WESTA ISIC S.A.

Annual report for the year ended December 31, 2011

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FOREWORD BY DENYS DZENZERS'KYY,

Controlling Shareholder and Executive Director of WESTA ISIC S.A.

Dear Shareholders,

The financial year of 2011 was a year of developments and challenges to the WESTA Group. Initial Public Offering and listing of shares on Warsaw Stock Exchange opened the new chapter of the Group's history and brought us closer to our long term commitment to be one of the leading lead-acid batteries producers in Europe.

In 2011 we focused on fulfilling our major pre-IPO targets, setting up the new generation VRLA AGM batteries production line and lowering our debt burden. As of the end of 2011, the total banking borrowings of WESTA amounted to USD 193.8 million, 34% down comparing to USD 294.7 million as of 31 December 2010.

In 2011 WESTA strengthen its market position, increasing the sales by 19% y-o-y to 5.1 million conventional batteries, revenue by 12% to USD 172.8 million. This was achieved in a rapidly changing and dynamic environment, on the back of global economic turmoil, fluctuations of basic material prices, currency exchange rates instability and adverse weather conditions. These in turn affected our profitability, lowering the EBITDA to USD 27.8 million, comparing to USD 45.5 million in 2010, not accounting for the government grant.

In 2012 we are committed to strengthen our market position and to be the first to start VRLA AGM batteries production in the CIS region.

Due to deferred demand built up in WESTA main markets in 2H2011, we project stronger than usual seasonal increase in battery sales in 2H2012 – the similar market trend that was observed in 2009. WESTA has done all the necessary preparations to meet the expected demand, securing the raw materials supplies and working capital financing.

We see WESTA is well positioned in the current market conditions and will retain its operational and financial flexibility over the coming years.

Sincerely yours,

Denys Dzenzers'kyy

The Board of Directors has the pleasure in presenting their report for the financial year ending 31 December 2011, which constitutes the management report ("Management Report") as defined by Luxembourg Law, together with the annual consolidated financial statements and annual accounts as of and for the year ended 31 December 2011, and for the accounting period then ended. As permitted by Luxembourg Law, the Board of Directors has elected to prepare a single Management Report covering both the Company and the Group.

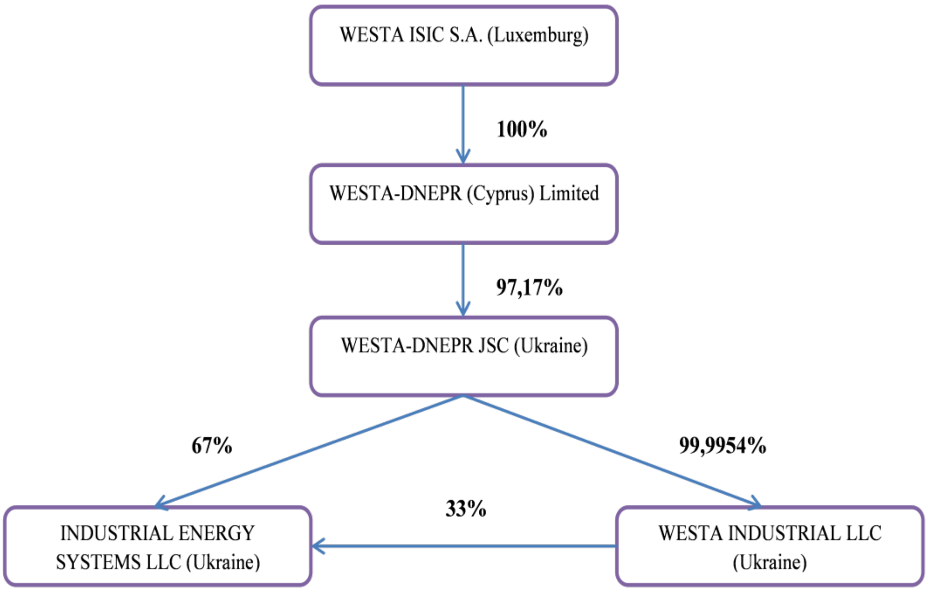
PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 December 31, 2011 Westa ISIC S.A. comprised of two holding companies and three operating companies:



One operating company was disposed during 2011 as mentioned below.

Financial and operational highlights

Key operational highlights for the year ended 31 December 2011:

- Battery production increased to 5.3 million conventional units[1] as compared to 4.3 million conventional units[1] in 2010, representing a 23% y-o-y increase

- Battery sales increased to 5.1 million conventional units[1] as compared to 4.3 million conventional units[1]in 2010, representing a 19% y-o-y increase

- Net sales increased to USD 172.8 million as compared to USD 154.3 million for2010, representing a 12% y-o-y increase.

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[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 theanalogue of 60A*h battery as the most widespread product. As battery's cost and price correlate perfect with its capacity (which is mainlydefined by lead content), it is possible to unify all the range of batteries to a unified measure. For instance, a single 180A*h battery isequivalent to three 60A*h (conventional) batteries.*

Selected financial data for 2011 year is presented in the table below:

in thousand USD unless otherwise stated	**2011**	**2010**
Revenue	172,840	154,305
Gross profit	35,089	50,592
EBITDA[2]	27,790	55,285
EBITDA[2] without government grant	27,790	45,458
Total comprehensive income	1,165	33,731
Operating profit before working capital changes	26,387	53,232
Net cash used in operating activities	(25,642)	(14,946)
Net cash used in investing activities	(29,526)	(12,114)
Net cash generated from financing activities	65,639	34,495
Total net cash flow	10,471	7,435
Total assets	311,490	336,596
Non-current liabilities	148,779	151,994
Current liabilities	114,547	183,363
Total equity	48,164	1,239
Weighted average number of shares	39,478,173	33,100,000
Profit per ordinary share (USD)	0.03	1.01

Please refer to financial report for more detailed information.

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[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 2011

Initial public offering (IPO) and use of proceeds

In May 2011 WESTA ISIC S.A. raised USD 45.3 million of net proceeds from the Initial Public Offering of 11,033,333 new shares (25% of the total share capital).On 15 June 2011 the shares of the Company were admitted on the regulated market of the Warsaw Stock Exchange.

In 2011 the Company fulfilled the use of proceeds plans announced prior to the IPO:

- In late June 2011 concluded a USD 20.4 million contract to order necessary equipment and started a construction of new facility for VRLA (valve-regulated lead-acid) battery manufacturing.
- In December 2011 WESTA ISIC S.A. sold its non-core subsidiary, TECHKOMPLEKT LLC, with USD 120.6 million banking loans and USD 36.6 million cash and cash equivalents on the balance sheet.

Sale of TECHKOMPLEKT LLC

On 27 December 2011 the Board of Directors of the Company decided to sell 100% shares in its Ukrainian subsidiary, TECHKOMPLEKT LLC following an agreement with a strategic buyer. Another Group subsidiary, INDUSTRIAL ENERGY SYSTEMS LLC (logistics and warehousing), which was owned by TECHKOMPLEKT LLC, was transferred to WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC prior to the sale and therefore remained in Group's ownership. The transaction was completed by 28 December 2011.

TECHKOMPLEKT LLC, incorporated on 31 December 2003, is a specialized procurement and trading company. The sale is in line with the Company's strategy to focus on the core activity of SLI batteries production and optimize operational expenses. Following the transaction, raw materials will be procured directly by production companies, WESTA-DNEPR JSC and WESTA INDUSTRIAL LLC, and sales of goods will be realized through an established network of specialized dealers and wholesale traders.

Information in respect of sale of TECHKOMPLEKT LLCis disclosed in Note 30 of the consolidated financial statements.

Changes to loan facilities

Throughout 2011 WESTA Group completed a series of debt restructuring negotiations with its key creditors to ensure more favorable terms. As a result of these negotiations, the Group extended the maturity dates of the loans and adjusted their repayment schedules.

The comparative table of the Group's repayment schedule of total bank borrowings and respective interest as of December 31, 2011 and December 31, 2010 is provided below:

in thousand USD	December 31, 2011	December 31, 2010
Due within three months	26,243	78,844
Due from three months to six months	4,816	21,943
Due from six months to twelve months	45,042	52,507
Total current portion repayable in one year	**76,101**	**153,294**
Due in the second year	38,262	77,731
Due thereafter	111,003	87,479
Total	**225,366**	**318,504**
Less interest forecasted	(47,421)	(42,882)
Add accrued interest	15,841	19,091
Total borrowings	**193,786**	**294,713**

Volatility of lead prices

In 2H2011the Group's operations were adversely affected by fluctuation of the lead prices. London Metal Exchange (LME) spot lead price decreased by more than 30%, from more than USD 2,600 in July to below USD 2,000 in the end of December. The decline in the lead price put downward pressure on SLI batteries prices and the Group's margins.

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. In 2011 USD/RUB exchange rate declined from the average of 29.5 in 1H2011 to 31.0 in 2H2011 and negatively impacted on revenues from Russia, which is the largest market for WESTA products.

DESCRIPTION OF SIGNIFICANT EVENTS OCCURRED SINCE THR END OF FINANCIAL YEAR AND OUTLOOK FOR 2012

Loans restructuring

In March 2012 the Group performed the restructuring of the loans provided to the Company by Ukrainian banks. Under the terms of the new agreements, the repayment of the portion of the short term debt in the amount equivalent to USD 24 million shifted from 2012 to 2015-16.

Outlook for 2012

Based on the management expectations, deferred demand on the market built up over 2H2011 will lead to stronger than usual seasonal increase in battery sales in 2H2012,the similar trend that was observed in 2009. WESTA has done all the necessary preparations to meet the expected demand, securing the raw materials supplies and working capital financing.

INFORMATION ABOUT WESTA ISIC S.A. (THE "COMPANY")

In May 2011 WESTA ISIC S.A. raised USD 45.3 million of net proceeds from the Initial Public Offering of 11,033,333 new shares (25% of the total share capital).On 15 June 2011 the shares of the Company were admitted on the regulated market of the Warsaw Stock Exchange. On 16 June, EUR 32 million was used to increase the share capital of the Westa Dnepr (Cyprus) Limited, paid in full. The Westa ISIC S.A. still had this investment as of 31 December 2011. The Company does not have branches. The Company has not had any activities in research and development. The total balance sheet as of 31 December 2011 amounts to EUR 32 million. The loss for year ended 31 December 2011 is EUR 967 thousand.

The following disclosures are made in compliance with Article 11 of the Luxembourg Law on Takeovers of 19 May 2006:

- As of the date of this report, the Ordinary shares are freely transferable, subject only to the restrictions on shareholdings set forth in the Company Articles of Associations. The Company now has a 25% weighting in the WSE free float indices;
- The details of those shareholders with an interest of 5% or more in the issued share capital of the Company, as notified to the Company, are set out in the Note 16 to the accompanying consolidated financial statements of the Group;
- All of the issued and outstanding ordinary shares in the Company have equal voting rights;
- There are no agreements between the Company and its Directors or employees providing for compensation on loss of office or employment (whether through resignation, purported redundancy or otherwise), that would occur because of takeover bid;
- There are no significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control following a take over of the Company.

RESEARCH AND DEVELOPMENT ACTIVITIES

WESTA has been able to gather top scientific talent in CIS within its Research and Development Institute which has proven to provide the Group with significant competitive edge in past and patented dozens of solutions yet to be integrated. Over 2011 the Group registered 9 patents and applied 10 claims for invention related to design and technology of production of batteries and uninterrupted power supply.

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 31 of the condensed financial report.

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 30% of the Group's sales are invoiced in USD and EURO and approximately 45% - 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.

CORPORATE GOVERNANCE STATEMENT

General information

Westa ISIC S.A. ("the Company") is registered in Luxembourg. Registered office: 412F, route d'Esch L-1471 Luxembourg Grand-Duchy of Luxembourg. R.C.S Luxembourg B 150.326. The shares of the Company are listed on the Warsaw Stock Exchange. The subscribed share capital is set at four hundred forty-one thousand three hundred thirty-three Euro thirty-three Cents (EUR 441,333.33) consisting of 44,133,333 (forty-four million one hundred thirty- three thousand three hundred thirty-three) ordinary shares with a nominal value of EUR 0.01 (one Cent of Euro) each.

The Company declares that it follows the non-binding principles on corporate governance contained in "Ten principles of corporate governance of the Luxembourg stock exchange" approved in October 2009. Any incompliances with these principles where disclosed and explained below. Also the Company has decided to observe the majority of the WSE Corporate Governance Rules. Westa ISIC S.A. has a clear and transparent corporate governance framework and provides relevant disclosure.

All adopted corporate governance documents and details regarding current corporate governance system of the Company are published on the Company's website http://www.westa.com.ua/en/
Board of Directors

The Company has a one-tier management structure consisting of the Board of Directors. The Board of Directors is responsible for the management of the Company's operations. It is vested with the broadest powers to take any actions necessary or useful to fulfill the Company's corporate purpose, with the exception of actions reserved by Luxembourg law or the Articles of Association to the General Meeting of Shareholders.

