



WESTA ISIC S.A.

Quarterly report for the three
months ended March 31, 2013

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FOREWORD BY

DMYTRO NIKITIN,

Executive Director of WESTA ISIC S.A.



Dear Shareholders,

We report on the results of WESTA ISIC S.A. for first quarter 2013.

In 1q 2013 the Group's sales amounted to 0.8 million of conventional batteries, 4% higher comparing to 1q 2012, revenue increased by 15% to USD 23.8 million and EBITDA amounted to USD 1.8 million.

The Group operated in the challenging market conditions on the back of deteriorated economic environment.

Due to continuing economic slowdown we expect market to remain weak in 1H2013 and rebound in 2H2013 driven by deferred demand and expanding car park in the CIS region.

Being the leading SLI batteries player in CIS, WESTA remains committed to enhance its position in the region and become one of the top producers globally.

Sincerely yours,

Dmytro Nikitin

MANAGEMENT REPORT

The Board of Directors has the pleasure in presenting their report for the financial three months ending 31 March 2013, which constitutes the management report (“Management Report”) as defined by Luxembourg Law, together with the condensed consolidated financial statements as of and for the three months ended 31 March 2013, and for the accounting period then ended.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

WESTA ISIC S.A., incorporated in the Grand Duchy of Luxembourg, is a holding company of group of companies incorporated and operating in Ukraine in the battery manufacturing industry (the “Group” or the “WESTA Group”).

The Group produces wide range of starting, lighting and ignition (SLI) lead-acid batteries, which are used primarily as automotive starter batteries, and for storage of energy. All the Group’s subsidiaries are primarily involved in all the stages of battery design, manufacturing and marketing.

Organizational structure

As of 31 March 2013 Westa ISIC S.A. comprised of two holding companies together with operating companies as described below:

Company	Principal activity	Country of incorporation	Group’s effective ownership interest as of	
			2013	2012
WESTA ISIC S.A.	Holding company	Luxemburg	Parent	Parent
WESTA-DNEPR (CYPRUS) LIMITED	Sub-holding company	Cyprus	100.00%	100.00%
PJSC “WESTA-DNEPR”	Manufacturing of batteries	Ukraine	97.25%	97.25%
LIMITED COMPANY “WESTA INDUSTRIAL”	Manufacturing of batteries	Ukraine	97.25%	97.20%
WESTA TRUCK BUTTERY LTD	Operating company	Ukraine	97.53%	-
WESTA CAR BUTTERY LTD	Operating company	Ukraine	100.00%	-
LIMITED COMPANY “INDUSTRIAL ENERGY SYSTEMS”	Researcher and development of the third generation battery	Ukraine	97.25%	97.24%
CNVSIF “Fingreenfinans”	Intergroup operating	Ukraine	99.36%	-
LLC “FW Trading”	Operating company	Ukraine	97.25%	97.25%
Associates:				
PJSC “DNIPROTELECOM”	Maintenance of transmission equipment	Ukraine	21.00%	21.00%

Two companies were created during 2012 as mentioned above.

Financial and operational highlights

Key operational highlights for the three months ended 31 March 2013:

- Battery production increase to 604 thousands conventional units¹ as compared to 488 thousands conventional units¹ in 1q 2012, representing a 24% y-o-y increase
- Battery sales increase to 756 thousands conventional units as compared to 726 thousands conventional units¹ in 1q 2012, representing a 4% y-o-y increase
- Net sales increased to USD 23.8 million as compared to USD 20.7 million for the three months ended 31 March 2012, representing a 15% y-o-y increase.

¹ Conventional battery is measure that enables to unify all the range of products (which vary from capacity of 44A*h to 225 A*h) to the analogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfectly with its capacity (which is mainly defined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery is equivalent to three 60A*h (conventional) batteries.

Selected financial data for the three months ended 31 March 2013 is presented in the table below:

in thousand USD unless otherwise stated	2013	2012
Revenue	23,820	20,714
Gross profit	3,031	2,049
EBITDA2	1,757	1,438
Total comprehensive loss	(4,790)	(9,109)
Operating profit before working capital changes	1,811	1,914
Net cash used in operating activities	(3,512)	(3,602)
Net cash used in investing activities	(1,218)	(8,153)
Net cash generated from financing activities	5,760	3,294
Total net cash flow	1,030	(8,461)
Total assets	257,301	300,461
Non-current liabilities	147,108	175,655
Current liabilities	98,476	85,751
Total equity	11,717	39,055
Weighted average number of shares	44,133,333	44,133,333
Profit/(loss) per ordinary share (USD)	(0.11)	(0.20)

Please refer to financial report for more detailed information.

² EBITDA is defined as gross profit less general and administrative expenses, less selling and distribution expenses, plus government grants, plus depreciation and amortization as derived from the Financial Statements. EBITDA is non IFRS measure.

DESCRIPTION OF SIGNIFICANT EVENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 AND OUTLOOK FOR 2013

Extraordinary shareholders meeting

On February 27, 2013 the Westa ISIC S.A. held an Extraordinary General Meeting. There were accepted several decision on the meeting:

- ✓ Termination of the mandate of the Statutory Auditor (réviseur d'Entreprises agréé), Deloitte S.A., having its registered office in L- 2220 Luxembourg, 560, rue de Neudorf and appointment of Baker Tilly Luxembourg Audit S.A.R.L., having its registered office in L-1511 Luxembourg, 119, Avenue de la Faïencerie.
- ✓ Acceptance of the resignation of Mr. Christoph Kossmann, B Director, and appointment of new B Directors.
- ✓ Transfer of the registered office from 412F, route d'Esch, L-2086 Luxembourg to 65, boulevard Grande-Duchesse Charlotte L-1331 Luxembourg.
- ✓ Appointment of the members of audit committee.
- ✓ Adoption of the remuneration policy of the Company.

New loan financing

During January – March 2013 the Group attracted new financing under two new agreements. The amount of new financing attracted is USD 5,975 thousands.

Outlook for 2013

Due to continuing economic slowdown we expect market to remain weak in 1H2013 and rebound in 2H2013 driven by deferred demand and expanding car park in the CIS region. WESTA has done all the necessary preparations to meet the expected demand, securing the raw materials supplies and working capital financing.

DESCRIPTION OF SIGNIFICANT EVENTS OCCURRED SINCE THE END OF THE REPORTING PERIOD

There were no significant events since the end of the reporting period.



RELATED PARTIES TRANSACTIONS

The Group performs transactions with related parties in the ordinary course of business. The Group purchases lead, lead alloys, polypropylene from its related parties, both domestic and foreign companies. Related parties comprise the Group parent's associates, the shareholders, companies are under common control of the Group's controlling owners, key management personnel of the Group and their close family members, and companies that are controlled or significantly influenced by shareholders.

Information in respect of related party transactions is disclosed in Note 28 of the condensed consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Currency exchange rates fluctuations

Fluctuations in the value of USD, which is the Group's reporting currency, against other currencies, such as UAH, RUB and EUR may have an adverse effect on its financial results. Approximately 35% of the Group's sales are invoiced in USD and EURO and approximately 40% - in RUB for goods sold on the international markets. The remaining 25% represent the sales of batteries in the Ukrainian domestic market.

Moreover, the loan facilities of the Group are denominated in USD, EURO and UAH. A change in the value of EURO or UAH compared to USD could have a negative effect on the financial results of the Group.

The Group also encounters currency exchange risks to the extent that it incurs operating expenses in a currency other than that in which it has obtained financing or those in which it generates revenues.

Prices for raw materials

Since lead constitutes more than a half in the cost of a battery, any fluctuation in its price affects the battery producers. The costs of lead are volatile and are beyond of the Group's control. The increase of price might cause a reduction in profit margin unless WESTA is able to hedge these risks or to pass on to its customers the increased costs of the raw materials.

Global economic conditions may worsen

Since the Group operates on the international scale, it is exposed to the global economic and financial conditions and change in consumers' purchasing power. In case of a further slowdown in the global economy, the Group's business may be affected by shortfall of the demand for its products or by decrease in availability of financing, which could in turn negatively impact its sales and revenue generation and result in a material adverse effect on its financial results.

Risks relating to operating in Ukraine

Since all Group's production capacities are located in Ukraine, risks and events that have a material adverse effect on the Group's operations in Ukraine could, in turn, have a material adverse effect on its overall business, financial condition, operating results or prospects. Some of such risks are presented below:

- Political or economic instability or uncertainty in Ukraine may worsen;
- Any unfavorable changes in Ukraine's regional relationships, especially with Russia;
- The business environment in Ukraine could deteriorate etc.

RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

We confirm that to the best of our knowledge and belief the condensed consolidated financial statements of Westa ISIC S.A. (“Company”) presented in this Three months ended 31 March 2013 Report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the assets, liabilities, financial position, cash flows and loss of the Company and the undertakings included within the consolidation taken as a whole. The Quarterly Report of the Board of Directors for the three months ended 31 March 2013 includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

In reference to the Article 4 (5) of the law of 11 January 2008 on transparency requirements for issuers of securities, published in Mémorial A – No. 5 of 15 January 2008, we hereby declare the following: the condensed consolidated financial statements as at and for three months ended 31 March 2013 have not been audited.

By Order of the Board of Directors

**Dmytro Nikitin,
Executive Director A**

30 May 2013,
Luxembourg

WESTA ISIC S.A.

Condensed consolidated financial statements
Three months Ended 31 March 2013

WESTA ISIC S.A.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 March 2013

(in thousands of US Dollars)

	Notes	31 March 2013 Unaudited	31 December 2012 Audited	31 March 2012 Unaudited
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	5	168,632	170,205	169,775
Prepayments for property, plant and equipment	6	18,476	18,505	26,401
Intangible assets		83	85	93
Investments in associates	7	161	161	161
Deferred tax assets	8	1,687	1,634	2,096
Other non-current assets	9	6,304	6,481	6,411
Total non-current assets		195,343	197,071	204,937
CURRENT ASSETS:				
Inventories	10	12,747	17,021	19,909
Trade and other accounts receivable	11	17,870	15,733	33,319
Advances to suppliers and prepaid expenses	12	17,965	15,571	18,707
Taxes recoverable and prepaid	13	5,203	5,143	9,870
Other financial assets	14	4,025	2,571	1,124
Cash and cash equivalents	15	4,148	3,049	12,595
Total current assets		61,958	59,088	95,524
TOTAL ASSETS		257,301	256,159	300,461
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	16	621	621	621
Share premium	16	45,180	45,180	45,180
Additional paid-in capital		16,665	16,665	16,665
Revaluation reserve		26,756	26,756	26,756
Accumulated deficit		(76,064)	(71,420)	(49,430)
Cumulative translation difference		(1,323)	(1,295)	(1,194)
Equity attributable to Shareholders of the Parent		11,835	16,507	38,598
Non-controlling interests		(118)	-	457
Total equity		11,717	16,507	39,055
NON-CURRENT LIABILITIES:				
Long-term borrowings	17	144,280	153,692	149,637
Long-term finance leases	18	2,828	3,091	925
Long-term accounts payable		-	-	25,093
Total non-current liabilities		147,108	156,783	175,655
CURRENT LIABILITIES:				
Trade and other accounts payable	19	20,911	21,864	27,629
Advances received		10,686	12,062	8,861
Short-term borrowings and current portion of the long-term borrowings	17	62,046	44,386	46,397
Short-term finance leases	18	1,832	1,303	176
Taxes payable	20	331	482	325
Provisions and accruals	21	2,670	2,772	2,363
Total current liabilities		98,476	82,869	85,751
TOTAL LIABILITIES		245,584	239,652	261,406
TOTAL EQUITY AND LIABILITIES		257,301	256,159	300,461

On behalf of the Board of Directors of Westa Group:

Dmytro Nikitin,
Director A of Westa ISIC S.A.

The notes on pages 17 to 61 form an integral part of these condensed consolidated financial statements.

WESTA ISIC S.A.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2013

(in thousands of US Dollars)

	Notes	2013 (Unaudited)	2012 (Unaudited)
REVENUE	22	23,820	20,714
COST OF SALES	23	<u>(20,789)</u>	<u>(18,665)</u>
GROSS PROFIT		3,031	2,049
General and administrative expenses	24	(1,797)	(1,833)
Selling and distribution expenses	25	(1,351)	(658)
Other income/(expenses), net	26	301	(210)
Foreign exchange gain/(loss), net		1,321	(1,181)
Finance costs	27	(6,424)	(8,226)
Interest income		<u>212</u>	<u>252</u>
LOSS BEFORE INCOME TAX		(4,707)	(9,807)
INCOME TAX (EXPENSES)/BENEFIT	8	<u>(55)</u>	<u>638</u>
NET LOSS FOR THE THREE MONTHS		(4,762)	(9,169)
Other comprehensive (loss)/income		<u>(28)</u>	<u>60</u>
TOTAL COMPREHENSIVE LOSS FOR THE THREE MONTHS		<u><u>(4,790)</u></u>	<u><u>(9,109)</u></u>
Loss for the three months attributable to:			
Shareholders of the Parent		(4,644)	(8,910)
Non-controlling interests		<u>(118)</u>	<u>(259)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Shareholders of the Parent		(4,672)	(8,852)
Non-controlling interests		<u>(118)</u>	<u>(257)</u>
EARNINGS PER SHARE	32		
Basic and diluted (USD per share)		(0.11)	(0.20)

On behalf of the Board of Directors of Westa Group:

Dmytro Nikitin,
Director A of Westa ISIC S.A.

The notes on pages 17 to 61 form an integral part of these condensed consolidated financial statements.

WESTA ISIC S.A.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2013

(in thousands of US Dollars)

	Attributable to Shareholders of the Parent						Non-controlling interests	Total (deficit)/ equity
	Combined contributed capital/ Share capital	Share premium	Additional paid-in capital	Revaluation reserve	Accumulated deficit	Cumulative translation difference	Total	
31 December 2011 (audited)	621	45,180	16,665	26,756	(40,520)	(1,252)	47,450	48,164
Net loss for the three months	-	-	-	-	(8,910)	-	(8,910)	(9,169)
Translation adjustment	-	-	-	-	-	58	58	60
Total comprehensive loss for the three months	-	-	-	-	(8,910)	58	(8,852)	(9,109)
31 March 2012 (unaudited)	621	45,180	16,665	26,756	(49,430)	(1,194)	38,598	39,055
31 December 2012 (audited)	621	45,180	16,665	26,756	(71,420)	(1,295)	16,507	16,507
Net loss for the three months	-	-	-	-	(4,644)	-	(4,644)	(4,762)
Translation adjustment	-	-	-	-	-	(28)	(28)	(28)
Total comprehensive loss for the three months	-	-	-	-	(4,644)	(28)	(4,672)	(4,790)
31 March 2013 (unaudited)	621	45,180	16,665	26,756	(76,064)	(1,323)	11,835	11,717

On behalf of the Board of Directors of Westa Group:

Dmytro Nikitin,
Director A of Westa ISIC S.A.

The notes on pages 17 to 61 form an integral part of these condensed consolidated financial statements.

WESTA ISIC S.A.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 March 2013

(in thousands of US Dollars)

	2013 Unaudited	2012 Unaudited
OPERATING ACTIVITIES:		
Loss before income tax	(4,707)	(9,807)
Adjustments to reconcile (loss) to net cash provided by operations:		
Finance costs	6,424	8,226
Depreciation and amortization expense	1,874	1,880
Impairment of trade receivable	(13)	-
Loss on disposal of property, plant and equipment	-	3
Interest income	(212)	(252)
Non-operating foreign exchange gain	(1,555)	1,864
Operating cash flow before working capital changes	1,811	1,914
(Increase)/decrease in trade and other accounts receivable	(2,161)	15,753
Increase in advances to suppliers and prepaid expenses	(2,394)	(3,810)
(Increase)/decrease in inventories	4,274	(952)
Increase in taxes payable (other than income tax)	(151)	(142)
Increase/(decrease) in trade and other accounts payable	(848)	1,673
Increase in provisions and accruals	(102)	(54)
Increase in advances received	(1,376)	(926)
(Increase)/decrease in taxes recoverable and prepaid (other than income tax)	49	(1,142)
Cash generated/(used) by operations	(898)	12,314
Income tax paid	(109)	-
Interest paid	(2,505)	(15,916)
Net cash used in operating activities	(3,512)	(3,602)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment and intangible assets	(100)	(8,912)
Interest received	159	252
Decrease/(increase) in other financial assets	(1,454)	610
Change in other non-current assets	177	(103)
Net cash used in investing activities	(1,218)	(8,153)

WESTA ISIC S.A.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE THREE MONTHS ENDED 31 March 2013 (in thousands of US Dollars)

	2013 Unaudited	2012 Unaudited
FINANCING ACTIVITIES:		
Payments on bonds redeemed	-	(3,736)
Proceeds from bonds issuance	-	745
Proceeds from borrowings	5,975	68,771
Principal payments on finance leases	-	(33)
Principal payments on borrowings	(215)	(62,453)
Net cash generated from financing activities	5,760	3,294
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,030	(8,461)
CASH AND CASH EQUIVALENTS, at the beginning of the period	3,049	21,068
Effect of translation to presentation currency and exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	69	(12)
CASH AND CASH EQUIVALENTS, at the end of the period	4,148	12,595

On behalf of the Board of Directors of Westa Group:

Dmytro Nikitin,
Director A of Westa ISIC S.A.

