
Trade payables	14	9 834	15 084
Other accounts payable	15	25 197	28 814
Total current liabilities		100 892	108 403
TOTAL LIABILITIES		374 534	371 817
TOTAL EQUITY AND LIABILITIES		1 431 831	1 818 915

Nataliya Vasylyuk
Chairwoman

Iryna Marchenko
Director, CEO

The notes on pages 6 to 23 form an integral part of these interim consolidated financial statements.

Interim consolidated statement of comprehensive income
FOR THE 3 MONTHS ENDED 31 MARCH 2014
(in USD thousand, unless otherwise stated)

	Note	3 months ended	
		31 March 2014	31 March 2013
Revenue	16	152 199	155 823
Profit from revaluation of biological assets at fair value		9 275	8 841
Cost of sales	17	(101 729)	(102 466)
GROSS PROFIT		59 745	62 198
General administrative expenses	19	(5 456)	(3 961)
Distribution expenses	20	(5 660)	(3 965)
Income from government grants and incentives		68	76
Income from special VAT treatment		5 680	13 097
Other operating income, net	21	120	1 993
PROFIT FROM OPERATING ACTIVITIES		54 497	69 438
Finance income		39	42
Finance costs	22	(7 663)	(8 756)
PROFIT BEFORE TAX		46 873	60 724
Income tax credit/(expense)		(74)	(25)
PROFIT FOR THE PERIOD		46 799	60 699
OTHER COMPREHENSIVE INCOME:			
<i>Items that will never be reclassified to profit or loss</i>			
Effect of translation into presentation currency		(436 600)	744
Effect from changes in ownership		-	-
TOTAL COMPREHENSIVE INCOME		(389 801)	61 443
PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the Company		46 157	59 794
Non-controlling interests		642	905
PROFIT FOR THE PERIOD		46 799	60 699
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the Company		(371 785)	60 538
Non-controlling interests		(18 016)	905
TOTAL COMPREHENSIVE INCOME		(389 801)	61 443
Earnings per share, USD (basic and diluted)		7	9

The notes on pages 6 to 23 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of changes in equity

FOR THE 3 MONTHS ENDED 31 MARCH 2014

(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Capital contribution reserve	Share premium	Retained earnings	Foreign currency translation reserve			
As at 1 January 2013	836	115 858	201 164	899 357	(68 135)	1 149 080	18 115	1 167 195
Comprehensive income								
Profit for the period	-	-	-	59 794	-	59 794	905	60 699
Effect from translation into presentation currency	-	-	-	-	744	744	-	744
Total comprehensive income	-	-	-	59 794	744	60 538	905	61 443
As at 31 March 2013	836	115 858	201 164	959 151	(67 391)	1 209 618	19 020	1 228 638
As at 1 January 2014	836	115 858	201 164	1 132 803	(68 194)	1 382 467	64 631	1 447 098
Comprehensive income								
Profit for the period	-	-	-	46 157	-	46 157	642	46 799
Effect from translation into presentation currency	-	-	-	-	(417 942)	(417 942)	(18 658)	(436 600)
Effect from changes in ownership	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	46 157	(417 942)	(371 785)	(18 016)	(389 801)
As at 31 March 2014	836	115 858	201 164	1 178 960	(486 136)	1 010 682	46 615	1 057 297

The notes on pages 6 to 23 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Inrerim consolidated statement of cash flows
FOR THE 3 MONTHS ENDED 31 MARCH 2014
(in USD thousand, unless otherwise stated)