The Company is managed by a Board composed of at least three members and of a maximum of sixteen members, their number being determined by the General Meeting of Shareholders. The Director(s) are elected by the General Meeting, for a period not exceeding six (6) years and until their successors are elected, provided, however, that any Director may be removed at any time by a resolution taken by the General Meeting of Shareholders. In the event of vacancy in the office of a Director because of death, resignation or otherwise, the remaining Directors elected by the General Meeting may meet and elect a Director to fill such vacancy until the next General Meeting of Shareholders. In case of plurality of Directors the General Meeting may decide to create three categories of Directors and the Company shall be administered by a Board of Directors, consisting of:

- a) one or more Directors A, hereinafter referred to as the "Executive Directors A";
- b) one or more Directors B, hereinafter referred to as the "Executive Directors B", and
- c) one or more Directors C, hereinafter referred to as the "Independent Directors".

Competences of each category of Directors

The Executive Directors A are responsible for managing the Company and its affiliated business. In discharging their duties, the Executive Directors A are guided by the interests of the Company and its business; they shall take into account the relevant interests of all those involved in the Company (including the Company's shareholders) and the objective of creating shareholder value in the long run.

The responsibilities of Executive Directors A include: managing the Company:

- the determination and achievement of the Company's objectives,
- the determination of the Company's strategy, the policies designed to achieve the objectives and risks inherent to its business activities,
- the risk management and internal control systems,
- maintaining and preparing the financial reporting process,
- the compliance with all relevant legislation and regulations (both statutory and internal), and
- the Company's performance; financing of the Company; preparing, disclosing and complying with the internal procedures regarding the preparation and publication of the annual report, the annual accounts, the quarterly and/or half-yearly figures and ad hoc financial information, including any price-sensitive (inside) information; establishing and maintaining of the internal procedures which ensure that all major financial information is known to the Board of Directors and in particular the Independent Directors; drawing the Company's annual budgets and major capital expenditures; selecting, and recommending the appointment of, the Company's external auditor, if the General Meeting has failed to do so; and submitting the operational and financial objectives of the Company, the strategy designed to achieve these objectives and the parameters applied in relation to this strategy for approval by the Board of Directors.

The Executive Directors B has been charged by the Executive Director A with the responsibility for all corporate affairs, in particular the compliance of the Company with Luxembourg laws and regulations. The responsibilities of Executive Directors B includes: disclosing, complying with and enforcing the Company's compliance with Luxembourg laws and regulations; acting as contact person towards the Company's external advisers in respect to the subjects mentioned above.

The Independent Directors supervise the policy and the fulfillment of duties of the Executive Directors A and the Executive Directors B, and the general affairs of the Company. Their responsibilities include: to advise and support the Executive Directors; to supervise the Executive Directors:

- the achievement of the Company's objectives;
- the corporate strategy and the risks inherent in the business activities;
- the structure and operation of the internal risk management and control systems;
- the financial reporting process and
- compliance with the legislation and regulations; complying with and enforcing the Company's corporate governance structure; checking - and co-signing upon approval - the annual report, the annual accounts, the quarterly and/or half-yearly figures and ad hoc financial information, including any price-sensitive (inside) information; evaluating and assessing the functioning of the Board of Directors; handling and reporting to the General Meeting of, reported potential conflicts of interest between the Company on the one side and members of the Board of Directors or the external auditor on the other side; handling, and deciding on, reported alleged irregularities that relate to the functioning of the Board of Directors; and supervising the policy and the fulfillment of duties of the Executive Directors A and the Executive Directors B.

Timely the Executive Directors A and the Executive Directors B shall provide the Independent Directors with all information which is required for the exercise of their duties.

Composition of the Board of Directors

Prior to 23 November 2011 the Board of Directors of the Company consisted of three (3) members: two (2) Executive Directors A (Mr. Denys Dzenzers'kyy, Mr. Dmytro Nikitin) and one (1) Executive Director B (Mr. Christoph Nicolaus Kossmann).

In accordance with the changes to the Articles of Association of Westa ISIC S.A. adopted on Extraordinary Meeting of the Shareholders held on 23 November 2011 the structure of the Board of Directors of the Company has been changed with the establishment of category C Directors (Independent Directors).

Currently the Board of Directors consists of five (5) members: three (3) Executive Directors (two Directors A and one Director B) and two (2) Independent Directors (two Directors C – Independent Directors). Chairman of the board is not appointed.

Since 23 November 2011 the Board of Directors comprised of:

Name	Position	Date of appointment	Expiration of term of office
Mr. Denys Dzenzers'kyy	A Director, Executive Director	November 24, 2010	2012
Mr. Dmytro Nikitin	A Director, Executive Director	November 24, 2010	2012
Mr.Christoph Nicolaus Kossmann	B Director, Executive Director	December 10, 2009	2015
Mr.Eugenii Cherviachenko	C Director, Independent Director	November 23, 2011	2012
Ms.Lyubov Krechmanska	C Director, Independent Director	November 23, 2011	2012

Denys Dzenzers'kyy has been a member of the Board of Directors and CEO of the Company since 2010. Additionally he has held the position of a member of the supervisory board of WESTA-DNEPR JSC since 2010. He started his career in SIC ISTA, where he worked for five years as an economist of the economic planning department. Next, in years 2002-2003 he was the Vice-President on Economics at WESTA ISIC. Since October 2003 until March 2010 he held different posts in WESTA-DNEPR JSC such as Deputy Chairman of the Administrative Board, Vice-President on Economics, First Vice-President. Mr. Dzenzers'kyy has a Master Degree on Economics. He graduated from the Dnipropetrovsk Construction and Architecture Institute in 2000 and in years 1993-1995 he completed Economic faculty at Kalkuhl in Bonn.

Dmytro Nikitin has been the member of the Board of Directors and CFO of the Company since 2010. In years 1997-1999 he worked as a chief financial analyst at "Privatbank". Since 1999 he has been a deputy general director on economics at Techkomplekt LLC and since 2010 has been a member of the board of directors of "Russkie Akkumulatori" JSC. Mr. Dmytro Nikitin graduated from Dnipropetrovsk Construction and Architecture Institute in 1997. He also gained Bachelor degree from Lakehead University, Canada in 1998.

Christoph Nicolaus Kossmann started his career in Dexia Banque International a Luxembourg where he was a vice president in years 1990-2002. Next he held different managerial position at Experta Corporate and Trust Services S.A. (member of the executive board 2002-2006), Sal. Oppenheim International S.A. (July 2006 - July 2007) and Sal. Oppenheimjr & Cie S. C. A. (member of the executive board July 2007-October 2007). Mr. Kossmann has a university degree, gained at the Law School of Freiburg University in 1981. As a part of increasing his professional qualifications he graduated from the Law School of Lausanne University (specification in international private law) in 1982, the Law School of Freiburg University (specification in international tax planning) in 1985. Mr. Kossmann also passed the Bar Exam in 1989.

Ieugenii Cherviachenko started his career at Ukrainian investment company Concorde Capital in 2005 as Senior Analyst covering a wide sector base, including Metals & Mining and Heavy Machinery sectors, and later supervising Metals & Mining analysts. He was a part of project team for private placements of Ukrainian companies. After 4 years with Concorde Capital he joined BG Capital in June 2009 as a vice-president at corporate finance department. Eugene received his MA in Finance from the Kyiv National Economics University. Eugene was named Ukraine's Best Metals & Mining Research Analyst in Thomson Reuters Extel's 2008 Focus CIS Survey.

Lyubov Krechmanska graduated from Kyiv National Economic University in 1993 (economist specification). She started her career at Biuro Prawno-Rachunkowe M.W. Miziołębscy as an accountant in 1999 and developed her experience in financial sphere working as chief accountant at Calzedonia Master Polska Sp. z o.o. In 2001 Ms. Krechmanska joined IC& Partners Sp. z o.o. as a Financial Director. She participated in audits of financial statements and reports on the use of EU funds at WBS Rachunkowość i Consulting Sp. z o.o. working as auditors' Assistant and extended her professional experience at Villa Palladio Sp. z o.o. as Financial Director of the company in years 2006-2007. Ms. Krechmanska became an owner of the company KLK Lubow Kreczmańska in 2006 cooperating with companies in the matters of the settlement of projects funded from EU funds, bookkeeping and personnel matters of companies and entrepreneurs. Since March 2011 Ms. Krechmanska is a member of the Supervisory Board IC&Partners Warsaw S.A.

Audit Committee

The Audit Committee of the Company shall consist of at least 2 (two) members elected from among the members of the Board. Decisions shall be taken by a majority vote of the members of the Audit Committee. In the event that in any meeting the number of votes for and against a resolution shall be equal, such a resolution should be considered, discussed and resolved by the Board. Audit committee should be composed exclusively of non-executive directors, but currently one of the members of the Audit Committee is executive director.

At least one member of the Audit committee shall have competence in accounting and/or auditing. The Audit Committee shall be responsible for: overseeing the financial reporting and disclosure process; monitoring choice of accounting policies and principles; overseeing hiring, performance and independence of the external auditors; monitoring the internal control process; overseeing the performance of the internal audit function.

The Audit Committee currently comprises of: Mr. Denys Dzenzers'kyy (Director A), Ms. Lyubov Krechmanska (Director C).

Nominations and Remuneration Committee

Currently the Company does not have Nominations or Remuneration committees. The Company does not intend to establish the Nominations or Remuneration committees. The tasks and duties contemplated by the Remuneration committee and Nominations committee are performed by the entire Board of Directors. The company does not have formal policies on board and top-management performance evaluation and remuneration.

Internal Control/Risk Management

The Board of Directors of the Company is responsible for the system of internal risk management and control and reviewing at least annually the internal control and risk management systems, with a view to ensuring that the main risks (including those related to compliance with existing legislation and regulations) are properly identified, managed and disclosed.

The Audit Committee of the Board of Directors is wasted with the powers of monitoring the internal control process and overseeing the performance of the internal audit function.

Internal control system covers all activities of the Company. The Company has established process of identification and management of potential risks faced by the Company.

Financial reporting process

The Group has in place common accounting policies and procedures on financial reporting and closing. Also, prepares budgets for review and approval of Board of Directors, as well as forecast of financial performance during the year. The management monitors the publication of the new reporting standards and works closely with external auditors in evaluating in advance the potential impact of these standards.

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. Stand alone financial statements is issued based on maintained accounting records in accordance with local (Luxembourg) accounting standards.

Management of the Group is paying adequate attention and efforts in designing, implementing and maintaining an effective system of internal controls on financial reporting process. Financial reports are analyzed, reviewed and discussed before issuance.

The remuneration of the members of the Board of Directors

The remuneration of the members of the Board of Directors is determined by the Board of Directors, in accordance with remuneration policy adopted by the General Meeting of shareholders.

The objective of the Group's remuneration policy is to provide a compensation programme allowing for the attraction, retention and motivation of members of the Board of Directors who have the character traits, skills and background to successfully lead and manage the Company.

Details of the compensation of the Board of Directors members are set out in Note 31 to the financial statements.

General Meeting practices

The annual General Meeting of the Company is to be held, in accordance with Luxembourg law, in Luxembourg at the address of the registered office of the Company or at such other place in the municipality of the registered office as may be specified in the convening notice of the meeting, on the first Wednesday of June at 5.00 p.m. If such day is not a business day for banks in Luxembourg, the annual General Meeting shall be held on the next following business day. The annual General Meeting may be held abroad if, in the absolute and final judgment of the Board, exceptional circumstances so require. Other meetings of the shareholders of the Company may be held at such place and time as may be specified in the respective convening notices of the meeting. Where the shares are recorded in the register of shareholders in the name of a Depositary or sub-depositary of the former, the certificates must be received at the Company no later than the day precedent the fifth (5th) working day before the date of the general meeting unless the Company fixes a shorter period. Such certificates must certify the fact that the shares in the account shall be blocked until the close of the general meeting. All proxies must be received at the Company by the same deadline.

Voting rights

At all the General Meetings, each Share confers the right to cast one vote. Each shareholder is entitled to attend the General Meeting either in person or through a proxy attending the meeting in person, and to address such meeting and exercise voting rights, in accordance with the Company's Articles of Association. Except as otherwise required by law or by these Articles, resolutions at a duly convened General Meeting will be passed by a simple majority of those present or represented and voting. A Shareholder may act at any General Meeting by appointing another person as his proxy in writing whether in original, by telefax or e-mail to which an electronic signature, which is valid under Luxembourg law, is affixed.

If all the Shareholders of the Company are present or represented at a General Meeting, and consider themselves as being duly convened and informed of the agenda of the meeting, the meeting may be held without prior notice.

The Board shall adopt all other regulations and rules concerning the availability of access cards and proxy forms in order to enable shareholders to exercise their right to vote.

