AVANGARDCO INVESTMENTS PUBLIC LIMITED

Report and Consolidated financial statements

For the year ended 31 December 2011

AVANGARDCO INVESTMENTS PUBLIC LIMITED

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AVANGARDCO INVESTMENTS PUBLIC LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS:

Oleg Bakhmatyuk (Non Executive Chairman)

Oksana Prosolenko (Chief Marketing Officer)

Nataliya Vasylyuk (Chief Executive Officer)

Iryna Marchenko (Chief Financial Officer)

Oleg Mikhael Pohotsky (Non Executive Director, appointed on 15 March 2011)

COMPANY SECRETARY:

Gliage Investments Limited
Anexartisias & Kyriakou Matsi 3
3040 Limassol
Cyprus
(up to 10 August 2011)

Confida Secretarial Limited
16-18 Zinas Kanther Street
Agia Triada
3035 Limassol
Cyprus
(up 10 August 2011)

REGISTERED OFFICE:

Anexartisias & Kyriakou Matsi 3
3040 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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS (cont.)

INDEPENDENT AUDITORS:

KPMG Limited
14, Esperidon Street
1087 Nicosia
Cyprus

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 ("the Company") for the year ended 31 December 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 Bakhmatyuk	
Oksana Prosolenko	
Nataliya Vasylyuk	
Iryna Marchenko	
Oleg Mikhael Pohotsky	

Person responsible for the preparation of the consolidated financial statements for the year ended 31 December 2011:

Iryna Marchenko	

16 March 2012

AVANGARDCO INVESTMENTS PUBLIC LIMITED
BOARD OF DIRECTORS' REPORT

The Board of Directors of AvangardCo Investments Public Limited (the "Company") presents its annual report together with the audited consolidated financial statements of the Company and of its subsidiaries together referred to "the Group" for the year ended 31 December 2011.

Principal activities

The principal activities of the Group are:
- keeping of technical laying hen, production and selling of eggs,
- incubation (production and sale of day-old chick), farming of young poultry for sale, and poultry,
- production and selling of mixed fodder and
- processing of eggs and selling of egg products.

Financial results

The Group's results for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 9 of the consolidated financial statements.

The profits for the year attributable to the owners of the Company amounted to US$ 191.943 thousand (2010: US$ 182.221 thousand) which the Board of Directors recommends to be transferred to the revenue reserve.

Review of developments, position and performance of the Group's business

The financial performance of the Group for the year as presented in the consolidated statement of comprehensive income of the consolidated financial statements is considered satisfactory. The Group recorded a profit of US$ 196.294 thousand compared to a profit of US$ 184.758 thousand in the previous year. The Group's total assets also increased to US$ 1.305.654 thousand from US$ 1.079.029 thousand mainly as a result of increase in profitability.

Dividends

The Board of Directors does not recommend the payment of a dividend for the year (2010: US$ nil).

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in notes 41 and 42 of the consolidated financial statements.

Share capital

There was no change in the share capital of the Company during the year.

Board of Directors

The members of the Board of Directors at 31 December 2011 and at the date of this report are shown on page 1. The Directors who were members of the Board throughout the year were Mr Oleg Bakhmatyuk, Ms Natalya Vasylyuk, Ms Iryna Marchenko and Ms Oksana Prosolenko. Mr Oleg Mikhael Pohotsky was appointed as Non-Executive Director of the Board on 15 March 2011.

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

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

Board of Directors (cont.)

The Directors are responsible for formulating, reviewing and approving the Company's and its subsidiaries' strategies, budgets, certain items of capital expenditures and senior personnel appointments. Although the Company is listed on the London Stock Exchange, it is not subject to the UK Corporate Governance Code issued by the Financial Reporting Council because it is a Cyprus incorporated company. Nevertheless, the Directors intend to establish audit, nomination and remuneration committees and may form other committees as necessary in order to improve corporate governance.

Events after the reporting period

The events after the reporting period are presented in note 43 of the consolidated financial statements.

Branches

The Group did not operate through any registered branches during the year.

Related party balances and transactions

Discolosed in note 36 of the consolidated financial statements.

Independent Auditors

During the year the independent auditors of the Company, Baker Tilly Klitou, resigned and KPMG Limited was appointed in their place.

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

By Order of the Board of Directors,

Nataliya Vasylyuk
Director

Nicosia, 16 March 2012

KPMG

KPMG Limited
Chartered Accountants
14 Esperidon Street
1087 Nicosia, Cyprus
P.O.Box 21121
1502 Nicosia, Cyprus

Telephone +357 22 209000
Fax +357 22 678200
E-mail nicosia@kpmg.com.cy
Internet www.kpmg.com.cy

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of AvangardCo Investments Public Limited (the "Company") and its subsidiaries (the "Group") on pages 8 to 73, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

KPMG

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AvangardCo Investments Public Limited and its subsidiaries as at 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 4 and 5 is consistent with the consolidated financial statements.

Other matter

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

Comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by another auditor who expressed an unqualified audit opinion on those consolidated financial statements on 4 March 2011.

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

KPMG Limited
Certified Public Accountants and Registered Auditors

Nicosia, 16 March 2012

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of financial position
AS AT 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

	Note	31 December 2011	31 December 2010
ASSETS			
Property, plant and equipment	5	512.697	396.236
Held-to-maturity financial assets	6	-	295
Non-current biological assets	7	44.304	59.078
Deferred tax assets	20	1.922	-
Other non-current assets	8	93.041	60.428
Non-current assets		**651.964**	**516.037**
Inventories	10	202.279	185.624
Current biological assets	7	58.916	44.705
Trade accounts receivable, net	11	51.437	54.678
Prepaid income tax	20	-	7
Prepayments and other current assets, net	12	26.946	41.829
Taxes recoverable and prepaid, net	9	76.298	53.084
Cash and cash equivalents	13	237.814	183.065
Total current assets		**653.690**	**562.992**
TOTAL ASSETS		**1.305.654**	**1.079.029**
EQUITY			
Share capital	14	836	836
Share premium	14	201.164	201.164
Reserve capital	14	115.858	115.858
Retained earnings		673.909	482.328
Effect of translation into presentation currency		(67.761)	(64.587)
Equity attributable to owners of the Company		**924.006**	**735.599**
Non-controlling interest		15.333	10.620
Total equity		**939.339**	**746.219**
LIABILITIES			
Long-term loans	15	15.384	30.999
Long-term bond liabilities	16	194.563	193.471
Deferred tax liabilities	20	86	1.110
Deferred income (non-current portion)	34, c	5.351	5.676
Long-term finance lease	24	3.830	6.372
Total non-current liabilities		**219.214**	**237.628**
Short-term bond liabilities	25	25.013	25.120
Current portion of non-current liabilities	19	26.565	4.319
Short-term loans	17	53.063	1.036
Trade payables	21	17.894	23.191
Current income tax liabilities	20	-	6
Accrued expenses	22	1.601	1.308
Other current liabilities and accrued expenses	23	22.965	40.202
Total current liabilities		**147.101**	**95.182**
TOTAL LIABILITIES		**366.315**	**332.810**
TOTAL EQUITY AND LIABILITIES		**1.305.654**	**1.079.029**

On 16 March 2012, the Board of Directors of Avangardco Investments Public Limited authorized these consolidated financial statements for issue.