	Note	3 months ended	
		31 March 2014	31 March 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		46 873	60 724
Adjustments for:			
Depreciation of property, plant and equipment		6 443	3 669
Change in allowance for irrecoverable amounts	21	5	2
Other provisions		(675)	(223)
Loss on disposal of current assets	21	21	142
Loss on disposal of property, plant and equipment	21	6	135
Impairment of current assets	21	324	21
Other income		-	(709)
Effect of fair value adjustments on biological assets		(9 275)	(8 841)
Gains realised from accounts payable written-off		(11)	(13)
Amortization of deferred income on government grants		(68)	(76)
Discount on long-term bonds amortization		359	323
Interest income		(39)	(42)
Interest payable on loans		6 795	8 810
Operating profit before working capital changes		50 758	63 922
Increase in trade receivables		15 936	(7 611)
(Increase)/decrease in prepayments and other current assets		8 423	(38 327)
Increase in taxes recoverable and prepaid		(5 836)	270
(Increase)/decrease in inventories		(19 609)	16 260
Decrease in deferred income		(1 277)	(1)
Decrease/(increase) in other non-current assets		100	336
(Decrease)/increase in trade payables		(5 239)	(6 351)
Decrease in biological assets		3 584	4 616
Decrease in finance leases		(699)	(158)
Increase/(Decrease) in other accounts payable		(5 023)	6 352
Cash generated from operations		41 118	39 308
Interest paid		(1 681)	(3 251)
Income tax paid		(28)	(32)
Net cash generated from operating activities		39 409	36 025
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments and receipts - property, plant and equipment		(28 689)	(60 301)
Interest received		39	42
Net cash used in investing activities		(28 650)	(60 259)

The notes on pages 6 to 23 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of cash flows (cont.)

FOR THE 3 MONTHS ENDED 31 MARCH 2014

(in USD thousand, unless otherwise stated)

	Note	3 months ended	
		31 March 2014	31 March 2013
CASH FLOWS FROM FINANCING ACTIVITIES:			
New loans received		17 590	14 700
Repayment of loans		(2 948)	(29 891)
Interest paid for bonds issued		-	(9 815)
Repayment of short-term bonds		-	-
Blocked deposit		-	-
Net cash (used)/generated from financing activities		14 642	(25 006)
Net decrease in cash		25 400	(49 240)
Cash and cash equivalents at 1 January		156 804	203 504
Effect from translation into presentation currency		(3 732)	-
Cash and cash equivalents at 31 March	9	178 472	154 264

The notes on pages 6 to 23 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2014**

(in USD thousand, unless otherwise stated)

1. General information

AvangardCo Investments Public Limited (the "Company") was incorporated as a limited liability company on 23 October 2007 in accordance with the provisions of the Cyprus Companies Law, Cap. 113, under the name of Ultrainvest Limited. On 8 July 2009, the Registrar of Companies in Cyprus issued a certificate to the effect that the Company was re-registered as a public limited company and changed its name to AvangardCo Investments Public Limited. The Company was listed at London Stock Exchange Main Market on 6 May 2010.

The Company's registered office is at 3 Anexartias & Kyriakou Matsi, 3040 Limassol, Cyprus.

The interim consolidated financial statements of the Company as at and for the 3 months ended 31 March 2014 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

In 2009 the principal owner of AvangardCo Investments Public Limited reorganised the Group, as a result of which AvangardCo Investments Public Limited became the holding company of an agricultural group of agricultural enterprises, which in the past were under the common ownership and control of this owner. The restructuring was carried out by the transfer of direct interest in the Group's companies. The restructuring was undertaken to achieve legal consolidation of control over agricultural companies of the Group. The reorganisation did not affect the principal activities of the Group.

The history of "Avangard" began with the acquisition by the principal owner of the first poultry farm "Avangard" located in the Ivano-Frankivsk region of Ukraine. Subsequently, to supply the poultry farm with growing birds, the subsidiary "Avangard-Agro" was established. In 2004 a concept of development of this business line was designed, as a result of which in 2005-2009 other major enterprises of agrarian industry in Ukraine joined the Group.

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 31 March 2014 the production facilities of the Group include 32 poultry facilities (consisting of 19 egg laying farms, 10 farms for growing young laying hens and 3 breeder farms), 6 fodder mills, 3 long-term egg storage facilities and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows processing of approximately 80% of its own fodder. The Group's activities cover almost all the territory of Ukraine.

In order to build a vertically-integrated group, reduce business risk and gain additional profit due to synergies, the Group acquired a hen breeding concern. This ensures breeding of the required number of high quality daily chickens and their timely delivery to factories.