The notes on pages 17 to 61 form an integral part of these condensed consolidated financial statements.



1. NATURE OF THE BUSINESS AND CORPORATE ORGANIZATION

Nature of the business – Westa ISIC S.A. (the “Parent” or “Westa ISIC”), a public limited company (société anonyme) registered under the laws of Luxembourg, was incorporated on 10 December 2009 under the name of Tramine Development S.A. The Parent was acquired in 2010 by Vankeria Consultants Limited to serve as the ultimate holding company of “WESTA-DNEPR” PJSC (the “WESTA-DNEPR”) and its subsidiaries. The Parent’s name was changed from Tramine Development S.A. to Westa ISIC S.A. on 24 November 2010. Hereinafter, Westa ISIC S.A. and its subsidiaries are referred to as the “Westa Group” or the “Group”. As at 31 March 2013 the registered address of Westa ISIC was 65, boulevard Grande-Duchesse Charlotte L-1331 Luxembourg.

The controlling shareholder of Westa ISIC is Mr. Viktor Dzenzers’kyy (the “Controlling Shareholder”), who owns 100% of the shares of Vankeria Consultants Limited registered in Cyprus, which holds 75% of share capital of Westa ISIC. Hereafter, Mr. Viktor Dzenzers’kyy indirectly owns 75% of share capital of WESTA ISIC S.A. Other 25% of Westa ISIC share capital is a free-float.

The principal operating office of the Group is located at 34, Budivelnkyiv St., Dnipropetrovsk, 49055, Ukraine.

The average number of employees for the three months ended 31 March 2013 and 2012 was 1,409 and 1,501, respectively.

Principal operating activity of Westa Group started in January 2005. Westa Group is leading manufacturing group in Ukraine involved in the production and distribution of starter accumulator batteries that refer to a maintenance-free category and category of batteries requiring maintenance. The extent of batteries application is as follows:

- Commercial vehicles, tractors, combine harvesters equipped with petrol and diesel engines;
- Cars of any class with petrol and diesel engines;
- Batteries for heavy-duty trucks, including those of special-purpose.

Batteries are sold in Ukraine, Russia and other countries, collectively in more than 30 countries.

As of 31 March 2013 and 2012 the structure of the Group and principal activities of the companies forming the Group were as follows:

Company	Principal activity	Country of incorporation	Group’s effective ownership interest as of	
			2013	2012
Parent:				
WESTA ISIC S.A.	Holding company	Luxemburg	Parent	Parent
Subsidiaries:				
WESTA-DNEPR (CYPRUS) LIMITED	Sub-holding company	Cyprus	100.00%	100.00%
PJSC “WESTA-DNEPR”	Manufacturing of batteries	Ukraine	97.25%	97.25%
LIMITED COMPANY “WESTA INDUSTRIAL”	Manufacturing of batteries	Ukraine	97.25%	97.20%
WESTA TRUCK BUTTERY LTD	Operating company	Ukraine	97.53%	-
WESTA CAR BUTTERY LTD	Operating company	Ukraine	100.00%	-
LIMITED COMPANY “INDUSTRIAL ENERGY SYSTEMS”	Researcher and development of the third generation battery	Ukraine	97.25%	97.24%
CNVSIF “Fingreenfinans”	Intergroup operating	Ukraine	99.36%	-
LLC “FW Trading”	Operating company	Ukraine	97.25%	97.25%
Associates:				
PJSC “DNIPROTELECOM”	Maintenance of transmission equipment	Ukraine	21.00%	21.00%

During 2012 the Group created WESTA TRUCK BUTTERY LTD and WESTA CAR BUTTERY LTD together with establishment of CNVSIF "Fingreenfinans".

The Group also has an ownership in one dormant subsidiary, namely LLC "FW Trading", which was not engaged in significant operating activities as of 31 March 2013 and 2012 and for the three months then ended. The subsidiary are stated at cost due to their insignificance to the condensed consolidated financial statements of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, and do not include all the information and disclosures required in the annual financial statements. The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

The accompanying condensed consolidated financial statements have been prepared in accordance with the requirements of all IAS, IFRS, and Interpretations of International Financial Reporting Interpretations Committee (“IFRIC”), which were effective as of 31 March 2013 and adopted by the European Union (“IFRS”).

The entities of the Group maintain their accounting records in accordance with accounting standards and other statutory requirements to financial reporting in the country of their incorporation. Local statutory accounting principles and procedures differ from accounting principles generally accepted under IFRS. Accordingly, the accompanying financial statements, which have been prepared from the Group entities’ statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS, as adopted by the European Union.

The accompanying financial statements of the Company are prepared on the historical cost basis, except for the revaluation of plant and equipment and certain financial instruments.

Standards and Interpretations in issue but not effective – At the date of authorization of these condensed consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
IAS 27 “Separate Financial Statements” (revised 2011)	1 January 2014
IAS 28 “Investments in Associates and Joint Ventures” (revised 2011)	1 January 2014
IFRS 10 “Consolidated Financial Statements”	1 January 2014
IFRS 11 “Joint Arrangements”	1 January 2014
IFRS 12 “Disclosure of Interests in Other Entities”	1 January 2014
IFRS 13 “Fair Value Measurement”	1 January 2014
Amendments to IAS 32 “Financial instruments: Presentation” – Application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
Amendments to IFRS 7 “Financial instruments: Disclosures” – Disclosures about the initial application of IFRS 9	1 January 2015
IFRS 9 “Financial Instruments: Classification and Measurement and Accounting for financial liabilities and derecognition”	1 January 2015

Management is currently evaluating the impact of the adoption of IFRS 9 “Financial Instruments”, IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, IFRS 13 “Fair Value Measurement”, amendment to IFRS 7 “Financial instruments: Disclosures”. For other Standards and Interpretations management anticipates that their adoption in future periods will not have material effect on the financial statements of the Group.

Functional and presentation currency – The functional currency of the condensed consolidated financial statements of the Group is the Ukrainian Hryvnia (“UAH”). The currency of presentation is United States dollars (“USD”). The assets and liabilities of the subsidiaries denominated in functional currencies are translated into presentation currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income or loss.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The relevant exchange rates were as follows:

	As of 31 March 2013	Average for the 2013	As of 31 March 2012	Average for the 2012
UAH/USD	7.993	7.993	7.9867	7.9881
UAH/EUR	10.235	10.549	10.60	10.4574
UAH/RUB	0.2579	0.2629	0.2727	0.2643

Basis of consolidation – The condensed consolidated financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiaries). Control is achieved when the Parent has the power to govern the financial and operating policies of an entity, either directly or indirectly, so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated financial statements of the Group from the date when control effectively commences.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidation, except when the intragroup losses indicate an impairment that requires recognition in the condensed consolidated financial statements.

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

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 recognized directly in equity and attributed to Shareholders of the Parent.

When the Group loses control of a subsidiary, the profit or loss on disposal 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. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and

Measurement” or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Accounting for acquisitions from third parties – 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.

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;
- 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.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired subsidiary, and the fair value of the Group’s previously held equity interest in the acquired subsidiary (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 the liabilities assumed exceeds the sum of the consideration transferred, the amount of non-controlling interest in the subsidiary and the fair value of the Group’s previously-held interest in the subsidiary (if any), the excess is recognized in the profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary’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 recognized amounts of the subsidiary’s identifiable net assets. The choice of measurement basis is made on transaction-by-transaction basis. Other types of non-controlling interests, if any, are measured at fair value or, when applicable, on the basis specified in other Standards.

When the consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred. 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 may not 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 “Financial Instruments: Recognition and Measurement”, 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.

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.

When an acquisition of a legal entity does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

Accounting for acquisitions from entities under common control –The assets and liabilities of subsidiaries acquired from entities under common control are recorded in these condensed consolidated financial statements at pre-acquisition carrying values. Any difference between the carrying value of net assets of these subsidiaries, and the consideration paid by the Group is accounted for in these condensed consolidated financial statements as an adjustment to shareholders' equity. The results of the acquired entity are reflected from the earliest period presented.

Any gain or loss on disposals to entities under common control are recognized directly in equity and attributed to Shareholders of the Parent.

Non-controlling interests – Non-controlling interests in subsidiaries and consolidated entities are identified separately from the Group's equity therein. The interests of non-controlling shareholders consist of the amount of those interests at the date of the original business combination (see above) and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling shareholders in excess of the non-controlling shareholders' interest in the subsidiary's equity are attributed to the non-controlling shareholders even if this results in the non-controlling shareholders having a debit balance.

Investments in associates – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 “Financial Instruments: Recognition and Measurement” are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 “Impairment of Assets” to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments – Financial assets and financial liabilities are recognized on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognized using settlement date accounting. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the entity, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity.