Nataliya Vasylyuk	**Iryna Marchenko**
Director	Director

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of comprehensive income
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

	Note	31 December 2011	31 December 2010
Revenue	26	553.310	439.703
Profit on revaluation of biological assets at fair value	7	23.697	26.187
Cost of sales	27,28	(353.232)	(308.144)
GROSS PROFIT		**223 775**	**157.746**
General administrative expenses	29	(13.161)	(7.168)
Distribution expenses	30	(10.035)	(5.058)
Income from government grants and incentives	34.1	318	17.504
Income from special VAT treatment	34.2	38.037	21.910
Other operating income and expenses	31	(7.430)	(4.032)
OPERATING PROFIT		**231.504**	**180.902**
Finance income	33	1.492	34.058
Finance cost	32	(33.106)	(29.948)
Income from the purchase of subsidiary		191	-
PROFIT BEFORE TAX		**200.081**	**185.012**
Income tax expense	20	(3.787)	(254)
PROFIT FOR THE YEAR		**196.294**	**184 758**
OTHER COMPREHENSIVE INCOME FOR THE YEAR:			
Effect of translation into presentation currency		(3.174)	(450)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**193.120**	**184.308**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		191.943	182.221
Non-controlling interests		4.351	2.537
		196.294	**184.758**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		189.424	181.771
Non-controlling interests		3.696	2.537
		193.120	**184.308**
Earnings per share USD (basic and diluted)	39	30	32

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of changes in equity
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

	Attributable to owners of Company						
	Share capital	**Capital contribution reserve (1)**	**Share premium (2)**	**Retained earnings**	**Foreign currency translation reserve**	**Non-controlling interest**	**Total equity**
As at 1 January 2010	**644**	**115.858**	**-**	**300.107**	**(64.137)**	**8.083**	**360.555**
Additional capital contribution (Note 1,15)	192	-	201.164	-	-	-	**201.356**
Effect from translation into presentation currency	-	-	-	-	(450)	-	**(450)**
Profit for the year	-	-	-	182.221	-	2.537	**184.758**
As at 31 December 2010	**836**	**115.858**	**201.164**	**482.328**	**(64.587)**	**10.620**	**746.219**
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	-	-	-	(362)	-	362	**-**
Effect from translation into presentation currency	-	-	-	-	(3.174)	-	**(3.174)**
Profit for the year	-	-	-	191.943	-	4.351	**196.294**
As at 31 December 2011	**836**	**115.858**	**201.164**	**673.909**	**(67.761)**	**15.333**	**939.339**

(1) 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.

(2) 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 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (on 2011 the rate was 15% up to 30 August 2011 and 17% therafter) will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of cash flows
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities			
Profit before tax		200.081	185.012
Adjustments for:			
Depreciation of property, plant and equipment	5	14.330	12.637
Change in allowance for irrecoverable amounts	31	814	433
Other provisions		293	30
Loss on disposal of property, plant and equipment		233	56
Impairment of current assets	31	1.129	259
Effect of fair value adjustments on biological assets	7	(23.697)	(26.187)
Profit on payables written-off	31	(26)	(869)
Amortization of deferred income on government grants	34	(306)	306
Loss from disposal of held to maturity investments		32	-
Discount on long-term bonds amortization		1.092	-
Bargain purchase		(191)	-
Interest income		(1.492)	(34.058)
Interest payable		30.849	25.799
Operating profit before working capital changes		**223.141**	**163.418**
Decrease/(increase) in trade receivables		3.282	(7.200)
Decrease/(increase) in prepayments and other current assets		14.061	(23.208)
Increase in taxes recoverable and prepaid		(20.291)	(24.376)
Increase in inventories		(17.120)	(93.127)
Decrease in deferred income		(20)	(593)
Decrease in trade payables		(5.297)	(44.828)
Decrease/(increase) in biological assets		23.401	(11.140)
Decrease in finance leases		(802)	-
Decrease in advances received and other current liabilities and accrued expenses		(15.456)	(94.344)
Cash generated from/(used in) operations		**204.899**	**(135.399)**
Interest paid		(12.256)	(23.526)
Income tax paid		(6.782)	(34)
Net cash generated from/(used in) operating activities		**185.861**	**(158.959)**
Cash flows from investing activities:			
Payments and receipts – property, plant and equipment		(113.021)	(82.157)
Payments for prepayments of property, plant and equipment		(32.613)	(1)
Decrease in bank deposits		-	156.421
Proceeds from disposal of held to maturity investments		225	-
Payment of acquisition of held to maturity investments		-	(255)
Payment of acquisitions of subsidiary		(17.722)	-
Interest received		1.502	73.459
Net cash (used in)/generated from investing activities		**(161.629)**	**147.468**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of cash flows (cont.)
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

	Note	2011	2010
Cash flows from financing activities			
New loans received		94.976	166.646
Repayment of loans		(38.056)	(364.351)
Interest paid for bonds issued		(25.183)	(4.267)
Proceeds from long-term bonds issued		-	193.471
Repayment of short-term bonds issued		(19)	
Increase in share capital – share issue (nominal value)	14	-	192
Increase in share capital – share premium	14	-	201.164
Net cash generated from financing activities		**31.718**	**192.855**
Effect from translation to presentation currency		(1.201)	-
Net increase in cash and cash equivalents		**54.749**	**181.364**
Restricted cash		**(7.174)**	**-**
Cash and cash equivalents at the beginning of the year		183.065	1.701
Cash and cash equivalents at the end of the year		230.640	183.065

1. GENERAL INFORMATION

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

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 31 December 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.

Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION (cont.)

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

Company name	Principal Activity	Country of registration	Ownership Interest , % 31 December 2011	Ownership Interest , % 31 December 2010
PJSC Avangard	Keeping of technical laying hen, production and selling of eggs	Ukraine	99,00%	99,00%
PJSC Chornobaivske		Ukraine	93,00%	97,00%
PJSC Agrofirma Avis		Ukraine	100,00%	100,00%
PJSC Kirovskiy		Ukraine	100,00%	100,00%
PJSC Ptakhohospodarstvo Chervonyi Prapor		Ukraine	98,00%	98,00%
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%
LLC Makarivska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC PF Volnovaska		Ukraine	100,00%	100,00%
PJSC Cross-PF Zorya		Ukraine	89,00%	89,00%
PJSC Ptakhofabryka Pershe Travnya		Ukraine	93,00%	93,00%
PJSC Chernivetska Ptakhofabryka		Ukraine	98,00%	98,00%
ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC Areal-Snigurivka		Ukraine	100,00%	100,00%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		Ukraine	100,00%	100,00%
PPB LLC Ptytsecompleks		Ukraine	100,00%	100,00%
PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Avangard-Agro of PJSC Avangard	Incubation (production and saleof day-old chick), farming of young poultry for sale, and poultry	Ukraine	99,00%	99,00%
SC Gorodenkivska Ptakhofabryka of PJSC Avangard		Ukraine	99,00%	99,00%
SC Rogatynska Ptakhofabryka of PJSC Avangard		Ukraine	99,00%	99,00%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC Slovyany		Ukraine	90,00%	90,00%
SC Ptakhohospodarstvo Lozuvatske of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
SC Zorya of PJSC Cross-PF Zoraya		Ukraine	89,00%	89,00%
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervoniyPrapor		Ukraine	98,00%	98,00%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100,00%	100,00%
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska		Ukraine	100,00%	100,00%

Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION (cont.)

The Group's subsidiaries all of which are incorporated in the Ukraine, their principal activities and the effective ownership percentage are as follows: (cont.)

Company name	Principal Activity	Country of registration	Ownership Interest , % 31 December 2011	Ownership Interest , % 31 December 2010
SC Ptakhohospodarstvo Chornobaivske of PJSC Chornobaivske		Ukraine	93,00%	97,00%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	99,00%	99,00%
PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod		Ukraine	80,00%	80,00%
PJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	72,00%	72,00%
LLC Kamyanets-Podilsky KombikormoviyZavod		Ukraine	100,00%	100,00%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	93,00%	93,00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	99,00%	100,00%
LLC Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%
LLC Imperovo Ltd	Rental services	Ukraine	99,00%	-

Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION (cont.)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 31 December 2011 with nominal value of €0,10 per share.

The shares were distributed as follows:

Owner	31 December 2011 Number of shares	31 December 2011 Ownership interest, %	31 December 2010 Number of shares	31 December 2010 Ownership interest, %
Oleg Bakhmatyuk	-	-	20.000	0.3%
Quickcom Limited	1	-	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	-	1.080.143	17.0%
BNY (Nominees) Limited	1.437.500	22.5%	1.437.500	22.5%
UkrLandFarming Plc	2.174.825	34.1%	-	-
Other	3	-	3	-
	6.387.185	100.0%	6.387.185	100.0%

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

	Ownership interest as at 31 December 2011, %	Ownership interest as at 31 December 2010, %
Quickcom Limited	100%	100%
Omtron Limited	100%	100%
Tanchem Limited	100%	100%
Mobco Limited	100%	100%
UkrLandFarming PIc	100%	100%

In May 2010 and June 2010 the Company issued 1.387.185 ordinary shares with nominal value €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 the London Stock Exchange, out of which the 13.871.859 GDRs were issued.

