AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated interim financial information (Unaudited)

For the 6 months ended 30 June 2011

AVANGARDCO INVESTMENTS PUBLIC LIMITED

KPMG Limited
Chartered Accountants
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REVIEW REPORT TO THE MEMBERS

OF

AVANGARDCO INVESTMENTS PUBLIC LIMITED

We have reviewed the accompanying consolidated statement of financial position of Avangardco Investments Public Limited (the "Company") at 30 June 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the period 1 January 2011 to 30 June 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and this provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

KPMG Limited
Chartered Accountants

Nicosia, 29 August 2011

Board of Directors and other officers

BOARD OF DIRECTORS:

Oleg Bakhmatyuk (Non Executive Chairman)
Oksana Prosolenko (Chief Markeing officer)
Nataliya Vasylyuk (Chief Executive officer)
Iryna Marchenko (Chief Financial officer)
Michalis Mouamis (resigned 17 August 2011)
Oleg Mikhael Pohotsky (appointed 17 August 2011)

COMPANY SECRETARY:

Gliage Investments Limited
16-18 Zinas Kanther
Agia Triada
CY-3035 Limassol
Cyprus

REGISTERED OFFICE:

16-18 Zinas Kanther Street
Agia Triada
CY-3035 Limassol
Cyprus

LEGAL ADVISORS:
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
United Kigdom

Avellum Partners LLC
Leonardo Business Center
19-21 Bohdana Khmelnytskoho Str.
11th floor
01030
Kyiv
Ukraine

Board of Directors and other officers

INDEPENDENT AUDITORS:
Baker Tilly Klitou (resigned 29 August 2011)
KPMG Limited (appointed 29 August 2011)
14, Esperidon Str.,
1087
Nicosia

BANKERS:
TD Investments Limited
2-4 Arch.Makarios III Avenue
Capital Center
9th floor
1505
Nicosia
Cyprus

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Declaration of the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of the Company

We, the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of Avangardco Investments Public Limited for the 6 months ended 30 June 2011, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the consolidated financial statements are true and complete.

Board of Directors members:

Oleg Bakhatyuk	
Oksana Prosolenko	
Nataliya Vasylyuk	
Iryna Marchenko	
Oleg Mikhael Pohotsky	

Person responsible for the preparation of the consolidated financial statements for 6 months ended 30 June 2011:

Nataliya Vasylyuk	

29 August 2011

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated interim statement of financial position

AS AT 30 JUNE 2011

(in USD thousand, unless otherwise stated)

	Note	30 June 2011	31 December 2010
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	405 773	396 236
Held-to-maturity financial assets	6	-	295
Non-current biological assets	7	53 617	59 078
Deferred tax assets	20	10	-
Other non-current assets	8	85 097	60 428
Total non-current assets		**544 497**	**516 037**
CURRENT ASSETS:			
Inventories	10	185 039	185 624
Current biological assets	7	56 077	44 705
Trade accounts receivable, net	11	69 652	54 678
Prepaid income tax	20	1	7
Prepayments and other current assets, net	12	71 674	41 829
Taxes recoverable and prepaid, net	9	55 811	53 084
Cash and cash equivalents	13	146 578	183 065
Total current assets		**584 832**	**562 992**
TOTAL ASSETS		**1 129 329**	**1 079 029**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	14	836	836
Share premium	14	201 164	201 164
Reserve capital	14	115 858	115 858
Retained earnings		546 742	482 328
Effect of translation into presentation currency		(65 700)	(64 587)
Equity holders of the parent		**798 900**	**735 599**
Non-controlling interest		13 242	10 620
Total equity		**812 142**	**746 219**
NON-CURRENT LIABILITIES:			
Long-term loans	15	14 430	30 999
Long-term bond liabilities	16	194 001	193 471
Deferred tax liabilities	20	3 232	1 110
Deferred income (non-current portion)	34, c)	5 563	5 676
Long-term finance lease	24	5 118	6 372
Total non-current liabilities		**222 344**	**237 628**
CURRENT LIABILITIES:			
Short-term bond liabilities	25	25 068	25 120
Current portion of non-current liabilities	19	22 650	4 319
Short-term loans	17	1 295	1 036
Trade payables	21	18 880	23 191
Current income tax liabilities	20	6	6
Accrued expenses	22	2 190	1 308
Other current liabilities and accrued expenses	23	24 754	40 202
Total current liabilities		**94 843**	**95 182**
TOTAL LIABILITIES		**317 187**	**332 810**
TOTAL LIABILITIES AND EQUITY		**1 129 329**	**1 079 029**

On 29 August 2011 the Board of Directors of Avangardco Investments Public Limited authorized these consolidated financial statements for issue.

Nataliya Vasylyuk	**Iryna Marchenko**
Director	Director

Consolidated interim statement of comprehensive income

FOR THE 6 MONTHS ENDED 30 JUNE 2011

(in USD thousand, unless otherw ise stated)

	Note	6 months ended 30 June 2011	6 months ended 30 June 2010
Revenue	26	223 940	165 901
Income from revaluation of biological assets at fair value	7	15 561	14 735
Cost of sales	27	(155 238)	(125 275)
GROSS PROFIT		**84 263**	**55 361**
General administrative expenses	29	(5 011)	(2 505)
Distribution expenses	30	(3 553)	(2 436)
Income from government grants and incentives	34.1	159	466
Income from special VAT treatment	34.2	11 231	9 060
Other operating income/expenses, net	31	(2 992)	(2 743)
OPERATING PROFIT		**84 097**	**57 203**
Financial income	33	829	15 590
Financial expenses	32	(15 766)	(10 511)
PROFIT BEFORE TAX		**69 160**	**62 282**
Income tax expense	20	(2 124)	(339)
PROFIT FOR THE YEAR		**67 036**	**61 943**
OTHER COMPREHENSIVE INCOME FOR THE YEAR:			
Effect of translation into presentation currency		(1 113)	3 935
TOTAL COMPREHENSIVE INCOME		**65 923**	**65 878**
PROFIT FOR THE YEAR ATTRIBUTABLE TO			
Owners of the parent		64 774	60 580
Non-controlling interests		2 262	1 363
		67 036	**61 943**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		63 661	64 515
Non-controlling interests		2 262	1 363
		65 923	**65 878**
Average weighted number of shares, items		6 387 185	5 022 992
Earnings for the year per share, USD (basic and diluted)		10	12
Total comprehensive income per one share, USD		10	13

Consolidated interim statement of changes in equity

FOR THE 6 MONTHS ENDED 30 JUNE 2011

(in USD thousand, unless otherwise stated)

	Attributable to owners of parent						
	Share capital	**Capital contribution reserve (1)**	**Share premium (2)**	**Retained earnings (3)**	**Foreign currency translation reserve**	**Non-controlling interests**	**Total equity**
As at 1 January 2010	**644**	**115 858**	**-**	**300 107**	**(64 137)**	**8 083**	**360 555**
Additional capital contribution (Note 1,14)	192	-	201 164	-	-	-	**201 356**
Effect of acquisitions of non-controlling interest	-	-	-	-	-	-	**-**
Effect from translation into presentation currency	-	-	-	-	3 935		**3 935**
Profit for the year	-	-	-	60 581		1 363	**61 944**
As at 30 June 2010	**836**	**115 858**	**201 164**	**360 688**	**(60 202)**	**9 446**	**627 790**
As at 1 January 2011	**836**	**115 858**	**201 164**	**482 328**	**(64 587)**	**10 620**	**746 219**
Effect of acquisitions of non-controlling interest	-	-	-	(360)	-	360	**-**
Effect from translation into presentation currency	-	-	-	-	(1 113)	-	**(1 113)**
Profit for the year	-	-	-	64 774	-	2262	**67 036**
As at 30 June 2011	**836**	**115 858**	**201 164**	**546 742**	**(65 700)**	**13 242**	**812 142**

(1) The details of the capital contribution reserve are included in Note 1 and 14 of these consolidated financial information

(2) In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium, reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.

(3) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated interim statement of cash flows

FOR THE 6 MONTHS ENDED 30 JUNE 2011

(in USD thousand, unless otherwise stated)

	Note	6 months ended 30 June 2011	6 months ended 30 June 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		**69 160**	**62 282**
Adjustments for:			
Depreciation of property, plant and equipment	5	7 097	6 295
Change in allowance for irrecoverable amounts	31	366	114
Other provisions		882	(317)
Loss on disposal of property, plant and equipment	31	115	19
Loss from disposal of current assets	31	15	258
Effect of fair value adjustments on biological assets	7	(15 561)	(14 735)
Gains realised from accounts payable written-off	31	(6)	(18)
Amortization of deferred income on government grants	34	(197)	(79)
Loss from VAT government bonds sale		32	-
Discount on long-term bonds amortization		530	-
Interest income		-	(15 590)
Interest payable on loans		15 089	10 511
Operating profit before working capital changes		**77 522**	**48 740**
(Increase) in trade receivables		(15 134)	(41 362)
(Increase)/decrease in prepayments and other current assets		(24 815)	8 894
(Increase)/decrease in taxes recoverable and prepaid		(2 727)	4 208
Decrease/(increase) in inventories		570	(6 717)
Increase/(decrease) in deferred income		38	(13)
(Increase) in other non-current assets		-	(13)
(Decrease)/increase in trade payables		(4 305)	18 016
Decrease in biological assets		9 650	4 585
(Decrease) in advances received and other current liabilities and accruals		(10 778)	(8 575)
Cash generated from operations		**30 021**	**27 763**
Interest paid		(4 046)	(9 831)
Income tax paid		(3)	(1)
Net cash generated from operating activities		**25 972**	**17 932**
CASH FLOWS FROMINVESTING ACTIVITIES:			
Purchases of property, plant and equipment		(50 916)	(20 819)
(Increase)/decrease in bank deposits		-	(101 418)
VAT government bonds sale		230	-
Net cash used in investing activities		**(50 686)**	**(122 237)**

(in USD thousand, unless otherwise stated)

	Note	6 months ended 30 June 2011	6 months ended 30 June 2010
CASH FLOWS FROM FINANCING ACTIVITIES:			
New loans received		38 540	9 150
Repayment of loans		(37 757)	(413)
Interest paid for bonds issued		(12 538)	(1 621)
Proceeds from short-term bonds issued		(19)	-
Repayment of short-term bonds issued	14	-	192
Increase in share capital – share premium	14	-	201 164
Net cash generated from/(used in) financing activities		**(11 774)**	**208 472**
Effect from translation into presentation currency		1	(270)
Net increase/(decrease) in cash		**(36 487)**	**103 897**
Restricted cash		(9 879)	-
Cash at the beginning of the year		183 065	1 701
Cash at the end of the year		136 699	105 598

1.General information

This consolidated financial information of AvangardCo Investments Public Limited ("the Parent company" hereinafter) and subsidiaries ("the Group" or "Avangard"hereinafter jointly) for the 6 months ended 30 June 2011 was approved by the Board of Directors on 29 August 2011.

The Company's registered office is 16-18 Zinas Kanther Street, Agia Triada,3035 Limassol, Cyprus.

The Company was listed at London Stock Exchange Main Market on 6 May 2010.

AvangardCo Investments Public Limited was incorporatedas a private limited companyon 23 October 2007 in accordance with the provisions of the Cyprus Companies Law, Cap 113 under the name of Ultrainvest Limited. On 8 July 2009 the Registrar of Companies in Cyprus issued a certificate to the effect that the Company was re-registered as a public limited company and changed its name to AvangardCo Investments Public Limited.