Financial assets and liabilities are initially recognized at fair value plus, in the case when financial asset or financial liability are not stated at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are only offset and the net amounts are reported in the statement of financial position when the Group has a legally enforceable right to set-off the recognized amounts and intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets – Financial assets are classified into the following specified categories: financial assets as “at fair value through profit or loss” (FVTPL), “held-to-maturity investments”, “available-for-sale” (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method – The effective interest method is a method of calculating the amortized cost of a financial asset (liability) and of allocating interest income (expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (payments) – including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts – through the expected life of the financial asset (liability), or, where appropriate, a shorter period.

Accounts receivable – Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Short-term accounts receivable, which are non-interest bearing, are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the profit or loss when there is objective evidence that the asset is impaired.

Factoring arrangements – Factoring arrangements are a means of discounting accounts receivable on a nonrecourse or recourse, notification basis. Accounts receivable are sold outright to a transferee (the factor) that assumes the full or limited risk collection, with or without recourse to the transferor in the event of a loss. Debtors are directed to send payments to the transferee. Factoring expenses are recognized and accounts receivable are derecognized on an initial sale of part or full amount of such accounts receivable to a transferee. A part of accounts receivable are considered for derecognition if, and only if, the part is fully proportionate (pro rata) share of the cash flow from the accounts receivable. The Group derecognizes financial asset at the date when it transfer the contractual rights to receive the cash flow for accounts receivable. Maturity of derecognized accounts receivable is no longer than four months from the date of its transfer. Should the Group remain risk in the event of a loss of a debtor, the losses are covered by a pledged Group’s deposit.

Other financial assets – Other financial assets include deposits with original maturity of more than three months held for investment purposes or as guarantees for the Group’s borrowings and are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, cash with banks and deposits with original maturity of less than three months.

Impairment of financial assets – Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- Probability of the borrower filing for bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

If the Group determines that no objective evidence exists that impairment has incurred for individually assessed accounts receivable, whether significant or not, it includes the account receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment accounts receivable are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of accounts receivable that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets – The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity – Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments – An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities – Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL – A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income/income statement. Fair value is determined in the manner described in note 30.

Other financial liabilities – Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities – The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Contributed capital of consolidated entities – Contributed capital is recognized at the fair value of the contributions received by the Group's consolidated entities.

Trade and other payables – Accounts payable are subsequently measured at amortized cost using the effective interest rate method. Accounts payable are classified as long-term if they are due for settlement in period longer than twelve months from the reporting date. Accounts payable which are expected to be settled within twelve months from the reporting date are classified as current accounts payable.

Borrowings and bonds issued – Interest-bearing borrowings and bonds are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognized over the term of the borrowings and bonds issued and recorded as finance costs.

Borrowing costs – Borrowing costs include interest expenses and other debt service costs. Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Property, plant and equipment – Buildings and structures, machinery and equipment and vehicles held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such buildings and structures, machinery and equipment and vehicles, is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings and structures, machinery and equipment and vehicles, is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset recognized previously in other comprehensive income.

On the subsequent sale or retirement of revalued items of property, plant and equipment, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Fixtures and other depreciable assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The cost of self-constructed assets includes the cost of material, direct labour and an appropriate portion of production overheads.

As the historical cost information was not available, the Group elected to use a fair value as a deemed cost as of the date of transition to IFRS. The management used valuation performed by independent professionally qualified appraisers to arrive at the fair value as of the date of transition to IFRS. The fair value was defined as the amount for which an asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. The fair value of marketable assets was determined at their market value.

If there is no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an income or a depreciated replacement cost approach was used to estimate the fair value.

Depreciation is recognized so as to write off the cost or revalued amount of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the profit or loss as incurred.

Depreciable amount represents the cost, deemed cost or revalued amount of an item of property, plant and equipment less its residual value. The residual value is the estimated amount that the Group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	25 - 85 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 25 years
Furniture and other depreciable assets	1 - 12 years

Construction in progress comprises 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 become available for use, i.e. when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Intangible assets – Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets – At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered from an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax – Income taxes have been computed in accordance with the laws currently enacted in Ukraine. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss as reported in the consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax – Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period – Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

Inventories – Inventories are stated at the lower of cost and net realizable value. The costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Assets held by the Group under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised directly to the statement of comprehensive income and are classified as finance costs. In case the Group enters in sale and leaseback agreements any excess of sales proceeds over the carrying amount are deferred and amortised over the lease term.

Rental income or expenses under operating leases are recognized in the consolidated statement of comprehensive income on a straight line basis over the term of the lease.

Provisions – Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and assets – Contingent liabilities are not recognized in the condensed consolidated financial statements. They are disclosed in the notes to the condensed consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized only when the contingency is resolved.

Dividends – Dividends declared during the reporting period are recognized as distributions of retained earnings to equity holders during the period, the amount of recognized but unpaid dividends is included in current liabilities. Dividends declared after the reporting date but before the financial statements were authorized for issue are not recognized as a liability at the reporting date, but are disclosed in the notes to the condensed consolidated financial statements.

Segment information – IFRS 8 “Operating segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision-maker has been identified as the Director A (CEO) of the Group. The CEO reviews the Group’s internal reporting in order to assess performance and allocate resources. Currently, the CEO evaluates the business from a single perspective as one unit manufacturing starter batteries. No further analysis to assess profitability based on types of batteries sold or based on geography of sales (while revenue per regions and distributors is reviewed) is made by the CEO. For this reason the CEO and the Group’s management considers the entire Group to be a single operating and reportable segment.

Revenue recognition – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts, net of value added tax (“VAT”) or other sales related taxes.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognised using the effective interest method.

The Group derives its revenue from sales to distributors operating on aftermarket. Specifically, revenue from the sale of goods to distributors is recognized when goods are dispatched and the risk and rewards are passed to the distributor based on the provision of applicable terms for the sale (the Group uses Incoterms).

Defined contribution plan – The employees of the Ukrainian entities of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. Group's contributions to the State Pension Fund are recorded in the profit or loss on the accrual basis. The Group is not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

Warranty provisions – Provisions for warranty costs are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

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

Government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

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

Impairment allowance for accounts receivable – After analysis performed as of 31 March 2013 the Group's management considered part of past due but not considered to be impaired account receivable as recoverable and no allowance was provided in these financial statements for such accounts receivable based on the past experience of the Group as well as current arrangements and expectations about respective debtors' ability to settle their debt to the Group. For other past due accounts receivable Group's management create an allowance for amount of 413 thsd USD. After analysis performed as of 31 March 2012 the Group's management considered past due but not considered to be impaired account receivable as recoverable and no allowance was provided in these financial statements based on the past experience of the Group as well as current arrangements and expectations about respective debtors' ability to settle their debt to the Group. If there is deterioration in creditworthiness of such debtors the actual results could differ from these estimates.

Recoverability of property, plant and equipment – As part of the valuation of property, plant and equipment as of 31 December 2009 the Group assessed the existence of external (economic) obsolescence. Such analysis is necessary to determine whether the fair value of items of specialized nature, which was valued using the depreciated replacement cost approach, is recoverable. The assessment of absence of external (economic) obsolescence was determined using projections of future cash flows of the Group discounted using a weighted average cost of capital of 12.4%. As of 31 March 2013 future cash flows projections were built on the following key assumption: production of 5 million of conventional batteries in 2013, with subsequent growth rate in 2014 at 20%, and 1% thereafter, and growth rate for terminal value at 2%. As of 31 March 2013 and 2012 the Group assessed its performance and based on future cash flow projections determined that there is no indication that the recoverable amount of the Group's property, plant and equipment has declined below the carrying value.

Useful lives of property, plant and equipment – The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Deferred tax assets – Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. As of 31 March 2013 and 2012 the Group recognized deferred tax asset related to tax losses carried forward at individual entities of the Group in the amount of USD 1,700 thousand and USD 4,354 thousand, respectively, as the Group intends to utilize such deferred tax assets against set off with related deferred tax liabilities. The management judgment to recognize respective deferred tax assets was also based on the ability of the Group to carry forward respective losses for indefinite time in future based on existing requirements of tax legislation in Ukraine. Meantime, in the past, there were instances when other Ukrainian laws provided specific periods within which tax losses could be utilized. If any new law enacted subsequently to 31 March 2013 provides specific period for utilization of the amount of the Group's tax losses carry forward, the Group can lose its ability to utilize part or all of the deferred tax assets currently recognized.

VAT recoverable – The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by set off against VAT liabilities with the state budget in future periods. Management classified VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within twelve months from the reporting date.

In making this assessment, management considered past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of the business.

4. SEGMENT INFORMATION

During the three months ended 31 March 2013 and 2012, all revenues of the Group from external customers were derived from subsidiaries located in Ukraine, irrespectively of the destination of sales. Except for prepayments for machinery and equipment in the amount of USD 18,439 thousand and USD 18,482 thousand as at 31 March 2013 and 31 March 2012, respectively, that were made by WESTA-DNEPR (CYPRUS) LIMITED, all other non-current assets of the Group were located in Ukraine.