2. BASIS OF PRESENTATION

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 and are for the year ended 31 December 2011.

Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2011
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2. BASIS OF PRESENTATION (cont.)

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the biological assets which are measured at fair value.

2.3 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 (“USD”) as the presentation currency in the consolidated financial statements in compliance with IAS 21 "The effects of changes in foreign exchange rates".

2.4 Going concern basis

These consolidated financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group’s assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The consolidated financial statements do not comprise any adjustments in case of the Group’s inability to continue as a going concern.

2.5 Standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations
As from 1 January 2011, the Group adopted all of the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a significant effect on the consolidated financial statements of the Company.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2011:

(i) Standards and Interpretations adopted by the EU
- IFRS 7 (Amendments) "Financial Instruments Disclosures" Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011).

(ii) Standards and Interpretations not adopted by the EU
- IFRS 1 (Amendments) "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" (effective for annual periods beginning on or after 1 July 2011).
- IFRS 7 (Amendments) "Financial Instruments" Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendments) "Financial Instruments" Disclosures – "Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).

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2. BASIS OF PRESENTATION (cont.)

2.5 Standards and interpretations (cont.)

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

(ii) Standards and Interpretations not adopted by the EU (cont.)
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendments) "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- IAS 12 (Amendments) "Deferred tax" Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).
- IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

The Board of Directors expects that the adoption of the above financial reporting standards in future periods will not have a significant effect on the consolidated financial statements of the Company except for:

- *The adoption of IFRS9 could change the classification and measurement of financial assets. The extent of the impact has not been determined.*

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting plocies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently to Group entities.

Accounting policies of subsidiaries have been changed where necessary to achieve consistent application of the accounting policies applied by the Group.

Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2011
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and the companies controlled by the Company as at 31 December 2011.

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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control
On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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 statements 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 statements 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.

Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Basis of consolidation (cont.)

Acquisitions of businesses not under common control
The purchase method is applied for the 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 non controlling 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 carrying amounts of recognised assets and liabilities.

If necessary, adjustments are entered into the financial statements of subsidiaries to bring the accounting policies used into compliance with the accounting policies used by other companies of the Group.

Transactions eliminated by consolidation
Under both methods of accounting, all significant transactions and balances between the Group's companies are eliminated in the consolidated financial statements. Unrealised profits and losses under transactions between the Group’s companies are also subject to elimination.

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 interests as at the date of acquisition, together with their share of changes in their equity after the date of acquisition. Equity attributable to owners of non-controlling interest is reported as a separate item in the consolidated statement of financial position.

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 non-controlling 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 other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Notes to the consolidated financial statements
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(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Basis of consolidation (cont.)

Goodwill is initially measured as the excess of the cost of acquisition over the net amount of the identifiable assets acquired and liabilities assumed. If the cost of acquisition 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.

3.2 Foreign currency translation

(a) Transactions and balances

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

Monetary assets and liabilities are translated into the functional currency of each company included into the Group, at the rates ruling at the reporting 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 in profit or loss.

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

Currency	**31 December 2011**	**Weighted average for the year 2011**	**31 December 2010**	**Weighted average for the year 2010**
US dollar to Ukrainian Hryvnia	7,9898	7,9677	7,9617	7,9353

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.

Notes to the consolidated financial statements
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Foreign currency translation (cont.)

(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.

3.3 Property, 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 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 consolidated statement of comprehensive income as incurred.

Notes to the consolidated financial statements
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.3 Property, plant and equipment (cont.)

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

The estimated useful lives for the 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
Construction in progress	Not depreciated

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

An asset is not depreciated during the first year of placing into operation. The acquired asset is depreciated starting from the following year from the date of placing into operation and depreciation is fully accumulated when useful life terminates.

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 loss when the asset is derecognised.

At each reporting date the Group evaluates whether any indicators of possible impairment of an asset exists. 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.

3.4 Financial assets

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

Notes to the consolidated financial statements
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.4 Financial assets (cont.)

(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 recognized net of any costs of realization.

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 as available for sale financial assets. These assets are included into non-current assets unless the Group has an obvious intention to hold these assets for a period 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 in current assets. Available for sale financial assets are recorded at fair value through equity.

c)Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intent and ability to hold to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. 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, of which the valuation 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 fair value or amortized value between the date of incurring the liability and settlement date, is recognised either in the profit or loss (for trade investments), or in equity (for assets classified as available-for-sale).

Notes to the consolidated financial statements
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.4 Financial assets (cont.)

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 that a 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.

Loans and accounts receivable and 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 value 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 of impairment 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.

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.

Notes to the consolidated financial statements
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.5 Financial liabilities

(a) 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 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 and contractual obligations fulfilled or agreement cancelled.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and preliminary estimated distribution and selling costs. Inventories consumed are accounted 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 exceed the net realisable value, raw materials are written-off to net realisable value.

Notes to the consolidated financial statements
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.7 Biological 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 cost to sell, except in cases, where fair value cannot be determined reliably.

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.

3.8 Cash and cash equivalents

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

3.9 Impairment of non-current assets

The Group assesses at each reporting 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.

Notes to the consolidated financial statements
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.9 Impairment of non-current assets (cont.)

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

3.10 Value 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 Tax Code of Ukraine, which entered into force on 1 January 2011, regarding the agricultural activities, which provides preferential VAT treatment to support agricultural producers.

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 consolidated statement of financial position.

3.11 Income tax and deferred 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.

Notes to the consolidated financial statements
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(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.11 Income tax and deferred tax (cont.)

Deferred 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 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.12 Revenue 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. 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.

3.13 Interest income/expense

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 in profit or loss.

3.14 Leases

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 lessee 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.15 Distribution of dividends

The amount payable to the owners 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 owners of the Company.

3.16 Non Controlling interests (NCI)

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

NCI is the interest in companies not connected with formal structure and not having a common parent company, not owned by management or ultimate owners. It is determined at the reporting date as interest in the fair value of identified assets and liabilities of companies not connected with formal structure and not having a common parent company at the date of merger or creation of such companies, as well as interest in change in net assets of these companies after the merger or creation of companies not connected with formal structure and not having a common parent company.

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

3.17 Borrowing costs

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

3.18 Government grants

Recognition of government grants
The Group recognises government grants when 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.

Notes to the consolidated financial statements
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.18 Government grants (cont.)

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.

3.19 Contingent assets and liabilities

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

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

3.20 Accrued 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 reliably estimate the obligations' amounts.

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.

Notes to the consolidated financial statements
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3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.20 Accrued expenses and provisions (cont.)

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.

3.21 Share capital

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

3.22 Segment reporting

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

3.23 Events after the reporting period

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

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

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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 statements:

4.1 Basis 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".

4.2 Useful 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 consolidated statement of comprehensive income.

4.3 Impairment 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 cash in flows and the growth rate used for extrapolation purposes.

Notes to the consolidated financial statements
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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont.)

4.4 Impairments 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 of accounts receivable, the Group's experience in writing off of receivables, solvency of customers and changes in conditions of settlements. Economic changes, industry situation or financial position of separate customers may result in adjustments related to the amount of provision for doubtful debts reflected in the consolidated financial statements as impairments of receivables.

Group approach is used in calculating the impairment of receivables:

Group approach - receivables 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 of doubtful debt is reported in the consolidated statement of comprehensive income within other operating expenses.

Bad debts which are recovered are written-off from the consolidated 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.

4.5 Legal proceedings

The Group's Management applies significant assumptions in the measurement and recognition of provisions for and risks of exposure to contingent liabilities, related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or the crystallising of a material obligation, and in determining the probable amount of the final settlement or 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.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont.)

4.6 Impairment 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

4.7 Deferred 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.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont.)

4.7 Deferred tax assets (cont.)

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 consolidated statement of comprehensive income.

4.8 Contingent liabilities

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

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.