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 30 June 2011 the production facilities of the Group include 28 poultry facilities (consisting of 17 egg laying farms, 8 hen rearing farms and 3 breeding farms), 5 feed mills, and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows it to provide approximately 70% of its own fodder. The Group's activities cover almost all the territory of Ukraine.

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

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

(in USD thousand, unless otherwise stated)

1.General information (continued)

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

Company name	Principal Activity	Country of registration	Ownership Interest , % 30 June 2011	Ownership Interest , % 31 December 2011	Ownership Interest , % 30 June 2010
PJSC Avangard	Keeping of technical laying hen, production and selling of eggs	Ukraine	99%	99%	99%
PJSC Chornobaivske		Ukraine	93%	97%	97%
PJSC Agrofirma Avis		Ukraine	100%	100%	100%
PJSC Kirovskiy		Ukraine	100%	100%	100%
PJSC Ptakhohospodarstvo Chervonyi Prapor		Ukraine	98%	98%	98%
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited		Ukraine	100%	100%	100%
LLC Yuzhnaya - Holding		Ukraine	100%	100%	100%
LLC Makarivska Ptakhofabryka		Ukraine	100%	100%	100%
LLC PF Volnovaska		Ukraine	100%	100%	100%
PJSC Cross-PF Zorya		Ukraine	89%	89%	89%
PJSC Ptakhofabryka Pershe Travnya		Ukraine	93%	93%	93%
PJSC Chernivetska Ptakhofabryka		Ukraine	98%	98%	98%
ALLC Donetska Ptakhofabryka		Ukraine	100%	100%	100%
LLC Areal-Snigurivka		Ukraine	100%	100%	100%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		Ukraine	100%	100%	100%
PPB LLC Ptytsecompleks		Ukraine	100%	100%	100%
PSPC Interbusiness		Ukraine	100%	100%	100%
SC Avangard-Agro of PJSC Avangard	Incubation (production and saleof day-old chick), farming of young poultry for sale, and poultry	Ukraine	99%	99%	99%
SC Gorodenkivska Ptakhofabryka of PJSC Avangard		Ukraine	99%	99%	99%
SC Rogatynska Ptakhofabryka of PJSC Avangard		Ukraine	99%	99%	99%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka		Ukraine	100%	100%	100%
LLC Slovyany		Ukraine	90%	90%	90%
SC Ptakhohospodarstvo Lozuvatske of Avangardco Investments Public Limited		Ukraine	100%	100%	100%
SC Zorya of PJSC Cross-PF Zoraya		Ukraine	89%	89%	89%
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervoniyPrapor		Ukraine	98%	98%	98%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100%	100%	100%
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska		Ukraine	100%	100%	100%
SC Ptakhohospodarstvo Chornobaivske of PJSC Chornobaivske		Ukraine	93%	97%	97%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	99%	99%	99%
PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod		Ukraine	80%	80%	80%
PJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	72%	72%	72%
LLC Kamyanets-Podilsky KombikormoviyZavod		Ukraine	100%	100%	100%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	93%	93%	93%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	99%	100%	100%
LLC Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100%	100%	100%

(in USD thousand, unless otherwise stated)

1.General information (continued)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issuedshare capital of 6 387 185 ordinary shares as at 30 June 2011 with nominal value of Euro 0,10 per share (Note 14).

The shares were distributed as follows:

	30 June 2011		31 December 2010	
Shareholder	**Number of shares**	**Ownership interest, %**	**Number of shares**	**Ownership interest, %**
Oleg Bakhmatyuk	20 000	0.3%	20 000	0.3%
Quickcom Limited	1 074 684	16.8%	1 074 684	16.8%
Omtron Limited	1 848 575	28.9%	1 848 575	28.9%
Tanchem Limited	926 280	14.5%	926 280	14.5%
Mobco Limited	1 080 143	17.0%	1 080 143	17.0%
BNY (Nominees) Limited	1 437 500	22.5%	1 437 500	22.5%
Other	3	-	3	-
	6 387 185	100.0%	6 387 185	100.0%

As at 30 June 2011 and 31 December 2010 the interests in Quickcom Limited, Omtron Limited, Tanchem Limited, Mobco Limitedbeneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	Ownership interest as at 30 June 2011, %	**Ownership interest as at 31 December 2010, %**
Quickcom Limited	100%	100%
Omtron Limited	100%	100%
Tanchem Limited	100%	100%
Mobco Limited	100%	100%

2.Basis of presentation of consolidated financial information

2.1Basis of preparation and accounting

The consolidated interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting”.

This consolidated interim financial information was prepared in accordance with IFRS which became effective for years commencing on or after 30 June 2011.

2.2 Functional and presentation currency

The functional currency of all companies of the Group is the Ukrainian Hryvnia ("UAH"). The currency of Cyprus is the Euro, but the principle exposure of the parent undertaking is through its Ukrainian subsidiaries, and therefore the functional currency of the Company is also considered to be UAH. Transactions in currencies other than the functional currency of the Group are treated as transactions in foreign currencies. The Group's management used US dollar as the presentation currency in the consolidated financial information in compliance with IAS 21 "The effects of changes in foreign exchange rates".

2.3 Going concern basis

This consolidated interim financial information has been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity.

2.4 Standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

- IAS 24 *Related Party Transactions* (Amendment)

The IASB has 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 as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity, secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a 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 amendment 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.

- IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) 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 pension asset. The Group is not subject to minimum funding requirements in Euroland. The amendment to the interpretation therefore had no effect on the financial position or performance of the Group.

Improvements to IFRSS (issued *May 2010)*

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- IFRS 3 *Business combinations:* The measurement options available for non-controlling interest (NCD have been amended, only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liguidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acguiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- IFRS *7 Financial instruments -Disclosures:* The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- IAS 1 *Presentation of Financial statements:* The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.
- IAS 34 *interim Financial statements:* The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

Other amendments resulting from improvements to IFRSS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 *Business Combinations - Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2006) are accounted for in accordance with IFRS 3 (2005)*
- IFRS 3 *Business combinations* - unreplaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination
- IAS 27 *consolidated and separate Financial statements* -applying the lAS27(as revised in 2008) transition requirements to consequentially amended standards
- IFRIC 13 Customer *Loyalty Programmes* - in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programme)

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Significant accounting policies

3.1 Basis of consolidation

The consolidated interim financial information comprise the consolidated financial information of the companies controlled by the Group ("Subsidiaries").

Transactions under common control

Consolidation of companies including organisations and entities under common control, requires that all the organisations and enterprises being consolidated are controlled by one and the same party or parties, both before consolidation and after it, and this control is not transitory.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies of an organisation in order to receive benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of any potential voting rights currently or potentially exercisable or arising from potential conversion are taken into account when assessing control.

Combinations of businesses under common control

A business combination in which the combining entities are ultimately controlled by the same individual both before and after the combination and the control is not transitory is accounted using the pooling of interests accounting principles (otherwise known as "carry over accounting" or "predecessor accounting"). The principles of predecessor accounting are:

- The Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonisation of accounting policies.
- No goodwill arises in predecessor accounting. Predecessor accounting may lead to differences in consolidation, for example the consideration given may differ from the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. Such differences are included in equity in retained earnings.
- The consolidated financial information incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined from the date that common control was achieved, Consequently, the consolidated financial information reflect both entities' full year's results, even though the business combination may have occurred part of the way through the year. In addition, the corresponding amounts for the previous year also reflect the combined results of both entities, even though the transaction did not occur until the current year.

Combinations of businesses not under common control

The purchase method is applied to consolidation of subsidiaries being acquired. On acquisition, the identifiable assets and liabilities of the subsidiary are measured at fair value on the acquisition date, irrespective of the extent of any noncontrolling interest. The excess of the consideration paid over the fair value of assets and liabilities acquired is treated as goodwill. Any negative goodwill arising on a “bargain purchase” (where the consideration is less than the fair value of assets and liabilities acquired) is immediately recognised in profit and loss. Non-controlling interests are reflected proportionally to fair value of cost of recognised assets and liabilities.
If necessary, adjustments are entered into the financial information of subsidiaries to bring the accounting policy used into compliance with the accounting policy used by other companies of the Group.

Transactions eliminated by consolidation

Under both methods of accounting, all significant transactions and balances and unrealised gains between the Group's companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to achieve consistentapplication of the accounting policies applied by the Group. Subsidiaries are deconsolidated from the date that control ceases.

Non-controlling interests

Non-controlling interests in subsidiaries as at the reporting period is the proportion of fair value of the relevant subsidiaries' identified assets and liabilities attributable to those non-controlling interest as at the date of acquisition, together with their share of changes in its equity after the date of acquisition. Equity attributable to shareholders of non-controlling interest is reported as a separate item in the consolidated statement of financial position.

3.1 Basis of consolidation (continued)

Business combinations and goodwill

Business combinations (other than those of businesses under common control) are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to othercomprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying value of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.2Foreign currency translation

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.
Monetary assets and liabilities are translated into the functional currency of each company included into the Group, at the rates ruling at the reporting dates. Foreign exchange gains and losses, arising from transactions in foreign currency, and also from translation of monetary assets and liabilities into the functional currency of each company included into the Group at the rate ruling at the end of the year, are recognised profitor loss.

(in USD thousand, unless otherwise stated)

3.2Foreign currency translation (continued)

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

Currency	30 June 2011	Weighted average for the 6 months 2011	31 December 2010	Weighted average for the 6 months 2010	30 June 2010
US dollar	7,972	7,958	7,940	7,955	7,907

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

(b) Presentation currency

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

(1) At each date of financial information all the assets and liabilities are translated at the exchange rate of the National Bank of Ukraine at the date;

(2) Income and expenses are translated at the average exchange rates (except for the cases when such average exchange rate is not a reasonably approximate value reflecting cumulative influence of all exchange rates prevailing at the date of transaction, in which case income and expenses are translated at the exchange rates at the date of transaction);

(3) All exchange differences are recognised in other comprehensive income.

3.3Property, plant and equipment

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

PPE is recognised by the Group as an asset only in a case, when:
- it is probable that the Group will receive certain future economic benefits;
- the historical cost can be assessed in a reliable way;
- it is intended for use during more than one operating cycle(usually more than 12 months).

After actual commissioning, PPE previously under contstruction is transferred to the relevant category of PPE.

Expenses after the initial recognition of property, plant and equipment

Any subsequent expenses, increasing the future economic benefits from the asset, are treated as additions. Otherwise, the Group recognises subsequent expenses as expenses of the period, in which they have been incurred. The Group divides all expenses, related to the property, plant and equipment, into the following types:
- current repairs and expenses for maintenance and technical service;
- capital refurbishment, including modernisation.

Subsequent measurement of property, plant and equipment

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

3.3Property, plant and equipment (continued)

performed, its cost is recognised in the carrying value of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

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

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

Land	not depreciated
Buildings and constructions	10-70 years
Machinery and equipment	5-25 years
Equipment for biological assets	5-30 years
Vehicles	5-10 years
Other equipment	3-10 years

Residual value and useful lives of assets are reviewed and adjusted at each balance sheet date as appropriate.

De-recognition

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

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

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

3.4Financial assets

The Group classifies its investments in equity and debt securities as financial assets at fair value reflecting the revaluation in profit or loss, investments held to maturity, available-for-sale financial assets, loans and accounts receivable. The classification depends on purposes for which these securities were acquired. Management takes decision concerning the classification of securities at initial recognition and reviews such classification for reliability at each reporting date.

(a) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed payments or payments that are to be determined, and which are not listed in an active market. Loans and accounts receivable comprise trade and other accounts receivable.