The construction of new full cycle egg production facilities, fully automated, in compliance with European standards of quality is an integral part of the Group's growth strategy.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2014**

(in USD thousand, unless otherwise stated)

1. General information (cont.)

The Group's subsidiaries all of which are incorporated in Ukraine, their principal activities and the effective ownership interests are as follows:

Company name	Principal Activity	Country of registration	Ownership interest (%) 31 March 2014	Ownership interest (%) 31 December 2013	
PJSC Avangard	Keeping of technical laying hen, production and selling of eggs	Ukraine	99,00%	99,00%	
PJSC Chornobaivske		Ukraine	97,00%	97,00%	
PJSC Agrofirma Avis		Ukraine	100,00%	100,00%	
PJSC Kirovskiy		Ukraine	100,00%	100,00%	
PJSC Ptakhohospodarstvo Chervonyi Prapor		Ukraine	98,00%	98,00%	
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%	
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%	
LLC Makarivska Ptakhofabryka		Ukraine	100,00%	100,00%	
LLC PF Volnovaska		Ukraine	100,00%	100,00%	
PJSC Cross-PF Zorya		Ukraine	89,00%	89,00%	
PJSC Ptakhofabryka Pershe Travnya		Ukraine	93,00%	93,00%	
PJSC Chernivetska Ptakhofabryka		Ukraine	98,00%	98,00%	
ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%	
LLC Areal-Snigurivka		Ukraine	100,00%	100,00%	
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		Ukraine	100,00%	100,00%	
PPB LLC Pitysecompleks		Ukraine	100,00%	100,00%	
PSPC Interbusiness		Ukraine	100,00%	100,00%	
SC Avangard-Agro of PJSC Avangard		Incubation (production and sale of day-old chick), farming of young poultry for sale, and poultry	Ukraine	99,00%	99,00%
SC Gorodenkivska Ptakhofabryka of PJSC Avangard			Ukraine	99,00%	99,00%
SC Rogatynska Ptakhofabryka of PJSC Avangard			Ukraine	99,00%	99,00%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka	Ukraine		100,00%	100,00%	
LLC Slovyany	Ukraine		90,00%	90,00%	
SC Ptakhohospodarstvo Lozuvatske of Avangardco Investments Public Limited	Ukraine		100,00%	100,00%	
SC Zorya of PJSC Cross-PF Zoraya	Ukraine		89,00%	89,00%	
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervonyiPrapor	Ukraine		98,00%	98,00%	
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding	Ukraine		100,00%	100,00%	
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska	Ukraine		100,00%	100,00%	
SC Ptakhohospodarstvo Chornobaivske of PJSC Chornobaivske	Ukraine	97,00%	97,00%		
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	99,00%	99,00%	
PJSC Vuhlehirskiy Eksperementalniy Kombikormoviy Zavod		Ukraine	100,00%	100,00%	
PJSC Volnovaskiy Kombinat Khiboproductiv		Ukraine	99,00%	99,00%	
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	100,00%	100,00%	
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	93,00%	93,00%	
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	94,00%	94,00%	
LLC Agrarniy Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%	
LLC Imperovo LTD	Rental services	Ukraine	94,00%	94,00%	

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2014**

(in USD thousand, unless otherwise stated)

1. General information (cont.)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 31 March 2014 with nominal value of € 0,10 per share.

The shares were distributed as follows:

Owner	31 March 2014		31 December 2013	
	Number of shares	Ownership interest (%)	Number of shares	Ownership interest (%)
Quickcom Limited	1	-	1	-
Omtron Limited	1 848 575	28.9%	1 848 575	28.9%
Tanchem Limited	926 280	14.5%	926 280	14.5%
Mobco Limited	1	-	1	-
BNY (Nominees) Limited	1 437 500	22.5%	1 437 500	22.5%
UkrLandFarming Plc	2 174 825	34.1%	2 174 825	34.1%
Other	3	-	3	-
	6 387 185	100.0%	6 387 185	100.0%

As at 31 March 2014 and 31 December 2013 the interests in Quickcom Limited, Omtron Limited, Tanchem Limited, Mobco Limited, UkrLandFarming Plc beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	Ownership interest (%) as at 31 March 2014	Ownership interest (%) as at 31 December 2013
Quickcom Limited	100%	100%
Omtron Limited	100%	100%
Tanchem Limited	100%	100%
Mobco Limited	100%	100%
UkrLandFarming Plc	100%	100%

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2014**

(in USD thousand, unless otherwise stated)

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The interim consolidated financial statements have been prepared on the historical cost basis, except for the biological assets which are measured at fair value and bonds and loans which are measured at amortised cost.

