AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated financial statements

For the years ended 31 December 2009, 2008 and 2007

AVANGARDCO INVESTMENTS PUBLIC LIMITED

CONTENTS

Board of Directors and other officers

BOARD OF DIRECTORS:

Kyriaki Georgiou (appointed 23 October 2007, resigned 19 November 2008)
Philippos Philippou (appointed 19 November 2008)
Nataliya Vasylyuk (appointed 3 June 2009)

COMPANY SECRETARY:

Cyproliaison Limited
1 Kostaki Pantelidi Street
KOLOKASSIDES BUILDING, 3rd floor
CY- 1010 Nicosia
Cyprus

REGISTERED OFFICE:

16-18 Zinas Kanther Street
CY-3035 Limassol
Cyprus

Report of the Board of Directors

The Board of Directors presents its report together with the audited consolidated financial statements of AvangardCo Investments Public Limited (the "Company") and its subsidiaries for (hereinafter referred as "the Group") for the years ended 31 December 2009, 2008 and 2007.

Incorporation

The Company was incorporated on 23 October 2007 in Cyprus as a private limited company in accordance with the provisions of the Cyprus Companies Law, Cap. 113, under the name of Ultrainvest Limited.

On 8 July 2009 the Company re-registered as a public limited company and changed its name to AvangardCo Investments Public Limited.

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.

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

In 2009 the principal shareholder of AvangardCo Investments Public Limited reorganised the Group, as a result of which AvangardCo Investments Public Limited became the holding company of an agricultural group of agricultural enterprises, which in the past were under the common ownership and control of this shareholder. The restructuring was carried out by the transfer of direct interest in the Group's companies.

The Group's financial position as at 31 December 2009 as presented in the consolidated statement of financial position in the consolidated financial statements is considered satisfactory. The net asset position of the Group has been substantially increased in year 2008 following the issue of new share capital and it was amounting to Euro 500 thousand.

The Group's financial performance for the period 1 January 2007 to 31 December 2009 as presented in the consolidated statement of comprehensive income of the consolidated financial statements is considered satisfactory. The Group recorded a profit of USD 133.669 thousand for the year ended 31 December 2009 compared to a profit of USD 77.283 thousand for the year ended 31 December 2008 and a profit of USD 30.234 thousand for the year ended 31 December 2007 primarily as a result of fluctuations of the cost of sales and revenue. The fluctuations in the cost of sales were primarily due to fluctuations of material costs and payroll of production personnel and related taxes.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the consolidated financial statements for the years ended 31 December 2009, 2008 and 2007 in notes 41 and 42.

Future developments of the Group

The Board of Directors expects inflow of funds and expansion of activities as a result of Group's listing at London Stock Exchange Main Market.

Report of the Board of Directors (continued)

Results

The Group's results for the years ended 31 December 2009, 2008 and 2007 are set out in the consolidated financial statements on page 12. The Board of Directors does not recommend the payment of dividends and the profits for the years ended 31 December 2009, 2008 and 2007 are retained.

Share capital

The changes to the share capital of the Company are set out in the consolidated financial statements within note 1.

Board of Directors

The members of the Board of Directors at 31 December 2009 and at the date of this report are shown on page 2. Mr Kyriaki Georgiou who was member of the Board at the date of incorporation resigned on 19 November 2008 and on the same day Mr. Philippos Philippou was appointed in her place. Mrs Nataliya Vasylyuk was appointed on 3 June 2009.

There being no requirement in the Company's Articles of Association for the retirement of directors by rotation, 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.

Events after the balance sheet date

In the first quarter of 2010 trade accounts receivables from related parties significantly changed as a result of their paying-off. There were no changes in bank loans or bank deposits portfolio.

On 30 March 2010 Companies of the Group concluded 2 supply contracts for females and males of parent stock of "Hy-Line W-36" and "Hy-Line Brown" for the amounts of EUR 3 130 000 and EUR 570 000. The term of these contracts is 3 years from signing.