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5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction -in-progress and uninstalled equipment	Total
Cost								
As at 1 January 2011	**3.477**	**157.864**	**14.801**	**87.435**	**4.355**	**1.412**	**163.570**	**432.914**
Acquisitions	-	1.071	728	99	1.021	759	119 373	**123.051**
Acquisitions of subsidiary	-	8.248	6.310	-	-	319	-	**14.877**
Disposals	-	(56)	(106)	(69)	(52)	(23)	(5.230)	**(5.536)**
Foreign currency translation	(12)	(577)	(89)	(319)	(18)	(5)	(858)	**(1.878)**
Internal transfers	-	7.317	377	4.225	-	-	(11.919)	**-**
Reclassification	-	(19)	21	-	-	(2)	-	**-**
As at 31 December 2011	**3.465**	**173.848**	**22.042**	**91.371**	**5.306**	**2.460**	**264.936**	**563.428**
Accumulated depreciation								
As at 1 January 2011	**-**	**12.181**	**3.236**	**18.933**	**1.632**	**696**	**-**	**36.678**
Depreciation charge	-	5.101	1.497	6.943	557	232	-	**14.330**
Depreciation eliminated on disposal	-	(5)	(48)	(11)	(26)	(16)	-	**(106)**
Foreign currency translation	-	(57)	(15)	(86)	(7)	(6)	-	**(171)**
Reclassification	-	-	-	-	-	-	-	**-**
As at 31 December 2011	**-**	**17.220**	**4.671**	**25.778**	**2.156**	**906**	**-**	**50.731**
Net carrying value as at:								
31 December 2011	**3.465**	**156.628**	**17.371**	**65.593**	**3.150**	**1.554**	**264.936**	**512.697**

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5. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Land	Buildings and constructions	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction -in-progress and uninstalled equipment	Total
Cost								
As at 1 January 2010	**3.466**	**121.378**	**24.914**	**66.403**	**3.751**	**6.129**	**173.435**	**399.476**
Acquisitions	-	7.291	3 440	60	107	32	21.543	**32.473**
Disposals	-	(23)	(23)	(17)	(24)	(10)	-	**(97)**
Foreign currency translation	11	235	106	125	9	34	542	**1.062**
Internal transfers	-	14.664	82	17.157	10	2	(31.915)	**-**
Reclassification	-	14.319	(13.718)	3.707	502	(4.775)	(35)	**-**
As at 31 December 2010	**3.477**	**157.864**	**14.801**	**87.435**	**4.355**	**1.412**	**163.570**	**432.914**
Accumulated depreciation								
As at 1 January 2010	**-**	**6.428**	**2.492**	**11.815**	**975**	**2.340**	**-**	**24.050**
Depreciation charge	-	4.627	983	6.253	549	225	-	**12.637**
Depreciation eliminated on disposal	-	(1)	(10)	(10)	(11)	(6)	-	**(38)**
Foreign currency translation	-	-	5	12	-	12	-	**29**
Reclassification	-	1.127	(234)	863	119	(1.875)	-	**-**
As at 31 December 2010	**-**	**12.181**	**3.236**	**18.933**	**1.632**	**696**	**-**	**36.678**
Net carrying value as at:								
31 December 2010	**3.477**	**145.683**	**11.565**	**68.502**	**2.723**	**716**	**163.570**	**396.236**
31 December 2009	**3.466**	**114.950**	**22.422**	**54.588**	**2.776**	**3.789**	**173.435**	**375.426**

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5. PROPERTY, PLANT AND EQUIPMENT (cont.)

The property, plant and equipment that was used as security for long-term and short-term loans were as follows:

	Carrying value of security as at	
	31 December 2011	**31 December 2010**
Buildings and structures	87.998	49.873
Machinery and equipment	6.406	1
Equipment for biological assets	10.724	933
Vehicles	407	213
Other equipment	333	-
Assets under construction-in-progress and uninstalled equipment	46.463	-
	152.331	**51.020**

As at 31 December 2011 and 31 December 2010 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 11.109 thousand and USD 11.257 thousand respectively. The residual amount of contractual commitments is presented in Note 24.

At each reporting period, 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 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 31 December 2011 and 31 December 2010 the recoverable amount was estimated at the lower of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate of 22%. As a result, no impairment indications were identified in neither 2011 nor 2010.

6. HELD TO MATURITY FINANCIAL ASSETS

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

7. BIOLOGICAL ASSETS

		31 December 2011	**31 December 2010**
Non-current biological assets			
Replacement poultry	a), b)	44.304	59.078
Current biological assets			
Commercial poultry	a), b)	58.913	44.700
Other biological assets	c)	3	5
		58.916	**44.705**
		103.220	**103.783**

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7. BIOLOGICAL ASSETS (cont.)

a)Commercial poultry and replacement poultry were as follows:

	31 December 2011		31 December 2010	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	2.303	6.152	3.092	16.515
Hy-Line	22.833	97.065	20.834	86.551
Hisex	-	-	297	570
Other	-	-	30	143
	25.136	**103.217**	**24.253**	**103.779**

b) Reconciliation of commercial and replacement poultry fair value

As at 1 January 2010	**66.396**
Acquisitions	55.638
Increase in value as a result of increase in weight/number	38.404
Net change in fair value	26.187
Decrease in value resulting from disposals	(54.885)
Effect from translation into presentation currency	70
Decrease in value resulting from hens slaughtering	(27.975)
Other changes	(56)
As at 31 December 2010	**103.779**
As at 1 January 2011	**103.779**
Acquisitions	60.120
Increase in value as a result of increase in weight/number	41.374
Net change in fair value	23.697
Decrease in value resulting from disposals	(83.829)
Effect from translation into presentation currency	(364)
Decrease in value resulting from hens slaughtering	(41.488)
Other changes	(72)
As at 31 December 2011	**103.217**

Due to the absence of an active market for laying hen in Ukraine, to determine the fair value of biological assets, the Group uses the discounted net present value of future net cash flows expected from the biological assets. As a discount rate, the rate of 25% prevailing as at 31 December 2011 was applied (2010: 28.0%).

“Other changes” relate to hen mortality, discarding and utilisation of poultry.

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

As at 31 December 2011 and 31 December 2010, the biological assets with a fair value of USD 4.487 thousand and USD 3.741 thousand respectively were pledged as a security for long-term and short-term loans (Note 18).

Notes to the consolidated financial statements
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8. OTHER NON-CURRENT ASSETS

	31 December 2011	31 December 2010
Prepayments for property, plant and equipment	92.684	60.071
Other non-current assets	357	357
	93.041	**60.428**

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, NET

	31 December 2011	31 December 2010
VAT settlements	76.181	52.924
Other taxes prepaid	117	160
	76.298	**53.084**

VAT settlements related to 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

	31 December 2011	31 December 2010
Raw and basic materials	181.504	165.826
Work-in-progress	1.117	1.192
Agricultural produce	4.623	5.915
Finished goods	1.672	5.681
Package and packing materials	5.834	4.329
Goods for resale	3.632	1.012
Other inventories	3.897	1.669
	202.279	**185.624**

The Group produced shell eggs in the quantity of 5.955.780.052 (2010: 4.419.968.480 items) which have fair value amounted to USD 478.394 thousand (2010: USD 245.080 thousand).

Finished goods with carrying amount USD 135 thousand (2010:USD 136 thousand) and raw and basic materials with carrying amount 196 thousand (2010: USD 197 thousand) were pledged as a security for the Group’s loans (Note 18).

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

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11. TRADE ACCOUNTS RECEIVABLE, NET

	31 December 2011	31 December 2010
Trade receivables-gross	51.686	54.801
Provision for doubtful debts	(249)	(123)
	51.437	**54.678**

As at 31 December 2011 USD 6.328 thousand or 12.3% of the total carrying value of trade receivable is due from the single most significant debtor (as at 31 December 2010–see note 41).

The exposure of the Group to credit risk, market risk, and impairment losses in relation to trade receivables is reported in note 41 of the consolidated financial statements.

12. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

	31 December 2011	31 December 2010
Prepayments	22.166	26.357
Provision for doubtful debts	(631)	(726)
Loans to related parties	16	180
Interest receivable on deposits	-	10
Other receivables	5.395	16.008
	26.946	**41.829**

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	31 December 2011	31 December 2010
Cash at bank	231.164	182.949
Cash in hand	116	77
Cash in transit	21	39
Cash equivalents (notes, deposits - repayment on demand)	6.000	-
Other bank accounts in foreign currency	513	-
	237.814	**183.065**
Less restricted cash:		
Other bank accounts in foreign currency	(7.174)	-
Cash as per the consolidated statement of cash flows	**230.640**	**183.065**

The exposure of the Group to credit risk, liquidity risk and impairment losses in relation to cash and cash equivalents is reported in note 41 of the consolidated financial statements.