The Board may decide to allow the participation of shareholders in the general meeting of the Company by any means of telecommunication (including via telephone or videoconference), provided that such means of telecommunication allow the identification of the shareholders participating by such means, and all the other shareholders present at such general meeting (whether in person or by proxy, or by means of such type of communications device) to hear them and to be heard by them at any time. Any shareholder that participates in a general meeting of the Company by these means shall be deemed to be present at such general meeting, shall be counted when reckoning a quorum and shall be entitled to vote on matters considered at such general meeting.

Shareholders may vote by correspondence, by means of a form provided by the Company including the following information:

- the location, the date, and the time of the meeting,
- the name, address and any other pertinent information concerning the shareholder,
- the number of shares held by such shareholder,
- the agenda for the meeting,
- the texts of the proposed resolutions,
- the option to cast a positive or negative vote or to abstain,
- the option to vote by proxy for any new resolution or any modification of the resolutions that may be proposed during the meeting or announced by the Company after the shareholder's submission of the form provided by the Company.

The forms for voting by correspondence should be received at the Company no later than the day precedent the fifth (5th) working day before the date of the general meeting unless the Company fixes a shorter period. Once the voting forms are submitted to the Company, they can neither be retrieved nor cancelled.

Duly completed forms that are received by the Company as provided above shall be counted when reckoning a quorum at such general meeting. The Board shall adopt all other regulations and rules concerning the participation in the meeting and forms to be used to vote by correspondence.

Any amendments to the rights of shareholders require an amendment to the Articles of Association and are subject to the same quorum as for an extraordinary General Meeting. Any resolution to amend the Articles of Association must be taken before a Luxembourg notary and such amendments must be published in accordance with Luxembourg regulations.

Dividend rights

The General Meeting shall determine how the remainder of the annual net profits shall be disposed of and it may alone decide to pay dividends from time to time, as in its discretion believes best suits the corporate purpose and policy.

The dividends may be paid in euro or any other currency selected by the Board and they may be paid at such places and times as may be determined by the Board. The Board may decide to pay interim dividends under the conditions and within the limits laid down in the Law.

Share options

At the date of this annual report, the Company has no a share option plan and no share options have been granted to the members of the Board of Directors, members of Company's senior management or employees.

Information regarding deviation from the WSE Code of Best Practice for WSE Listed Companies

The Company has decided to observe the majority of the WSE Corporate Governance Rules. However, certain principles apply to the Company only to the extent allowed by Luxembourg corporate law and corporate structure of Westa Group, especially the single board structure as opposed to the two-tier system that the WSE Corporate Governance Rules assume.

In 2011 the Company did not fully comply with the following rules described in the Code of Best Practice for WSE Listed Companies:

- Section I: 1.5; 1,6; 1,7;
- Section II: 1,1); 1,5); 1,6); 1,11); 1,14)
- Section III: 1-9

The company did not comply with the principles mentioned above since it does not have two separate governing bodies (supervisory board and management board) which are obligatory for Polish joint stock companies. Instead, its Board of Directors performs both the management and supervisory functions in accordance with Luxembourg law. As a result, the Company applies those principles of the WSE Corporate Governance Rules which refer to relations between supervisory board and management board not directly, but accordingly.

RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

We confirm that to the best of our knowledge and belief:

• the consolidated financial statements of Westa ISIC S.A. (“Company”) presented in this Annual 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 annual accounts of the Company presented in this Annual Report and established in conformity with the Luxembourg legal and regulatory requirements relating to the preparation of annual accounts give a true and fair view of the assets, liabilities, financial position and loss of the Company; and

• the Management Report 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.

By Order of the Board of Directors

Denys Dzenzers’kyy,
Executive Director A

27 April 2012,
Luxembourg

Deloitte.

Deloitte Audit
Société à responsabilité limitée

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To the Shareholders of
Westa Isic S.A.
412F, route d'Esch
L-1471 Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 23 November 2011, we have audited the accompanying consolidated financial statements of Westa Isic S.A., which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement : 10022179

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

As discussed in Note 1, the distribution to shareholders made during the year ended 31 December 2010 and included in the consolidated statements of changes in equity include amounts withdrawn by the controlling shareholder of the Group amounting to USD 12,846 thousand. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity, classification and completeness of this amount. Our opinion on the consolidated financial statements as at 31 December 2011 is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion Paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of Westa ISIC S.A. as of 31 December 2011, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Emphasis of matter

We draw attention to the Note 31 to the consolidated financial statements which describes the fact that a high concentration of the Westa ISIC S.A. Group's transactions have been carried out with related parties and that similarly, a large portion of outstanding balances are with counterparties that are related parties. Our opinion is not qualified in respect of this matter.

We also draw attention to the Note 34 to the consolidated financial statements which describe the fact that a high concentration of the Westa ISIC S.A. Group's sales relate to a major customer. Our opinion is not qualified in respect of this matter.

Deloitte.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

27 April 2012

WESTA ISIC S.A.

Consolidated Financial Statements
Year Ended 31 December 2011

WESTA ISIC S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2011
(in thousands of US Dollars)

	Notes	31 December 2011	31 December 2010
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	171,070	179,708
Prepayments for property, plant and equipment	6	17,864	10,701
Intangible assets		96	620
Investments in associates	7	161	161
Deferred tax assets	8	1,458	1,636
Other non-current assets	9	6,308	1,415
Total non-current assets		196,957	194,241
CURRENT ASSETS:			
Inventories	10	18,957	18,986
Trade and other accounts receivable	11	49,149	48,315
Government grant receivable	27	-	9,795
Advances to suppliers and prepaid expenses	12	14,897	31,658
Taxes recoverable and prepaid	13	8,728	11,862
Other financial assets	14	1,734	11,099
Cash and cash equivalents	15	21,068	10,640
Total current assets		114,533	142,355
TOTAL ASSETS		311,490	336,596
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	16	621	41
Share premium		45,180	-
Additional paid-in capital	1	16,665	16,665
Revaluation reserve		26,756	28,248
Accumulated deficit		(40,520)	(43,372)
Cumulative translation difference		(1,252)	(1,043)
Equity attributable to Shareholders of the Parent		47,450	539
Non-controlling interests		714	700
Total equity		48,164	1,239
NON-CURRENT LIABILITIES:			
Long-term borrowings	17	118,326	145,555
Bonds issued	18	-	6,439
Long-term finance leases	19	925	-
Long-term accounts payable	30	24,695	-
Total non-current liabilities		143,946	151,994
CURRENT LIABILITIES:			
Trade and other accounts payable	20	26,241	30,181
Advances received		9,787	1,935
Short-term borrowings and current portion of the long-term borrowings	17	75,460	149,158
Bonds issued	18	4,833	-
Short-term finance leases	19	175	-
Taxes payable	21	467	605
Provisions and accruals	22	2,417	1,484
Total current liabilities		119,380	183,363
TOTAL LIABILITIES		263,326	335,357
TOTAL EQUITY AND LIABILITIES		311,490	336,596

On behalf of the Board of Directors of Westa Group:

____

Denys Dzenzers'kyy,
Director A of Westa ISIC S.A.

The notes on pages 27 to 75 form an integral part of these consolidated financial statements.

WESTA ISIC S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of US Dollars)

	Notes	2011	2010
REVENUE	23	172,840	154,305
COST OF SALES	24	(137,751)	(103,713)
GROSS PROFIT		35,089	50,592
General and administrative expenses	25	(7,374)	(5,691)
Selling and distribution expenses	26	(6,730)	(3,858)
Government grant recognized as income	27	-	9,827
Other income/(expenses), net	28	4,310	(750)
Foreign exchange (loss)/gain, net		(136)	3,499
Finance costs	29	(41,283)	(33,066)
Interest income		4,023	1,544
Share of gains of associates	7	-	102
Gain on disposal of a subsidiary, including:			
Loss on disposal before effect of restructuring of the Group's payables	30	(177)	-
Effect of restructuring of the Group's payables to subsidiary, net of tax	30	8,884	-
(LOSS)/PROFIT BEFORE INCOME TAX		(3,394)	22,199
INCOME TAX BENEFIT	8	4,773	11,768
NET PROFIT FOR THE YEAR		1,379	33,967
Other comprehensive loss		(214)	(236)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,165	33,731
Profit for the year attributable to:			
Shareholders of the Parent		1,360	33,487
Non-controlling interests		19	480
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the Parent		1,151	33,254
Non-controlling interests		14	477
EARNINGS PER SHARE	35		
Basic and diluted (USD per share)		0.03	1.01

On behalf of the Board of Directors of Westa Group:

Denys Dzenzers'kyy,
Director A of Westa ISIC S.A.

The notes on pages 27 to 75 form an integral part of these consolidated financial statements.

WESTA ISIC S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(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 2009	**18,446**	**-**	**-**	**28,456**	**(81,065)**	**(810)**	**(34,973)**	**-**	**(34,973)**
Distribution to shareholders (Notes 1 and 11)	-	-	-	-	(12,846)	-	(12,846)	-	(12,846)
Contribution from shareholders (Note 1)	-	-	-	-	17,052	-	17,052	-	17,052
Net profit for the year	-	-	-	-	33,487	-	33,487	480	33,967
Translation adjustment	-	-	-	-	-	(233)	(233)	(3)	(236)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**33,487**	**(233)**	**33,254**	**477**	**33,731**
Capital contribution	41	-	-	-	-	-	41	-	41
Effect from corporate reorganization (Note 1)	(18,446)	-	16,665	(208)	-	-	(1,989)	223	(1,766)
31 December 2010	**41**	**-**	**16,665**	**28,248**	**(43,372)**	**(1,043)**	**539**	**700**	**1,239**
Net profit for the year	-	-	-	-	1,360	-	1,360	19	1,379
Translation adjustment	-	-	-	-	-	(209)	(209)	(5)	(214)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1,360**	**(209)**	**1,151**	**14**	**1,165**
Share capital increase (Note 16)	420		-	-	-	-	420	-	420
Proceeds from Initial Public Offering	160	47,302		-	-	-	47,462	-	47,462
Cost of Initial Public Offering	-	(2,122)		-	-	-	(2,122)	-	(2,122)
Transfer to retained earnings, net of tax	-	-	-	(1,492)	1,492	-	-	-	-
31 December 2011	**621**	**45,180**	**16,665**	**26,756**	**(40,520)**	**(1,252)**	**47,450**	**714**	**48,164**

On behalf of the Board of Directors of Westa Group:

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Denys Dzenzers’kyy,
Director A of Westa ISIC S.A.

The notes on pages 27 to 75 form an integral part of these consolidated financial statements.

WESTA ISIC S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of US Dollars)

	2011	2010
OPERATING ACTIVITIES:		
(Loss)/profit before income tax	(3,394)	22,199
Adjustments to reconcile (loss)/profit to net cash provided by operations:		
Finance costs	41,283	33,066
Depreciation and amortization expense	6,805	4,415
Change in allowance for doubtful VAT recoverable	120	28
(Gain)/loss on disposal of property, plant and equipment	(5,139)	18
Gain on disposal of a subsidiary	(8,707)	-
Interest income	(4,023)	(1,544)
Share of gains of associates	-	(102)
Non-operating foreign exchange gain	(558)	(4,848)
Operating cash flow before working capital changes	26,387	53,232
Increase in trade and other accounts receivable	(27,234)	(7,903)
Decrease/(increase) in government grant receivable	9,830	(9,827)
Increase in advances to suppliers and prepaid expenses	(700)	(20,322)
Increase in inventories	(1,986)	(4,903)
Increase in taxes payable (other than income tax)	10	78
Increase in trade and other accounts payable	4,852	18,171
Increase in provisions and accruals	1,012	555
Increase/(decrease) in advances received	10,418	(3,762)
Increase in taxes recoverable and prepaid (other than income tax)	(4,852)	(2,112)
Cash generated by operations	17,737	23,207
Income tax paid	(607)	(465)
Interest paid	(42,772)	(37,688)
Net cash used in operating activities	(25,642)	(14,946)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment and intangible assets	(7,730)	(19,497)
Proceeds from disposal of property, plant and equipment	8,092	-
Interest received	4,023	1,544
Decrease in other financial assets	8,865	4,386
Change in other non-current assets	(6,195)	1,453
Net cash outflow on disposal of subsidiary	(36,581)	-
Net cash used in investing activities	(29,526)	(12,114)

WESTA ISIC S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARENDED 31 DECEMBER 2011
(in thousands of US Dollars)

FINANCING ACTIVITIES:	**2011**	**2010**
Contribution from shareholders	-	11,532
Capital contribution	-	41
Net proceeds from share issue	45,760	-
Payments on bonds redeemed	(6,439)	(7,561)
Proceeds from bonds issuance	4,833	-
Proceeds from borrowings	82,720	96,145
Principal payments on finance leases	(278)	-
Principal payments on borrowings	(60,957)	(65,662)
Net cash generated from financing activities	65,639	34,495
NET INCREASE IN CASH AND CASH EQUIVALENTS	**10,471**	**7,435**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**10,640**	**3,221**
Effect of translation to presentation currency and exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(43)	(16)
CASH AND CASH EQUIVALENTS, at the end of the year	**21,068**	**10,640**

Non-cash movements for the year ended 31 December 2011 and 2010 were as follows:

	2011	**2010**
Property, plant and equipment acquired under finance lease agreements	1,377	-

On behalf of the Board of Directors of Westa Group:

Denys Dzenzers'kyy,
Director A of Westa ISIC S.A.