Branches

The Group did not operate through any registered branches during the years ended 31 December 2009, 2008 and 2007.

Independent Auditors

The Independent Auditors, Baker Tilly Klitou, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Nataliya Vasylyuk
Director

Nicosia,
30 April 2010

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 11 to 77, which comprise the consolidated statements of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Audit Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of Matter

We draw attention to Note 36 of the consolidated financial statements which indicates that a substantial portion of the Group's assets are due from related parties and a significant component of the Group's revenue is derived from activities with related parties. Related parties may enter into transactions which unrelated parties might not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, 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 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 3 and 4 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 156 of the Cyprus Companies Law, Cap. 113, 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.

Baker Tilly Klitou and Partners Limited
Nicosia, 30 April 2010

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 11 to 77, which comprise the consolidated statements of financial position as at 31 December 2008, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Audit Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of Matter

We draw attention to Note 36 of the consolidated financial statements which indicates that a substantial portion of the Group's assets are due from related parties and a significant component of the Group's revenue is derived from activities with related parties. Related parties may enter into transactions which unrelated parties might not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, 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 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 3 and 4 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 156 of the Cyprus Companies Law, Cap. 113, 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.

Baker Tilly Klitou and Partners Limited
Nicosia, 30 April 2010

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 page 11 to 77, which comprise the consolidated statements of financial position as at 31 December 2007, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Basis for Qualified Opinion

We did not observe the counting of the physical inventories as of 31 December 2006, since that date was prior to the time we were initially engaged as auditors of the Company. Owing to the nature of the Group's records, we were unable to satisfy ourselves as to the inventory quantities by other audit procedures.

Qualified Audit Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical inventory quantities, the consolideated financial statements give a ure and fair view of the financial position of Avangardco Investments Public Limtied as of 31 December 2007, and of its financial, performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of Matter

Without further qualifying our audit report, we draw attention to Note 36 of the consolidated financial statements which indicates that a substantial portion of the Group's assets are due from related parties and a significant component of the Group's revenue is derived from activities with related parties. Related parties may enter into transactions which unrelated parties might not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, 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 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, except as explained in the Basis for Qualified Opinion paragraph.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 4 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 156 of the Cyprus Companies Law, Cap. 113, 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.

Baker Tilly Klitou and Partners Limited
Nicosia, 30 April 2010

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated statement of financial position

AS AT 31 DECEMBER 2009, 2008 AND 2007

(in USD thousand, unless otherwise stated)

ASSETS	Note	**31 December 2009**	**31 December 2008**	**31 December 2007**
NON-CURRENT ASSETS:				
Property, plant and equipment	5	375 426	368 264	213 529
Available for sale financial assets	6	40	41	29 766
Non-current biological assets	7	21 546	9 185	21 343
Long-term bank deposits	15	504	49 351	107 627
Deferred income tax assets	20	230	830	-
Other non-current assets	8	16 630	55 368	110 288
Total non-current assets		**414 376**	**483 039**	**482 553**
CURRENT ASSETS:				
Inventories	10	92 757	47 076	12 688
Prepaid income tax		35	5	-
Taxes recoverable and prepaid	9	28 708	54 058	41 226
Current biological assets	7	44 910	47 935	18 075
Prepayments and other current assets	11	58 626	133 111	38 744
Trade receivables	12	47 320	15 593	47 953
Short-term bank deposits	15	155 917	233 271	37 363
Cash and cash equivalents	14	1 727	5 878	4 460
Total current assets		**430 000**	**536 927**	**200 509**
TOTAL ASSETS		**844 376**	**1 019 966**	**683 062**
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	1	644	644	3
Capital contribution reserve	1	115 858	-	-
Retained earnings		300 107	168 151	74 109
Currency translation reserve		(64 137)	(56 698)	-
Total equity attributable to:				
Equity holders of the parent		**352 472**	**112 097**	**74 112**
Non-controlling interests		8 083	6 406	17 680
Total equity		**360 555**	**118 503**	**91 792**
NON-CURRENT LIABILITIES:				
Long-term loans	16	85 975	192 518	189 340
Deferred income tax liabilities	20	1 173	650	1 201
Deferred income (non-current portion)	34, c)	5 963	6 499	10 136
Long-term finance leases	24	6 142	8 502	-
Total non-current liabilities		**99 253**	**208 169**	**200 677**
CURRENT LIABILITIES:				
Short-term bond liabilities	25	24 249	25 843	-
Current portion of non-current financial liabilities	19	3 445	3 415	10 816
Short-term loans	17	145 531	280 176	213 867
Trade payables	21	68 019	20 529	43 134
Current income tax liabilities		7	-	6
Accrued expenses	22	1 278	1 004	722
Other current liabilities and accrued expenses	23	142 039	362 327	122 048
Total current liabilities		**384 568**	**693 294**	**390 593**
TOTAL LIABILITIES AND EQUITY		**844 376**	**1 019 966**	**683 062**