2.3 Going concern basis

These interim 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 interim consolidated financial statements do not comprise any adjustments in case of the Group's inability to continue as a going concern.

3. Accounting policies

3.1 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 to profit or loss.

The exchange rates used for the preparation of these interim consolidated financial statements, are presented as follows:

Currency	31 March 2014	Weighted average for the 3 monthes 2014	31 March 2013	Weighted average for the 3 monthes 2013
US dollar to				
Ukrainian Hryvnia	10,9546	8, 8627	7,993	7,993

The foreign currencies may be freely convertible to 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 of Ukraine.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2014**

(in USD thousand, unless otherwise stated)

4. Biological assets

	31 March 2014	31 December 2013
Non-current biological assets		
Replacement poultry	50 720	76 678
	50 720	76 678
Current biological assets		
Commercial poultry	54 074	60 646
Other biological assets	-	2
	54 074	60 648
Total	104 794	137 326

5. Taxes recoverable and prepaid

Taxes recoverable and prepaid as at 31 March 2014 and 31 December 2013 were as follows:

	Note	31 March 2014	31 December 2013
VAT settlements	a)	80 422	104 346
Other taxes prepaid		40	93
		80 462	104 439

a) VAT settlements related to VAT recoverable arising from operating activities and capital expenditure, is subject to:

- cash refund through release of budgetary funds by the Government;
- settlement of future tax liabilities of the entity under this tax within non-agricultural transactions.

6. Inventories

Inventories as at 31 March 2014 and 31 December 2013 were as follows:

	31 March 2014	31 December 2013
Raw and basic materials	107 047	132 264
Work-in-progress	568	606
Agricultural produce	2 309	2 150
Finished goods	23 353	33 939
Package and packing materials	14 899	13 997
Goods for resale	4 040	6 350
Other inventories	2 950	4 076
	155 166	193 382

7. Trade accounts receivable, net

Trade accounts receivable as at 31 March 2014 and 31 December 2013 were as follows:

	31 March 2014	31 December 2013
Trade receivables-gross	67 351	89 040
Provision for doubtful debts	(50)	(68)
	67 301	88 972

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2014**

(in USD thousand, unless otherwise stated)

8. Prepayments and other current assets, net

Prepayments and other current assets as at 31 March 2014 and 31 December 2013 were as follows:

	31 March 2014	31 December 2013
Prepayments	12 359	18 144
Provision for doubtful debts	(885)	(1 213)
Other non-trade accounts receivable	10 468	13 914
	21 942	30 845

9. Cash and cash equivalents

Cash and cash equivalents as at 31 March 2014 and 31 December 2013 were as follows:

	31 March 2014	31 December 2013
Cash in banks	178 427	154 771
Cash in hand	25	33
Other bank accounts in foreign currency	20	2 000
Cash and cash equivalents	178 472	156 804
Less blocked deposit		
Other bank accounts in foreign currency	-	-
Cash and cash equivalents represented in consolidated statement of cash flows	178 472	156 804

10. Long-term loans

Long-term loans as at 31 March 2014 and 31 December 2013 were as follows:

	31 March 2014	31 December 2013
Long-term bank loans in national currency	2 000	2 860
Long-term bank loans in foreign currency	84 973	70 448
Total loans	86 973	73 308
Commodity credit	809	1 109
	87 782	74 417
Current portion of non-current liabilities for bank loans in national currency	(2 000)	(1 430)
Current portion of non-current liabilities for bank loans in foreign currency	(13 152)	(11 492)
	72 630	61 495