The notes on pages 27 to 75 form an integral part of these consolidated financial statements.

1. NATURE OF THE BUSINESS AND CORPORATE REORGANIZATION

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". The registered address of Westa ISIC is 412 F Route d'Esch, L-1471 Luxembourg, Grand Duchy of Luxembourg.

The controlling shareholder of Westa ISIC is the Chief Executive Officer of the Group Mr. Denys 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. Other 25% of Westa ISIC share capital is a free-float.

On 14 June 2011 ING Otwarty Fundusz Emerytalny has acquired the shares of the Parent in the public offering, settled on 14 June 2011, and became an owner of 5,750,000 (five million seven hundred and fifty thousand) shares which is 13.03% of share capital of Westa ISIC. Then following regulations ING Otwarty Fundusz Emerytalny notified the Parent that the threshold of 5% of voting rights in Westa ISIC S.A. was crossed. No further notification has been received from ING Otwarty Fundusz Emerytalny by the Parent.

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

The average number of employees for the years ended 31 December 2011 and 2010 was 1,685 and 1,662, 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 December 2011 and 2010 the structure of the Group and principal activities of the companies forming the Group were as follows:

(in thousands of US Dollars unless otherwise stated)

Name of the company	Principal activity	Place of incorporation and operation	Effective ownership interest of the Group	
			31 December 2011	31 December 2010
Parent:				
Westa ISIC S.A.	Holding company	Luxemburg	Parent	Parent
Subsidiary:				
WESTA-DNEPR CYPRUS LIMITED	Sub-holding company	Cyprus	100.00%	100.00%
PSC "WESTA-DNEPR"	Manufacturing of batteries (operating company)	Ukraine, Dnipropetrovsk	97.25%	97.25%
Limited company "WESTA INDUSTRIAL"	Manufacturing of batteries (operating company)	Ukraine, Dnipropetrovsk	97.20%	97.20%
LIMITED COMPANY "INDUSTRIAL ENERGY SYSTEMS"	Researcher and development of the third generation battery	Ukraine, Dnipropetrovsk	97.24%	97.19%
Limited Company "TECHKOMPLEKT"	Trade house (operating company)	Ukraine, Dnipropetrovsk	-	97.19%
Associates:				
PrSC "Dnepro-Deu"	Maintenance of transmission equipment	Ukraine, Dnipropetrovsk	21.00%	21.00%

In December 2011 the Group disposed Limited Company "TECHKOMPLEKT" (Note 30).

The Group also has an ownership in two dormant subsidiaries, namely LLC "WF Production" and LLC "FW Trading", which were not engaged in significant operating activities as of 31 December 2011 and 2010 and for the years then ended. These subsidiaries are stated at cost due to their insignificance to the consolidated financial statements of the Group.

Corporate reorganization in 2010 – Prior to 31 December 2010 the ownership in the companies forming the Group was not united in the form of a legal holding and was represented by the following Ukrainian entities: "WESTA-DNEPR" and its subsidiary, Limited Company "TECHKOMPLEKT" and LTD "INDUSTRIAL ENERGY SYSTEMS". All of these companies were in operation as of 1 January 2008 (the date of the Group's transition to International Financial Reporting Standards). During the year ended 31 December 2010 the possession of various entities in which the Principal Shareholder previously held ownership interests were contributed into Westa ISIC S.A. The Group accounted for this contribution as a transaction between entities under common control, meaning that all transfers were done at the pre-acquisition carrying amounts. In particular, the following processes were completed during the year ended 31 December 2010 to form the business engaged in production and distribution of starter accumulator batteries as described above in this Note:

- The ownership in the Ukrainian entities of the Group was united under a single holding company WESTA-DNEPR. Then WESTA-DNEPR was transferred by the Principal Shareholder to Westa Dnepr (Cyprus) Limited for USD 1,758 thousand. This amount remained unpaid as of 31 December 2011 and was shown within trade and other accounts payable (Note 20);

- Westa ISIC S.A. was acquired by Vankeria Consultants Limited in 2010 to serve as a holding company of the Group;
- Westa Dnepr (Cyprus) Limited was established in Cyprus and ownership in this entity was transferred to Westa ISIC S.A. for an insignificant consideration;

Following the above, the consolidated financial information for the periods up to the formal date of the Group formation has been prepared based on the following assumptions:

- The assets, liabilities and the profit or loss of the entities comprising the Group have been aggregated for all periods presented, based on when the Principal Shareholder obtained its ownership interests in the entities;
- All transactions and balances between Group entities have been eliminated;
- Transactions and balances with entities controlled by the Principal Shareholder that are not within the Group are classified as related party transactions and balances;
- The share capital presented as of 31 December 2010 represents that of the Parent. The excess of net assets of WESTA-DNEPR acquired from the Principal Shareholder over the consideration paid to him in the amount USD 16,665 thousand was recognized as additional paid-in capital in the statement of changes in equity upon legal reorganization of the Group. The share capital before legal reorganization of each of the Group entities has been combined and was presented as combined contributed capital. The Group retained earnings balance therefore represents the historical retained earnings of the entities comprising the Group;
- All other items within equity have been aggregated in a manner consistent with the assets and liabilities;
- The non-controlling interests share, which has been increased and reduced throughout the periods presented as a result of a number of further direct and indirect acquisitions and disposals by the Group was presented as equity transactions.

Transactions with a larger group of entities under common control with the Group –During the year ended 31 December 2010 the Group was also engaged in the purchase of raw materials from parties under common control at prices in excess of market. Based on requirements of International Financial Reporting Standards Framework and substance of these transactions, the excess in prices over the purchase price paid by the parties under common control, was recorded as a distribution to the shareholders in the consolidated statement of changes in equity for the year ended 31 December 2010 in the amount of USD 12,846 thousand with corresponding decrease of cost of sales and decrease of cost of inventories.

During the year ended 31 December 2010 the Group was involved in reallocation of the resources to and from larger group of entities under common control. These amounts were recorded as contribution from the shareholders in the consolidated statement of changes in equity for the year ended 31 December 2010 in the amount of USD 17,052 thousand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance – These consolidated financial statements for the year ended 31 December 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

The accompanying 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 December 2011.

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.

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.

Adoption of new and revised International Financial Reporting Standards - The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 "Related Party Disclosures" – Revised definition of related parties. Effective 1 January 2011;
- IAS 32 "Financial Instruments: Presentation" – Amendments relating to classification of rights issues. Effective 1 February 2010;
- IFRIC 14 "Prepayments of a Minimum Funding Requirement" – Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. Effective 1 January 2011.

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Disclosures (Amendment) - The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment) - The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

(in thousands of US Dollars unless otherwise stated)

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) **-** The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements in Euroland, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Standards and Interpretations in issue but not effective – At the date of authorization of these 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*
Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs” and Additional exemption for entities ceasing to suffer from severe hyperinflation	1 July 2011
Amendments to IFRS 7 “Financial instruments: Disclosures” – Transfers of financial assets	1 July 2011
Amendments to IAS 12 “Income Taxes” – Deferred Tax: Recovery of Underlying Assets	1 July 2012
Amendments to IAS 1 "Presentation of Financial Statements" – To revise the way other comprehensive income is presented	1 July 2012
IAS 27 “Separate Financial Statements” (revised 2011)	1 January 2013
IAS 28 “Investments in Associates and Joint Ventures” (revised 2011)	1 January 2013
IFRS 10 “Consolidated Financial Statements”	1 January 2013
IFRS 11 “Joint Arrangements”	1 January 2013
IFRS 12 “Disclosure of Interests in Other Entities”	1 January 2013
IFRS 13 “Fair Value Measurement”	1 January 2013
Amendments to IAS 19 "Employee benefits" – Post employment benefits and termination benefits projects	1 January 2013
Amendments to IFRS 7 “Financial instruments: Disclosures” – Offsetting of financial assets and financial liabilities	1 January 2013
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” and amendments to IAS 12 “Income Taxes”. 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.

(in thousands of US Dollars unless otherwise stated)

Functional and presentation currency – The functional currency of the 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 December 2011	**Average for the 2011**	**As of 31 December 2010**	**Average for the 2010**
UAH/USD	7.9898	7.9677	7.9617	7.9353
UAH/EUR	10.2981	11.0926	10.5731	10.5313
UAH/RUB	0.2495	0.2717	0.2612	0.2614

Basis of consolidation – The 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 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 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" (see 3.16.2); 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 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 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 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.

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.

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 35.

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 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.

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 consolidated financial statements. They are disclosed in the notes to the 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 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 Chief Executive Officer (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.

The Group's contributions to the State Pension Fund during the years ended 31 December 2011 and 2010 amounted to USD 3,800 thousand and USD 2,875 thousand, respectively.

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 – The majority of the Group's accounts receivable that are past due but not considered to be impaired as at 31 December 2010 relate to the trade and other accounts receivable due from the Group's related parties and accounts receivable arisen on sales of securities in the total amount of USD 1,862 thousand. Such accounts receivable are analyzed separately from accounts receivable from third parties for impairment assessment. After analysis performed as of 31 December 2011 and 2010 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 17%. Future cash flows projections were built on the following key assumption: production of 4 million of conventional batteries in 2010, with subsequent growth rate in 2011 at 14%, 5.4% in 2012, 3% in 2013, and 1% thereafter, and growth rate for terminal value at 2%. As of 31 December 2010 the Group assessed that the Group performance was better than assumptions used and hence there is no indication that the recoverable amount of the Group's property, plant and equipment has declined below the carrying value. As of 31 December 2011 the Group assessed that the Group performance upon assumptions previously used and 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 December 2011 and 2010 the Group recognized deferred tax asset related to tax losses carried forward at individual entities of the Group in the amount of USD 2,320 thousand and USD 3,717 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 December 2011 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 years ended 31 December 2011 and 2010, 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 9,979 thousand as at 31 December 2011 that were made by WESTA-DNEPR CYPRUS LIMITED, all other non-current assets of the Group were located in Ukraine. Information about major customers of the Group is presented in Note 34.

(in thousands of US Dollars unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

The following table represents movements in property, plant and equipment for the year ended 31 December 2011:

	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 2010	**50,780**	**113,564**	**1,148**	**665**	**18,009**	**184,166**
Additions	104	82	-	169	2,243	2,598
Disposals	(54)	(122)	(4)	(78)	(2,278)	(2,536)
Disposal of subsidiary	(140)	(438)	-	-	(1,430)	(2,008)
Transfers	-	4,934	106	178	(5,218)	-
Translation difference	(16)	(11)	(3)	(2)	(55)	(87)
As of 31 December 2011	**50,674**	**118,009**	**1,247**	**932**	**11,271**	**182,133**
Accumulated depreciation						
As of 31 December 2010	**(319)**	**(3,743)**	**(231)**	**(165)**	**-**	**(4,458)**
Depreciation charge for the year	(683)	(5,775)	(174)	(154)	-	(6,786)
Disposals	3	31	1	53	-	88
Disposal of subsidiary		37	-			37
Translation difference	6	46	5	(1)	-	56
As of 31 December 2011	**(993)**	**(9,404)**	**(399)**	**(267)**	**-**	**(11,063)**
Net book value						
As of 31 December 2011	**49,681**	**108,605**	**848**	**665**	**11,271**	**171,070**
As of 31 December 2010	**50,461**	**109,821**	**917**	**500**	**18,009**	**179,708**

The following table represents movements in property, plant and equipment for the year ended 31 December 2010:

	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 2009	**22,495**	**59,374**	**922**	**593**	**75,216**	**158,600**
Additions	-	9,441	19	18	7,328	16,806
Disposals	-	(18)	-	-	-	(18)
Capitalized borrowing costs	3,954	4,017	19	-	407	8,397
Transfers	24,359	40,756	186	52	(65,353)	-
Translation difference	(28)	(6)	2	2	411	381
As of 31 December 2010	**50,780**	**113,564**	**1,148**	**665**	**18,009**	**184,166**
Accumulated depreciation						
As of 31 December 2009	**-**	**-**	**-**	**(103)**	**-**	**(103)**
Depreciation charge for the year	(320)	(3,757)	(232)	(62)	-	(4,371)
Disposals	-	-	-	-	-	-
Translation difference	1	14	1	-	-	16
As of 31 December 2010	**(319)**	**(3,743)**	**(231)**	**(165)**	**-**	**(4,458)**
Net book value						
As of 31 December 2010	**50,461**	**109,821**	**917**	**500**	**18,009**	**179,708**
As of 31 December 2009	**22,495**	**59,374**	**922**	**490**	**75,216**	**158,497**

(in thousands of US Dollars unless otherwise stated)

As of 31 December 2009 all Group's property, plant and equipment, excluding furniture and other depreciable assets, were revalued by independent valuators 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 December 2011 and 2010, had the Group's property, plant and equipment, excluding furniture and other depreciable assets, been carried at historical cost less accumulated depreciation where applicable, their carrying amount would have been the following:

	2011	**2010**
Buildings and structures	43,757	44,621
Machinery and equipment	88,683	88,625
Vehicles	441	505
Construction in progress and equipment due to installation	11,073	5,631
Total	**143,954**	**139,382**

As of 31 December 2011 and 2010, fully depreciated assets with a cost of USD 507 thousand and USD 456 thousand, respectively, were included into property, plant and equipment.