On 30 April 2010 the Board of Directors of Avangardco Investments Public Limited authorized these consolidated financial statements for issue.

Nataliya Vasylyuk	**Philippos Philippou**
Director	Director

The notes on pages 16 to 77 form an integral part of this financial information.

Consolidated statement of comprehensive income
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(in USD thousand, unless otherwise stated)

	Note	31 December 2009	31 December 2008	31 December 2007
Revenue	26	319 855	302 292	127 788
Net change in fair value of biological assets	7	7 695	12 690	6 467
Cost of sales	27	(220 407)	(232 975)	(114 689)
GROSS PROFIT		**107 143**	**82 007**	**19 566**
General administrative expenses	29	(4 933)	(7 932)	(4 986)
Distribution expenses	30	(3 086)	(4 429)	(4 005)
Income from government grants and incentives	34	9 440	39 068	17 187
Income from special VAT treatment	34	12 291	-	-
Other operating expenses	31	(4 970)	(6 940)	(2 655)
Other operating income		1 397	120	255
Waiver of amounts due to related parties	31	22 525	64	7 798
OPERATING PROFIT		**139 807**	**101 958**	**33 160**
Finance income	33	41 180	26 897	20 868
Finance cost	32	(46 150)	(52 986)	(22 540)
PROFIT BEFORE TAX		**134 837**	**75 869**	**31 488**
Income tax credit/(expense)	20	(1 168)	1 414	(1 254)
PROFIT FOR THE YEAR		**133 669**	**77 283**	**30 234**
OTHER COMPREHENSIVE INCOME FOR THE YEAR:				
Effect of translation into presentation currency		(7 441)	(59 998)	-
TOTAL COMPREHENSIVE INCOME		**126 228**	**17 285**	**30 234**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:				
Owners of the parent		131 956	74 748	24 026
Non-controlling interests		1 713	2 535	6 208
		133 669	**77 283**	**30 234**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent		124 517	18 050	24 026
Non-controlling interests		1 711	(765)	6 208
		126 228	**17 285**	**30 234**
Average weighted number of shares, items		5 000 000	435 000	20 000
Earnings for the year per share, USD (basic and diluted)		26.73	177.66	1 511.70
Total comprehensive income per one share, USD		25.25	39.74	1 511.70

The notes on pages 16 to 77 form an integral part of this financial information.

(in USD thousand, unless otherwise stated)