5. PROPERTY, PLANT AND EQUIPMENT

The following table represents movements in property, plant and equipment for the three months ended 31 March 2013:

	Buildings and structures	Machinery and equipment	Vehicles	Furniture and other depreciable assets	Construction in progress and equipment due for installation	Total
Cost, deemed cost or valuation						
As of 31 December 2012	51,487	120,337	1,265	1,368	13,413	187,870
Additions	-	1	-	-	125	126
Disposals	-	(4)	-	-	-	(4)
Transfers	-	2	-	3	(5)	-
Translation difference	-	-	-	(1)	-	(1)
As of 31 March 2013	51,487	120,336	1,265	1,370	13,533	187,991
Accumulated depreciation						
As of 31 December 2012	(1,683)	(15,071)	(523)	(388)	-	(17,665)
Depreciation charge for the three months	(174)	(1,450)	(38)	(36)	-	(1,698)
Disposals	-	4	-	-	-	4
Translation difference	-	-	-	-	-	-
As of 31 March 2013	(1,857)	(16,517)	(561)	(424)	-	(19,359)
Net book value						
As of 31 March 2013	49,630	103,819	704	946	13,533	168,632
As of 31 December 2012	49,804	105,266	742	980	13,413	170,205

The following table represents movements in property, plant and equipment for the three months ended 31 March 2012:

	Buildings and structures	Machinery and equipment	Vehicles	Furniture and other depreciable assets	Construction in progress and equipment due for installation	Total
Cost, deemed cost or valuation						
As of 31 December 2011	50,674	118,009	1,247	932	11,271	182,133
Additions	-	9	19	36	311	375
Disposals	-	(4)	-	-	-	(4)
Transfers	504	1,732	-	440	(2,676)	-
Translation difference	(2)	(2)	(1)	(2)	(2)	(9)
As of 31 March 2012	51,176	119,744	1,265	1,406	8,904	182,495
Accumulated depreciation						
As of 31 December 2011	(993)	(9,404)	(399)	(267)	-	(11,063)
Depreciation charge for the three months	(170)	(1,423)	(36)	(30)	-	(1,659)
Disposals	-	-	-	-	-	-
Translation difference	(1)	3	2	(2)	-	2
As of 31 March 2012	(1,164)	(10,824)	(433)	(299)	-	(12,720)
Net book value						
As of 31 March 2012	50,012	108,920	832	1,107	8,904	169,775
As of 31 December 2011	49,681	108,605	848	665	11,271	171,070

As of 31 December 2009 all Group's property, plant and equipment, excluding furniture and other depreciable assets, were revalued by independent valuers in accordance with the requirements of International Valuation Standards. The valuation of specialized items of revalued property, plant and equipment was determined based on depreciable replacement cost, while the analogues method was used to determine the valuation of the remaining items.

As of 31 March 2013 and 2012, the Group's property, plant and equipment, excluding furniture and other depreciable assets, had been carried at historical cost less accumulated depreciation where applicable, their carrying amount would have been the following:

	2013	2012
Buildings and structures	43,907	43,118
Machinery and equipment	85,077	88,421
Vehicles	411	427
Construction in progress and equipment due to installation	13,427	8,707
Total	142,822	140,673

As of 31 March 2013 and 2012, fully depreciated assets with a cost of USD 526 thousand and USD 509 thousand, respectively, were included into property, plant and equipment. As of 31 March 2013 and 2012 the Group possess property, plant and equipment acquired under finance lease agreements in amount of USD 4,832 thousand and USD 1,137 thousand.

As of 31 March 2013 and 2012 the Group has property, plant and equipment pledged to secure the Group's bank borrowings (Note 17).

6. PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 31 March 2013 and 2012 prepayments for property, plant and equipment were as follows:

	2013	2012
Machinery and equipment	18,439	18,482
Construction works	37	7,919
Total	18,476	26,401

As of 31 March 2013 and 2012 there was a prepayment for the amount of USD 18,439 thousand and USD 18,482 thousand, respectively, for construction of new facility for VRLA (valve-regulated lead-acid) battery manufacturing.

As of 31 March 2012 there were prepayments for property, plant and equipment for the amount of USD 2,976 thousand pledged as collateral to secure bank borrowings of the Group (Note 17).

7. INVESTMENTS IN ASSOCIATES

As of 31 March 2013 and 2012 investments in associates were represented as follows:

	2013	2012
PJSC "DNIPROTELECOM"	21.00% 161	21.00% 161
Total	161	161

As of 31 March 2013 the Group's investment in PJSC "DNIPROTELECOM" (renamed from PrSC "Dnepro Deu" on 31 January 2012) was carried at cost since effect of its operations was not material.

As of 31 March 2013 and 2012 the Group has pledged its investment in associate to secure the Group's bank borrowings (Note 17).

8. INCOME TAX

During the three months ended 31 March 2013, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at 19% rate. During the three months ended 31 March 2012, the Group companies which have the status of the CIT payers in the Ukraine were subject to income tax at 21% rate.

The new Tax Code of Ukraine, which was enacted in December 2010, introduced gradual decreases in income tax rates over the future years (from 19% effective 1 January 2013 to 16% effective 1 January 2014), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 31 March 2013 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The net results of the Group companies incorporated in jurisdictions other than Ukraine (Luxemburg and Cyprus) were insignificant during the three months ended 31 March 2013 and 2012.

The main components of income tax expense for the three months ended 31 March 2013 and 2012 were as follows:

	2013	2012
Current tax expense	109	-
Deferred tax expenses/(benefit)	(54)	(638)
Income tax expense/(benefit)	55	(638)

As of 31 March 2013 and 2012 the major components of deferred tax assets and liabilities were as follows:

	2013	2012
Deferred tax assets arising from:		
Tax losses carried forward	1,700	4,354
Inventories	-	437
Provisions and accruals	316	353
Trade and other accounts receivable	415	120
Other	204	12
Net deferred tax assets	2,635	5,276

	2013	2012
Deferred tax liabilities arising from:		
Trade and other accounts payable	(132)	(2,097)
Advances to suppliers and prepaid expenses	(610)	(1,073)
Inventories	(206)	-
Other	-	(10)
Total deferred tax liabilities	(948)	(3,180)
Net deferred tax position	1,687	2,096

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of the financial position as of 31 March 2013 and 2012:

	2013	2012
Deferred tax assets	1,687	2,096
Deferred tax liabilities	-	-
Net deferred tax position	1,687	2,096

The movements in deferred taxes during the three months ended 31 March 2013 and 2012 were as follows:

	2013	2012
Deferred tax assets /(liabilities) as of the beginning of the period	1,634	1,458
Deferred tax benefit	54	638
Translation difference	(1)	-
Deferred tax assets as of the end of the period	1,687	2,096

The charge for the three months ended 31 March 2013 and 2012 can be reconciled to the loss per the statement of comprehensive income as follows:

	2013	2012
(Loss)/ profit before income tax	(4,707)	(9,807)
Theoretical income tax benefit at the tax rate of 19%, 21%	(894)	(2,059)
Tax effect of:		
Permanent differences resulting from non-deductible expenses	104	75
Change in the amount of unrecognized tax losses carried forward	882	1,393
Permanent differences resulting from non-taxable income	(37)	(47)
Income tax expenses/(benefit)	55	(638)

9. OTHER NON-CURRENT ASSETS

As of 31 March 2013 and 2012 other non-current assets of the Group were represented by the bank term deposit in the amount of USD 5,993 thousand and USD 6,211 thousand, respectively, being pledged as collateral to secure bank borrowing with the maturity in January 2017 (Note 17). The deposit provided 9.50% and 10.00% interest per annum as of 31 March 2013 and 2012, respectively.

As of 31 March 2013 and 2012 the balance also included available-for-sale investments in the amount of USD 311 thousand and USD 200 thousand, respectively.

10. INVENTORIES

Inventories as of 31 March 2013 and 2012 were as follows:

	2013	2012
Finished goods	5,512	1,004
Raw materials	3,657	11,613
Work in progress	3,203	6,842
Other inventories	375	450
Total	12,747	19,909

As of 31 March 2013 and 2012 the Group had inventories pledged as collateral to secure the Group's bank borrowings (Note 17).

11. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as of 31 March 2013 and 2012 were as follows:

	2013	2012
Trade receivables, including:		
-UAH denominated	8,511	13,217
-USD denominated	4,673	1,779
-RUB denominated	873	2,901
-EUR denominated	868	41
Receivables for disposed subsidiary (UAH denominated)	-	12,516
Receivables for securities sold (UAH denominated)	2,316	1,060
Other receivables, including:		
-UAH denominated	1,042	1,805
-USD denominated	-	-
	<u>(413)</u>	<u>-</u>
Total	<u>17,870</u>	<u>33,319</u>

As of 31 March 2013 and 2012 trade and other receivables included balances with related parties in the amount of USD 3,674 thousand and USD 6,434 thousand, respectively (Note 28).