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14. SHARE CAPITAL, SHARE PREMIUM, CAPITAL CONTRIBUTION RESERVE

	2011			
	Number of shares	**Share capital**	**Share premium**	**Capital contribution reserve**
Authorised Ordinary shares	6.500.000	-	-	-
Issued and fully paid				
As at 31 December 2011	**6.387.185**	**836**	**201.164**	**115.858**

	2010			
	Number of shares	**Share capital**	**Share premium**	**Capital contribution reserve**
Authorised Ordinary shares	6.500.000	-	-	-
Issued and fully paid				
As at 1 January 2010	**5.000.000**	**644**	**-**	**115.858**
Issue of shares	1.387.185	192	201.164	-
As at 31 December 2010	**6.387.185**	**836**	**201.164**	**115.858**

On 22 April 2010 the Company increased its authorized share capital by 1.500.000 ordinary shares of EUR 0,10 per share

In May and June 2010 the Company issued 1.387.185 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.

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15. LONG-TERM LOANS

	Note	31 December 2011	31 December 2010
Long-term bank loans in national currency	a),b),c)	5.613	33.086
Long-term bank loans in foreign currency		29.870	-
Total loans		**35.483**	**33.086**
Other long-term loans		2.500	-
Commodity credit	d)	1.109	1.113
		39.092	**34.199**
Current portion of non-current liabilities for bank loans in national currency		(1.321)	(3.200)
Current portion of non-current liabilities for bank loans in foreign currency		(22.387)	-
		15.384	**30.999**

a) The long-term bank loans by maturities were as follows:

	31 December 2011	31 December 2010
Under a year (Note 19)	23 708	3 200
From 1 to 2 years	7 483	1 550
From 2 to 3 years	4 292	28 336
	35 483	**33 086**

b) The long-term bank loans by currencies were as follows:

	31 December 2011	31 December 2010
Long-term bank loans in UAH	5.613	33.086
Long-term bank loans in USD	29.870	-
	35.483	**33.086**

c) The interest rates for long-term bank loans were as follows:

	31 December 2011	31 December 2010
Long-term bank loans denominated in UAH	14-21%	17%-23%
Long-term bank loans denominated in USD	11%	-

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

d) Commodity credit amounting to USD 1.109 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.

The exposure of the Group to interest rate risk and liquidity risk in relation to loans and borrowings is reported in note 41 of the consolidated financial statements.

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16. LONG-TERM BOND LIABILITIES

	31 December 2011	31 December 2010
Par value	200.000	200.000
Discount on issued bonds	(5.437)	(6.529)
	194.563	**193.471**

	31 December 2011	31 December 2010
Interest payable	3.462	3.461

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

The USD 200.000.000 10% Notes, bear interest from 29 October 2010 at a rate of 10% per annum payable semi annually in arrears on 29 April and 29 October in each year, commencing on 29 April 2011. The maturity date is 29 October 2015 and the placement price was 98.093% of the principal amount of the Notes.

Surety providers of the 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.

The exposure of the Group to interest rate risk and liquidity risk in relation to long term bond liabilities is reported in note 41 of the consolidated financial statements.

17. SHORT-TERM LOANS

	Note	31 December 2011	31 December 2010
Short-term loans in national currency	a),b),c)	32	292
Short-term loans in foreign currency	a),b),c)	52.850	724
Interest free loans		181	20
		53.063	**1.036**

a) The short-term bank loans by maturity were as follows:

	31 December 2011	31 December 2010
Less than 3 months	668	1.016
Between 3 to 6 months	52.182	-
	52.850	**1.016**

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17. SHORT-TERM LOANS (cont.)

b) The short-term bank loans by currencies were as follows:

	31 December 2011	31 December 2010
Short-term loans in UAH	-	292
Short-term loans in USD	50.669	724
Short-term loans in EUR	2.181	-
	52.850	**1.016**

c) The interest rates for short-term bank loans by were as follows:

	31 December 2011	31 December 2010
Short-term loans denominated in UAH	-	25%-29%
Short-term loans denominated in USD	10%-17%	17%
Short-term loans denominated in EUR	2.5%+EURIBOR-10%	-

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

The exposure of the Group to interest rate risk and liquidity risk is reported in note 41 of the consolidated financial statements.

18. SECURITIES

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

	31 December 2011	31 December 2010
Buildings and structures	87.998	49.873
Machinery and equipment	6.406	1
Equipment for biological assets	10.724	933
Vehicles	407	213
Other equipment	333	-
Assets under construction-in-progress and uninstalled equipment	46.463	-
Total Property, plant and equipment	152.331	51.020
Inventories	331	333
Biological assets	4.487	3.741
	157.149	**55.094**

During both 2011 and 2010 shares of APP CJSC Chornobaivske were pledged under long-term bank loans.

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19. CURRENT PORTION OF NON-CURRENT FINANCIAL LIABILITIES

	Note	31 December 2011	31 December 2010
Trade and other payables			
Deferred income (current portion)	34, c)	304	305
Financial liabilities			
Current portion of finance lease liabilities	24	2.128	678
VAT included in current portion of finance lease liabilities	24	426	136
Current portion of non-current liabilities for bank loans in foreign currency	15, a)	22.387	-
Current portion of non-current liabilities for bank loans in national currency	15, a)	1.320	3 200
		26.565	**4 319**

20. DEFERRED TAX ASSETS AND LIABILITIES

The principal components of deferred tax assets and liabilities before netting off on a company basis as at 31 December 2011 and 31 December 2010 were as follows:

	31 December 2011	31 December 2010
Influence of temporary differences on deferred tax assets		
Property, plant and equipment	1.771	-
Advances received	-	44
Intangible assets	-	1
Provisions	70	30
Total deferred tax asset	**1.841**	**75**
Influence of temporary differences on deferred tax liabilities		
Advances issued to suppliers	-	(22)
Property, plant and equipment	-	(1.109)
Deferred expenses	(5)	(54)
Total deferred tax liability	**(5)**	**(1.185)**
Net deferred tax asset/(liability)	**1.836**	**(1.110)**

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20. DEFERRED TAX ASSETS AND LIABILITIES (cont.)

Principal components of income tax expense

As at 31 December 2011 the rate of income tax in Ukraine was equal to 25%-23%
(31 December 2010 : 25%)

	Year ended 31 December 2011	Year ended 31 December 2010
Current income tax	(6.783)	(54)
Deferred tax asset/(liabilitie)	2.996	(200)
Effect of translation into presentation currency	-	-
	(3.787)	**(254)**

Reconciliation of deferred tax asset/(liabilities)

	Year ended 31 December 2011	Year ended 31 December 2010
As at 1 January	(1.110)	(943)
Deferred income/ (expenses) for income tax for the reporting period	2.996	(254)
Effect of translation into presentation currency	(50)	87
As at 31 December	**1.836**	**(1.110)**

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

	Year ended 31 December 2011	Year ended 31 December 2010
Accounting profit before tax	200.081	185.012
Less accounting profit of the companies being fixed agricultural tax payers	(207.171)	(181.814)
	(7.090)	3.198
Accounting loss of the companies being income tax payers at the rate 10%	(25.184)	(2.049)
Accounting profit of the companies being income tax payers at the rate 21%	18.094	5.247
	(7.090)	3.198
Income tax, taxable at the rate of 10%	2.518	205
Loss tax, taxable at the rate of 21%	(3.800)	(1.312)
Expenses not included in gross expenses for income tax	(2.506)	853
Tax as per consolidated statement of comprehensive income-charge	**(3.787)**	**(254)**

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20. DEFERRED TAX ASSETS AND LIABILITIES (cont.)

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	(6.783)
Income tax paid for the period	6.798
Effect of translation into presentation currency	(22)
As at 31 December 2011	**-**

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", LLC "ImperovoFoods", LLC "Agrarnyi Holding Avangard" and LLC "Imperovo LTD". 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

	31 December 2011	31 December 2010
Trade payables	15.920	20.980
Short-term notes issued	1.974	2.211
	17.894	**23.191**

The short-term notes issued were represented by promissory, non-interest bearing notes.