	Share capital	Capital contribution reserve	Retained earnings (1)	Foreign currency translation reserve	Non-controlling interests	Total
As at 1 January 2007	**3**	**-**	**26 173**	**-**	**7 284**	**33 460**
Businesses under common control	-	-	23 910	-	4 188	**28 098**
Profit for the year	-	-	24 026	-	6 208	**30 234**
As at 31 December 2007	**3**	**-**	**74 109**	**-**	**17 680**	**91 792**
Increase in share capital	641	-	-	**-**	**-**	**641**
Businesses under common control	-	-	19 294	-	(9 945)	**9 349**
Effect of acquisitions of non-controlling interest	-	-	-	-	(564)	**(564)**
Effect from translation into presentation currency	-	-	-	(56 698)	(3 300)	**(59 998)**
Profit for the year	-	-	74 748	-	2 535	**77 283**
As at 31 December 2008	**644**	**-**	**168 151**	**(56 698)**	**6 406**	**118 503**
Additional capital contribution	-	115 858	-	-	-	**115 858**
Effect of acquisitions of non-controlling interest	-	-	-	-	(34)	**(34)**
Effect from translation into presentation currency	-	-	-	(7 439)	(2)	**(7 441)**
Profit for the year	-	-	131 956	-	1 713	**133 669**
As at 31 December 2009	**644**	**115 858**	**300 107**	**(64 137)**	**8 083**	**360 555**

(1) Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 16 to 77 form an integral part of this financial information.

(in USD thousand, unless otherwise stated)

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax	134 837	75 869	31 488
Adjustments for:			
Depreciation of property, plant and equipment	12 285	11 780	5 592
Change in allowance for irrecoverable amounts	69	829	499
Other provisions	274	282	523
Loss on disposal of property, plant and equipment	90	376	242
Cost of current assets written-off	1 571	1 630	1 425
Effect of fair value adjustments	(7 695)	(12 690)	(6 467)
Gains realised from accounts payable written-off	(22 525)	(64)	(7 798)
Partial compensation of complex agricultural equipment cost	312	469	460
Effect of transactions under common control	-	9 349	28 098
Goodwill impairment	629	-	-
Interest income	(41 180)	(26 898)	(20 868)
Interest payable on loans	42 643	48 614	22 540
Operating profit before working capital changes	**121 310**	**109 546**	**55 734**
(Increase)/decrease in trade receivables	(14 517)	31 530	(33 335)
(Increase)/decrease in prepayments and other current assets	161 386	(94 317)	(24 949)
(Increase)/decrease in taxes recoverable and prepaid	24 957	(11 073)	(27 263)
(Increase)/decrease in inventories	(2 130)	(36 016)	(9 312)
Increase/(decrease) in deferred income	(847)	(4 259)	1 331
(Increase)/decrease in other non-current assets	13	(360)	(6)
Increase/(decrease) in trade payables	38 058	(24 066)	26 004
(Increase)/decrease in biological assets	(1 641)	(28 596)	(9 731)
Increase/(decrease) in advances received and other current liabilities	(109 100)	210 930	23 491
Cash generated from operations	**217 489**	**153 319**	**1 964**
Interest paid	(51 781)	(54 653)	(25 909)
Income tax paid	(48)	(29)	(65)
Net cash generated from/(used in) operating activities	**165 660**	**98 637**	**(24 010)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(3 370)	(256 411)	(146 372)
Proceeds from disposals of property, plant and equipment	-	284	165
Effect from acquisition of subsidiaries net of an cash acquired	28	-	-
(Increase)/decrease in bank deposits	126 200	(137 632)	(93 924)
Acquisition of available for sale investments	-	-	(29 766)
Disposal of available for sale investments	-	28 993	-
Interest received	1 769	26 848	20 868
Net cash generated from/(used in) investing activities	**124 627**	**(337 918)**	**(249 029)**

Consolidated statement of cash flows (continued)
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007
(in USD thousand, unless otherwise stated)

	2009	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES:			
New loans received	15 511	469 156	293 775
Repayment of loans	(308 016)	(256 800)	(16 676)
Interest paid for bonds issued	(2 166)	(89)	-
Proceeds from short-term bonds issued	-	25 973	-
Repayment of short-term bonds issued	(798)	(130)	
Increase in share capital	-	641	-
Net cash (used in) / generated by financing activities	**(295 469)**	**238 751**	**277 099**
Effect from translation into presentation currency	**1 097**	**1 856**	**-**
Net (decrease) / increase in cash	**(4 085)**	**1 326**	**4 060**
Cash at the beginning of the year	**5 786**	**4 460**	**400**
Cash at the end of the year	**1 701**	**5 786**	**4 460**

The notes on pages 16 to 77 form an integral part of this financial information.