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2014**

(in USD thousand, unless otherwise stated)

11. Long-term bond liabilities

Long-term bond liabilities as at 31 March 2014 and 31 December 2013 were as follows:

	31 March 2014	31 December 2013
Par value	200 000	200 000
Discount on issued bonds	(2 510)	(2 869)
	197 490	197 131

On 29 October 2010, the Company issued 2 000 five year non-convertible bonds with par value equal to USD 100 000 each. The Notes have been admitted to the official list of the UK listing Authority and to trading on London Stock Exchange plc's regulated market with effect from 1 November 2010. The USD 200 000 000 10% Notes, bear interest from 29 October 2010 at a rate of 10% per annum payable semi annually in arrears on 29 April and 29 October in each year, commencing on 29 April 2011. The maturity date is 29 October 2015 and the placement price was 98.093% of the principal amount of the Notes.

Surety providers of the bonds were as follows: (1) LLC Areal Snigurivka, (2) CJSC Agrofirma Avis, (3) LLC Torgivelnii Budynok Bohodukhivska Ptahofabryka, (4) CJSC Chernivetska Ptahofabryka, (5) OJSC Ptakhohospodarstvo Chervonyi Prapor, (6) APP CJSC Chornobaivske, (7) CJSC Avangard, (8) ALLC Donetska Ptahofabryka, (9) SC Gorodenkivska Ptahofabryka, (10) LLC Imperovo Foods, (11) PSPC Interbusiness, (12) SC Rohatynska Ptahofabryka, (13) SC Ptahofabryka Lozuvatska, (14) LLC PF Volnovaska, (15) PJSC Cross P/F Zorya.

12. Short-term loans

Short-term loans as at 31 March 2014 and 31 December 2013 were as follows:

	31 March 2014	31 December 2013
Short-term loans in national currency	-	-
Short-term bank loans in foreign currency	50 000	50 000
	50 000	50 000

13. Current portion of non-current financial liabilities

The current portion of non-current financial liabilities as at 31 March 2014 and 31 December 2013 was as follows:

	31 March 2014	31 December 2013
<i>Trade and other payables</i>		
Deferred income (current portion)	221	305
<i>Financial liabilities</i>		
Current portion of finance lease liabilities	407	1 065
VAT included in current portion of finance lease liabilities	81	213
Current portion of non-current liabilities for bank loans in foreign currency	13 152	11 492
Current portion of non-current liabilities for bank loans in national currency	2 000	1 430
	15 861	14 505

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2014**

(in USD thousand, unless otherwise stated)

14. Trade payables

Trade payables as at 31 March 2014 and 31 December 2013 were as follows:

	Note	31 March 2014	31 December 2013
Trade payables		8 501	12 514
Short-term notes issued	a)	1 333	2 570
		9 834	15 084

a) As at 31 March 2014 and 31 December 2013 the short-term notes issued were represented by promissory, non interest-bearing, notes.

15. Other accounts payable

Other accounts payable as at 31 March 2014 and 31 December 2013 were as follows:

	Note	31 March 2014	31 December 2013
Accrued expenses for future employee benefits		1 149	1 575
Other accrued expenses		42	291
Wages and salaries and related taxes liabilities		2 462	2 569
Other taxes and compulsory payments liabilities	a)	1 196	2 034
Accounts payable for property, plant and equipment		2 688	5 721
Advances received from customers	b)	1 332	4 779
Interest payable		1 511	1 397
Accrued coupon on bonds		8 462	3 462
Other payables	c)	6 355	6 986
		25 197	28 814

- a) Other taxes and compulsory payments liabilities mainly comprises of liabilities for VAT and community charges.
- b) Advances received from customers consist of prepayments for the sale of agriculture products and finished goods from buyers.
- c) Other payables consist of payables for electricity, gas, water, security services, lease and other.