Loans issued by the Group are financial assets resulting from delivering cash to the borrower. Loans issued are accounted for at amortised cost using the effective interest method. Accounts receivable are recognised net of any costs of realisation.
Accounts receivables are recognised net of costs of realisation.

b) Available for sale financial assets

Investments which Management plans to hold for an indefinite period of time, and which may be sold to improve liquidity or due to changes in interest rates, are classified asavailable for sale financial assets. These assets are included into non-current assets unless the Group has an obvious intention to hold these assets for aperiod less than twelve months from the reporting date, if selling of these assets will not result from the need of increasing the working capital, in which case they will be included into current assets.Available for sale financial assets are recorded at fair value through equity.

3.4Financial assets (continued)

c)Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-tomaturity when the Group has the positive intention and ability to hold it to maturity. After initial measurementheld-to-maturity investments are measured at amortised cost using the effective interest method, lessimpairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and feeor costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the incomestatement. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Initial recognition

All financial assets and liabilities are recognised at fair value plus transaction costs. The best confirmation of fair value at initial recognition is selling price. Gains or losses at initial recognition are reflected only if the difference between fair value and selling price is confirmed by other actual and regular market transactions carried out with the same instruments or with such estimation, which technique is based on open market data.

All acquisitions and sales of financial instruments which are to be carried out on a regular basis, set by regulations or marketing agreements (acquisitions and sales carried out under regular transaction procedures) are recognised at the date of transaction. Change in value of an asset which is reflected at cost or amortized value between the date of incurring the liability and settlement date, is recognised either in the statement of comprehensive income (for trade investments), or in equity (for assets classified as available-for-sale).

Principles of fair value measurement

Fair value of financial instruments is based on their market price prevailing at the reporting date without deduction of transaction costs.

In case the market price is not available, the fair value of an instrument is determined using pricing or discounted cash flow models.

When using a discounted cash flow model, the determination of future cash flows is based on the best estimates of management, and the discount rate is represented by the market interest rate for similar instruments prevailing at the reporting date. When using pricing models, the inputs are based on average market data prevailing at the reporting date.

Subsequent measurement

After the initial recognition all available for sale investments, are measured at fair value except for any instruments which are not traded on an active market and for which fair value cannot be measured reliably; such instruments are measured at cost plus transactions costs less impairment losses.

All non-trading financial liabilities, loans and accounts receivable, assets held to maturity, are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest method. Premium and discount, including initial transaction costs, are included in the carrying amount of the corresponding instrument and amortised using the effective interest method.

Impairment of financial assets

At each reporting date the Group measures whether there is any objective evidence of impairment of financial assets or group of financial assets. A financial asset or group of financial assets is considered to be impaired if and only if there is objective evidence ofimpairment in the result of one or more events which occurred after initial recognition of an asset ("experience losses"), which had effect, that was subject to reliable measurement, on future cash flows from the financial asset or group of financial assets. Impairment evidence may comprise indicators that a debtor or group of debtors is in significant financial difficulties, is unable to repay the debt or makes inaccurate payments of interest or principal amount of debt, and also the probability of bankruptcy or any other financial reorganisation. In addition, such evidence includes other observable data indicating a decrease in expected cash flows from the financial asset which is subject to reliable measurement, for example, an overdue debt.

3.4Financial assets (continued)

De-recognition

The financial assets are de-recognised if the term of contractual rights for cash flows from financial assets expires, or the Group transfers all the significant risks and benefits from asset ownership. The financial liability is derecognised if the term of contractual obligations expires and contractual obligations fulfilled or agreement canceled.

3.5Financial liabilities

(a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading and financial liabilities included into the category of liabilities at fair value through profit or loss at initial recognition.

(b) Loans and borrowings
Loans and borrowings are financial liabilities of the Group resulting from raising borrowings. Loans and borrowings are classified as short-term liabilities except for cases when the Group has vested right to defer the liabilities at least by 12 months from the reporting date.

Initial recognition

Financial liabilities are initially recognised at fair value adjusted for directly related transaction costs in case of loans and borrowings.

Subsequent measurement

Trade and other accounts payable initially recognised at fair value is subsequently accounted for at amortized value using the effective interest method.

Borrowing costs initially recognised at fair value of liability net of transaction costs are subsequently reported at amortised cost; any difference between the amount of received funds and amount of repayment is reported within interest expenses during the period in which borrowings were received under the effective interest method.

De-recognition

The financial liabilities are de-recognised if the term of contractual obligations expires, contractual obligations fulfilled or agreement cancelled.

3.6Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined as the estimated selling price less all estimated costs of completion and preliminary estimated distribution and selling costs. Inventories consumed areaccounted for using the FIFO method.

The cost of inventories comprises all expenses for acquisition, processing and other expenses incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods includes the cost of raw materials, direct labour and other production costs, and also corresponding part of production overheads.

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

Impairment of inventories

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

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

3.7Biological assets

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

- replacement poultry;
- commercial poultry;
- other biological assets.

The Group performs a biological asset measurement at initial recognition and as at each reporting date, at fair value less any estimated expenses for sale, except for the cases, when it is not possible to quantify fair value with sufficient reliability.

The Group includes the following elements into cost of lying hens in the process of growing:
- Animal feed
- Depreciation of property, plant and equipment objects related to the process of growing
- Wages and salaries of personnel related to the process of growing
- Other expenses directly related to the process of growing

Determination of the fair value of biological assets
Due to an absence of an active market for laying hens in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets as at reporting date.

Determination of the fair value of agricultural produce
Agricultural produce harvested from biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in the profit or loss in the period in which it arises.

3.8Cash and cash equivalents

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

3.9Impairment of non-current assets

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

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

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

3.10Value added tax (VAT)

There are two rates of value added taxes: 20% – on import and sales of goods and services in the territory of Ukraine and 0% - on export of goods and rendering of services and works outside Ukraine.
The VAT liability is equal to the total amount of VAT accrued during the reporting period and arises at the earlier of goods shipment to the customer or at the date of receipt of payment from the client.
VAT credit is the amount by which a taxpayer is entitled to reduce his/her VAT liabilities in the reporting period. The right to VAT credit arises on the earlier of the date of payment to supplier or the date of receipt of goods.
The Group's entities apply the special VAT taxation treatment prescribed by the Law of Ukraine "About value-added tax" dated 03.04.1997 No.168-BP regarding the agricultural activities, which provides preferential VAT treatment to support agricultural producers.

3.10Value added tax (VAT) (continued)

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

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

-receivables and payables that are stated with the amount of value added tax included.

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

3.11Income tax and deferred income tax

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

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

Deferred income tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
-where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

-in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

-where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

-in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.12Revenue recognition

Revenues include the amount of compensation received or to be received for realisation of products and services in the course of the ordinary activities of the Group. Revenue is recorded net of value added tax, discounts and intragroup transactions.

The Group recognises revenue when its amount can be reliably measured, there is a probability of the Group receiving certain future economic benefits, and also when special criteria for each of the Group activities mentioned below are met. The amount of income cannot be reliably measured unless all contingent liabilities relating to sale are settled. The estimates of the Group are based on historical results, taking into account the type of customer, transaction and the specific terms of each agreement.

Revenue is recorded at fair value of assets receivable.

Interest income

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

3.13Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A lease is classified as finance lease, when, according to lease terms, the lesse assumes all the significant risks and benefits associated with ownership of the relevant assets. All other leases are classified as operating leases.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a lessor
Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.14Distribution of dividends

The amount payable to the shareholders of the company in the form of dividends is recognised as a liability in the financial information of the Group in the period the dividends were approved by the shareholders of the company.

3.15Borrowing costs

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

3.16Government grants

Recognition of government grants
The Group recognises government grantswhen received.

The Group recognises the government grants as other operating income in the same periods as the corresponding expenses, which they compensate, on a systematic basis:

- All grants, compensating the expenses of the preceding periods, shall be recognised by the Group in full in the period of their receipt as other operating income;
- All grants, related to assets not depreciated, such as a land site, shall be correlated by the Group with the expenses to fulfill the obligations. Where a grant in the form of provision of a land site is conditional on construction of a building on the site, the Group divides the recognition of the grant as other operating income over the whole useful life of the building;
- All grants, related to the amortisable assets, shall be recognised by the Group as a decrease in the expenses for amortisation during the periods, when the amortisation of these assets is accrued.

Accounting for government grants for agricultural activities
The Group recognises unconditional state grants related to biological activities as income only in cases when such government grant is receivable.

A contingent government grant, relating is recognised by the Group in income only after the fulfilment of conditions for the government grant.

Return of the government grants
If subsidies are returned partially or completely, the amount to be returned shall be deducted from the remaining unused amount of the government subsidies. If an amount, exceeding the unused part of the government subsidies, is to be returned, the Group shall immediately reflect the amount of such excess as the expenses in the reporting period.

3.17Contingent assets and liabilities

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

Contingent assets are not recognised in the financial information, but are disclosed in the notes in such cases when there is a possibility of receiving the economic benefits.

3.18Accrued expenses and provisions

Accrued expenses
The Group accrues the following expenses:
- accrued expenses for future employee benefits;
- accrued expenses for settling legal claims;
- accrued expenses for payments on tax penalties;
- accrued expenses for other expenses and payments.

The Group recognises accrued expenses in the following circumstances; when:
- there exists present obligationas a result of a past event;
- there exists a probability that an outflow of resources, embodying economic benefits, will be necessary to satisfy the obligations;
- it is possible to reliablyestimatethe obligations' amounts.

3.18Accrued expenses and provisions (continued)

The estimate of expenses required to settle the obligations for the reporting date, is represented by an amount calculated, after taking into consideration the following factors:
● consideration risks and uncertainty;
● consideration accrued expenses at reduced value, using a discounting rate, which reflects market evaluations of the time value of money and risks, peculiar to the obligation, and recognition of an increase in the reserve in the course of time as the interest expense, where material.

In its accounting the Group reflects accrued expenses as an increase in the obligations of the provision on separate balance account with the simultaneous recognition of the related expenses.

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

3.19 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and thenominal of share capital issued is taken to share premium. Incremental costs directly attributable to the issue of shares isdeducted from any premium arising.

4.Significant accounting judgements and estimates

The preparation of the Group's consolidated financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying value of the asset or liability affected in future periods.

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

4.1Basis of consolidation (transactions under common control)

Control is the ability to govern an entity's financial and operating policies with the aim of receiving benefits from its activities. Where control over subsidiaries and the Parent company belongs to the ultimate beneficial owner, these transactions are considered to be combinations of business under common control, which are outside the scope of IFRS3: "Business combinations".

4.2Useful lives of property, plant and equipment

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

4.3Impairment of non-financial assets

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

4.4Impairments of receivables

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

In calculating the impairment, group approach is used, depending on the amount of receivables:

Group approach - receivables not exceeding UAH 50 thousand, are grouped, and turnover is analysed for the group as a whole, rather than on each individual debt separately. Based on the analysis of accounts receivable according to the previous reporting period data for the share of uncollectible receivables, interest is calculated for calculation of reserve for doubtful debt of current reporting period. Subsequently, to calculate the provision of doubtful debt of current reporting period, interest is applied to outstanding balance for the current period, less the amount of accounts receivable, provision for which is calculated on an individual basis.

The amount of impairment in respect ofdoubtful debt is reported in the statement of comprehensive income within other operating expenses.

Bad debts which are recovered are written-off from the statement of financial position along with a corresponding adjustment to the provision for doubtful debts, and the recovered amount is recognised in profit or loss.

The Group does not accrue provisions for doubtful debts on balances with related parties regardless of the origin date of current debt, as these would be eliminated on consolidation.