1. General information

This consolidated financial information of AvangardCo Investments Public Limited ("the Parent company" hereinafter) and subsidiaries ("the Group" or "Avangard" hereinafter jointly) for the years ended 31 December 2007, 31 December 2008 and 31 December 2009 was approved by the Board of Directors on 30 April 2010.

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

AvangardCo Investments Public Limited 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 Company re-registered as a public company and changed its name to AvangardCo Investments Public Limited.

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

The history of "Avangard" began with the acquisition by the principal shareholder of the first poultry farm "Avangard" located in the Ivano-Frankivsk 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 2009 the production facilities of the Group include 31 poultry facilities (consisting of 19 egg laying farms, 9 hen rearing farms and 3 breeding farms), 6 feed mills, and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows it to provide approximately 70% of its own fodder. The Group's activities cover almost all the territory of Ukraine.

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

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

In 2009 the Ukrainian market of eggs and egg production maintained positive growth trends. Using American and European experience of poultry keeping and anticipating changes in the market demand for intensification and enterprises to decrease cost of production, it was decided to build new poultry plants, using European technologies and equipment for industrial farming.

(in USD thousand, unless otherwise stated)

1. General information (continued)

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

Company name	Principal Activity	Country of registration	Ownership Interest 2009	Ownership Interest 2008	Ownership Interest 2007
CJSC Avangard	Keeping of technical laying hen, production and selling of eggs	Ukraine	99%	99%	64%
APP CJSC Chornobaivske		Ukraine	97%	97%	60%
CJSC Agrofirma Avis		Ukraine	100%	100%	90%
OJSC Kirovskiy		Ukraine	100%	100%	87%
OJSC Ptakhohospodarstvo Chervonyi Prapor		Ukraine	98%	98%	86%
SC Ptakhofabryka Lozuvatska		Ukraine	100%	100%	100%
LLC Yuzhnaya - Holding		Ukraine	100%	100%	100%
LLC Makarivska Ptakhofabryka		Ukraine	100%	100%	100%
LLC PF Volnovaska		Ukraine	100%	100%	100%
LLC Cross-PF Zorya		Ukraine	89%	89%	89%
OJSC Ptakhofabryka Pershe Travnya		Ukraine	93%	93%	93%
CJSC Chernivetska Ptakhofabryka		Ukraine	98%	98%	60%
ALLC Donetska Ptakhofabryka		Ukraine	100%	100%	100%
LLC Areal-Snigurivka		Ukraine	100%	100%	-
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		Ukraine	100%	100%	-
PPB LLC Ptytsecompleks		Ukraine	100%	100%	-
PSPC Interbusiness		Ukraine	100%	100%	-
SC Avangard-Agro of CJSC Avangard	Incubation (production and sale of day-old chick), farming of young poultry for sale, and poultry	Ukraine	99%	99%	64%
SC Gorodenkivska Ptakhofabryka of CJSC Avangard		Ukraine	99%	99%	64%
SC Rogatynska Ptakhofabryka of CJSC Avangard		Ukraine	99%	99%	64%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka		Ukraine	100%	100%	100%
LLC Slovyany		Ukraine	90%	90%	90%
SC Ptakhohospodarstvo Lozuvatske		Ukraine	100%	100%	100%
SC Zorya of LLC Cross-PF Zoraya		Ukraine	89%	89%	89%
SC Ptakhofabryka Chervonyi Prapor Poultry, of OJSC Ptakhohospodarstvo Chervoniy Prapor		Ukraine	98%	98%	86%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100%	100%	100%
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska		Ukraine	100%	100%	100%
SC Ptakhohospodarstvo Chornobaivske of APP CJSC Chornobaivske		Ukraine	97%	97%	60%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	99%	99%	64%
OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod		Ukraine	80%	80%	80%
OJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	72%	72%	72%
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	100%	100%	90%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	93%	-	-
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	100%	-	-
LLC Kross	Rendering services under guarantee agreements	Ukraine	100%	100%	100%

(in USD thousand, unless otherwise stated)

1. General information (continued)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 5 000 000 ordinary shares as at 31 December 2009 with nominal value of Euro 0,10 (USD 0,14) per share.