The exposure of the Group to liquidity risk in relation to trade payables is reported in note 41 of the consolidated financial statements.

22. ACCRUED EXPENSES

	31 December 2011	31 December 2010
Accrued expenses for future employee benefits	1.426	1.182
Other accrued expenses	175	126
	1.601	**1.308**

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23. OTHER CURRENT LIABILITIES AND ACCRUED EXPENSES

	Note	31 December 2011	31 December 2010
Wages and salaries and related taxes liabilities		2.215	2.815
Other taxes and compulsory payments liabilities	a)	547	3.958
Accounts payable for property, plant and equipment		4.687	6.728
Advances received from customers	b)	1.971	11.972
Interest payable		717	2.665
Accrued coupon on bonds		5.918	5.727
Other payables		6.909	6.337
		22.964	**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.

The exposure of the Group to liquidity risk in relation to other current liabilities and accrued expenses is reported in note 41 of the consolidated financial statements.

24. FINANCE LEASE

Amounts payable under finance lease as at 31 December 2011	**Minimum lease payments**	**VAT included in minimum lease payments**	**Current value of minimum lease payments**	**VAT included in current value of minimum lease payments**
Within a year	2.674	426	2.128	426
From one to five years	3.589	638	3.191	638
	6.263	**1.064**	**5.319**	**1.064**
Less: finance expenses of future periods	(944)			
Current value of lease liabilities	5.319	1.064	5.319	1.064
Less: amount to be paid within a year			(2.128)	(426)
Amount to be paid after a year			3.191	638

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24. FINANCE LEASE (cont.)

Amounts payable under finance lease as at 31 December 2010	Minimum lease payments	VAT included in minimum lease payments	Current value of minimum lease payments	VAT included in current value of minimum lease payments
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: finance 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

The net carrying value of property, plant and equipment acquired via finance lease was as follows:

	31 December 2011	31 December 2010
Equipment for biological assets	11.068	11.143
Vehicles	41	62
Other equipment	-	52
	11.109	**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 years ended 31 December 2011 and 31 December 2010. Finance lease agreements do not provide the possibility of changing the initial terms of agreements.

The exposure of the Group to interest rate risk and liquidity risk in relation to finance lease liabilities is reported in note 41 of the consolidated financial statements.

25. SHORT-TERM BOND LIABILITIES

	31 December 2011	31 December 2010
Nominal value	25.032	25.120
Bonds repurchased	(19)	-
	25.013	**25.120**

	31 December 2011	31 December 2010
Interest payable	2.456	2.266

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25. SHORT-TERM BOND LIABILITIES (cont.)

As at 31 December 2011 and 31 December 2010 current liabilities for bonds were presented as liabilities for A-type bonds with nominal value of USD 25.013 thousand and USD 25.120 thousand respectively, which was equivalent to UAH 200.000 thousand, issued by CJSC "Avangard" on 2 July 2008. These bonds were issued in book-entry form in number of 200.000 items. The bonds issue were 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.

Interest on bonds 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 is board of directors based on market conditions, but cannot be set less than the National Bank of Ukraine bank rate on the date of the decision of determing the interest rate. The bonds owner has the right to present the bonds to the issuer for payment on the following dates: 25 May 2009, 24 May 2010, 23 May 2011 and 21 May 2012, under the notification conditions. The bonds circulation period is from 2 July 2008 to 19 May 2013.

The exposure of the Group to interest rate risk and liquidity risk in relation to short term bond liabilities is reported in note 41 of the consolidated financial statements.

26. REVENUE

	Year ended 31 December 2011	Year ended 31 December 2010
Revenue from finished goods	552.129	427.292
Revenue from goods sold and services rendered	1.181	12.411
	553.310	**439.703**

For the year ended 31 December 2011 USD 45.876 thousand or 8.3% from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients (for 2010– note 41).

27. COST OF SALES

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Cost of finished goods sold	28	351.962	293.318
Cost of goods sold and services rendered		1.270	14.826
		353.232	**308.144**

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28. COST OF SALES BY ELEMENTS

The cost of finished goods sold (Note 27) for the years ended 31 December 2011 and 31 December 2010 was as follows:

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Raw materials		287.362	249.235
Payroll of production personnel and related taxes	35	20.054	16.394
Depreciation	5	13.870	12.165
Services provided by third parties		30.503	14.949
Other expenses		173	575
		351.962	**293.318**

Services provided by third parties relate to expenses for electricity, storage services, gas, water, repairs of production premises, sanitary cleaning services, veterinary services and other.

29. GENERAL ADMINISTRATIVE EXPENSES

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Salaries and wages	35	5.285	3.254
Services provided by third parties		6.078	3.122
Depreciation	5	91	98
Repairs and maintenance		69	43
Tax expenses (except for income tax)		854	293
Material usage		491	267
Other expenses		293	91
		13.161	**7.168**

30. DISTRIBUTION EXPENSES

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Salaries and wages	35	2.063	1.478
Transportation		5.989	2.531
Depreciation	5	368	373
Services provided by third parties		222	126
Packing materials		914	305
Repairs and maintenance		59	27
Other expenses		420	218
		10.035	**5.058**

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31. OTHER OPERATING INCOME AND EXPENSES

	Year ended 31 December 2011	Year ended 31 December 2010
Loss from disposal of current assets	505	126
Loss from disposal of non current assets	205	56
Impairment of current assets	1.129	259
Payable written off	(26)	(869)
Losses on exchange	2.041	163
Provision for doubtful debts	814	433
Fines and penalties	1.426	1.188
Other expenses	1.336	2.676
	7.430	**4.032**

32. FINANCE COST

	Year ended 31 December 2011	Year ended 31 December 2010
Interest payable on loans	10.308	34.587
Capitalised interest	(4.833)	(16.727)
Total finance cost on loans	**5.475**	**17.860**
Finance cost on finance lease	651	4.014
Finance cost on bonds (interest)	25.374	7.939
Other finance cost	1.606	135
	33.106	**29.948**

33. FINANCE INCOME

Finance income for 2011 and 2010 mainly comprises of the amount of interest income from placement of deposits, in the amount of USD 1.492 thousand and USD 34.058 thousand respectively.

34. INCOME FROM GOVERNMENT GRANTS AND INCENTIVES AND FROM SPECIAL VAT TREATMENT

34.1 Income from government grants and incentives

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions	a)	2	16.951
VAT for development of poultry keeping	b)	-	233
Amortization of deferred income on government grants	c)	306	306
Other grants	d)	10	14
		318	**17.504**

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34. INCOME FROM GOVERNMENT GRANTS AND INCENTIVES AND FROM SPECIAL VAT TREATMENT (cont.)

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.

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 (note 19). The deferred income is amortised over the estimate useful life of the relevant asset (generally 25 years) and the amortisation is reflected in the above table.

d) *Other grants*
Other grants relate to grants granted for sowing of winter crops, meat, and maintaining parent flock.

34.2 Income from special VAT treatment

	Year ended 31 December 2011	**Year ended 31 December 2010**
Income from special VAT treatment	**38.037**	**21.910**

According to the Tax Code of Ukraine agricultural enterprises (those with a relative value of agricultural products in total sales not less than 75% for the previous 12 months) have a tax benefit for VAT on agriculture transactions. Positive VAT balance (positive difference between tax liability and tax credit) from agricultural transactions shall be recognized as other operating income and transferred to special current account and negative balance (negative difference between tax liability and tax credit) shall be included into other operating expenses. These income and expenses are reflected in consolidated financial statements on a net 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, LLC Imperovo LTD, LLC Agrarnyi Holding Avangard).

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35. PAYROLL AND RELATED TAXES

	Year ended 31 December 2011	Year ended 31 December 2010
Salary	17.184	15.423
Contributions to state funds	10.218	5.703
	27.402	**21.126**

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Payroll of production personnel and related taxes	28	20.054	16.394
Salaries and wages of administrative personnel	29	5.285	3.254
Salaries and wages of distribution personnel	30	2.063	1.478
		27.402	**21.126**

	Year ended 31 December 2011	Year ended 31 December 2010
Average number of employees	**5.287**	**4.855**

36. RELATED PARTY BALANCES AND TRANSACTIONS

The Group is controlled by Mr Oleg Bakhmatyuk, who directly or indirectly owns 77.5% of the Group share capital. 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 non related 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.