4.5Legal proceedings

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

(in USD thousand, unless otherwise stated)

4.6Impairment of obsolete and surplus inventory

The Group assesses the necessity to impair obsolete and surplus inventory and supplies. To estimate the amount of impairment against obsolete and surplus inventory and supplies, the following approach is used:

Inventory turnover (for each type) = Credit turnover on the accounts of inventories transferred to the production (for the reporting period) / Average carrying value on the accounts of inventories (for the reporting period).

Finished goods turnover = Credit turnover on the accounts of finished goods sold on the spot (for the reporting period)/ Average carrying value on the accounts of finished goods (for the reporting period).

Inventory storage period = Duration of reporting period/ Inventory turnover

The Group distinguishes all inventories into 4 types depending on storage period or turnover index:

Type	Storage period, months	Turnover index	% of reserve
1	under 3	above 1	0
2	from 3 to 6	from 0,5 to 1	30
3	from 6 to 9	from 0,33 to 0,5	50
4	above 12	under 0,33	100

4.7Deferred tax assets

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

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets are reviewed at each reporting date and reduced to the extent there no longer exists any probability for sufficient taxable profit to be received, which enables selling the whole number of or a part of deferred tax assets. Estimate of probability includes judgments, which are based on expected characteristics of activity. To estimate the probability of utilising deferred tax assets in future, various factors are used, including previous years' results, operating plans, expiry of tax losses recovery, strategies of tax planning. Should actual results differ from the estimates, and should such estimates need to be reviewed in future periods, this can negatively influence the financial position, financial results and cash flows. Should the estimated utlisation of deferred tax assets be reduced, such reduction is to be recognised in statement of comprehensive income.

4.8Contingent liabilities

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

4.9 Impact of the global financial and economic crisis

The ongoing global financial and economic liquidity crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to bank failures of banks and other corporations, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against. The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Debtors and clients of the Group may be adversely affected by the financial and economic environment, lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating economic conditions for clients may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has properly reflected revised estimates of expected future cash flows in its impairment assessments.
Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment

As at 30 June 2011 movements in property, plant and equipment were as follows:

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Initial value								
As at 1 January 2011	**3 477**	**157 864**	**14 801**	**87 435**	**4 355**	**1 412**	**163 570**	**432 914**
Acquisitions	-	374	100	287	13	67	21 657	**22 498**
Disposals	-	(4)	(48)	(58)	(9)	(14)	(5 236)	**(5 369)**
Foreign currency translation	(5)	(215)	(21)	(121)	(5)	(1)	(238)	**(606)**
Transfers from assets under construction	-	2 896	15	2 481	-	-	(5 392)	**-**
Other transfers	-	-	(3)	-	3	-	-	**-**
As at 30 June 2011	**3 472**	**160 915**	**14 844**	**90 024**	**4 357**	**1 464**	**174 361**	**449 437**
Accumulated depreciation								
As at 1 January 2011	**-**	**12 181**	**3 237**	**18 932**	**1 632**	**696**	**-**	**36 678**
Depreciation charge	-	2 543	691	3 476	279	108	-	**7 097**
Depreciation eliminated on disposal	-	-	(29)	(8)	(4)	(9)	-	**(50)**
Foreign currency translation	-	(21)	(5)	(31)	(3)	(1)	-	**(61)**
As at 30 June 2011	**-**	**14 703**	**3 894**	**22 369**	**1 904**	**794**	**-**	**43 664**
								-
Net carrying value as at:								
As at 30 June 2011	**3 472**	**146 212**	**10 950**	**67 655**	**2 453**	**670**	**174 361**	**405 773**

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment(continued)

As at 30 June 2010 movements in property, plant and equipment were as follows:

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Initial value								
As at 1 January 2010	**3 466**	**121 378**	**24 914**	**66 403**	**3 751**	**6 129**	**173 435**	**399 476**
Acquisitions	-	189	102	2	103	31	11 042	**11 469**
Disposals	-	(10)	(5)	-	(4)	(5)	-	**(24)**
Foreign currency translation	35	1 194	163	745	38	58	1 779	**4 012**
Transfers from assets under construction	-	-	-	-	-	-	-	**-**
Other transfers	-	(703)	(14 077)	14 728	99	(47)	-	**-**
As at 30 June 2010	**3 501**	**122 048**	**11 097**	**81 878**	**3 987**	**6 166**	**186 256**	**414 933**
Accumulated depreciation								
As at 1 January 2010	**-**	**6 428**	**2 492**	**11 815**	**975**	**2 340**	**-**	**24 050**
Depreciation charge	-	1 808	796	2 997	243	451	-	**6 295**
Depreciation eliminated on disposal	-	-	(1)	-	(2)	(2)	-	**(5)**
Foreign currency translation	-	74	19	146	12	27	-	**278**
Other transfers	-	(41)	(1 522)	1 563	22	(22)	-	**-**
As at 30 June 2010	**-**	**8 269**	**1 784**	**16 521**	**1 250**	**2 794**	**-**	**30 618**
Net carrying value as at:								
As at 30 June 2010	**3 501**	**113 779**	**9 313**	**65 357**	**2 737**	**3 372**	**186 256**	**384 315**

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (continued)

As at 30 June 2011 and 31 December 2010 property, plant and equipment were used as security for long-term and short-term loans were as follows:

	Carrying value of security as at	
	30 June 2011	**31 December 2010**
Buildings and structures	85 140	49 873
Machinery and equipment	1	1
Equipment for biological assets	904	933
Vehicles	-	213
Assets under construction-in-progress and uninstalled equipment	-	-
	86 045	**51 020**

For the 6 months 2011 the Group received government grants "Partial compensation of complex agricultural equipment cost" in the amount of USD 151 thousand (for the 6 months 2011 - USD 153 thousand), (Note 34.1).

As at 30 June 2011 and 31 December 2010 net book value of property, plant and equipment which were acquired under finance leasesamounted to USD 10 097 thousand and USD 11 257 thousand respectively. The residual amount of contractual commitments is presented in Note 24.

At each balance sheet date, the Group reviews the book values of its property, plant and equipment 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). As at 30 June 2011 and 31 December 2010 the recoverable amount was 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 discount rates of 24,00% as at 30 June 2011 and 22,00% as at 31 December 2010. As a result, no impairment indicators were identified at 30 June 2011 and 31 December 2010.

6.Held to maturity financial assets

Held to maturity financial assets as at 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	**31 December 2010**
VAT government bonds	-	257
Other long-term investments in unrelated parties	-	38
	-	**295**

7.Biological assets

Biological assets as at 30 June 2011 and 31 December 2010 were as follows:

		30 June 2011	**31 December 2010**
Replacement poultry	a), b)	53 617	59 078
		53 617	**59 078**
Current biological assets			
Commercial poultry	a), b)	56 075	44 700
Other biological assets	c)	2	5
		56 077	**44 705**

(in USD thousand, unless otherwise stated)

7.Biological assets(continued)

a)Commercial poultry and replacement poultry as at 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011		**31 December 2010**	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	3 190	14 282	3 092	16 515
Hy-Line	21 159	95 410	20 834	86 551
Hisex	-	-	297	570
Other	-	-	30	143
	24 349	**109 692**	**24 253**	**103 779**

b) Reconciliation of commercial and replacement poultry fair value for 6 months ended 30 June 2011 and 30 June 2010:

As at 1 January 2010		**66 396**
Acquisitions		18 448
Increase in value as a result of increase in weight/number		16 193
Income from revaluation of biological assets at fair value	18 506	
Changes in value of biological assets as a result of agricultural produce harvesting	(3 771)	
Net change in fair value		14 735
Decrease in value resulting from assets disposal		(31 699)
Effect from translation into presentation currency		717
Other changes (1)		(7 467)
As at 30 June 2010		**77 323**
As at 1 January 2011		**103 779**
Acquisitions		30 089
Increase in value as a result of increase in weight/number		23 373
Income from revaluation of biological assets at fair value	16 130	
Changes in value of biological assets as a result of agricultural produce harvesting	(569)	
Net change in fair value		15 561
Decrease in value resulting from assets disposal		(44 445)
Effect from translation into presentation currency		(191)
Other changes (1)		(18 474)
As at 30 June 2011		**109 692**

Due to the absence of an active market for laying hen in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets. As a discount rate, the rate of 24% prevailing as at 30 June 2011 and 28% prevailing as at 31 December 2010 was applied.

(1) The line item “Other changes” includeshen slaughtering, mortality, discarding and utilisation of poultry.

c) Other current biological assets include pigs, bees and sheep.

As at 30 June 2011 and 31 December 2010 the biological assets with afairvalue of USD 3 937 thousand and USD 3 741 thousand respectively were a security for long-term and short-term loans (Note 15, 17).

(in USD thousand, unless otherwise stated)

8.Other non-current assets

Other non-current assets as at 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	31 December 2010
Prepayments for property, plant and equipment	84 741	60 071
Other non-current assets	356	357
	85 097	**60 428**

As at 30 June 2011 and 31 December 2010 the item "Prepayments for property, plant and equipment" mainly included prepayments for Equipment for biological assets and prepayments for the construction of poultry farms premises.

9.Taxes recoverable and prepaid

Taxes recoverable and prepaid as at 30 June 2011 and 31 December 2010 were as follows:

	Note	30 June 2011	31 December 2010
VAT settlements	a)	55 668	52 924
Other taxes prepaid		143	160
		55 811	**53 084**

a) As at 30 June 2011 and 31 December 2010 the item "VAT settlements" includes the amount of VAT, which is subject to:

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

10.Inventories

Inventories as at 30 June 2011 and 31 December 2010 were as follows:

	Note	30 June 2011	31 December 2010
Raw and basic materials	a)	146 994	165 826
Work-in-progress		1 250	1 192
Finished goods		3 622	5 915
Agricultural produce		20 293	5 681
Package and packing materials		5 370	4 329
Goods for resale		3 248	1 012
Other inventories		4 262	1 669
		185 039	**185 624**

For the 6 months ended 30 June 2011 and 2010 the Group produced shell eggs in the quantity of 2 874 942 062 and 1 910 352 536 items respectively. The fair value produced shell eggs for the 6 months ended 30 June 2011 and 2010 amounted to USD 191 470 thousand and USD 127 278 thousand respectively.

As at 30 June 2011, finished goods – inventory with a carrying value of USD 135 thousand (31 Desember 2010: USD 136 thousand) and also raw and basic materials with a carrying value of 196 thousand (31 Desember 2010: USD 197 thousand) were pledged as security for the Group's loans.

As at 31 December 2010 grains in the amount of USD 75 621 thousand (489 673 ton) and fodder in the amount of USD 24 085 thousand (96 848 ton) were on the safe storage by the third parties.

a) Raw and basic materials mainly consist of grains and mixed fodder inventories.

(in USD thousand, unless otherwise stated)

11.Trade receivable

Trade receivable, net as at 30 June 2011 and 31 December 2010 were as follows:

	Note	30 June 2011	31 December 2010
Trade receivables-gross		69 935	54 801
Provision for doubtful debts	a)	(283)	(123)
		69 652	**54 678**

As at 30 June 20111, USD 15 189 thousand or 21,8% of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 31 December 2010–see note 39).

12.Prepayments and other current assets

Prepayments and other current assets as at 30 June 2011 and 31 December 2010 were as follows:

	Note	30 June 2011	31 December 2010
Prepayments		68 729	26 357
Provision for doubtful debts		(661)	(726)
Financial assistance issued	a)	889	180
Interest receivable on deposits		10	10
Other non-trade accounts receivable		2 707	16 008
		71 674	**41 829**

a) "Loans to related parties" include interest-free loans to related parties. The settlement term of the loans will be effected in accordance with the terms of respective loan agreements.