As at 31 December 2007 and until 19 December 2008, the issued share capital of the Parent company was Euro 2 000, which comprised 2 000 ordinary shares with nominal value of Euro 1 per share. On 19 December 2008 this was increased to Euro 500 000 by contemporaneous split of each Euro 1 share into 10 Euro 0,10 shares and the issue of 4 980 000 new shares of Euro 0,10 each at par value.

The shares were distributed as follows:

	31 December 2009		31 December 2008		31 December 2007	
Shareholder	**Number of shares**	**Ownership interest, %**	**Number of shares**	**Ownership interest, %**	**Number of shares**	**Ownership interest, %**
Oleg Bakhmatyuk	20 000	0,4%	20 000	0,4%	2 000	100,0%
Quickcom Limited	1 074 684	21,5%	1 074 684	21,5%	-	-
Omtron Limited	1 848 575	37,0%	1 848 575	37,0%	-	-
Tanchem Limited	926 280	18,5%	926 280	18,5%	-	-
Mobco Limited	1 130 458	22,6%	1 130 458	22,6%	-	-
Other	3	-	3	-	-	-
	5 000 000	100,0%	5 000 000	100,0%	2 000	100,0%

As at 31 December 2009 and 2008 the interests in Quickcom Limited, Omtron Limited, Tanchem Limited, Mobco Limited beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	Ownership interest as at 31 December 2009, %	**Ownership interest as at 31 December 2008, %**
Quickcom Limited	100%	100%
Omtron Limited	100%	100%
Tanchem Limited	100%	100%
Mobco Limited	100%	100%

In the year ended 31 December 2009 the beneficial owner made an "Additional Capital Contribution" in the amount of USD 115 858 thousand, in his capacity as an owner. This transaction was carried out under a debt-for-equity swap agreement resulting in a contribution but no issue of shares.

2. Basis of presentation of consolidated financial statements

2.1 Basis of preparation and accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as approved by the International Accounting Standards Board ("IASB"), and interpretations, issued by the IFRS Standing Interpretations Committee (formerly known as the "IFRIC") as adopted for use in the European Union ("IFRS") and the requirements of the Cyprus Companies Law, Cap. 113 insofar as applicable to this financial information.

Subsidiaries of the Group keep accounting records in compliance with requirements of accounting and reporting in Ukraine. Ukrainian generally accepted accounting principles (GAAP) differ from IFRS. Accordingly, these consolidated financial statements, prepared based on accounting registers of the Group's Subsidiaries, contain adjustments, required to bring the financial statements in compliance with IFRS.

The Parent company (AvangardCo Investments Public Limited) keeps accounting records and prepares individual financial statements accordingly to the requirements of IFRS.

These financial statements were prepared in accordance with IFRS which became effective for years commencing on or after 1 January 2009.

2.1 Basis of preparation and accounting (continued)

Before January 2006 the Group had not prepared any financial statements in accordance with IFRS. Before 1 January 2006 each of Group's entities prepared individual financial statements in accordance with Ukrainian GAAP. The Group has now adopted IFRS as a basis for preparation its consolidated financial statements. For this purpose the Group prepared its initial statement of financial position as at 1 January 2007 ("the date of transition to the reporting in accordance with IFRS") in accordance with requirements of IFRS 1 "First-time adoption of International Financial Reporting Standards"; "IFRS 1"). This standard requires the initial statement of financial position as at the date of transition to be prepared in accordance with accounting policies that satisfy requirements of each International Accounting Standard (IAS) and IFRS which are effective as at the date of first preparation of full financial statements package in compliance with IFRS, subject to certain transitional arrangements within IFRS1. The first Group's full statutory financial statements package in accordance with IFRS that includes statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity with comparative information for the previous year, was prepared for the year ended 31 December 2008, with the transition date being 1 January 2007.