As of 31 December 2011 and 2010 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 December 2011and 2010 prepayments for property, plant and equipment were as follows:

	2011	**2010**
Machinery and equipment	9,979	12
Construction works	7,885	10,677
Other	-	12
Total	**17,864**	**10,701**

As of 31 December 2011 there was a prepayment for the amount of USD 9,979 thousand for construction of new facility for VRLA (valve-regulated lead-acid) battery manufacturing.

As of 31 December 2011 and 2010 there were prepayments for property, plant and equipment for the amount of USD 2,976 thousand and 9,125 thousand, respectively, pledged as collateral to secure bank borrowings of the Group (Note 17).

7. INVESTMENTS IN ASSOCIATES

As of 31 December 2011 and 2010 investments in associates were represented as follows:

	2011		**2010**	
PrSC "DneproDeu"	21.00%	161	21.00%	161
Total		**161**		**161**

(in thousands of US Dollars unless otherwise stated)

As of 31 December 2011 the Group's investment in PrSC "Dnepro Deu" was carried at cost since effect of its operations was not material.

As of 31 December 2011 and 2010 the Group has pledged its investment in associate to secure the Group's bank borrowings (Note 17).

8. INCOME TAX

During the year ended 31 December 2011, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in the Ukraine were subject to income tax at: 1 January – 1 April - 25% rate, 1 April – 31 December – 23% rate. During 2010, and 2009, the Group companies which have the status of the CIT payers in the Ukraine were subject to income tax at a 25% 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 21% effective 1 January 2012 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 December 2011 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 years ended 31 December 2011 and 2010.

The main components of income tax expense for the years ended 31 December 2011and 2010 were as follows:

	2011	**2010**
Current tax expense	243	460
Deferred tax benefit	(5,016)	(12,228)
Income tax benefit	**(4,773)**	**(11,768)**

As of 31 December 2011and 2010 the major components of deferred tax assets and liabilities were as follows:

	2011	**2010**
Deferred tax assets arising from:		
Tax losses carried forward	4,543	3,717
Inventories	526	39
Provisions and accruals	321	199
Trade and other accounts receivable	126	296
Trade and other accounts payable	-	1,904
Other	10	62
Net deferred tax assets	**5,526**	**6,217**

(in thousands of US Dollars unless otherwise stated)

	2011	2010
Deferred tax liabilities arising from:		
Trade and other accounts payable	(2,887)	-
Advances to suppliers and prepaid expenses	(1,171)	(2,166)
Property, plant and equipment and other non-current assets	-	(1,287)
Construction in progress	-	(936)
Inventories	-	(170)
Other	(10)	(22)
Total deferred tax liabilities	**(4,068)**	**(4,581)**
Net deferred tax position	**1,458**	**1,636**

As of 31 December 2011and 2010 the excess of tax losses carried forward over net deferred tax liabilities assessed on individual subsidiaries' basis in the amounts of USD 2,713 thousand and USD 13,325 thousand, respectively, were not recognized as deferred tax assets, since it was uncertain whether the Group will be able to utilize these deferred tax assets. In accordance with Ukrainian legislation tax losses can be carried forward for unlimited period of time.

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 December:

	2011	2010
Deferred tax assets	1,458	1,636
Deferred tax liabilities	-	-
Net deferred tax position	**1,458**	**1,636**

The movements in deferred taxes during the years ended 31 December 2011and 2010 were as follows:

	2011	2010
Deferred tax assets /(liabilities) as of the beginning of the year	**1,636**	**(10,521)**
Deferred tax benefit	5,016	12,228
Deferred tax assets of disposed subsidiary (Note 30)	(5,007)	-
Translation difference	(187)	(71)
Deferred tax assets as of the end of the year	**1,458**	**1,636**

(in thousands of US Dollars unless otherwise stated)

The charge for the years ended 31 December 2011and 2010 can be reconciled to the (loss)/ profit per the statement of comprehensive income as follows:

	2011	**2010**
(Loss)/ profit before income tax	**(3,394)**	**22,199**
Theoretical income tax (benefit)/expense at the tax rate of 23%, 25%	(781)	5,550
Tax effect of:		
Permanent differences resulting from non-deductible expenses	263	574
Change in the amount of unrecognized tax losses carried forward	(4,029)	4,801
Permanent differences on contribution from shareholders	-	1,027
Differences resulting from new Tax Code of Ukraine implementation	-	(20,864)
Permanent difference from government grants	-	(2,457)
Permanent differences resulting from non-taxable income	(226)	(399)
Income tax benefit	**(4,773)**	**(11,768)**

Significant portion of deferred tax asset recognized during the year ended 31 December 2011 with regard to tax losses carried forward has been disposed of upon sale of subsidiary (Note 30).

9. OTHER NON-CURRENT ASSETS

As of 31 December 2011 and 2010 other non-current assets of the Group were represented by the bank term deposit in the amount of USD 6,032 thousand and USD 1,342 thousand, respectively, being pledged as collateral to secure bank borrowing with the maturity in January 2017 as of 31 December 2011, and February 2012 as of 31 December 2010 (Note 17). The deposit provided 10.00% and 7.75% interest per annum as of 31 December 2011 and 31 December 2010, respectively.

As of 31 December 2011 and 2010 the balance also included available-for-sale investments in the amount of USD 276 thousand and USD 73 thousand, respectively.

10. INVENTORIES

Inventories as of 31 December 2011 and 2010 were as follows:

	2011	**2010**
Finished goods	7,266	6,751
Raw materials	6,631	7,655
Work in progress	4,643	4,311
Other inventories	417	269
Total	**18,957**	**18,986**

As of 31 December 2011 and 2010 the Group had inventories pledged as collateral to secure the Group’s bank borrowings (Note 17).

(in thousands of US Dollars unless otherwise stated)

11. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as of 31 December 2011 and 2010 were as follows:

	2011	**2010**
Trade receivables, including:		
-UAH denominated	25,220	24,711
-USD denominated	3,404	1,759
-RUB denominated	745	13,822
-EUR denominated	112	2,234
Receivables for disposed subsidiary (UAH denominated) (Note 30)	12,516	-
Receivables for securities sold (UAH denominated)	2,191	5,022
Other receivables, including:		
-UAH denominated	4,961	556
-USD denominated	-	211
Total	**49,149**	**48,315**

As of 31 December 2011 and 2010 trade and other receivables included balances with related parties in the amount of USD 14,055 thousand and USD 24,202 thousand, respectively (Note 31).

As of 31 December 2011 and 2010 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 years ended 31 December 2011 and 2010. 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 December 2011 and 2010 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 December 2011 and 2010 were as follows:

	2011	**2010**
Neither past due nor impaired	48,586	46,453
Past due but not impaired:		
Past due up to 90 days	435	1,721
Past due from 90 to 180 days	1	-
Past due from 180 to 365 days	-	93
More than 1 year	127	48
Total	**49,149**	**48,315**

(in thousands of US Dollars unless otherwise stated)

Management believes that there were no trade and other receivables that required allowance for irrecoverable amounts as there were no individually impaired receivables as of 31 December 2011 and 2010. No allowance for irrecoverable trade and other accounts receivable was provided in these consolidated financial statements.

As of 31 December 2010 receivables for securities from related parties in the amount of USD 6,232 thousand were recorded at amortized cost using 19% discount rate. Difference between carrying value and fair value of these accounts receivable on their initial recognition in the amount of USD 1,297 thousand was recognized as distribution to shareholders in 2010.

As of 31 December 2010 trade and other accounts receivable included balances of USD 11,421 thousand, which were not offset with trade and other accounts payable to the same counterparties as they related to different Group entities and thus, the Group had no legally enforceable right to set-off these balances.

12. ADVANCES TO SUPPLIERS AND PREPAID EXPENSES

As of 31 December 2011 and 2010 advances to suppliers and prepaid expenses were as follows:

	2011	**2010**
Advances for raw materials	11,894	30,453
Advances for utilities	1,444	62
Advances for services	1,052	553
Other advances and prepaid expenses	507	590
Total	**14,897**	**31,658**

As of 31 December 2011 and 2010 advances to suppliers and prepaid expenses included balances with related parties in the amount of USD 10,025 thousand and USD 27,529 thousand, respectively (Note 31).

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 December 2011 and 2010.

As of 31 December 2011 and 2010 the Group has pledged its rights related to advances made to secure the Group's bank borrowings (Note 17).

As of 31 December 2010 advances to suppliers and prepaid expenses included balances of USD 9,182 thousand, which were not offset with trade and other accounts payable to the same counterparties as they related to different Group entities and thus, the Group had no legally enforceable right to set-off these balances.

(in thousands of US Dollars unless otherwise stated)

13. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid as of 31 December 2011 and 2010 were as follows:

	2011	**2010**
VAT recoverable	8,396	11,759
CIT prepaid	327	97
Other taxes prepaid	5	6
Total	**8,728**	**11,862**

As of 31 December 2011 and 2010 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 December 2011 and 2010 other financial assets were represented by short-term bank deposits and restricted cash and were as following:

	2011	**2010**
-UAH denominated	1,445	821
-USD denominated	289	789
-EUR denominated	-	9,489
Total	**1,734**	**11,099**

As of 31 December 2011 and 2010 the Group had bank deposits with maturity range 3 – 12 months and amounted to USD 518 thousand and USD 4,095 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 15% as of 31 December 2011 and 13% as of 31 December 2010.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2011 and 2010 were as follows:

	2011	**2010**
Cash held at current accounts in banks in USD	20,520	169
Cash held at current accounts in banks in UAH	406	255
Cash held at current accounts in banks in EUR	141	531
Cash held at current accounts in banks in PLN	1	-
Cash equivalents held in banks in UAH	-	9,297
Cash held at current accounts in banks in RUB	-	388
Total	**21,068**	**10,640**

(in thousands of US Dollars unless otherwise stated)

16. SHARE CAPITAL

As discussed in Note 1 as of 31 December 2010 the authorized, issued and fully paid share capital of the Parent was EUR 31 thousand (USD 41 thousand) comprising of 310 shares of EUR 100 each at nominal value. On 18 March 2011 the Parent decreased par value of Parent's shares from EUR 100 to EUR 0,01 and increased its authorized share capital from EUR 31 thousand to EUR 331 thousand consisting of 33,100,000 shares of EUR 0.01, by the creation of additional 30,000,000 ordinary shares of EUR 0.01 each. On 3 June 2011 the Parent issued additional 11,033,333 shares with a par value of EUR 0,01 each. These shares were distributed to new shareholders during initial public offering on Warsaw Stock Exchange. Total proceeds from initial public offering amounted to USD 47,882 thousand and were accounted as follows:

- Share capital of the Parent increased by USD 580 thousand to EUR 441 thousand (or USD 621 thousand) comprising of 44,133,333 shares of EUR 0,01 each at a nominal value;
- Remaining proceeds in the amount of USD 47,302 thousand were recognized as share premium, net of costs of initial public offering in the amount of USD 2,122 thousand.

The controlling shareholder of Westa ISIC is the Chief Executive Officer of the Group Mr. Denys Dzenzers'kyy, who owns 100% of the shares of Vankeria Consultants Limited registered in Cyprus, which holds 75% of share capital of Westa ISIC. On 14 June 2011 ING Otwarty Fundusz Emerytalny has acquired the shares of the Westa ISIC in the public offering and became an owner of 5,750,000 (five million seven hundred and fifty thousand) shares which is 13.03% of share capital of Westa ISIC. Other 11.97% 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 December 2011 and 2010:

Currency	**Weighted average interest rate**	**2011**	**Weighted average interest rate**	**2010**
USD	12%	112,838	12%	187,427
EUR	11%	42,064	10%	43,340
UAH	19%	20,976	19%	21,690
		175,878		**252,457**
Less:				
Current portion of long-term bank borrowings		(57,552)		(106,902)
Total long-term borrowings		**118,326**		**145,555**

(in thousands of US Dollars unless otherwise stated)

As of 31 December 2011 and 2010 short-term loans, borrowings and credit lines due within one year consisted of the following:

Currency	**Weighted average interest rate**	**2011**	**Weighted average interest rate**	**2010**
UAH	19%	126	n/a	-
USD	n/a	-	12%	18,352
Total bank borrowings due within one year		**126**		**18,352**
Add:				
Current portion of long-term bank borrowings		57,552		106,902
Payables for factoring operations		1,941		4,813
Interest accrued		15,841		19,091
Total short-term borrowings		**75,460**		**149,158**
Total borrowings		**193,786**		**294,713**

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.