16. Revenue

Sales revenue for the 3 months ended 31 March 2014 and for the 3 months ended 2013 were as follows:

	31 March 2014	31 March 2013
Revenue from finished goods	152 152	155 699
Revenue from goods sold and services rendered	47	124
	152 199	155 823

AVANGARDCO INVESTMENTS PUBLIC LIMITED

**Notes to the interim consolidated financial statements
FOR THE 3 MONTHS ENDED 31 MARCH 2014**

(in USD thousand, unless otherwise stated)

17. Cost of sales

Cost of sales for the 3 months ended 31 March 2014 and for the 3 months ended 2013 was as follows:

	Note	<u>31 March 2014</u>	<u>31 March 2013</u>
Cost of finished goods sold	18	(101 520)	(102 302)
Cost of goods sold and services rendered		(209)	(164)
		<u>(101 729)</u>	<u>(102 466)</u>

18. Cost of sales by elements

The cost of finished goods sold (Note 17) for the 3 months ended 31 March 2014 and for the 3 months ended 2013 as follows:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Raw materials	(82 734)	(87 118)
Payroll of production personnel and related taxes	(4 901)	(4 671)
Depreciation	(6 209)	(3 459)
Services provided by third parties	(7 633)	(7 002)
Other expenses	(43)	(52)
	<u>(101 520)</u>	<u>(102 302)</u>

19. General administrative expenses

General administrative expenses for the 3 months ended 31 March 2014 and for the 3 months ended 2013 were as follows:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Salaries and wages of administrative personnel	(1 922)	(2 162)
Services provided by third parties	(3 171)	(1 431)
Depreciation	(36)	(36)
Repairs and maintenance costs	(26)	(23)
Tax expenses, except for income tax	(98)	(79)
Material usage	(121)	(131)
Other expenses	(82)	(99)
	<u>(5 456)</u>	<u>(3 961)</u>

20. Distribution expenses

Distribution expenses for the 3 months ended 31 March 2014 and for the 3 months ended 2013 were as follows:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Salaries and wages of distribution personnel	(328)	(320)
Transport expenses	(3 538)	(2 199)
Depreciation	(203)	(174)
Services provided by third parties	(1 520)	(702)
Packing materials	(6)	(459)
Repairs and maintenance costs	(13)	(7)
Other expenses	(52)	(104)
	<u>(5 660)</u>	<u>(3 965)</u>

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21. Other operating income, NET

Other operating income, net for the 3 months ended 31 March 2014 and for the 3 months ended 2013 were as follows:

	31 March 2014	31 March 2013
Loss on disposal of current assets	(21)	(142)
Loss on disposal of non current assets	(6)	(135)
Impairment of current assets	(324)	(21)
Gain realised from writing-off of accounts payable	11	13
Gains/(losses) on exchange	(223)	1 925
Foreign currency sale income	813	466
Provision for doubtful debts and amounts written off	(5)	(2)
Fines, penalties recognized	(150)	(185)
Other income	25	74
	120	1 993

22. Finance cost

Finance cost for the 3 months ended 31 March 2014 and for the 3 months ended 2013 was as follows:

	31 March 2014	31 March 2013
Interest payable on loans	(1 795)	(2 438)
Capitalised interest	-	533
Total finance expenses on loans	(1 795)	(1 905)
Finance expenses on finance lease	(52)	(99)
Finance expenses on bonds (interest)	(5 000)	(6 372)
Other finance expenses	(816)	(380)
	(7 663)	(8 756)

23. Related party balances and transactions

The Company is controlled by Oleg Bakhmatyuk, who directly or indirectly owns 77.5% of the Company's share capital. The remaining 22.5% of the shares are widely owned.

For the purposes of these interim 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.

The Group enters into transactions with both related and unrelated parties. It is generally not possible to objectively determine whether any transaction with a related party would have been entered into if the parties had not been related, or whether such transactions would have been effected on the same terms, conditions and amounts if the parties had not been related.

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

- A. Key management personnel;
- B. Companies having the same top management;
- C. Companies in which the Group's owners have an equity interest;
- D. Companies in which activities are significantly influenced by the Group's owners.

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23. Related party balances and transactions (cont.)