13.Cash and cash equivalents

Cash and cash equivalents as at 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	31 December 2010
Cash in banks	126 475	182 949
Cash on hand	156	77
Cash in transit	28	39
Cash equivalents (notes, deposites - repayment on demand)	10 039	-
Other bank accounts in foreign currency	9 880	-
	146 578	183 065
Less restricted cash:		
Other bank accounts in foreign currency	(9 879)	-
Cash to be represented in statement of cash flows	**136 699**	**183 065**

(in USD thousand, unless otherwise stated)

14. Share capital, share premium, capital contribution reserve

	2011 Number of shares	**2011** Share capital	**2011** Share premium	**2011** Capital contribution reserve
Authorised Ordinary shares	6 500 000	-	-	-
Issued and fully paid				
As at 1 January 2011	6 387 185	836	201 164	115 858
Issue of shares	-	-	-	-
As at 30 June 2011	6 387 185	836	201 164	115 858

	2010 Number of shares	**2010** Share capital	**2010** Share premium	**2010** Capital contribution reserve
Authorised Ordinary shares (1)	6 500 000	-	-	-
Issued and fully paid				
As at 1 January 2010	5 000 000	644	-	115 858
Issue of shares (2)	1 387 185	192	201 164	-
As at 30 June 2010	6 387 185	836	201 164	115 858

(1) On 22 April 2010 the Company increased its authorized share capital by 1 500 000 ordinary shares of EUR 0,10 per share

(2) In May and June 2010 the Company issued 1 387185 ordinary shares with nominal value EUR 0,10 per share.

In respect of this share issue, the Company generated net share premium amounting to USD 201 164 thousand (net of share issue costs of USD 6 914 thousand) (10 GDR are equal to 1 ordinary share) as a result of initial placement of 14 375 000 GDR on the main market of London Stock Exchange, out of which the 13 871 859 GDR were issued.

(in USD thousand, unless otherwise stated)

15.Long-term loans

Long-term loans as at 30 June 2011 and 31 December 2010 were as follows:

	Note	30 June 2011	31 December 2010
Long-term bank loans in national currency	a),b),c)	31 111	33 086
Total loans		**31 111**	**33 086**
Commodity credit	d)	3 612	1 113
		34 723	**34 199**
Current portion of non-current liabilities for bank loans in national currency		(20 293)	(3 200)
		14 430	**30 999**

a)As at 30 June 2011 and 31 December 2010 long-term bank loans by maturities were as follows:

	30 June 2011	31 December 2010
Under a year (current portion) (Note 19)	20 293	3 200
From 1 to 2 years	10 818	1 550
From 2 to 3 years	-	28 335
	31 111	**33 086**

b)As at 30 June 2011 and 31 December 2010 long-term bank loans by currencies were as follows:

	30 June 2011	31 December 2010
Long-term bank loans in UAH	31 111	33 086
	31 111	**33 086**

c)As at 30 June 2011 and 31 December 2010 interest rates for long-term bank loans were as follows:

	30 June 2011	31 December 2010
Long-term bank loans denominated in UAH	20-21%	17%-23%

Interest rates for long-term bank loans are fixed rates.

d) Commodity credit in the amount of USD 1 112 thousand is represented by a liability of the Group's companies, such as OJSC "Volnovahskyi KombinatKhilboprodiktiv" and OJSC "Ptakhohospodarstvo Chervonyi Prapor" for an interest-free budget loan received in the years 1995-1998 for the acquisition of agricultural products under a Government contract. This loan is subject to repayment and, according to Ukrainian laws, is set equal to compulsory payments in the State budget of Ukraine,applying sanctions stipulated by the laws with regard to late payment of taxes and making of non-tax payments.

(in USD thousand, unless otherwise stated)

16. Long-term bond liabilities

Long-term bond liabilitiesas as at 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	31 December 2010
Par value	200 000	200 000
Discount on issued bonds	(5 999)	(6 529)
	194 001	**193 471**

	30 June 2011	31 December 2010
Coupon payable	3 462	3 461

On 29 October 2010, the Company launched 2.000 five year non-convertible bonds with par value equal to USD 100.000 each. The Notes have been admitted to the official list of the UK listing Authority and to trading on London Stock Exchange plc's regulated market with effect from 1 November 2010.

The USD 200,000,000 10% Notes, bear interest from 29 October 2010 at a rate of 10% per annum payable semi annually in arrears on 29 April and 29 October in each year, commencing on 29 April 2011. The maturity date is 29 October 2015 and the placement price was 98.093% of the principal amount of the Notes.

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

17.Short-term loans

Short-term loans as at 30 June 2011 and 31 December 2010 were as follows:

	Note	30 June 2011	31 December 2010
Short-term loans in national currency	a),b),c)	283	292
Short-term loans in foreign currency	a),b),c)	725	725
Interest free loans	d)	287	19
		1 295	**1 036**

a)As at 30 June 2011 and 31 December 2010 short-term bank loans by maturity were as follows:

	30 June 2011	31 December 2010
under 3 months	1 008	1 017
	1 008	**1 017**

b)As at 30 June 2011 and 31 December 2010 short-term bank loans by currencies were as follows:

	30 June 2011	31 December 2010
Short-term bank loans in UAH	283	292
Short-term bank loans in USD	725	725
	1 008	**1 017**

(in USD thousand, unless otherwise stated)

17.Short-term loans (continued)

c)Short-term bank loans by currencies as at 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	**31 December 2010**
Short-term bank loans denominated in UAH	25.00%	25%-29%
Short-term bank loans denominated in USD	17.00%	17.00%

Interest rates for short-term bank loans are fixed rates.

d) As at 30 June 2011 and 31 December 2010 interest-free loans received under financial assistance contracts amounted to USD 288 thousand and USD 19 thousand respectively, with contracts not exceeding a year from the reporting date.

18.Security

Long-term (Note 15) and short-term loans (Note 17) as at 30 June 2011 and 31 December 2010 were secured on assets as follows:

	30 June 2011	**31 December 2010**
Buildings and structures	85 140	49 873
Machinery and equipment	1	1
Equipment for biological assets	904	933
Vehicles	-	213
Assets under construction-in-progress and uninstalled equipment	-	-
Property, plant and equipment, total	86 045	51 020
Inventories	331	333
Biological assets	4 380	3 741
	90 756	**55 094**

As at 30 June 2011 and 31 December 2010 shares of APP CJSC Chornobaivske were pledged under long-term bank loans.

19.Current portion of non-current financial liabilities

The current portion of non-currentfinancial liabilities as at 30 June 2011 and 31 December 2010 was as follows:

	Note	**30 June 2011**	**31 December 2010**
Deferred income (current portion)	35, c)	259	305
Current portion of finance lease liabilities	25	1 748	678
VAT included in current portion of finance lease liabilities	25	350	136
Current portion of non-current liabilities for bank loans in national currency	15a)	20 293	3 200
		22 650	**4 319**

(in USD thousand, unless otherwise stated)

20.Deferred tax assets and liabilities

The principal components of deferred tax assets and liabilities as at 30 June 2011 and 31 December 2010 were as follows:
Influence of temporary differences on deferred tax assets

	30 June 2011	31 December 2010
Advances received	-	44
Intangible assets	-	1
Provisions	75	30
Total deferred tax assets	**75**	**75**
Influence of temporary differences on deferred tax liabilities		
Advances issued to suppliers	-	(22)
Property, plant and equipment, non-current assets	(3 122)	(1 109)
Deferred expenses	(5)	(54)
Inventories	(170)	-
Total deferred tax liabilities	**(3 297)**	**(1 185)**
Net deferred tax liabilities	**(3 222)**	**(1 110)**

Principal components of income tax expense

As at 30 June 2011 and 31 December 2010 rates of income tax in Ukraine were equal to 23% and 25% respctivelly.

	6 months ended 30 June 2011	6 months ended 30 June 2010
Current income tax	(6)	(20)
Deferred tax assets/(liabilities)	(2 080)	(320)
Effect of translation into presentation currency	(38)	1
	(2 124)	**(339)**

Reconciliation of deferred tax liabilities

	6 months ended 30 June 2011	Year 2010
Balance as at 1 January	**(1 110)**	(943)
Deferred income/ (expenses) for income tax for the reporting period	(2 124)	(254)
Effect of translation into presentation currency	12	87
Balance as at 30 June 2011/31 December 2010	**(3 222)**	**(1 110)**

(in USD thousand, unless otherwise stated)

20.Deferred tax assets and liabilities(continued)

Reconciliation between income tax expenses and accounting profit multiplied by the rate of income tax

	6 months ended 30 June 2011	6 months ended 30 June 2010
Profit / (loss) before tax	69 160	62 477
Less profit / (loss) of the companies being fixed agricultural tax payers	(71 880)	(59 265)
	(2 720)	3 212
Profit / (loss) of the companies being income tax payers at the rate 10%	(12 034)	26
Profit / (loss) of the companies being income tax payers at the rate 23%	9 314	3 186
	(2 720)	3 212
Income (loss) tax, taxable at the rate of 10%	1 203	(3)
Income (loss) tax, taxable at the rate of 23%	2 142	(796)
Expenses not included in gross expenses for income tax	(1 221)	460
Profit / (loss) for income tax	**2 124**	**(339)**

As at 1 January 2010	**35**
Income tax accrued for the period	(54)
Income tax paid for the period	34
Effect of translation into presentation currency	(8)
As at 31 December 2010 / 1 January 2011	**7**
Income tax accrued for the period	(6)
Income tax paid for the period	4
Effect of translation into presentation currency	1
As at 30 June 2011	**6**

The income tax payers in 2011 and 2010 were the following companies: LLC "Rohatyn-Korm", OJSC "Vuhlelhirskyi Eksperrementalnyi Kombikrmovyi Zavod", OJSC "Volhovatskiy Kombinat Khliboproduktiv",LLC"Kamyanets-Podilsky Kombikormovyi Zavod", LLC "Pershe Travnya Kombikormovyi Zavod", and LLC, "ImperovoFoods". All other companies of the Group were payers of the fixed agricultural tax.

According to the Law of Ukraine "About fixed agricultural tax", the taxation for the fixed agricultural tax payers is based on the agricultural area, which is submitted to a manufacturer of agricultural products in his/her property or for use.

21. Trade payables

Trade payables as at 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	31 December 2010
Trade payables	16 999	20 980
Short-term notes issued	1 881	2 211
	18 880	**23 191**

a) As at 30 June 2011 and 31 December 2010 short-term notes issued were represented by promissory, noninterest-bearing, notes.

(in USD thousand, unless otherwise stated)

22.Accrued expenses

Accrued expenses as at 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	31 December 2010
Accrued expenses for future employee benefits	2 019	1 182
Other accrued expenses	171	126
	2 190	**1 308**

23.Other current liabilities and accrued expenses

Other current liabilities and accrued expenses as at 30 June 2011 and 31 December 2010 were as follows:

	Note	30 June 2011	31 December 2010
Wages and salaries and related taxes liabilities		3 358	2 815
Other taxes and compulsory payments liabilities	a)	4 806	3 958
Accounts payable for property, plant and equipment		2 949	6 728
Advances received from customers	b)	2 366	11 972
Interest payable		1 059	2 665
Accrued coupon on bonds		5 838	5 727
Other payables		4 378	6 337
		24 754	**40 202**

a) Other taxes and compulsory payments liabilities mainly comprises of liabilities for VAT and community charges.
b) Advances received from customers consist of prepayments for the sale of agriculture products and finished goods from buyers.