Term bank loans and credit line facilities were as follows as of 31 December 2011 and 2010:

	2011	**2010**
Closed-end credit lines	84,020	164,637
Revolving credit lines	77,226	101,692
Term loans	14,758	4,480
Total bank borrowings	**176,004**	**270,809**

The following table summarizes fixed and floating interest rates bank loans and credit lines held by the Group as of 31 December 2011 and 2010:

	2011	**2010**
Fixed interest rate	157,425	248,148
Floating interest rate	18,579	22,661
Total	**176,004**	**270,809**

(in thousands of US Dollars unless otherwise stated)

As of 31 December 2011 and 2010 the Group's total bank borrowings and respective interest forecasted based on contractual repayment schedule were repayable as follows:

	2011	**2010**
Due within three months	26,243	78,844
Due from three months to six months	4,816	21,943
Due from six months to twelve months	45,042	52,507
Total current portion repayable in one year	**76,101**	**153,294**
Due in the second year	38,262	77,731
Due thereafter	111,003	87,479
Total	**225,366**	**318,504**
Less interest forecasted	(47,421)	(42,882)
Add accrued interest	15,841	19,091
Total borrowings	**193,786**	**294,713**

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 December 2011 and 2010 the Group's borrowings were secured by the following pledged assets:

	2011	**2010**
Property, plant and equipment	169,307	159,804
Trade and other accounts receivables	35,821	45,338
Inventories	17,354	18,631
Advances to suppliers and prepaid expenses	11,736	10,680
Other non-current assets	6,032	1,342
Taxes recoverable and prepaid	3,320	3,685
Prepayments for property, plant and equipment	2,976	9,125
Other financial assets	518	4,095
Investments in associates	161	161
Intangible assets, net	96	104
Cash and cash equivalents	-	922
Total	**247,321**	**253,887**

The table above includes all assets of PSC "WESTA-DNEPR" as of 31 December 2011 and 2010 that were pledge under the agreements with the Ukrainian banks.

As of 31 December 2010 the Group had the following pledges, except those stated above:

- Finished goods, that will be produced by Limited company "WESTA INDUSTRIAL" starting the third quarter of the year ended 31 December 2011 to fourth quarter of the year ended 31 December 2013 (2,541,000 accumulators);
- There was also guarantee provided by the related party LLC "Westa Market" to secure Group borrowings.

(in thousands of US Dollars unless otherwise stated)

18. BONDS ISSUED

Bonds issued and outstanding as of 31 December 2011 and 2010 were as follows:

	2011	**2010**
18 % Domestic bonds due in 2012	4,327	-
19 % Domestic bonds due in 2012	506	-
20 % Domestic bonds due in 2011	-	6,439
Total	**4,833**	**6,439**

20 % Domestic bonds – In 2009 PSC “WESTA-DNEPR” placed USD 6,262 thousand 20% unsecured domestic bonds, due in November 2011 with premium amounted to USD 225 thousand. The bonds were listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group’s entity Limited Company “TECHKOMPLEKT”. Interest on 20% domestic bonds is payable on a monthly basis. These bonds were repaid during November 2011.

18 % Domestic bonds – In 2011 PSC “WESTA-DNEPR” placed USD 6,262 thousand 18% unsecured domestic bonds, due in February 2012 at par. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group’s consolidated entity Limited Company “TECHKOMPLEKT”. Interest on 18% domestic bonds is payable on a quarterly basis.

19 % Domestic bonds –In 2011 PSC “WESTA-DNEPR” placed USD 1,252 thousand 19% unsecured domestic bonds, due in January 2012 at par. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group’s entity Limited Company “TECHKOMPLEKT”. Interest on 19% domestic bonds is payable on a quarterly basis.

On 31 of December 2010 outstanding balance of bonds amounted to USD 7,563 thousand was redeemed at par based on mutual consent of PSC “WESTA-DNEPR” and respective bonds holders.

19. OBLIGATION UNDER FINANCE LEASES

During 2011 the Group concluded one finance lease agreement 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 2011	**Present value of minimum lease payments 2011**
Not later than one year	303	175
Later than one year and not later than five years	1,147	925
	1,450	**1,100**
Less: future finance charges	(350)	-
Present value of minimum lease payments	**1,100**	**1,100**

(in thousands of US Dollars unless otherwise stated)

20. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as of 31 December 2011 and 2010 were as follows:

	2011	**2010**
Trade payables for raw materials, including:		
-UAH denominated	15,758	14,157
-EUR denominated	282	1,787
-RUB denominated	91	7,699
-USD denominated	20	-
Trade payables for services, including:		
-UAH denominated	870	3,521
-EUR denominated	13	42
-USD denominated	1	-
Trade payables for raw utilities, including:		
-UAH denominated	210	-
Unsettled liabilities for the acquisition of property, plant and equipment, including:		
-EUR denominated	1,372	360
-USD denominated	-	67
Accounts payable for available-for-sale investments, including:		
-UAH denominated	4,820	2,059
Other current liabilities, including:		
-UAH denominated	2,694	406
-USD denominated	110	40
-EUR denominated	-	43
Total	**26,241**	**30,181**

As of 31 December 2011 and 2010 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 31).

As of 31 December 2011 and 2010 trade and other accounts payable included balances with related parties in the amount of USD 8,767 thousand and USD 18,531 thousand, respectively (Note 31).

The average credit period rendered to the Group by trade suppliers comprises 122 days in the years ended 31 December 2011 and 2010. No interest is charged on trade and other accounts payable.

(in thousands of US Dollars unless otherwise stated)

The table below summarizes the maturity profile of the Group's trade and other payables as of 31 December 2011 and 2010 based on contractual undiscounted payments:

	2011	**2010**
Due within three months	22,812	28,432
Due from three to six months	41	200
Due from six months to twelve months	3,388	1,549
Total	**26,241**	**30,181**

As of 31 December 2010 trade and other accounts payable included balances of USD 20,603 thousand, which were not offset with trade and other accounts receivable and advances to suppliers and prepaid expenses to the same counterparties as they related to different Group entities and thus, the Group had no legally enforceable right to set-off these balances.

21. TAXES PAYABLE

As of 31 December 2011 and 2010 taxes payable were as follows:

	2011	**2010**
Payroll related taxes	428	316
Corporate income tax payable	-	141
Other taxes	39	148
Total	**467**	**605**

22. PROVISIONS AND ACCRUALS

Provisions and accruals as of 31 December 2011 and 2010 were as follows:

	2011	**2010**
Accrued payroll	887	649
Warranty provision	786	509
Provision for unused vacation	744	326
Total	**2,417**	**1,484**

Warranty provision as of 31 December 2011 and 2010 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.

(in thousands of US Dollars unless otherwise stated)

23. REVENUE

Revenue for the years ended 31 December 2011 and 2010 was as follows:

	2011	2010
Sales of finished goods	166,611	150,985
Other sales	6,229	3,320
Total	**172,840**	**154,305**

For the years ended 31 December 2011 and 2010, revenue included transactions with related parties in amount of USD 15,425 thousand and USD 30,835 thousand, respectively (Note 31).

24. COST OF SALES

Cost of sales for the years ended 31 December 2011and 2010 was as follows:

	2011	2010
Inventory	113,047	88,224
Salaries, wages and related charges	9,572	6,754
Utilities	7,127	3,528
Depreciation	5,377	3,475
Repairs and maintenance	1,121	474
Warranty costs	889	270
Transportation costs	350	398
Other expenses	268	590
Total	**137,751**	**103,713**

For the years ended 31 December 2011 and 2010 the Group purchases included transactions with related parties in amount of USD 85,303 thousand and USD 68,869 thousand, respectively (Note 31).

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2011 and 2010 were as follows:

	2011	2010
Salaries, wages and related charges	2,283	2,239
Transportation costs	1,654	1,026
Bank charges	936	798
Other services	869	162
Depreciation and amortization	817	702
Communication services	209	159
Non-refundable taxes	241	145
Other expenses	365	460
Total	**7,374**	**5,691**

(in thousands of US Dollars unless otherwise stated)

For the years ended 31 December 2011 and 2010 general and administrative expenses included transactions with related parties in amount of USD 832 thousand and USD 715 thousand, respectively (Note 31). Remuneration to the auditors, included into other services and other expenses above, amounted to USD 192 thousand and USD 218 thousand for the years ended 31 December 2011and 2010, respectively, and comprised audit fees.

26. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the years ended 31 December 2011 and 2010 were as follows:

	2011	**2010**
Transportation costs	3,139	2,105
Inventory	2,142	1,292
Salaries, wages and related charges	583	173
Other	866	288
Total	**6,730**	**3,858**

27. GOVERNMENT GRANT RECOGNIZED AS INCOME

In 2010 the WESTA-DNEPR won a competition for innovation run by State Agency of Ukraine for Investments and Development (the "State Agency") the prize for winning the competition is that the Group will receive a grant from the State Budget of Ukraine. The amount of government grant was determined as amount of interest paid by PSC "WESTA-DNEPR" mainly in 2008-2009 and partially in 2010 and related to a number of loan agreements with Ukrainian banks. The government grant was recorded as income as the Group management determined that PSC "WESTA-DNEPR" of the following, which were conditions for receipt of the grant:

- PSC "WESTA-DNEPR" provided all necessary information and documentation to the State Agency;
- The decision to disburse the amounts to PSC "WESTA-DNEPR" was approved by the State Agency;
- Interest under specified loan agreements was paid to banks;
- There is reasonable assurance that the grant will be receivable.

The government grant was received in full during April 2011.

28. OTHER (INCOME)/EXPENSES, NET

Other expenses for the year ended 31 December 2011 and 2010 were as follows:

	2011	**2010**
Allowance for irrecoverable VAT	120	28
Other expenses, net	709	722
Gain on disposal of property, plant and equipment	(5,139)	-
Total	**(4,310)**	**750**

In year 2011 gain on disposal of property, plant and equipment comprised gain on disposal of construction in progress in the amount of USD 4,626 thousand.

(in thousands of US Dollars unless otherwise stated)

29. FINANCE COSTS

Finance costs for the years ended 31 December 2011 and 2010 were as follows:

	2011	2010
Interest expense on bank borrowings	36,830	26,308
Interest expense on factoring	3,182	2,987
Interest expense on bonds	1,257	3,312
Interest expense on financial leasing	12	-
Other finance costs	2	459
Total	**41,283**	**33,066**

30. DISPOSAL OF SUBSIDIARY

On 28 December 2011, the Group disposed of Limited Company “TECHKOMPLEKT” (the “Subsidiary “) which carried out some sales and purchase operations of the Group. The activity of the subsidiary represented extension of production plants’ operations rather than separate line of the Group’s business and, as such, did not meet the definition of discontinued operations. Consideration received for the disposal of the subsidiary was as follows:

	2011
Consideration receivable in cash and cash equivalents	12,516
Total consideration receivable	**12,516**

As of the date of disposal the Subsidiary had accounts receivable due from the Group in the amount of USD 35,772 thousand. Subsequently to the sale of Limited Company “TECHKOMPLEKT” the Group agreed with the acquirer to differ the repayment period for the accounts receivable of the Subsidiary due from the Group for the period starting from August 2012 to December 2013. The accounts payable of the Group as of 31 December 2011 was stated at amortized cost using effective interest rate of 19%. Thus, the accounts payables of the Group to the Subsidiary as of 31 December 2011 amounted to USD 24,695 thousand and were classified as long-term liabilities.

(in thousands of US Dollars unless otherwise stated)

Analysis of asset and liabilities over which control was lost is as follows:

	2011
Current assets	
Trade and other accounts receivable	74,711
Cash and cash equivalents	36,581
Advances to suppliers and prepaid expenses	17,461
Taxes recoverable and prepaid	8,096
Inventories	2,015
Other financial assets	500
Non-current assets	
Deferred tax assets	2,792
Property, plant and equipment	1,971
Other non-current assets	1,302
Prepayments for property, plant and equipment	291
Current liabilities	
Short-term borrowings and current portion of the long-term borrowings	10,641
Trade and other accounts payable	9,737
Advances received	2,566
Taxes payable	15
Provisions and accruals	79
Non-current liabilities	
Long-term borrowings	109,989
Net assets disposed of	**12,693**

Gain on disposal of subsidiary is as follows:

	2011
Consideration receivable	12,516
Net assets disposed of	(12,693)
Non-controlling interests	-
Loss on disposal before effect of restructuring of the Group’s payables	**(177)**
Effect of restructuring of the Group’s payables to subsidiary, net of tax	8,884
Net gain from disposal of subsidiary	**8,707**

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income.