Outstanding amounts of the Group for transactions with related parties as at 31 March 2014 and 31 December 2013 were as follows:

	Outstanding balances with related parties as at	
	31 March 2014	31 December 2013
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	43	59
D. Companies in which activities are significantly influenced by the Group's owners	7 085	10 386
	7 129	10 445
Trade accounts receivable		
C. Companies in which the Group's owners have an equity interest;	45	76
D. Companies in which activities are significantly influenced by the Group's owners	125	184
	169	260
Cash and cash equivalents		
D. Companies in which activities are significantly influenced by the Group's owners	10 521	9 913
	10 521	9 913
Long-term finance lease		
D. Companies in which activities are significantly influenced by the Group's owners	91	-
	91	-
Current portion of non-current liabilities		
D. Companies in which activities are significantly influenced by the Group's owners	19	-
	19	-
Trade accounts payable		
C. Companies in which the Group's owners have an equity interest;	9	12
D. Companies in which activities are significantly influenced by the Group's owners	6	198
	15	210
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	-	45
D. Companies in which activities are significantly influenced by the Group's owners	72	717
	72	762

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23. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 3 months ended 31 March 2014 and for the 3 months ended 2013 were as follows:

	Transactions with related parties for the 3 months ended	
	31 March 2014	31 March 2013
Sales revenue		
C. Companies in which the Group's owners have an equity interest;	-	5
D. Companies in which activities are significantly influenced by the Group's owners	127	89
	127	94
General administrative expenses		
C. Companies in which the Group's owners have an equity interest;	-	(1)
D. Companies in which activities are significantly influenced by the Group's owners	(53)	(18)
	(53)	(19)
Distribution expenses		
C. Companies in which the Group's owners have an equity interest;	-	(6)
D. Companies in which activities are significantly influenced by the Group's owners	(228)	(60)
	(228)	(66)
Other operating income/(expenses), net		
C. Companies in which the Group's owners have an equity interest;	-	-
D. Companies in which activities are significantly influenced by the Group's owners	93	1
	93	1
Finance income		
D. Companies in which activities are significantly influenced by the Group's owners	37	-
	37	-
Finance costs		
D. Companies in which activities are significantly influenced by the Group's owners	(11)	-
	(11)	-

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24. 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 generate revenues other than risks and income of those components that are peculiar to other reportable segments.

For the purpose of management the Group is divided into the following reportable segments on the basis of produced goods and rendered services, and consists of the following 5 reportable segments:

- shell eggs - breeding of industrial laying hens, production and sale of shell eggs;
- poultry - incubation (production and sale of baby chicks), breeding of young birds for sale, as well as sale of birds for slaughter;
- animal feed - production and sale of feeds;
- egg products - processing and sale of egg products;
- other activities - including sale of goods and services, sale of poultry meat and by-products, sale of plant production, sale of poultry manure etc.

Management monitors the operating results of each of the units separately for the purposes of making decisions about resources allocation and evaluation of operating results. The results of segments' activities are measured on the basis of operating profit or loss, its measurement is carried out accordingly to measurement of operating profit or loss in the interim consolidated financial statements.

Reportable segment information for the 3 months ended 31 March 2014 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	173 418	38 795	56 869	51 326	6 101	-	326 510
Intra-group elimination	(77 818)	(33 594)	(56 857)	-	(6 042)	-	(174 310)
Revenue from external buyers	95 601	5 202	13	51 326	58	-	152 199
Income from revaluation of biological assets at fair value	10 701	(1 428)	-	-	-	-	9 275
Other operating income/(expenses)	(379)	(87)	(28)	2 722	(2 109)	-	120
Income from government grants and incentives	68	-	-	-	-	-	68
OPERATING PROFIT/(LOSS)	35 373	5 863	(1 774)	19 057	(4 021)	-	54 497
Finance income	23	2	6	7	(1)	-	39
Finance costs, including:	(528)	-	-	(1 393)	(5 743)	-	(7 663)
Interest payable on loans	(31)	-	-	(1 393)	(372)	-	(1 795)
Income tax (expense)/credit	-	-	(55)	(17)	(1)	-	(74)
NET PROFIT/(LOSS) FOR THE PERIOD	34 867	5 865	(1 823)	17 654	(9 766)	-	46 799
TOTAL ASSETS	2 102 292	72 551	383 944	458 114	543 040	(2 128 110)	1 431 831
TOTAL LIABILITIES	637 720	10 312	334 684	307 281	320 506	(1 235 969)	374 534

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24. Operating segments (cont.)