24.Finance lease liabilities

Finance lease liabilities for the years ended 30 June 2011 and 31 December 2010 were as follows:

	Minimum lease payments	VAT included in minimum lease payments	Current value of minimum lease payments	VAT included in current value of minimum lease payments
Amounts payable for Finance lease as at 30 June 2011				
Within a year	2 388	350	1 748	350
From one to five years	4 909	853	4 265	853
	7 297	**1 203**	**6 013**	**1 203**
Less: financial expenses of future periods	(1 285)	-	-	-
Current value of lease liabilities	6 013	1 203	6 013	1 203
Less: amount to be paid within a year			(1 748)	(350)
Amount to be paid after a year			4 265	853

(in USD thousand, unless otherwise stated)

24.Finance lease liabilities (continued)

	Minimum lease payments	VAT included in minimum lease payments	Current value of minimum lease payments	VAT included in current value of minimum lease payments
Amounts payable for Finance lease as at 30 June 2010				
Within a year	1 332	136	678	136
From one to five years	6 253	1 062	5 310	1 062
	7 585	**1 198**	**5 988**	**1 198**
Less: financial expenses of future periods	(1 597)	-	-	-
Current value of lease liabilities	5 988	1 198	5 988	1 198
Less: amount to be paid within a year			(678)	(136)
Amount to be paid after a year			5 310	1 062

Net carrying value of property, plant and equipment acquired (Note 5) via finance lease as at 30 June 2011 and 31 December 2010 was as follows:

	30 June 2011	31 December 2010
Equipment for biological assets	10 067	11 143
Vehicles	30	62
Other equipment	-	52
	10 097	**11 257**

Non-current assets under finance lease include equipment for biological assets, construction-in-progress and uninstalled equipment, and vehicles with finance lease term of 3-4 years. Interest rate under finance lease agreements is LIBOR+8% per annum for the 6 months ended 30 June 2011 and for the years ended 31 December 2010. Finance lease agreements do not provide the possibility of changing the initial terms of agreements.

(in USD thousand, unless otherwise stated)

25.Short-term bond liabilities

Short-term bond liabilities as at 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	31 December 2010
Nominal value	25 087	25 120
Bonds repurchased	(19)	-
	25 068	**25 120**

	30 June 2011	31 December 2010
Bonds coupon payable	2 376	2 266

As at 30 June 2011 and 31 December 2010 current liabilities for bonds were presented as liabilities for A-type bonds with nominal value of USD 25 068 thousand and USD 25 120 thousand respectively, which was equivalent to UAH 200 000 thousand, issued by CJSC "Avangard" 2 July 2008. Those bonds were issued in book-entry form in number of 200 000 items. The bonds issue was secured by SC "Zorya, LLC Cross-PF Zorya", LLC "Cross-PF Zorya",OJSC "Ptakhohospodarstvo Chervonyi Prapor", SC "Ptakhofabryka Lozuvatska", SC "Ptakhofabryka Chervonyi Prapor Poultry Farm, of OJSC Ptakhohospodarstvo Chervoniy Prapor", OJSC "Volnovaskyi Kombinat Khliboprodiktiv", OJSC "Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod", ALLC "Donetska Ptakhofabryka", LLC "PF Volnovaska", SC "Ptakhohospodarstvo Lozuvatskoe", SC "Gorodenkivska Ptakhofabryka of CJSC Avangard", SC "Rogatynska Ptakhofabryka of CJSC Avangard", SC "Avangard-Agro of CJSC Avangard", CJSC "Chernivetska Ptakhofabryka", CJSC "Agrofirma Avis", LLC "Kamyanets-Podilsky Kombikormoviy Zavod", OJSC "Kirovskiy", LLC "Slovyany", OJSC "Ptakhofabryka Pershe Travnya", SC "Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding", LLC "Yuzhnaya Holding", LLC "Areal-Snigurivka". The Guarantors are fully responsible for the issuer's liabilities to bond holders.

Bond interest coupon is payable over 20 periods of 91 days each. The interest rate on the above mentioned bonds for the first-fourth coupon periods is set at 17% per annum. The procedure of interest rate determination for the fifth-eighth, ninth-twelfth, thirteenth-sixteenth and seventeenth-twentieth periods is set by the issuer board of directors based on market conditions, but not less than the National Bank of Ukraine bank rate on the date of the decision on setting interest rate. The bonds owner has a right to present the bonds to the issuer for payment on the following dates: 25 May 2009, 24 May 2010, 23 May 2011, 21 May 2012, under the notification conditions. The bonds circulation period is from 2 July 2008 to 19 May 2013.

26.Sales revenue

Sales revenue for the years ended 30 June 2011 and 31 December 2010 was as follows:

	6 months ended 30 June 2011	6 months ended 30 June 2010
Revenue from finished goods	223 550	165 568
Revenue from goods and services sold/rendered	390	333
	223 940	**165 901**

For the 6 months ended 30 June 2011 USD 33 741 thousand or 15,1% from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients (for 2010 – note 39).

(in USD thousand, unless otherwise stated)

27. Cost of sales

Cost of sales for 6 months ended 30 June 2011 was as follows:

	Note	6 months ended 30 June 2011	6 months ended 30 June 2010
Cost of finished goods sold	28	(155 000)	(124 389)
Cost of goods and services sold/rendered		(238)	(886)
		(155 238)	**(125 275)**

28.Cost of sales by elements

The cost of finished goods sold (Note 27) for 6 months ended 30 June 2011 was as follows:

	Note	6 months ended 30 June 2011	6 months ended 30 June 2010
Raw materials		(126 482)	(104 248)
Payroll of production personnel and related taxes		(10 620)	(7 772)
Depreciation	5	(6 864)	(5 949)
Services provided by third parties	(1)	(11 001)	(6 193)
Other expenses		(33)	(227)
		(155 000)	**(124 389)**

(1)This item consists of expenses for electricity, storage services, gas, water, curren repairs of production premises, sanitary cleaning services, veterinary services and other.

29.General administrative expenses

General administrative expenses for 6 months ended 30 June 2011 were as follows:

	Note	6 months ended 30 June 2011	6 months ended 30 June 2010
Salaries and wages of administrative personnel		(2 108)	(1 598)
Services provided by third parties		(2 378)	(483)
Depreciation	5	(46)	(73)
Repairs and maintenance costs		(32)	(20)
Tax expenses, except for income tax		(143)	(136)
Material usage		(239)	(143)
Other expenses		(65)	(52)
		(5 011)	**(2 505)**

30.Distribution expenses

Distribution expenses for 6 months ended 30 June 2011 were as follows:

	Note	6 months ended 30 June 2011	6 months ended 30 June 2010
Salaries and wages of distribution personnel		(1 080)	(681)
Transport expenses		(1 860)	(1 244)
Depreciation	5	(187)	(247)
Services provided by third parties		(71)	(48)
Packing materials		(108)	(122)
Repairs and maintenance costs		(27)	(19)
Other expenses		(220)	(77)
		(3 553)	**(2 438)**

(in USD thousand, unless otherwise stated)

31. Other operating expenses

Other operating expenses net for 6 months ended 30 June 2011 were as follows:

	6 months ended 30 June 2011	6 months ended 30 June 2010
Loss from disposal of current assets	(15)	(170)
Income/(loss) from disposal of noncurrent assets	(115)	(19)
Impairment of current assets	(1 001)	(258)
Income received from writing-off of accounts payable	6	18
Losses on exchange	(1 856)	(14)
Provision for doubtful debts	(366)	(311)
Fines, penalties recognized	(617)	(575)
Other income/(expenses)	972	(1 414)
	(2 992)	**(2 743)**

32.Finance costs

Finance costs for 6 months ended 30 June 2011 were as follows:

	6 months ended 30 June 2011	6 months ended 30 June 2010
Interest payable on loans	(5 437)	(16 938)
Capitalised interest	2 997	8 970
Total financial expenses on loans	**(2 440)**	**(7 968)**
Financial expenses on finance lease	(323)	(502)
Financial expenses on bonds (interest)	(12 649)	(2 041)
Other financial expenses	(354)	-
	(15 766)	**(10 511)**

33. Finance income

Finance income for the 6 months ended 30 June 2011 mainly comprises of the amount of interest income from placement of deposits, in the amount of USD 829 thousand (30 June 2010 - USD 15 590 thousand).

34.Income from government grants and incentives and from special VAT treatment

34.1 Income from government grants and incentives received for 6 months ended 30 June 2011 ware as follows:

	Note	6 months ended 30 June 2011	6 months ended 30 June 2010
Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions	a)	3	79
VAT for development of poultry keeping	b)	-	233
Amortization of deferred income on government grants	c)	151	153
Other grants	d)	5	1
		159	**466**

(in USD thousand, unless otherwise stated)

34.Income from government grants and incentives (continued)

a) *Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions*
In compliance with the legislation of Ukraine, the agricultural producers received partial compensation of interest rates by loans received by agro-industrial enterprises from financial institutions based on competitiveness and compensation principles.

For the 6 months ended 30 June 2011 and 30 June 2010 the Group received partial compensation of interest for loans received by agro-industrial enterprises from financial institutions in the amount of USD 3 thousand and 79 thousand respectively which is presented on a cash received basis.

b) *VAT for development of poultry keeping*
The following regime for VAT compensation for poultry keeping was effective until 1 January 2009.

c) *Partial compensation of complex agricultural equipment cost*
Enterprises of the Group received partial compensation of complex agricultural equipment cost during the years 2004-2010 according to Ukrainian laws. The total amount of compensations received for above mentioned period is UAH 60 608 thousand. Those grants were recognised as deferred income and reflected within the "Deferred income" item in the statement of financial position. The deferred income is amortised over the estimate useful life of the relevantasset (generally 25 years) and the amortisation is reflected in the above table.

d) *Other grants*
The item "Other grants" comprises the following grants: grants for sowing of winter crops, grants for meat, grants for maintain parent flock.

34.2 Income from special VAT treatment received for 6 months ended 30 June 2011 was as follows:

	6 months ended 30 June 2011	**6 months ended 30 June 2010**
Income from special VAT treatment	11 231	9 060
	11 231	**9 060**

According to the Law of Ukraine " On Value Added Tax" agricultural enterprises (those with not less than 50% of income from agricultural production sales or those selling milk-meat production) have a tax benefit for VAT on agriculture transactions. The amount of VAT is not paid to the government authorities but enterprises transfer it to a special account in order to use it for agriculture development. Enterprises of the Group recognise income from government grants on receiptand use of funds from the special account. VAT credited but not used for the specified purpose is disclosed in the line item "Target financing".
Use of these benefits was changed with effect from 1January 2009 by the laws of Ukraine. Only enterprises with 75% share of agricultural operations in total deliveries for the last 12 months are nowpermitted to use them. A positive VAT balance will be used for agriculture support as before (but without special account transactions) and negative VAT balance shall be recognised as other operating expenses. These income and expenses are recorded in the consolidated financial information ona basis.
All members of the Group that met the criteria for the use of theseVAT benefits except: (LLC Rohatyn-Korm, LLC Kamyanets-Podilsky Kombikormoviy Zavod, OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, OJSC Volnovaskyi Kombinat Khliboprodiktiv, LLC Pershe Travnya Kombikormoviy Zavod, LLC Imperovo Foods).

(in USD thousand, unless otherwise stated)

35.Related party balances and transactions

The Company is controlled by Mr Oleg Bakhmatyuk, who directly or indirectly owns 77.5% of the Company's share capital as at 30 June 2011 and 31 December 2010. The remaining 22.5% of the shares are widely hold.

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

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

According to these criteria the related parties of the Group are divided into the following categories:
A. Key management;
B. Companies having the same top management;
C. Companies in which the Group's owners have an equity interest;
D. Companies which activities are significantly influenced by the Group's owners.