Net cash outflow on disposal of subsidiary is as follows:

	2011
Consideration receivable	12,516
Less: accounts receivable for the disposal of subsidiary	(12,516)
Less: cash and cash equivalent balances disposed of	(36,581)
	(36,581)

(in thousands of US Dollars unless otherwise stated)

31. 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 not executed on terms similar to those used for third parties. These terms and conditions could vary to those that would have been obtained had underlying transactions been transactions been transacted with 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 starting from 2010;
- Purchases of lead and other supplies used in production;
- Purchases of miscellaneous services;

The revenues from sales to related parties for the years ended 31 December 2011 and 2010were as follows:

	2011	**2010**
Companies under common control	9,699	22,492
Other related parties	5,726	8,343
Total revenues from sales to related parties	**15,425**	**30,835**
Total per caption revenue (Note 23)	**172,840**	**154,305**

The purchases from related parties for the years ended 31 December 2011 and 2010 were as follows:

	2011	**2010**
Purchases		
Companies under common control	12,486	23,645
Other related parties	72,817	45,224
Total purchases from related parties	**85,303**	**68,869**
Total purchases	**127,047**	**127,891**
General and administrative expenses		
Companies under common control	811	715
Other related parties	21	-
Total general and administrative expenses from related parties	**832**	**715**
Total per caption general and administrative expenses (Note 25)	**7,374**	**5,691**

(in thousands of US Dollars unless otherwise stated)

The purchases of property, plant and equipment from related parties for the years ended 31 December 2011 and 2010 were as follows:

	2011	2010
Companies under common control	-	4,690
Other related parties	-	43
Total	**-**	**4,733**

During the year ended 31 December 2011 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 85,303 thousand 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 December 2011 and 2010:

	2011	2010
Trade receivables		
Companies under common control	8, 919	15,796
Other related parties	1,373	2,380
Receivables for securities sold		
Companies under common control	-	3,629
Other related parties	-	312
Other receivables		
Companies under common control	403	93
Other related parties	3,360	1,992
Total	**14,055**	**24,202**
Total per caption trade and other accounts receivable (Note 11)	**49,149**	**48,315**

As of 31 December 2011and 2010 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 December 2011 and 2010 were as follows:

	2011	2010
Companies under common control	5,443	113
Common ultimate shareholder	9	9
Other related parties	4,573	27,407
Total advances to related parties	**10,025**	**27,529**
Total per caption advances to suppliers and prepaid expenses (Note 12)	**14,897**	**31,658**

(in thousands of US Dollars unless otherwise stated)

The balances of advances received from related parties were as follows as of 31 December 2011 and 2010:

	2011	2010
Companies under common control	873	667
Other related parties	26	123
Total advances received from related parties	**899**	**790**
Total per caption advances received	**9,787**	**1,935**

The balances of trade and other accounts payable due to related parties as of 31 December 2011 and 2010 were as follows (Note 20):

	2011	2010
Trade accounts payable		
Companies under common control	8,621	9,172
Other related parties	69	9,051
Accounts payable for available-for-sale investments		
Companies under common control	-	3
Other related parties	-	65
Unsettled liabilities for the acquisition of property, plant and equipment		
Companies under common control	-	167
Other related parties	-	-
Other current liabilities		
Companies under common control	77	35
Other related parties	-	38
Total	**8,767**	**18,531**
Total per caption trade and other accounts payable (Note 20)	**26,241**	**30,181**

As of 31 December 2011 and 2010 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 20).

The remuneration of the key management personnel of the Group for the years ended 31 December 2011and 2010 amounted to USD 350 thousand and USD 357 thousand, respectively.

32. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Contractual commitments on purchases – During the years ended 31 December 2011 and 2010, the Group entered into a number of contracts with suppliers of equipment and construction contracts. As of 31 December 2011 the amount of such outstanding purchase commitments under these contracts was USD 10,400 thousand (2010: no such commitments).

Operating lease commitments – As of 31 December 2011 and 2010 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 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.

In year 2010 and previous periods the Group was involved in reallocation of the resources to and from larger group of entities under common control (Note 1). These transactions that may be interpreted by the tax authorities in a way different from that of the Group and additional tax charges and penalties may be imposed. Despite the fact that the most significant tax returns of the Group companies for the said periods were reviewed by the tax authorities without any significant disputes or additional tax charges, they are still open for further review. In accordance with the current legislation, tax returns remain open and subject to examination for the three-year period after their submission, however, in certain cases this limitation does not apply. Future tax examinations could raise issues or assessments which are contrary to the Group's tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. As of 31 December 2010 maximum tax exposure related to such transactions was estimated as USD 14,438 thousand.

In year 2011 the Group was involved in transactions that can be differently treated by the tax authorities. Despite the fact that the recent tax inspections have not identified significant issues, the Group's tax returns remain open and could be a subject to retrospective examination for the three-year period after their submission. Future tax examinations could raise issues and assessments which are contrary to the Group tax filings. As of 31 December 2011 maximum tax exposure related to such transactions was estimated as USD 819 thousand.

In 2011and 2010 the Group rendered manufacturing services based on tolling arrangements with one of its related parties. In some instances the Group subsequently purchased raw materials imported in Ukraine based on tolling arrangements for subsequent use in its own production. The Group management is sure it followed all local tax legislation applicable for such transactions. Meantime, the tax authorities could challenge an approach of the Group used for these transactions and additional tax charges and penalties could be imposed on the Group. No reliable estimate of the Group's tax exposure to these transactions is possible to make.

Management believes that it is not likely that any significant settlement will arise from the above cases and, therefore, the Group's 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 December 2011 and 2010.

33. 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 December 2011 and 2010 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.

(in thousands of US Dollars unless otherwise stated)

Bonds issued are recorded at amortized cost in the financial statements which approximates their fair values at USD 4,833 thousand. The fair value of the Group's borrowings is estimated at USD 191,087 thousand compared to carrying amount of USD 191,845 thousand (Note 17). Fair value was estimated by discounting the expected future cash outflows by a market rate of interest.

34. 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), unsecured domestic bonds issued (Note 18), short-term and long term finance leases (Note 19), share capital (Note 16), share premium, additional paid in capital (Note1), 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 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 and bonds issued. 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 December 2011	**31 December 2010**
Financial assets		
Trade and other accounts receivable	49,149	48,315
Cash and cash equivalents	21,068	10,640
Other non-current assets	6,308	1,415
Other financial assets	1,734	11,099
Government grant receivable	-	9,795
Total financial assets	**78,259**	**81,264**
Financial liabilities		
Long-term borrowings	118,326	145,555
Short-term borrowings and current portion of the long-term borrowings	75,460	149,158
Trade and other accounts payable	26,241	30,181
Long term accounts payable	24,695	-
Bonds issued	4,833	6,439
Provisions and accruals	1,631	975
Long term finance leases	925	-
Short-term finance leases	175	-
Total financial liabilities	**252,286**	**332,308**

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 a fixed price arrangements and expectation that in the future market prices for its finished goods will continue to grow faster than the market prices for the major components consumed in production.

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 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 two month. The standard credit periods on sales of goods to distributors were limited to not more than 20 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 20 days. Export sales in 2011 and 2010were conducted by the Group on prepayment basis mainly, while for some customers individually stated credit period could not exceed 50 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 Group's five largest customers represent 21% and 57% of trade accounts receivable balances as of 31 December 2011and 2010, respectively.

As of 31 December 2011 the Group did not have concentration of accounts receivable balances due from any single counterparty or any group of counterparties having similar characteristics, except accounts receivable due from related parties, disclosed in Note 31. As of 31 December 2010 the Group's three largest customers, except for related parties, represented 34 % of trade accounts receivable balances. Sales to one Group's largest customer, located in Russian Federation, amounted to USD 77,145 thousand for the year ended 31 December 2011 (2010:USD 52,358 thousand), and comprised 45% and 34% of total revenues, accordingly. There were no other revenues exceeding 10% from the Group's revenue for the year ended 31 December 2011 derived from single customer (except for transactions with related parties as disclosed in Note 31).

(in thousands of US Dollars unless otherwise stated)

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 December 2011 and 2010:

Financial liabilities	**Less than 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**1-5 years**	**2011 Total**
Borrowings	26,243	4,816	45,042	149,265	225,366
Trade and other accounts payables	22,812	41	3,388	24,695	50,936
Financie leases	33	91	51	925	1,100
Provisions and accruals	1,072	186	373	-	1,631
Bonds issued	4,833	-	-	-	4,833
Total	**54,994**	**5,134**	**48,854**	**174,885**	**283,866**

Financial liabilities	**Less than 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**1-5 years**	**2010 Total**
Borrowings	97,935	21,943	52,507	165,210	337,595
Trade and other accounts payable	28,432	200	1,549	-	30,181
Provisions and accruals	593	127	255	-	975
Bonds issued	314	314	628	7,431	8,687
Total	**127,274**	**22,584**	**54,939**	**172,641**	**377,438**

As of 31 December 2011 and 2010, the Group's current ratio was as follows:

	2011	**2010**
Current assets	114,533	142,355
Current liabilities	119,380	183,363
Current ratio	**0.96**	**0.78**

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. The primary sources of the Group's funds are loans with fixed interest rate.

(in thousands of US Dollars unless otherwise stated)

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to interest bearing liabilities (bank borrowings) based on the assumption that the amount of liability outstanding as of the reporting date was outstanding for the whole year.

	2011		**2010**	
	LIBOR	**EURIBOR**	**LIBOR**	**EURIBOR**
Profit/(loss)	n/a	186/(186)	70/(70)	156/(156)

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 31 December		**Denominated in EUR 31 December**		**Denominated in RUB 31 December**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Assets						
Cash and cash equivalents (Note 15)	20,520	169	141	531	-	388
Trade and other accounts receivable (Note 11)	3,404	1,970	112	2,234	745	13,822
Other financial assets (Note 14)	289	789	-	9,489	-	-
Other non-current assets (Note 9)	-	-	6,032	1,341	-	-
Total assets	**24,213**	**2,928**	**6,285**	**13,595**	**745**	**14,210**
Liabilities						
Borrowings (Note 17)	(116,837)	(215,401)	(48,310)	(48,029)	-	-
Trade and other accounts payable (Note 20)	(131)	(7,806)	(1,667)	(2,232)	(91)	-
Total liabilities	**(116,968)**	**(223,207)**	**(49,977)**	**(50,261)**	**(91)**	**-**
Total net position	**(92,755)**	**(220,279)**	**(43,692)**	**(36,666)**	**654**	**14,210**

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 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
Profit/ (loss)	(9,276)/9,276	(22,028)/22,028	(4,369)/4,369	(3,667)/3,667	65/(65)	1,421/(1,421)

(in thousands of US Dollars unless otherwise stated)

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 years ended 31 December 2011 and 2010, the Group's management diversified this risk by optimizing share of domestic sales and exports to other markets.

35. EARNINGS PER SHARE

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

	2011	**2010**
Profit for the year attributable to Shareholders of the Parent	1,360	33,487
Earnings used in calculation of earnings per share	**1,360**	**33,487**
Weighted average number of shares outstanding*	39,478,173	33,100,000
Earnings per share	0.03	1.01

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

* As discussed in Note 16 to the consolidated financial statements subsequent to 31 December 2010 the nominal value of the Parent's share was decreased to EUR 0.01 making the total number of shares issued as 3,100,000. In addition, the share capital of the Parent was increased by EUR 300 thousand through issuance of 30,000,000 of new shares with equal voting rights at nominal value EUR 0.01 each. As the contribution to the share capital was considered as not significant comparing to the expected market value of shares issued no adjustment to the number of weighted average number of shares outstanding was made for the purpose of earnings per share calculation for the years ended 31 December 2010.

36. SUBSEQUENT EVENTS

On 10 February 2012 management of the Group negotiated with its lender (Ukrainian bank) a prolongation of principal repayments of short-term borrowings and current portion of long-term borrowings stated as of 31 December 2011 in the amount of USD 24,069 thousand with quarterly reduction of credit limit starting from 31 October 2012 till final settlement by 31 December 2016. The Group also negotiated the reduction in interest rate for such borrowings down from 13% to 11% per annum starting February 2012. Respective amendments to loan agreements were signed on 10 February 2012.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2011were approved by Board of Directors of Westa ISIC S.A. on 27 April 2012.

Deloitte.

Deloitte Audit
Société à responsabilité limitée

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To the Shareholders of
Westa Isic S.A.
412F, route d'Esch
L-1471 Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 23 November 2011, we have audited the accompanying annual accounts of Westa Isic S.A., which comprise the balance sheet as at 31 December 2011 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used

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and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Westa Isic S.A. as of 31 December 2011, and of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Other matters

The corresponding figures as at 31 December 2010 presented in the annual accounts of Westa Isic S.A. have not been subject to an audit.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

27 April 2012

Westa Isic S.A.