Payroll costs of key management for the year ended 31 December 2011were as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Salary	1.322	1.952
Contributions to state funds	444	638
	1.766	**2.590**

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36. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

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

	Outstanding balances with related parties as at	
	31 December 2011	**31 December 2010**
Other current asset:		
C. Companies in which the Group's owners have an equity interest;	-	279
D. Companies which activities are significantly influenced by the Group's owners	-	341
	-	**620**
Prepayments and other current assets:		
D. Companies which activities are significantly influenced by the Group's owners	242	-
	242	**-**
Trade receivables:		
B. Companies having the same top management;	-	200
D. Companies which activities are significantly influenced by the Group's owners	722	23
	722	**223**
Cash and cash equivalents:		
D. Companies which activities are significantly influenced by the Group's owners	11.557	4.312
	11.557	**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	65	-
	65	**-**
Trade payables:		
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	1.293	985
	1.293	**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	293	105
	293	**1.395**

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36. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

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

	Transactions with related parties for the year ended	
	31 December 2011	**31 December 2010**
Revenue:		
C. Companies in which the Group's owners have an equity interest;	364	30.420
D. Companies which activities are significantly influenced by the Group's owners	2.099	66.895
	2.463	**97.315**
Administrative expenses:		
C. Companies in which the Group's owners have an equity interest;	(73)	(4)
D. Companies which activities are significantly influenced by the Group's owners	(60)	(64)
	(133)	**(68)**
Distribution expenses:		
C. Companies in which the Group's owners have an equity interest;	(23)	(12)
D. Companies which activities are significantly influenced by the Group's owners	(90)	(872)
	(113)	**(884)**
Other operating income/(expenses)		
C. Companies in which the Group's owners have an equity interest;	6	39
D. Companies which activities are significantly influenced by the Group's owners	(11)	941
	(5)	**980**
Finance income:		
D. Companies which activities are significantly influenced by the Group's owners	1	31.356
	1	**31.356**
Finance cost:		
D. Companies which activities are significantly influenced by the Group's owners	(283)	(27.095)
	(283)	**(27.095)**

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37. ACQUISITIONS OF SUBSIDIARIES

On 30 September 2011 the Group acquired from a related party the 100% interest in LLC Imperovo Ltd. The transaction was accounted for under the purchase method of accounting. The Group's effective ownership interest in LLC Imperovo Ltd upon the acquisition and for 2011 was equal to 99.0%.

The fair value of the net assets acquired were as follows:

	Fair value	Book value
Property, plant and equipment	14.877	14.617
Prepayments and other current assets	7	6
Taxes recoverable and prepaid	2.923	2.923
Trade receivables	167	167
Total assets	**17.974**	**17.713**
Deferred tax liabilities	(60)	-
Other current liabilities and accrued expenses	(1)	(1)
Total liabilities	**(61)**	**(1)**
Net assets acquired	17.913	17.712
Non-controlling interest	-	
The value of acquired net assets	17.913	
Bargain purchase	(191)	
Consideration for acquisition	**17.722**	
Cash and cash equivalents acquired	-	
Net cash outflow arising on the acquisition	**(17.722)**	

The amount of revenue and profit before tax of LLC Imperovo LTD included in the results of the Group since acquisition are USD 0 thousand and USD (444) thousand respectively. If the Group had acquired LLC Imperovo LTD on 1 January 2011 the revenue of the Group would have amounted to USD 553.618 thousand, and Group's profit would have been USD 169.603 thousand and earnings for the year per share would have been equal to USD 31 thousand.

38. 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.

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38. BUSINESS SEGMENTS (cont.)

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.

Business segment information for the year ended 31 December 2011 was as follows:

	Shell egg	**Poultry**	**Animal feed**	**Egg products**	**Other activities**	**Adjustments and elimination**	**Total**
Revenue	482.325	83.319	162.042	99.013	7.358	-	834.057
Intra-group elimination	(93.060)	(56.484)	(126.733)	(514)	(3.956)	-	(280.747)
Revenue from external buyers	**389.265**	**26.835**	**35.309**	**98.499**	**3.402**	**-**	**553.310**
Income from revaluation of biological assets at fair value	12.445	11.253	-	-	-	-	23.698
Other operating income/(expenses)	(4.167)	(493)	(750)	(1.042)	(979)	-	(7.431)
Income from government grants and incentives	312	7	-	-	-	-	319
OPERATING PROFIT/(LOSS)	**235.593**	**(11.092)**	**20.270**	**(7.187)**	**(6081)**	**-**	231.503
Finance income	684	17	13	24	754	-	1.492
Finance cost,	(6.706)	(177)	(2.179)	(2.606)	(21.437)	-	(33.105)
Including:							-
Interest payable on loans	(533)	(176)	(2.179)	(2.580)	(7)	-	(5.475)
Income tax expense	-	-	(4.164)	345	32	-	(3.787)
NET PROFIT/(LOSS) FOR THE PERIOD	**229.571**	**(11.252)**	**13.940**	**(9.424)**	**(27.191)**	**-**	**195.294**
TOTAL ASSETS	**1.252.500**	**71.802**	**258.128**	**285.455**	**225.349**	**(787.581)**	**1.305.654**
Capitalised expenses	120.555	61	2.153	36	247	-	123.052
Depreciation	12.371	1.026	172	595	166	-	14.330
TOTAL LIABILITIES	**567.779**	**11.383**	**249.465**	**114.047**	**304.583**	**(880.943)**	**366.314**

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38. BUSINESS SEGMENTS (cont.)

Business segment information for the year ended 31 December 2010 was as follows:

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	304.057	66.037	40.601	91.253	16.243	-	518.191
Intra-group elimination	(23.766)	(17.278)	(35.344)	(262)	(1.838)	-	(78.488)
Revenue from external buyers	**280.291**	**48.759**	**5.257**	**90.991**	**14.405**	**-**	**439.703**
Income from revaluation of biological assets at fair value	13.113	13.074	-	-	-	-	26.187
Other operating income/(expenses)	(4.213)	(753)	(270)	(174)	509	-	(4.901)
Income from government grants and incentives	17.499	5	-	-	-	-	17.504
OPERATING PROFIT/(LOSS)	**196.705**	**4.934**	**(2.855)**	**(14.680)**	**(3.202)**	**-**	**180.902**
Finance income	27.560	6	3.973	77	2.442	-	34.058
Finance cost, *including:*	(26.073)	(192)	(23)	-	(3.660)	-	(29.948)
Interest payable on loans	(17.645)	(192)	(23)	-	-	-	(17.860)
Income tax expense	-	-	287	(541)	-	-	(254)
NET PROFIT/(LOSS) FOR THE PERIOD	**198.192**	**4.748**	**1.382**	**(15.144)**	**(4.420)**	**-**	**184.758**
TOTAL ASSETS	**881.078**	**54.369**	**166.181**	**87.602**	**398.487**	**(508.688)**	**1.079.029**
Capitalised expenses	23.373	128	9	8.963	-	-	32.473
Depreciation	11.379	1.024	174	60	-	-	12.637
TOTAL LIABILITIES	**384.135**	**5.011**	**169.503**	**73.051**	**204.075**	**(502.965)**	**332.810**

The Group's revenue from external customers and information about its non-current assets by geographical location are presented as follows:

	Revenue from external customers Years ended 31 December		Non-current assets As at 31 December	
	2011	**2010**	**2011**	**2010**
Ukraine	447.717	358.107	650.042	515.742
Middle East	58.303	72.685	-	-
Far East	46.031	7.249	-	-
Rest of the World	1.259	1.662	-	-
Total	**553.310**	**439.703**	**650.042**	**515.742**

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39. EARNINGS PER SHARE

Basic earnings per share
The calculation of basic earnings per share for the years ended 31 December 2011 and 31 December 2010 was based on profit attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

Profit attributable to the owners of the Company:
(in USD thousands)

	31 December 2011	31 December 2010
Profit attributable to the owners of the Company	191.943	182.221

Weighted average number of ordinary shares:

	31 December 2011	31 December 2010
Weighted average number of ordinary shares at 31 December	6.387.185	5.710.695

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 restated 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.