Salary costs of key management for 6 months ended 30 June 2011 were as follows:

	6 months ended 30 June 2011	**6 months ended 30 June 2010**
Salary	634	498
Contributions to state funds	228	175
	862	**673**

Number of top management personnel for 6 months ended 30 June 2011 was as follows:

	6 months ended 30 June 2011	**6 months ended 30 June 2010**
Number of top management personnel, persons	137	182

(in USD thousand, unless otherwise stated)

35.Related party balances and transactions (continued)

Outstanding amounts of the Group for transactions with related parties as at 30 June 2011 and 31 December 2010 were as follows:

	Outstanding balances with related parties	
	As at 30 June 2011	**As at 31 December 2010**
Other current asset:		
C. Companies in which the Group's owners have an equity interest;	878	279
D. Companies which activities are significantly influenced by the Group's owners	104	341
	982	**620**
Trade accounts receivable:		
B. Companies having the same top management;	356	200
D. Companies which activities are significantly influenced by the Group's owners	1 746	23
	2 102	**223**
Cash and cash equivalents:		
D. Companies which activities are significantly influenced by the Group's owners	32 818	4 312
	32 818	**4 312**
Long-term loans		
B. Companies having the same top management;	2 500	-
	2 500	
Short-term loans		
D. Companies which activities are significantly influenced by the Group's owners	269	-
	269	
Trade accounts payable:		
C. Companies in which the Group's owners have an equity interest;	-	1 162
D. Companies which activities are significantly influenced by the Group's owners	1 757	985
	1 757	**2 147**
Other current liabilities :		
C. Companies in which the Group's owners have an equity interest;	-	1 290
D. Companies which activities are significantly influenced by the Group's owners	218	105
	218	**1 395**

(in USD thousand, unless otherwise stated)

35.Related party balances and transactions (continued)

The Group's transactions with related parties as at 30 June 2011 and 31 December 2010 were as follows:

	Transactions with related parties for 6 months ended	
	30 June 2011	**30 June 2010**
Sales revenue:		
C. Companies in which the Group's owners have an equity interest;	359	11 876
D. Companies which activities are significantly influenced by the Group's owners	1 260	17 593
	1 619	**29 469**
General administrative expenses:		
C. Companies in which the Group's owners have an equity interest;	(13)	-
D. Companies which activities are significantly influenced by the Group's owners	(27)	-
	(40)	**-**
Distribution expenses:		
D. Companies which activities are significantly influenced by the Group's owners	(45)	(791)
	(45)	**(791)**
Other operating income/(expenses), net:		
C. Companies in which the Group's owners have an equity interest;	(163)	40
D. Companies which activities are significantly influenced by the Group's owners	(2)	-
	(165)	**40**
Finance income:		
D. Companies which activities are significantly influenced by the Group's owners	205	15 467
	205	**15 467**
Finance cost:		
D. Companies which activities are significantly influenced by the Group's owners	(283)	(7 555)
	(283)	**(7 555)**

(in USD thousand, unless otherwise stated)

36.Business segments

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

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

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

Management monitors the operating results of each of the units separately for the purposes of making decisions about resources allocation and evaluation of operating results. The results of segments' activities are measured on the basis of operating profit or loss, its measurement is carried out accordingly to measurement of operating profit or loss in the consolidated financial information.
The Group carries out its core financial and economic activities in the territory of Ukraine. Accordingly, the Group operates in one geographical segment.

Business segment information for 6 months ended 30 June 2011 was as follows:

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unallocated group balances	Adjustments and elimination	Total
Sales revenue	180 556	43 432	93 362	35 369	3 302	-	-	356 021
Intra-group elimination	(39 133)	(31 294)	(59 355)	(561)	(1 738)	-	-	(132 081)
Revenue from external buyers	**141 423**	**12 138**	**34 007**	**34 808**	**1 564**	**-**	**-**	**223 940**
Income from revaluation of biological assets at fair value	10 671	4 890	-	-	-	-	-	15 561
Other operating income/(expenses)	(677)	(180)	(346)	(825)	(964)	-	-	(2 992)
Income from government grants and incentives	158	1	-	-	-	-	-	159
OPERATING PROFIT/(LOSS)	**73 733**	**(735)**	**25 320**	**(1 737)**	**(12 484)**	**-**	**-**	**84 097**
Finance income	256	1	6	15	551	-	-	829
Finance cost,	(2 949)	(103)	(2 181)	-	(10 533)	-	-	(15 766)
including:								-
Interest payable on loans	(322)	(1)	-	-	-	-	-	(323)
Income tax expense	-	-	(60)	(2 064)	-	-	-	(2 124)
NET PROFIT/(LOSS) FOR THE PERIOD	**71 040**	**(836)**	**23 085**	**(3 786)**	**(22 467)**	**-**	**-**	**67 036**
TOTAL ASSETS	**1 354 164**	**76 378**	**232 545**	**112 093**	**173 499**	**-**	**(819 350)**	**1 129 329**
Capitalised expenses	6 364	20	1 042	15 023	49	-	-	22 498
Depreciation	(6 199)	(514)	(86)	(298)	-	-	-	(7 097)
TOTAL LIABILITIES	**(656 399)**	**(10 937)**	**(222 639)**	**(34 341)**	**(203 556)**	**-**	**810 686**	**(317 186)**

(in USD thousand, unless otherwise stated)

36.Business segments (continued)

Business segment information for 6 months ended 30 June 2010 was as follows:

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unallocated group balances	Adjustments and elimination	Total
Sales revenue	116 998	21 183	12 828	32 542	3 834	-	-	187 385
Intra-group elimination	(11 556)	(925)	(7 989)	-	(1 014)	-	-	(21 484)
Revenue from external buyers	**105 442**	**20 258**	**4 839**	**32 542**	**2 820**	**-**	**-**	**165 901**
Income from revaluation of biological assets at fair value	2 383	12 352	-	-	-	-	-	14 735
Other operating income/(expenses)	(2 279)	(517)	(232)	281	199	-	-	(2 548)
Income from government grants and incentives	222	224	-	-	-	-	-	446
OPERATING PROFIT/(LOSS)	**55 098**	**1 249**	**(507)**	**363**	**1 195**	**-**	**-**	**57 398**
Finance income	12 712	863	1 961	-	54	-	-	15 590
Finance cost,	(10 343)	(154)	(15)	-	-	-	-	(10 512)
including:								
Interest payable on loans	(7 800)	(153)	(15)	-	-	-	-	(7 968)
Income tax expense	-	-	321	(660)	-	-	-	(339)
NET PROFIT/(LOSS) FOR THE PERIOD	**57 272**	**1 958**	**1 760**	**(296)**	**1 249**	**-**	**-**	**61 943**
TOTAL ASSETS	**881 078**	**54 369**	**166 181**	**87 602**	**398 487**	**-**	**(508 688)**	**1 079 029**
Capitalised expenses	11 384	81	-	5	-	-	-	**11 470**
Depreciation	(5 640)	(539)	(60)	(30)	(27)	-	-	**(6 296)**
TOTAL LIABILITIES	**384 135**	**5 011**	**169 503**	**73 051**	**204 075**	**-**	**(502 965)**	**332 810**

37. Earnings per share

Earnings per share is the profit for the year after taxation divided by the weighted average number of shares in issue for each year. The number of shares for the year ended 31 December 2007 has been re-stated to reflect the 10 for 1 share split on 19 December 2008.There are no options or instruments convertible into new shares and so basic and diluted earnings per share are the same.

38.Contingent and contractual liabilities

Economic environment

Main operating activity of the Group is carried out within Ukraine. Laws and other regulatory acts affecting the activities of entities in Ukraine may be subject to changes during short periods of time. As a result, assets and operating activity of the Group may be exposed to the risk in case of any unfavourable changes in political and economical environment.

Taxation

The Company operates in the Cypriot tax jurisdiction and its subsidiaries in the Ukrainian tax jurisdiction. The Company's management must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(in USD thousand, unless otherwise stated)

38. Contingent and contractual liabilities (continued)

The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

In management's opinion the Group is in substantial compliance with the tax laws governing its operations. A risk remains that the relevant authorities could take differing positions with regard to interpretative issues, however the effect is not expected to be significant.

The Group met its tax filing obligations in Cyprus and in Ukraine. To the best of management's knowledge, no breaches of tax law have occurred. Thus, the Group has not recorded any provision for potential impact of any such breaches as at 30 June 2011 and 31 December 2010.

Pension and other liabilities

Most of the Group's employees receive pension benefits from the Pension Fund, Ukrainian state organization, in accordance with the regulations and laws of Ukraine. Group is obliged to deduct a certain percentage of salaries to the Pension Fund to pay pensions.

As at 30 June 2011 and 31 December 2010 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees.

Legal matters

In the course of its economic activities the Group is involved in legal proceedings with third parties. In most cases, the Group is the initiator of proceedings with the purpose of prevention or mitigatingof economic losses.

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

Operating lease

As at 30 June 2011 and 31 December 2010 the Group had outstanfing commitments under non-cancellable operating lease agreements with following maturities:

Lease term	**Future minimum lease payments as at 30 June 2011**	**Future minimum lease payments as at 31 December 2010**
Less than 1 year	125	125
From 1 to 5 years	500	500
More than 5 years	471	534
Total	**1 096**	**1 159**

Commitments under exclusive distribution agreement (poultry)

On 28 November 2009 the Group signed new exclusive distribution agreement accordingly to which the Group has an exclusive rights to purchase Hy-Line W-36 and Hy-Line Brown Parent Stock at a fixed price. The minimum quantity of purchases is not stated in the agreement. The term is three years to November 2012.

The financial effect of changes in contingent and contractual liabilities is not possible to calculate as at the balance sheet date.

(in USD thousand, unless otherwise stated)

39. Financial risk management

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

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

Additional disclosures of quantitative information are presented in many other sections of this financial information, including:

-information on finance income and expenses is disclosed in Notes 32, 33 (all finance income and expenses are recognised as a part of profit or loss for the period, other than interest capitalised which is allocated to the cost of the relevant asset);
-information on cash is disclosed in Note 13;
-information on trade and other accounts receivable is disclosed in Notes 11, 12;
-information on investments held-to-maturity is disclosed in Note 6;
-information on trade and other accounts payable is disclosed in Notes 21, 22, 23;
-information on significant terms of borrowings and loans granting is disclosed in Notes 15, 17, 19;
-information on timing and terms of effective contracts for finance lease is disclosed in Note 24;
-information on significant conditions of issued bonds is disclosed in Note 16, 25.

a) Credit risk

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

Exposure to credit risk

The carrying value of financial assets is a maximum value exposed to credit risk. Maximum level of credit risk as at 30 June 2011 and 31 December 2010 was presented as follows:

Financial assets	**30 June 2011**	**31 December 2010**
Loans and accounts receivable		
Cash and cash equivalents	146 578	183 065
Trade accounts receivable, net	69 652	54 678
Loans to related parties	889	180
Interest receivable for deposits	10	10
	217 129	**237 933**
Held-to-maturity investments		
VAT government bonds	-	257
Other long-term financial assets to no-related parties	-	38
	-	**295**
Total	**217 129**	**238 228**

The Group's credit risk is mainly related to long-term and short-term deposits. Credit risk is heightened in Ukraine due tothe impact of the economic crisis although management are of the view that some degree of stability returned following the involvement of the International Monetary Fund.

(in USD thousand, unless otherwise stated)

39. Financial risk management (continued)

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients; there were no significant losses during 6 months ended 30 June 2011 and 30 June 2010 resulting from non-fulfilment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the 6 months ended 30 June 2011 USD 33 741 thousand or 15,1% from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients. As at 30 June 20111, USD 15 189 thousand or 21,8% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

For the 6 months ended 30 June 2010 USD 17 547 thousand or 11% of Group's sales revenue is related to sales transactions, realised with one client of the Group. As at 31 December 2010 USD 24 148 thousand or 44.2% of trade accounts receivable relates to one customer.