As of 31 March 2013 and 2012 the Group had trade and other accounts receivable pledged as collateral to secure the Group's bank borrowings (Note 17).

The average credit period for the Group's customers was 45 days for the three months ended 31 March 2013 and 2012. No interest is charged on trade receivables.

The Group's management performed regular analysis of trade and other accounts receivable recoverability based on past experience, facts and circumstances existing and best management's estimates as of each reporting date.

Included in the Group's trade and other accounts receivable balances as of 31 March 2013 and 2012 were debtors which were past due at the respective reporting date and which the Group still considered recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

Ageing of past due but not impaired trade and other accounts receivable as of 31 March 2013 and 2012 were as follows:

	2013	Impairment 2013	2012
Neither past due nor impaired	15,396		33,302
Past due but not impaired:			
Past due up to 90 days	1,685		-
Past due from 90 to 180 days	789		-
Past due from 180 to 365 days	126	(126)	-
More than 1 year	<u>287</u>	<u>(287)</u>	<u>17</u>
Total	<u>18,283</u>	<u>(413)</u>	<u>33,319</u>

Management believes that there were no other trade and other receivables, except the one for which allowance was recognized, that required allowance for irrecoverable amounts as there were no individually impaired receivables as of 31 March 2013 and 2012. No allowance for irrecoverable trade and other accounts receivable was provided in these condensed consolidated financial statements as of 31 March 2012.

12. ADVANCES TO SUPPLIERS AND PREPAID EXPENSES

As of 31 March 2013 and 2012 advances to suppliers and prepaid expenses were as follows:

	2013	2012
Advances for raw materials	16,004	16,070
Advances for utilities	1,687	1,409
Advances for services	227	724
Other advances and prepaid expenses	47	504
Total	17,965	18,707

As of 31 March 2013 and 2012 advances to suppliers and prepaid expenses included balances with related parties in the amount of USD 23 thousand and USD 15,801 thousand, respectively (Note 28).

Management believes that there were no advances to suppliers and prepaid expenses that required allowance for irrecoverable amounts as there were no individually impaired balances as of 31 March 2013 and 2012.

As of 31 March 2013 and 2012 the Group has pledged its rights related to advances made to secure the Group's bank borrowings (Note 17).

13. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid as of 31 March 2013 and 2012 were as follows:

	2013	2012
VAT recoverable	4,939	9,529
CIT prepaid	257	327
Other taxes prepaid	7	14
Total	5,203	9,870

As of 31 March 2013 and 2012 the Group has pledged its rights on proceeds from taxes recoverable to secure the Group's bank borrowings (Note 17).

14. OTHER FINANCIAL ASSETS

As of 31 March 2013 and 2012 other financial assets were represented by short-term bank deposits and restricted cash and were as following:

	2013	2012
-UAH denominated	4,025	835
-USD denominated	-	289
Total	4,025	1,124

As of 31 March 2012 the Group had bank deposits with maturity range 3 – 12 months and amounted to USD 518 thousand, respectively, which were restricted in use and pledged as collateral to secure borrowings (Note 17).

The weighted average interest rate for the deposits was 9% as of 31 March 2013 and 20% as of 31 March 2012.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 March 2013 and 2012 were as follows:

	2013	2012
Cash held at current accounts in banks in UAH	2,964	877
Cash equivalents held in banks in UAH	862	-
Cash held at current accounts in banks in EUR	41	99
Cash held at current accounts in banks in USD	281	11,619
Total	4,148	12,595

16. SHARE CAPITAL

As of 31 March 2013 and 2012 the authorized, issued and fully paid share capital of the Parent was EUR 441 thousand (USD 621 thousand) comprising of 44,133,333 shares of EUR 0,01 each at nominal value. Share premium in amount of USD 45,180 thousands as of 31 March 2013 and 2012 was received at initial public offering on Warsaw Stock Exchange during June 2011.

The controlling shareholder of Westa ISIC is Mr. Viktor Dzenzers'kyi, who owns 100% of the shares of Vankeria Consultants Limited registered in Cyprus, which holds 75% of share capital of Westa ISIC S.A. Other shares of Westa ISIC share capital is a free-float.

17. BORROWINGS

The following table summarizes long-term bank loans and credit lines outstanding as of 31 March 2013 and 2012:

Currency	Weighted average interest rate	2013	Weighted average interest rate	2012
USD	11%	127,153	11%	124,704
EUR	11%	46,580	11%	48,279
UAH	18%	17,104	19%	14,905
		190,837		187,888
<i>Less:</i>				
Current portion of long-term bank borrowings		(46,557)		(38,251)
Total long-term borrowings		144,280		149,637

As of 31 March 2013 and 2012 short-term loans, borrowings and credit lines due within one year consisted of the following:

Currency	Weighted average interest rate	2013	Weighted average interest rate	2012
Current portion of long-term bank borrowings		46,557		38,251
Payables for factoring operations		-		2,252
Interest accrued		15,489		5,894
Total short-term borrowings		62,046		46,397
Total borrowings		206,326		196,034

The Group's borrowings are drawn from Ukrainian banks and subsidiaries of foreign banks as term loans and credit line facilities. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. The interest on the borrowings is payable on a monthly or quarterly basis. As of 31 March 2013 and 2012 all loans held by the Group had fixed interest rates.

Term bank loans and credit line facilities were as follows as of 31 March 2013 and 2012:

	2013	2012
Closed-end credit lines	94,702	96,262
Revolving credit lines	76,724	77,226
Term loans	19,411	14,400
Total bank borrowings	190,837	187,888

As of 31 March 2013 and 2012 the Group's total bank borrowings and respective interest forecasted based on contractual repayment schedule were repayable as follows:

	2013	2012
Due within three months	27,205	6,552
Due from three months to six months	9,147	10,276
Due from six months to twelve months	28,157	42,208
Total current portion repayable within one year	64,509	59,036
Due in the second year	58,968	37,759
Due thereafter	116,079	153,339
Total	239,556	250,134
Less interest forecasted	(48,719)	(59,684)
Add accrued interest	15,489	5,584
Total borrowings	206,326	196,034

The Group as well as particular subsidiaries has to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied by the Group related to the financial performance of the Group companies, change in the assets level and usage of loan funds in accordance with the stated purpose. The Group entities should also obtain approval from the lenders regarding the property to be used as collateral.

As of 31 March 2013 and 2012 the Group's borrowings were secured by the following pledged assets:

	2013	2012
Property, plant and equipment	163,820	168,014
Advances to suppliers and prepaid expenses	17,945	15,246
Trade and other accounts receivables	15,970	20,391
Inventories	12,423	18,306
Other non-current assets	5,993	6,211
Taxes recoverable and prepaid	5,101	4,462
Cash and cash equivalents	4,096	-
Investments in associates	161	161
Intangible assets, net	83	93
Other financial assets	-	518
Prepayments for property, plant and equipment	-	2,976
Total	225,592	236,378

The table above includes all assets of PSC "WESTA-DNEPR" as of 31 March 2013 and 2012 that were pledged under the agreements with the Ukrainian banks.

18. OBLIGATION UNDER FINANCE LEASES

During 2011 and 2012 the Group concluded several finance lease agreements for its new manufacturing equipment. The lease term is 5 years. The Group has options to purchase the equipment for a net book value at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rate underlying all obligations under finance leases is fixed at respective contract dates ranging at 13% per annum.

	Minimum lease payments 2013	Present value of minimum lease payments 2013
Not later than one year	2,165	1,832
Later than one year and not later than five years	3,332	2,828
	5,497	4,660
Less: future finance charges	(837)	-
Present value of minimum lease payments	4,660	4,660

	Minimum lease payments 2012	Present value of minimum lease payments 2012
Not later than one year	355	176
Later than one year and not later than five years	1,059	925
	1,414	1,101
Less: future finance charges	(313)	-
Present value of minimum lease payments	1,101	1,101

19. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as of 31 March 2013 and 2012 were as follows:

	2013	2012
Trade payables for raw materials, including:		
-UAH denominated	7,445	11,937
-EUR denominated	189	340
-RUB denominated	231	1
-USD denominated	906	44
Trade payables for services, including:		
-UAH denominated	1,529	1,068
-EUR denominated	-	7
-USD denominated	-	20
Trade payables for raw utilities, including:		
-UAH denominated	27	340
Unsettled liabilities for the acquisition of property, plant and equipment, including:		
-EUR denominated	15	1,369
-USD denominated	20	-
Accounts payable for available-for-sale investments, including:		
-UAH denominated	9,347	4,565
Other current liabilities, including:		
-UAH denominated	1,178	5,687
-RUR denominated	-	2,041
-USD denominated	24	210
Total	20,911	27,629

As of 31 March 2013 and 2012 accounts payable for available-for-sale investments included USD 1,758 thousand of remained unpaid amount for transfer of holding company WESTA-DNEPR by Controlling Shareholder to Westa Dnepr (Cyprus) Limited (Note 28). As of 31 March 2013 and 2012 trade and other accounts payable included balances with related parties in the amount of USD 6,273 thousand and USD 3,125 thousand, respectively (Note 28).