Reportable segment information for the 3 months ended 31 March 2013 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	136 338	26 764	66 819	25 575	2 162	-	257 660
Intra-group elimination	(25 216)	(10 719)	(63 864)	(4)	(2 032)	-	(101 837)
Revenue from external buyers	111 122	16 045	2 955	25 571	130	-	155 823
Income from revaluation of biological assets at fair value	1 794	7 047	-	-	-	-	8 841
Other operating income/(expenses)	(825)	(60)	(94)	463	2 509	-	1 993
Income from government grants and incentives	75	1	-	-	-	-	76
OPERATING PROFIT/(LOSS)	51 743	5 024	(525)	11 903	1 293	-	69 438
Finance income	30	2	3	3	4	-	42
Finance costs, including:	(1 699)	-	-	(1 281)	(5 775)	-	(8 756)
Interest payable on loans	(171)	-	-	(1 281)	(452)	-	(1 905)
Income tax expense	-	-	(16)	(9)	-	-	(25)
NET PROFIT/(LOSS) FOR THE PERIOD	50 074	5 027	(538)	10 615	(4 479)	-	60 699
TOTAL ASSETS	2 066 845	84 237	516 499	331 024	25 257	(1 403 154)	1 620 710
TOTAL LIABILITIES	707 504	13 840	465 670	330 547	302 967	(1 428 455)	392 072

25. Financial risk management

Capital management

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

In relation to capital management the Group's objectives are as follows: maintaining the Group's ability to adhere to the going concern principle in order to provide income for owners and benefits to other interested parties, and also maintaining the optimal capital structure with the purpose of its cost reduction.

To manage capital, the Group's management, above all, uses the calculations of the financial leverage coefficient (ratio of leverage ratio) and the ratio between net debt and EBITDA.

Financial leverage is calculated as a ratio between net debt and total amount of capital. Net debt is calculated as cumulative borrowings net of cash and cash equivalents. Total amount of capital is calculated as own capital reflected in the balance sheet plus the amount of net debt.

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25. Financial risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation

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.

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 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.

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.

As at 31 March 2014 and 31 December 2013 the Group's financial leverage coefficient was 13.0% and 10.3% respectively.

	Carrying value	
	31 March 2014	31 December 2013
Short-term loans	50 000	50 000
Long-term loans	72 630	61 495
Current portion of long-term loans	15 152	12 922
Long-term finance lease (including VAT)	581	1 280
Long-term bond liabilities	197 490	197 131
Short-term bond liabilities	-	-
Total borrowings	335 853	322 828
Cash and cash equivalents	(178 472)	(156 804)
Net debt	157 381	166 024
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	1 178 960	1 132 803
Foreign currency translation reserve	(486 136)	(68 194)
Non-controlling interests	46 615	64 631
Total equity	1 057 297	1 447 098
Total amount of equity and net debt	1 214 678	1 613 122
Financial leverage coefficient	13,0%	10,3%

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25. Financial risk management (cont.)

Capital management (cont.)

Financial leverage ratio calculation (cont.)

For the 3 months ended 31 March 2014 and for the 3 months ended 2013 ratio of net debt to EBITDA amounted to:

	3 months ended	
	31 March 2014	31 March 2013
PROFIT FOR THE PERIOD	46 799	60 699
Income tax credit	74	25
Finance income	(39)	(42)
Finance expenses	7 663	8 756
EBIT (earnings before interest and income tax)	54 497	69 438
Depreciation	6 443	3 665
EBITDA (earnings before interest, income tax, depreciation and amortisation)	60 940	73 103
Net debt at the period end	157 381	182 147
Net debt at the period end / EBITDA	2,58	2,49

26. Events after the reporting period

There were no material events after the reporting period which affect the interim consolidated financial statements as at 31 March 2014.