Trade accounts receivable as at 30 June 2011 and 31 December 2010 by dates of origin were presented as follows:

30 June 2011	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	51 576	2 116	701	91	421	14 082	665	**69 652**

31 December 2010	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	29 190	45	670	300	5 286	18 969	218	**54 678**

Amounts due from related parties are not generally provided where there is no reason to doubt the solvency of the debtor. Related parties tend to be given longer credit terms and the older amounts generally relate to these related parties.

b) Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfil its financial obligations at the date of maturity. The Group's approach to liquidity management is to ensure, to the extent possible, permanent availability of sufficient liquidity of the Group to fulfil its financial obligations in due time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damage the reputation of the Group.

The aim of the Group is the maintenance of balance between continuous financing and flexibility in usage of bank loans and settlements with suppliers.

In accordance with plans of the Group, its working capital needs are satisfied by cash flows from operating activities, as well as by use of loans if cashflows from operating activities are insufficient for liabilities to be settled.

(in USD thousand, unless otherwise stated)

39. Financial risk management (continued)

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

30 June 2011	Carrying value	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Trade accounts receivable	69 652	69 652	-	-	-
Loans to related parties	889	889	-	-	-
Cash and cash equivalents	146 578	146 578	-	-	-
Other nontrading accounts receivable	2 707	2 707	-	-	-
Interest receivable for deposits	10	10	-	-	-
Bank loans	(32 119)	(1 008)	(20 293)	(10 818)	-
Trade accounts payable	-	-	-	-	-
Loans from related parties	(287)	-	(287)	-	-
Finance lease (including VAT)	(7 216)	-	(2 097)	(5 118)	-
Current liabilities for bonds	(25 068)	-	(25 068)	-	-
Long-term bond liabilities	(194 001)	-	-	(194 001)	-
Accounts payable for property, plant and equipment	(2 949)	(2 949)	-	-	-
Interest payable	(1 059)	(1 059)	-	-	-
Bonds coupon profit payable	(5 838)	(5 838)	-	-	-
Other accounts payable	(4 378)	(4 378)	-	-	-
	(53 079)	**204 604**	**(47 745)**	**(209 937)**	**-**

31 December 2010	Carrying value	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Trade accounts receivable	54 678	54 678	-	-	-
Loans to related parties	180	180	-	-	-
Cash and cash equivalents	183 065	183 065	-	-	-
Other nontrading accounts receivable	16 008	16 008	-	-	-
Interest receivable for deposits	10	10	-	-	-
Bank loans	(34 103)	(1 017)	(3 200)	(29 886)	-
Trade accounts payable	(23 191)	(23 191)	-	-	-
Loans from related parties	(19)	-	(19)	-	-
Finance lease (including VAT)	(7 185)	-	(814)	(6 372)	-
Current liabilities for bonds	(25 120)	-	(25 120)	-	-
Long-term bond liabilities	(193 471)	-	-	(193 471)	-
Accounts payable for property, plant and equipment	(6 728)	-	(6 728)	-	-
Interest payable	(2 665)	(2 665)	-	-	-
Bonds coupon profit payable	(5 727)	(5 727)	-	-	-
Other accounts payable	(40 202)	(40 202)	-	-	-
	(84 470)	**181 140**	**(35 881)**	**(229 729)**	**-**

39. Financial risk management (continued)

c) Market risk

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

The objective of market risk management provides control over the Group's exposure to market risk, as well as keeping its level within reasonable limits. Description of the Group's exposure to such market components as currency risk and interest risk, is given below.

i) Foreign currency risk

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

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

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in local currency (UAH) as at 30 June 2011 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	CHF	UAH	TOTAL
Long-term bond liabilities	194 001	-	-	-	**194 001**
Short-term bank loans (including overdrafts)	725	-	-	283	**1 008**
Trade accounts payable	-	-	-	16 999	**16 999**
Accounts payable for property, plant and equipment	2 803	-	-	146	**2 949**
Advances received	-	13	-	2 353	**2 366**
Prepayments made	(38)	(29)	-	(68 662)	**(68 729)**
Net exposure to foreign currency risk	**197 491**	**(16)**	**-**	**(48 881)**	**148 593**

The Group's exposure to foreign currency risk and the amount in local currency (UAH) as at 31 December 2010 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	CHF	UAH	TOTAL
Long-term bond liabilities	193 471	-	-	-	**193 471**
Short-term bank loans (including overdrafts)	725	-	-	292	**1 017**
Trade accounts payable	1 200	282	-	19 498	**20 980**
Accounts payable for property, plant and equipment	-	1 257	-	5 471	**6 728**
Advances received	-	11 036	-	936	**11 972**
Prepayments made	(19)	(190)	-	(26 147)	**(26 356)**
Net exposure to foreign currency risk	**195 377**	**12 385**	**-**	**50**	**207 812**

39. Financial risk management (continued)

ii) Sensitivity analysis (foreign currency risk)

Below there is a sensitivity analysis of income (or loss) of the Group before tax to the possible changes in foreign currency rates. This analysis is conducted based on the assumption that all other variables and interest rates in particular, remain unchanged.

Effect in USD thousand: 30 June 2011	**Increase in currency rate against UAH**	**Effect on profit before tax**
USD	15%	(29 624)
EUR	10%	2

Effect in USD thousand: 31 December 2010	**Increase in currency rate against UAH**	**Effect on profit before tax**
USD	15%	(29 307)
EUR	10%	(1 239)

d) Interest rate risk

Interest rate risk is connected with a possibility of changes in value of financial instruments resulting from changes in interest rates.

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

Structure of interest rate risk

As at 30 June 2011 and 31 December 2010 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	30 June 2011	**31 December 2010**
Instruments with fixed interest rate		
Financial assets	-	-
Financial liabilities	(253 976)	(252 694)
Instruments with variable interest rate		
Financial assets	-	-
Financial liabilities	(7 214)	(7 186)

Such financial instruments as cash and cash equivalents, trade accounts receivable, financial assistance issued, accounts receivable under commission contract, interest receivable for deposits, prepayment for bonds, other nontrading accounts receivable are not included in the table given below, since possible effect of changes in interest rate risk (discount rates) under these financial instruments is not material.

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

Fair value of financial instruments is defined at the amount at which 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 instruments. The estimates presented herein are not necessarily indicative of the amounts the Group could realise in a market exchange from the sale of its full holding of a particular instrument.

As at 30 June 2011 and 31 December 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:

Cash and cash equivalents - the fair value is estimated to be the same as the carrying value for these short-term financial instruments.

39. Financial risk management (continued)

Trade and other accounts receivable, financial assistance issued - the fair value is reasonably estimated to be the same as the carrying value, as provision for doubtful debts is reasonable estimation of discount needed for reflection of credit risk influence.

Trade and other accounts payable - the fair value is estimated to be the same as the carrying value for trade and other accounts payable.

Short-term and long-term deposits - the fair value is estimated to be the same as the carrying value for short-term and long-term deposits, as its nominal interest rate is estimated to approximate the market rate tied to deposits with similar terms and conditions at the balance sheet date.

Application of the effective interest rate method for calculating carrying value of short-term accounts receivable, interest free loans granted and received and accounts payable does not significantly influence the relevant rates in the Consolidated Financial Information of the Group.

Short-term and long-term bank loans, finance lease liabilities, short-term bonds issued - the fair value of short-term and long-term bank loans, finance lease liabilities, short-term bonds issued is estimated to approximate the total carrying value as the nominal interest rate of long-term bank loans is approximately tied to the market rate concerning bank loans with similar credit risk rate and repayment period at the balance sheet date.

e) Financial markets volatility

The global financial crisis started in 2007 in the market for mortgage loans in the USA and affected not only the USA, because a great number of global investors had to review their risk exposure, which led to increased volatility on financial markets. Reduced liquidity, as a result of among other factors, increased volatility in financial markets may have a negative impact on Group's debtors, which, in its turn, will influence their solvency. Deteriorating market conditions may affect the forecasts of cash flows made by management, as well as possible impairment of financial and other assets of the Group. In terms of all currently available information, management has used the most reliable assumptions to assess the financial risks. It is quite difficult to estimate with sufficient reliability the influence on the financial position of the Group resulting from further possible deterioration in liquidity and stability of financial markets.

Capital management

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

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

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

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

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

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

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

(in USD thousand, unless otherwise stated)

39. Financial risk management (continued)

As at 30 June 2011 and 31 December 2010 the Group's financial leverage coefficient made up 12,4%, and 9.4% respectively.

	Carrying value	
	30 June 2011	**31 December 2010**
Short-term loans	1 295	1 036
Long-term loans	14 430	30 999
Current portion of long-term loans	20 293	3 200
Finance lease (including VAT)	7 215	7 185
Long-term bond liabilities	194 001	193 471
Short-term bond liabilities	25 068	25 120
Total amount of borrowing costs	**262 303**	**261 011**
Cash and cash equivalents	146 578	183 065
Financial assistance issued	889	180
Net debt	**114 836**	**77 766**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	546 742	482 328
Effect of translation into presentation currency	(65 700)	(64 586)
Non-controlling interests	13 242	10 620
Total equity	**812 142**	**746 220**
Total amount of equity and net debt	**926 978**	**823 986**
Financial leverage coefficient	**12.4%**	**9.4%**

For 6 months ended 30 June 2011 ratio of net debt to EBITDA amounted to:

	6 months ended 30 June 2011	**6 months ended 30 June 2010**
PROFIT/(LOSS) FOR THE PERIOD	67 036	61 943
Income tax income/expenses	2 124	339
Financial income	(829)	(15 590)
Financial expenses	15 766	10 511
EBIT (earnings before interest and income tax)	**84 097**	**57 203**
Depreciation	7 097	6 295
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**91 194**	**63 498**
Net debt at the year end	114 836	(132 536)
Net debt at the year end / EBITDA	**1.3**	**-2.1**

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

f) Livestock diseases risk

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of disease which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

40. Risks related to the Group's operating environment in Ukraine

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Soviet Union to an independent sovereign state and has been progressively developing into a market economy. Although substantial progress has been made since independence in reforming Ukraine's economy, along with the country's political and judicial systems to some extent, Ukraine still lacks the necessary legal infrastructure and regulatory framework essential to support market institutions, effective transition to a market economy and broad-based social and economic reforms. Conditions for the Ukrainian economy have been extremely unstable during the course of 2009 and this instability has continued into 2011. Despite signs of stabilisation, major concerns remain over the performance of the Ukrainian economy at a macro level. The economy has remained very energy intensive and is still insufficiently diversified, with exports remaining centred on metallurgical products. Consequently, the economy remains vulnerable to fluctuations in steel prices and to shocks resulting from Russia's control over the supply of gas. In terms of business environment, high taxes, legal uncertainties and bureaucratic impediments have conspired to create a difficult business environment in which to operate. In addition, the lack of an enduring political consensus on reforms has created uncertainty over the modernisation of the economy.

41. Events after the consolidatedbalance sheet date

On 8 July 2011 Avangardco Group opened the first stage of facilities for laying hens at its Avis egg production complex

On 24 August 2011 Fitch Ratings confirmed long-term Issuer Default Raitings (IDR) of Avangardco IPL in foreign and national currencies at the level "B". At the same time it confirmed national long-term rating of the company at the level "A+(ukr)", priority unsecured rating in foreign currency "B" and Assets Recovery Rating "RR4". Long-term ratings forecast - "Stable".