Other current liabilities also include deferred income items. The average credit period rendered to the Group by trade suppliers comprises 54 and 122 days in the three months ended 31 March 2013 and 2012. No interest is charged on trade and other accounts payable.

The table below summarizes the maturity profile of the Group's trade and other payables as of 31 March 2013 and 2012 based on contractual undiscounted payments:

	2013	2012
Due within three months	17,949	20,541
Due from three to six months	1,932	612
Due from six months to twelve months	22	6,476
Overdue	1,008	-
Total	20,911	27,629

20. TAXES PAYABLE

As of 31 March 2013 and 2012 taxes payable were as follows:

	2013	2012
Payroll related taxes	288	287
Corporate income tax payable	1	-
Other taxes	42	38
Total	331	325

21. PROVISIONS AND ACCRUALS

Provisions and accruals as of 31 March 2013 and 2012 were as follows:

	2013	2012
Accrued payroll	1,009	825
Warranty provision	819	810
Provision for unused vacation	842	728
Total	2,670	2,363

	Warranty provision	Provision for unused vacation
Balance at 31 December 2012	870	685
Additional provision recognized	193	331
Reductions arising from payments/settlement	(244)	(174)
Total	819	842

Warranty provision as of 31 March 2013 and 2012 represents the estimated amount of cost required to substitute sold batteries that will break-down before the end of the warranty period by the new batteries. Warranty provision is recorded only with reference to sales in Ukraine.

Provision for unused vacation represents a provision for employee benefit for the earned number of paid vacation days, which were not settled as of the reporting date.

22. REVENUE

Revenue for the three months ended 31 March 2013 and 2012 was as follows:

	2013	2012
Sales of finished goods	21,754	19,440
Other sales	2,066	1,274
Total	23,820	20,714

For the three months ended 31 March 2013 and 2012, revenue included transactions with related parties in amount of USD 893 thousand and USD 4,601 thousand, respectively (Note 28).

23. COST OF SALES

Cost of sales for the three months ended 31 March 2013 and 2012 was as follows:

	2013	2012
Inventory	14,147	11,990
Salaries, wages and related charges	2,030	1,708
Utilities	2,250	2,591
Depreciation	1,646	1,642
Repairs and maintenance	118	71
Warranty costs	253	237
Transportation costs	133	162
Other expenses	212	264
Total	20,789	18,665

For the three months ended 31 March 2013 and 2012 the Group purchases included transactions with related parties in amount of USD 5,626 thousand and USD 7,770 thousand, respectively (Note 28).

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ended 31 March 2013 and 2012 were as follows:

	2013	2012
Salaries, wages and related charges	449	342
Transportation costs	282	541
Bank charges	166	67
Other services	312	162
Depreciation and amortization	217	198
Communication services	88	35
Non-refundable taxes	58	57
Repairs and maintenance	3	332
Other expenses	222	99
Total	1,797	1,833

For the three months ended 31 March 2013 and 2012 general and administrative expenses included transactions with related parties in amount of USD 192 thousand and USD 202 thousand, respectively (Note 28).

25. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the three months ended 31 March 2013 and 2012 were as follows:

	2013	2012
Transportation costs	722	395
Inventory	225	117
Salaries, wages and related charges	96	96
Advertisement	243	-
Other	65	50
Total	1,351	658

26. OTHER (INCOME)/EXPENSES, NET

Other (income)/expenses for the three months ended 31 March 2013 and 2012 were as follows:

	2013	2012
Allowance for irrecoverable VAT	2	1
Other expenses, net	(293)	392
Gain on disposal of other assets	(10)	(183)
Total	(301)	210

27. FINANCE COSTS

Finance costs for the three months ended 31 March 2013 and 2012 were as follows:

	2013	2012
Interest expense on bank borrowings	5,446	5,719
Interest expense on factoring	715	778
Interest expense on bonds	-	129
Interest expense on financial leasing	128	34
Other finance costs	135	1,566
Total	6,424	8,226

Other finance cost represents changes in amortized cost of the Group accounts payable. Interest expenses on factoring represent cost of discounting an accounts receivable on a nonrecourse or recourse, notification basis.

28. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include common ultimate owners, affiliates and entities under common ownership and control with the Group and members of key management personnel. Terms and conditions of business with related parties are determined based on arrangements specific to each contract or transaction and could be executed on terms similar to those used for third parties and on terms which could be different to the terms similar to those used for third parties.

The Group enters into transactions with related parties that are under the common control of the Controlling Shareholder of the Group and other related parties (entities where the Controlling shareholder exercises significant influence). In the ordinary course of business, there are following major types of transactions and operations with such related parties:

- Sales of finished goods;
- Provision of tolling services 2010 - 2012;
- Purchases of lead and other supplies used in production;
- Purchases of miscellaneous services;

The revenues from sales to related parties for the three months ended 31 March 2013 and 2012 were as follows:

	2013	2012
Companies under common control	893	3,725
Other related parties	-	876
Total revenues from sales to related parties	893	4,601
Total per caption revenue (Note 22)	23,820	20,714

The purchases from related parties for the three months ended 31 March 2013 and 2012 were as follows:

	2013	2012
<i>Purchases</i>		
Companies under common control	1,450	897
Other related parties	4,176	6,873
Total purchases from related parties	5,626	7,770
Total purchases	14,362	18,189
<i>General and administrative expenses</i>		
Companies under common control	185	198
Other related parties	7	4
Total general and administrative expenses from related parties	192	202
Total per caption general and administrative expenses (Note 24)	1,797	1,833

During the three months ended 31 March 2013 and 2012 the sales to related parties were made on terms which did not differ significantly from those used in sales to third parties. The purchases from related parties in the amount of USD 5,626 thousand during 2013 three months and USD 7,770 thousand during 2012 three months were made at market prices. For the remaining purchases such assessment was not made as there are no alternative suppliers for some inventory purchased by Group from related parties.

The balances of trade and other accounts receivable due from related parties (Note 11) were as follows as of 31 March 2013 and 2012:

	2013	2012
<i>Trade receivables</i>		
Companies under common control	1,828	2,506
Other related parties	-	2,372
<i>Receivables for securities sold</i>		
Companies under common control	1,562	-
<i>Other receivables</i>		
Companies under common control	281	678
Other related parties	3	878
Total	3,674	6,434
Total per caption trade and other accounts receivable (Note 11)	17,870	33,319

As of 31 March 2013 and 2012 the Group did not create any allowance for irrecoverable trade and other accounts receivable due from related parties.

The balances of advances made to related parties (Note 12) as of 31 March 2013 and 2012 were as follows:

	2013	2012
Companies under common control	9	7,142
Common ultimate shareholder	9	9
Other related parties	5	8,650
Total advances to related parties	23	15,801
Total per caption advances to suppliers and prepaid expenses (Note 12)	17,965	18,707

The balances of advances received from related parties were as follows as of 31 March 2013 and 2012:

	2013	2012
Companies under common control	20	814
Other related parties	-	170
Total advances received from related parties	20	984
Total per caption advances received	10,686	8,861

The balances of trade and other accounts payable due to related parties as of 31 March 2013 and 2012 were as follows (Note 19):

	2013	2012
<i>Trade accounts payable</i>		
Companies under common control	5,349	2,969
Other related parties	912	76
<i>Other current liabilities</i>		
Companies under common control	6	78
Other related parties	6	2
Total	6,273	3,125
Total per caption trade and other accounts payable (Note 19)	20,911	27,629

As of 31 March 2013 and 2012 accounts payable for available-for-sale investments included USD 1,758 thousand of remained unpaid amount for transfer of holding company WESTA-DNEPR by Controlling Shareholder to Westa Dnepr (Cyprus) Limited (Note 19).

The remuneration of the key management personnel of the Group for the three months ended 31 March 2013 and 2012 amounted to USD 22 thousand and USD 23 thousand, respectively.

29. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Contractual commitments on purchases – During the years ended 31 December 2012 and 2011, the Group entered into a number of contracts with suppliers of equipment and construction contracts. As of 31 March 2013 the amount of such outstanding purchase commitments under these contracts was USD 1,896 thousand (2012: USD 1,918 thousand).

Operating lease commitments – As of 31 March 2013 and 2012 there were no significant commitments under non-cancellable operating lease agreements.