40. 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.

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40. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)

Taxation (cont.)

The Group's uncertain tax positions are reassessed by management at each reporting 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 reporting 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 reporting 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.

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 31 December 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.

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 mentioned in the agreement. The duration of the agreement is three years and expires on November 2012.

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

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41. 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, loans to and from related parties, accounts receivable, bonds, bank loans, finance leases and accounts payable.

The Group is exposed to the following risks resulting from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk of fair value). 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 these financial statements, 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, 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-fulfillment 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) and loans to related parties.

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

Financial assets	**31 December 2011**	**31 December 2010**
Loans and receivables		
Cash and cash equivalents	237.814	183.065
Trade accounts receivable, net	51.437	54.678
Loans to related parties	16	180
Interest receivable on deposits	-	10
	289.267	**237.933**
Held-to-maturity investments		
VAT government bonds	-	257
Other long-term financial assets to non-related parties	-	38
	-	**295**
Total	**289.267**	**238.228**

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41. FINANCIAL RISK MANAGEMENT (cont.)

a) Credit risk (cont.)

Credit risk is heightened in Ukraine due to the 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.

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 2011 and 2010 resulting from non-fulfillment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the year ended 31 December 2011 USD 45.876 thousand or 8.3% of Group's revenue is referred to the sales transactions carried out with one of the Group's clients. As at 31 December 2011 USD 6.328 thousand or 12.3% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

For the year ended 31 December 2010 USD 99.088 thousand or 22.5% of Group's revenue is related to the sales transactions, carried out with one of the Group's clients. As at 31 December 2010 USD 24.184 thousand or 44.2% of the total carrying value of trade accounts receivable is due from the single most significant debtor.

Trade receivables as at 31 December 2011 and 31 December 2010 by dates of origin were presented as follows:

31 December 2011	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	181-365 days	More than 1 year	TOTAL
Carrying value of trade accounts receivable	50.417	212	36	84	77	-	611	**51.437**

31 December 2010	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	181-365 days	More than 1 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.

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41. FINANCIAL RISK MANAGEMENT (cont.)

b) Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill 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 fulfill 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 to maintain a 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 cash flows from operating activities are insufficient for liabilities to be settled. The table below represents the expected maturity of components of working capital:

31 December 2011	**Carrying value**	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**
Trade accounts receivable	51.437	51.437	-	-	-
Loans to related parties	16	16	-	-	-
Cash and cash equivalents	237.814	237.814	-	-	-
Other nontrading accounts receivable	5.395	5.395	-	-	-
Interest receivable for deposits	-	-	-	-	-
Bank loans	(88.333)	(668)	(75.890)	(11.775)	-
Other long-term loans	(3.609)	-	-	(3.609)	-
Short-term loans	(213)	-	(213)	-	-
Trade accounts payable	(17.894)	(17.894)	-	-	-
Interest free loans	(181)	-	(181)	-	-
Finance lease (including VAT)	(6.384)	-	(2.554)	(3.830)	-
Current liabilities for bonds	(25.013)	-	(25.013)	-	-
Long-term bond liabilities	(194.563)	-	-	(194.563)	-
Accounts payable for property, plant and equipment	(4.687)	-	(4.687)	-	-
Interest payable	(717)	(717)	-	-	-
Bonds coupon profit payable	(5.918)	(5.918)	-	-	-
Other accounts payable	(6.910)	(6.910)	-	-	-
	(59.760)	**262.555**	**(108.538)**	**(213.777)**	**-**

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41. FINANCIAL RISK MANAGEMENT (cont.)
b) Liquidity risk (cont.)

41. Financial risk management (cont.)

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	(34.071)	(985)	(3.200)	(29.886)	-
Other long-term loans	(1.113)	-	-	(1.113)	-
Short-term loans	(51)	-	(51)	-	-
Trade accounts payable	(23.191)	(23.191)	-	-	-
Interest free loans	(20)	-	(20)	-	-
Finance lease (including VAT)	(7.186)	-	(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	(6.337)	(6.337)	-	-	-
	(51.739)	**215.036**	**(35.933)**	**(230.842)**	**-**

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.

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Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in local currency (Ukraine Hryvia) as at 31 December 2011 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	CHF	UAH	TOTAL
Long-term bond liabilities	194.563	-	-	-	**194.563**
Short-term bank loans (including overdrafts)	50.669	2.181	-	-	**52.850**
Trade payables	517	105	-	15.299	**15.921**
Accounts payable for property, plant and equipment	-	3.969	-	718	**4.687**
Trade receivables	(46 638)	-	-	(5.048)	**(51.686)**
Accrued coupon on bonds	3.462	-	-	2.456	**5.918**
Net exposure to foreign currency risk	**202.573**	**6.255**	**-**	**13.425**	**222.253**

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)	724	-	-	292	**1.016**
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	**195.376**	**12.385**	**-**	**50**	**207.811**

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:	Increase in currency rate against UAH	Effect on profit before tax
2011		
USD	15%	(30.386)
EUR	10%	(626)

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax
2010		
USD	15%	(29.307)
EUR	10%	(1.239)

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41. FINANCIAL RISK MANAGEMENT (cont.)

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.

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

	31 December 2011	31 December 2010
Instruments with fixed interest rate		
Financial assets	-	-
Financial liabilities	(309.550)	(252.694)
Instruments with variable interest rate		
Financial assets	-	-
Financial liabilities	(8.564)	(7.185)

Such financial instruments as cash and cash equivalents, trade accounts receivable, loans to related parties, interest receivable for deposits, prepayment for bonds, other non trade accounts receivable are not included in the table given above, 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 31 December 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.

Trade and other accounts receivable, loans to related parties - 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.

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41. FINANCIAL RISK MANAGEMENT (cont.)

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

Financial leverage is calculated as a ratio between net debt and total amount of capital. 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 consolidated statement of financial position 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.

Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

41. FINANCIAL RISK MANAGEMENT (cont.)

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

As at 31 December 2011 and 31 December 2010 the Group's financial leverage coefficient made up 7.9% and 9.4% respectively.

	Carrying value	
	31 December 2011	**31 December 2010**
Short-term loans	53.063	1.036
Loans and borrowings	15.384	30.999
Current portion of loans and borrowings	23.708	3.200
Long-term finance lease (including VAT)	6.383	7.185
Long-term bond liabilities	194.563	193.471
Short-term bond liabilities	25.013	25.120
Total amount of borrowing costs	**318.114**	**261.011**
Cash and cash equivalents	237.814	183.065
Financial assistance issued	16	180
Net debt	**80.284**	**77.766**
Share capital	836	836
Share premium	201.164	201.164
Capital contribution reserve	115.858	115.858
Retained earnings	673.909	482.328
Effect of translation into presentation currency	(67.761)	(64.586)
Non-controlling interests	15.333	10.620
Total equity	**939.339**	**746.220**
Total amount of equity and net debt	**1.019.623**	**823.986**
Financial leverage coefficient	**7,9%**	**9,4%**

For the year ended 31 December 2011 ratio of net debt to EBITDA amounted to:

	Year ended 31 December 2011	**Year ended 31 December 2010**
PROFIT/(LOSS) FOR THE PERIOD	196.294	184.758
Income tax income/expenses	3.787	254
Financial income	(1.492)	(34.058)
Financial expenses	33.106	29.948
Income from the purchase of subsidiary	(191)	-
EBIT (earnings before interest and income tax)	**231.504**	**180.902**
Depreciation	14.330	12.637
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**245.834**	**193.539**
Net debt at the year end	80.284	77.766
Net debt at the year end / EBITDA	**0,33**	**0,40**

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

Notes to the consolidated financial statements
FOR THE YEAR ENDED 31 DECEMBER 2011
(in USD thousand, unless otherwise stated)

41. FINANCIAL RISK MANAGEMENT (cont.)

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.

42. 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.

43. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which affect the financial statements as at 31 December 2011.

The consolidated financial statements were approved and authorized for issue on 16 March 2012.