Société Anonyme

Annual accounts and
Report of the Réviseur d'entreprises agréé
Year ended
December 31, 2011

412F, route d'Esch
L-1471 Luxembourg
R.C.S. Luxembourg : B-150.326
Share capital : EUR 441 333.33

<u>The Board of Directors as at December 31, 2011</u>

<u>Directors of category A</u>

Mr Denys DZENZERS’KYY

Mr Dmytriy NIKITIN

<u>Directors of category B</u>

Mr Christoph N. KOSSMANN

<u>Directors of category C</u>

Ms Lyubov Krechmanska

Mr Ievgenii Cherviachenko

Audit Committee members : Mr. Denys DZENZERS’KYY
Ms. Lyubov KRECHMANSKA

Registration number : R.C.S. Luxembourg : B-150.326

Registered office : 412F, route d’Esch
L-1471 Luxembourg
Grand-Duchy of Luxembourg

Share capital : EUR 441 333.33

WESTA ISIC S.A.
(Société anonyme)

Balance sheet as of December 31, 2011
(expressed in EUR)

	Notes	31/12/2011 EUR	31/12/2010 EUR
ASSETS			
Formation expenses	3	0.00	2 624.53
Fixed assets			
Financial fixed assets	4	32 022 361.61	2 000.00
Current assets			
Debtors		86 842.93	0.00
Cash in bank and on hand		41 817.00	29 037.64
		128 659.93	29 037.64
Prepayments and accrued income		0.00	18 780.31
TOTAL ASSETS		**32 151 021.54**	**52 442.48**

	Notes	31/12/2011 EUR	31/12/2010 EUR
LIABILITIES			
Capital and reserves			
Subscribed capital	5	441 333.33	31 000.00
Share issue and equivalent premiums	6	32 633 651.62	0.00
Loss brought forward		(12 843.53)	0.00
Loss for the financial year / period		**(1 005 525.35**	**(12 843.53)**
		32 056 616.07	18 156.47
Provisions			
Other provisions	8	39 000.00	0.00
		39 000.00	0.00
Non-subordinated debt	9		
Amounts owed to credit institutions		456.11	0.00
Creditors for tax and social security		215.00	150.00
Others creditors		54 734.36	34 136,01
		55 405.47	34 286.01
TOTAL LIABILITIES		**32 151 021.54**	**52 442.48**

The accompanying notes form an integral part of the annual accounts.

WESTA ISIC S.A.
(Société anonyme)

Profit and Loss Account
For the period from January 1, 2011 to December 31, 2011
(expressed in EUR)

	Notes	January 1, 2011 December 31, 2011 EUR	January 1, 2010 December 31, 2010 EUR
CHARGES			
Other operating charges	10	1 133 854.16	12 467.78
Value adjustment in respect of formation expenses and tangible and intangible fixed assets	3	2 624.53	225.75
Tax on profit and loss	11	1 575.00	0.00
Other taxes not shown under the above heading	11	65.00	150.00
TOTAL CHARGES		**1 138 118.69**	**12 843.53**

	Notes	For the period ended 31/12/2011 EUR	For the period ended 31/12/2010 EUR
INCOME			
Other interest and other financial income		132 593.34	0.00
Loss for the financial year / period		**1 005 525.35**	**12 843.53**
TOTAL INCOME		**1 138 118.69**	**12 843.53**

The accompanying notes form an integral part of the annual accounts.

Note 1 – General

WESTA ISIC S.A. (the "Company") was incorporated in the form of Société Anonyme on December 10, 2009 under the name of TRAMINE DEVELOPMENT S.A. On November 24, 2010, the Company changed its name to WESTA ISIC S.A.

The registered office of the Company is in Luxembourg.

The Company may carry out any commercial, industrial or financial operations, any transactions in respect of real estate or moveable property, which the Company may deem useful to the accomplishment of its purposes.

The Company may furthermore carry out all transactions relating directly or indirectly to the taking of participating interests in whatsoever form, in any enterprise in the form of a public limited liability company or of a private liability company, as well as the administration, management, control and development of such participations.

In particular the Company may use its funds for the creation, management, development and the disposal of a portfolio comprising all types of transferable securities or patents of whatever origin, take part in the creation, development and control of all enterprises, acquire all securities and patents, either by way of contribution, subscription, purchase or otherwise, option, as well as realize them by sale, transfer, exchange or otherwise.

The Company may further grant securities in favour of third parties to secure its obligations or the obligations of companies in which it holds a direct or indirect participation or which form part of the same group of companies as the Company, grant loans or otherwise assist the companies in which it holds a direct or indirect participation or which form part of the same group of companies as the Company as well as any other companies or third parties.

The Company may also carry out its business through branches in Luxembourg or abroad.

The Company may also proceed with the acquisition, management, development, sale and rental of any real estate, whether furnished or not, and in general, carry out all real estate operations with the exception of those reserved to a dealer in real estate and those concerning the placement and management of money. In general, the Company may carry out any patrimonial, movable, immovable, commercial, industrial or financial activity as well as all transactions and that aim to promote and facilitate directly or indirectly the accomplishment and development of its purpose.

The Company's year commences on January 1 and ends on December 31.

The Company also prepares consolidated financial statements, which are published according to the provisions of the Luxembourg law. The consolidated financial statements are available from the registered office or on following website: www.westa.com.ua

Note 2 –Accounting policies, valuation principles and methods

General principles

The annual accounts are kept in conformity with the Luxembourg legal and regulatory provisions and the generally accepted accounting practices.

The significant accounting policies are as follows :

Accounting policies

Currency translation

The Company maintains its books and records in Euro (“EUR”). The balance sheet and the profit and loss account are expressed in this currency

At the balance sheet date:

Financial assets denominated in currencies other than EUR are translated at the historical exchange rates.

Other assets and other liabilities (except specific cases) denominated in currencies other than EUR are translated at the exchange rates prevailing at the date of the balance sheet, unless this would lead to an unrealized exchange gain.

Specific cases:

Cash at bank, cheques and cash in hand denominated in currencies other than EUR are translated at the exchange rates prevailing at the date of the balance sheet. Realized exchange gains and losses arising from the translation are recorded in the profit and loss account.

Current assets and liabilities denominated in currencies other than EUR (having an economic link and similar characteristics) are recorded globally at the exchange rates prevailing at the date of the balance sheet. Only unrealized exchange losses are recorded in the profit and loss account. Unrealized exchange gains are not recognized.

Long term debts denominated in currencies other than EUR having an economic link with receivables recorded in financial assets (and having similar characteristics) are translated at the historical exchange rates (loans “back to back”).

As a result, realized exchange gains and losses and unrealized exchange losses are recorded in the profit and loss account. Unrealized exchange gains are not recognized.

Formation expenses

The formation expenses of the Company are directly charged to the profit and loss account of the year in which they are incurred. This was changed from prior period where formation expenses were capitalized.

Financial assets

Shares in affiliated undertakings, participating interests and securities held as fixed assets are stated at acquisition cost. Write-downs are recorded if, in the opinion of the Directors, there is any impairment in value.

Receivables are recorded at their nominal value. Receivables are written down to their recoverable amount if, in the opinion of the Directors, there is any impairment.

Debtors

Current receivables are recorded at their nominal value. Current receivables are written down to their recoverable amount if, in the opinion of the Directors, there is any impairment.

Provisions for liabilities and charges

The provisions for liabilities and charges are intended to cover losses or debts the nature of which is clearly defined and which at the balance sheet date are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise

Creditors

Debts are recorded at their repayment value

Note 3 – Formation expenses

Formation expenses comprise expenses incurred for the creation of the Company.

	31/12/2011 EUR
Historical value at the beginning of the year	2 850.28
Additions for the year	0.00
Disposals for the year	0.00
Historical value at the end of the year	2 850.28
Value adjustment at the beginning of the year	-225.75
Allocations for the year	-2 624.53
Reversals for the year	0.00
Value adjustment at the end of the year	-2 850.28
Net book value at the end of the year	**0.00**

Following the Initial Public Offering, it has been decided to fully amortize the formation expenses which were initially written off on a 5 years basis by application of the “prorata-temporis” method.

Note 4 – Financial fixed assets

The participation Westa Dnepr (Cyprus) Limited proceeded to two capital increases in 2011 :

	31/12/2011 EUR	31/12/2010 EUR
Acquisition price at the beginning of the year	2 000.00	0.00
Increase during the year	32 020 361.61	2 000.00
Acquisition price at the end of the year	32 022 361.61	2 000.00
Net book value at the end of the year	**32 022 361.61**	**2 000.00**

- On March 15, 2011, the issued share capital has been increased from EUR 2 000.00 to EUR 12 000.00 by the creation of 10 000 additional shares of EUR 1.00 each with a premium of EUR 9.00 per share
- On June 16, 2011, the issued share capital has been increased from EUR 12 000.00 to EUR 22 000.00 by the creation of 10 000 additional shares of EUR 1.00 each with a premium of EUR 3 190.936161 per share

As of 31 December 2011, the company held the following shares in affiliated undertakings :

	Location	**Percentage held**	**31/12/2011 Carrying Value**	**31/12/2011 Net Equity**	**31/12/2010 Carrying value**
Westa Dnepr (Cyprus) Limited	Cyprus	100 %	32 022 361 ,61	29 520 460	2 000,00
Total Participations					

The board of Directors has reviewed the valuation of the shares in affiliated undertakings for any indicators of impairment. At December 31, 2011 the market value of the shares in affiliated undertakings was estimated at EUR 29 520 460. This valuation has been derived on the basis of the stock market valuation of the Westa Group as of December 31, 2011 as modified for the Company's other assets and liabilities. The Board has considered that in determining the fair value of the shares in affiliated undertakings, the market valuation needs to be augmented by the control premium that can be reasonably expected to be paid by a third party to obtain control of the affiliated undertaking. The Board has determined that such an exercise results in a fair valuation that is in excess of the carrying value of the shares as of December 31, 2011, and hence no value adjustments have been deemed necessary.

In making such a conclusion, the Board has also reviewed the market valuation based on the Company's stock market valuation after year end, and has taken into consideration the fact that the market valuation of the shares in affiliated undertakings has increased to levels in excess of the carrying value during the post-balance sheet period

Note 5 – Subscribed capital

The Company was incorporated on December 10, 2009 and has at the same date an issued and fully paid up capital of EUR 31,000 represented by 310 shares having a par value of EUR 100 each.

The meeting of the Board of Directors held on March 15, 2011 decided to increase the share capital by EUR 300,000.00.

Consequently, the Company's subscribed share capital is set at EUR 331,000.00 represented by 33,100,000 shares with a nominal value of EUR 0.01 each.

The meeting of the Board of Directors held on May 27, 2011 decided to increase the share capital by EUR 110,333.33.

Consequently, the Company's subscribed share capital is set at EUR 441,333.33 represented by 44,133,333 shares with a nominal value of EUR 0.01 each.

Note 6 – Share issue and equivalent premiums

Share premium account of EUR 32,633,651.62 corresponds to the difference recorded on the consideration received for the increase of capital as approved by the meeting of the Board of Directors held on May 27, 2011 and the nominal value of the Company shares subscribed for, following Initial Public Offering in June 2011.

Note 7 – Legal reserve

In accordance with Luxembourg Company law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

Note 8 – Provisions

	31/12/2011 EUR	31/12/2010 EUR
Provisions are made up as follows:		
Provisions for audit fees	39 000.00	0.00
	39 000.00	**0.00**

Note 9 – Non-subordinated debt

	31/12/2011 EUR	31/12/2010 EUR
Amounts owed to credit institutions		
Due in one year or less	456.11	0.00
Creditors for tax and social security		
Due in one year or less	215.00	150.00
Other creditors		
Due in one year or less	54 734.36	34 136.01
	55 405.47	**34 286.01**

Note 10 – Other operating charges

As of December 31, 2011, the caption "Other operating charges" is composed as follow :

	31/12/2011	31/12/2010
	EUR	EUR
Legal fees in relation to the listing of shares	935 605.43	0.00
Accounting and audit fees (2010)	45.093.66	0,00
Accounting and audit fees (2011)	39.000,00	0.00
Other professional fees	114 155.07	12 467.78
	1 133 854.16	**12 467.78**

"Accounting and audit fees 2010" shown under "Other operating charges 2011" were paid in 2011. Such charges are included in the expenses 2011 because of the fact that no provision was recognized in the financial year 2010**.**

Note 11 – Taxation

The Company is subject in Luxembourg to the applicable general tax regulations.

Note 12 – Change in the layout

Due to the adoption of the layout of the balance sheet and profit and loss account according to the commercial law of December 10, 2010, some reclassifications have been performed in the annual accounts as of December 31, 2010 in order to ensure the comparability of the annual accounts.

Note 13 – Auditors remuneration

Auditors remuneration amounts to EUR 39 000,00 (previous year : 45 093,66)

Note 14– Subsequent event

No significant events occurred between January 1, 2012 and the closing of the annual accounts of the year 2011.

Note 15 – Staff

The company did not employ any staff in 2011 (2010: none).

Note 16 – Directors fees

The company did not grant any emoluments to the members of the Board of Directors.

Furthermore, the company did not grant any advances or loans to the directors during the year.