Operating environment – Emerging markets such as Ukraine are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As it has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Ukraine and the Ukraine economy in general.

Laws and regulations affecting businesses in Ukraine continue to change rapidly. Tax, currency and customs legislation within Ukraine are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Ukraine. The future economic direction of Ukraine is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt

the Ukraine's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Taxation – Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Management believes that it is not likely that any significant settlement will arise from the above cases and, therefore, the Group's condensed consolidated financial statements do not include any amount of provision in this respect.

Legal – In the ordinary course of business, the Group is subject to legal actions and complaints. The management of the Group believes that the ultimate liability, if any, arising from such legal actions or complaints will not have a material effect on the financial position or results of future operations of the Group. There were no material claims against the Group as of 31 March 2013 and 2012.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. 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 holdings of a particular instrument.

As of 31 March 2013 and 2012 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.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, other financial assets, trade and other accounts receivable, trade and other accounts payable, provisions and accruals, payables for factoring operations due to the short-term nature of the financial instruments.

The fair value of the Group's financial leasing liability is estimated to be the same as the carrying value due to the specific nature of such instrument. As of 31 March 2013 the fair value of the Group's borrowings is estimated at USD 205,992 thousand compared to carrying amount of USD 206,326 thousand (Note 17). As of 31 March 2012 the fair value of the Group's borrowings is estimated at USD 191,143 thousand compared to carrying amount of USD 193,782 thousand (Note 17). Fair value was estimated by discounting the expected future cash outflows by a market rate of interest.

31. FINANCIAL RISK MANAGEMENT

Capital risk management – The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holder through the optimisation of the debt and equity balance. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the new share issues, as well as obtaining new borrowings or redeeming existing borrowings.

The capital structure of the Group consists of short-term and long term borrowings (Note 17), short-term and long term finance leases (Note 18), share capital (Note 16), share premium, additional paid in capital (Note 16), revaluation reserve and accumulated deficit. Net debt is determined as total loans and borrowings (Note 17) less cash and cash equivalents (Note 15) and bank term deposits (Note 9), as shown in the condensed consolidated statement of financial position.

Major categories of financial instruments – The Group's principal financial liabilities comprise borrowings, finance leases, trade and other accounts payable, provisions and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other accounts receivable, cash and cash equivalents, other non-current assets and other financial assets.

	31 March 2013	31 March 2012
Financial assets		
Trade and other accounts receivable	17,870	33,319
Cash and cash equivalents	4,148	12,595
Other non-current assets	5,993	6,211
Other financial assets	4,025	1,124
Total financial assets	32,036	53,249
Financial liabilities		
Long-term borrowings	144,280	149,637
Short-term borrowings and current portion of the long-term borrowings	62,046	46,397
Trade and other accounts payable	20,911	27,629
Long term accounts payable	-	25,093
Provisions and accruals	1,851	1,553
Long term finance leases	2,828	925
Short-term finance leases	1,832	176
Total financial liabilities	233,748	251,410

Financial assets represent the category of loans and receivable, except the amount of USD 311 thousand of assets available for sale disclosed in other non-current assets. As of 31 March 2013 and 2012 the Group has no financial liability at fair value through profit or loss. The main risks arising from the Group's financial instruments are commodity price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk.

Commodity price risk – Commodity price risk is the risk that the Group's current or future earnings will be adversely impacted by changes in the market prices of the Group's finished goods or raw materials used in production.

The management of the Group considers that the Group's exposure to the commodity price risk is remote due to the absence of the long-term selling contracts with fixed price arrangements.

Credit risk – The Group is exposed to credit risk which is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

The credit risk is primarily attributable to trade and other accounts receivable. The Group's exposure to the credit risk is influenced mainly by individual characteristics of each customer. Based on past experience default risk of an industry and country, in which the customer operates, has less influence on credit risk. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to particular customer, thus establishing the individual credit period limits. The approved credit periods are validated by each customer individually and are based on the historical performance.

There are three major groups of customers: foreign customers, distributors and retail networks. The Group operates without standardized procedure on setting credit limits and credit periods for its customers. Credit limits and periods are set for customers on individual basis but not exceeding three month. The standard credit periods on sales of goods to distributors were limited to not more than 60 days and to retail networks – to 60 days. New domestic customers are served on prepayments terms only, while credit sales for those with positive credit history vary from 14 to 30 days. Export sales in 2013 and 2012 were conducted by the Group on prepayment basis mainly, while for some customers individually stated credit period could not exceed 80 days. Before granting the customer with credit period and credit limit, the Group assesses his trading and payment experience. No interest is charged on trade and other accounts receivable.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts of trade receivable from the customers for recoverability starting from the date credit period is expired. The assessment includes external ratings, where available, bank reference and counterparty recommendations.

The Group accrue an allowance for impairment that represents its estimate of incurred losses related to trade and other accounts receivable. The main component of the allowance is a specific loss that relates to past due trade receivable. The collective loss allowance is calculated based on historical data of payment statistic for financial assets with similar characteristics. The movement in allowance for trade and other accounts receivable for the three months ended 31 March 2013 and 31 March 2012 was as follows:

	31 March 2013	31 March 2012
Balance at 31 December	426	-
Impairment loss recognized/(derecognized)	(13)	-
Balance at 31 March	413	-

Liquidity risk – Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to realize an asset at a reasonable price and in an appropriate time frame.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 31 March 2013 and 2012:

Financial liabilities	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	1-5 years	2013 Total
Borrowings	42,694	9,147	28,157	175,047	255,045
Trade and other accounts payables	18,957	1,932	22	-	20,911
Finance leases	514	513	1,138	3,332	5,497
Provisions and accruals	1,289	282	280	-	1,851
Total	63,454	11,874	29,597	178,379	283,304

Financial liabilities	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	1-5 years	2012 Total
Borrowings	12,136	10,276	42,208	191,098	255,718
Trade and other accounts payables	20,541	612	6,476	25,093	52,722
Finance leases	91	89	175	1,059	1,414
Provisions and accruals	1,062	185	306	-	1,553
Total	33,830	11,162	49,165	217,250	311,407

As of 31 March 2013 and 2012, the Group's current ratio was as follows:

	2013	2012
Current assets	61,958	95,524
Current liabilities	98,476	85,751
Current ratio	0.63	1.11

Interest rate risk – Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure. The Group borrows on both a fixed and variable rate basis. As of 31 March 2013 and 2012 the sources of the Group's funds were loans with fixed interest rate. The effect of interest rate sensitivity on shareholders' equity is equal to that on profit or loss.

Foreign currency risk – Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as of the reporting dates are as follows:

	Denominated in USD		Denominated in EUR		Denominated in RUB	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Assets						
Cash and cash equivalents (Note 15)	281	11,619	41	99	-	-
Trade and other accounts receivable (Note 11)	4,673	1,779	868	41	873	2,901
Other financial assets (Note 14)	-	289	-	-	-	-
Other non-current assets (Note 9)	-	-	5,993	6,211	-	-
Total assets	4,954	13,687	6,902	6,351	873	2,901
Liabilities						
Borrowings (Note 17)	(138,644)	(128,167)	(47,663)	(48,762)	-	-
Trade and other accounts payable (Note 19)	(950)	(274)	(204)	(1,716)	(231)	(2,042)
Total liabilities	(139,594)	(128,441)	(47,867)	(50,478)	(231)	(2,042)
Total net position	(134,640)	(114,754)	(40,965)	(44,127)	642	859

The table below details the Group's sensitivity to strengthening/weakening of US Dollar, EURO and Russian Ruble against the Ukrainian Hryvnia by 10%. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	USD – impact		EUR – impact		RUB – impact	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Profit/(loss)	(13,464)/13,464	(11,475)/11,475	(4,096)/4,096	(4,413)/4,413	64/(64)	86/(86)

Operating environment (export sales) risks – Historically significant part of the Group's revenue was from sales to the Russian Federation, therefore the Group is exposed to risks of limitations to export operations. During the three months ended 31 March 2013 and 2012, the Group's management diversified this risk by optimizing share of domestic sales and exports to other markets.

32. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

	2013	2012
Profit/(loss) for the three months attributable to Shareholders of the Parent	<u>(4,644)</u>	<u>(8,910)</u>
Earnings/(loss) used in calculation of earnings per share	<u>(4,644)</u>	<u>(8,910)</u>
Weighted average number of shares outstanding	44,133,333	44,133,333
Earnings/(loss) per share (USD per share)	(0.11)	(0.20)

The Group has no dilutive potential ordinary shares, therefore, the diluted earnings per share equal basic earnings per share.

33. SUBSEQUENT EVENTS

No subsequent events occurred after the reporting date.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Group for the three months ended 31 March 2013 were approved by Board of Directors of Westa ISIC S.A. on 30 May 2013.