The basis of consolidation is included in Note 3 below.

2.2 Functional and presentation currency

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

2.3 Going concern basis

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.

2.4 Standards and interpretations

a) Standards and Interpretations applied for the first time

The following amended or revised standards and interpretations were first applied by the Group in 2009, which resulted in some changes to accounting policies and other disclosures in the notes to the consolidated financial statements.

IFRS 2 Share-based Payment - vesting conditions and cancellations

The amendments to IFRS 2 were issued in January 2008 and are applied for all annual reporting periods beginning on or after 1 January 2009. The amendments clarify the term "vesting conditions" and determine the interpretation of award which is cancelled if vesting conditions are not met.

IFRS 3 Business Combinations (Revised)

The IASB issued the revised Business Combinations standard in January 2008 which is effective for acquisitions made in financial years beginning on or after 1 July 2009. The standard introduces changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. The revised standard has been early adopted by the Group for acquisitions made in the year ended 31 December 2009 together with the revised IAS 27 Consolidated and Separate Financial Statements, including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.

IFRS 7 Financial Instruments: Disclosures

These amendments were issued in March 2009 and are applicable to annual periods beginning on or after 1 January 2009. The amendments outline additional disclosure requirements for fair value measurement and liquidity risk.

2.4 Standards and interpretations (continued)

IFRS 8 Operating Segments

IFRS 8 was issued in November 2006, which replaced IAS 14 Segment Reporting, and is effective for annual periods beginning on or after 1 January 2009.

The Group early adopted this standard. Disclosure of information required by this standard is presented in Note 37 Business segments.

IAS 1 Presentation of Financial Statements (Revised)

The IASB issued revised IAS 1 Presentation of Financial Statements in September 2007 which is effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the Standard introduces a statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

IAS 23 Borrowing Costs (Revised)

The revised IAS 23 was issued in April 2007 and is effective for annual periods beginning on or after 1 January 2009. The revised standard requires that all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be capitalised.

IAS 27 Consolidated and Separate Financial statements (Revised)

In January 2008, the IASB issued the revised IAS 27, affecting consolidated and separate financial statements. IAS 27 (as issued in 2008) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The amended standard has been early adopted by the Group together with IFRS 3 (Revised) Business Combinations, including consequential amendments to IAS 21, IAS 28, IAS 31 and IAS 39.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and are effective for annual periods beginning on or after 1 January 2009. These amendments allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified features.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

This amendment was issued in July 2008 and is effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The Group has adopted this amendment effective 1 January 2009.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

The amendments to IFRIC 9 and IAS 39 were issued in March 2009 and are effective for annual periods ending on or after 30 June 2009. The amendments require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category.

2.4 Standards and interpretations (continued)

IFRIC 13 Customer Loyalty Programmes

The IFRIC issued IFRIC 13 in June 2007. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. It is effective for annual periods beginning on or after 1 July 2008.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

This was issued in July 2008. This interpretation provides guidance on the accounting for a hedge of a net investment. This interpretation is effective for financial years beginning on or after 1 October 2008.

b) Improvements and other changes to IFRS not yet applied

In April 2009 the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. In addition, other standards and interpretation statements have been issued that are effective for future periods, or have not yet been adopted for use in the EU.

IFRIC Interpretation 17 Distributions of Non-Cash Assets to Owners

The interpretation is a part of project implemented by IASB on an annual basis relating to the improvements in standards issued in April 2009. IFRIC 17 provides guidance on how to account for distributions of non cash assets to its owners and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. The Group shall apply this IFRIC Interpretation 17 from 1 January 2010. No significant effect on the financial statements is expected.

IFRS 5 Non-current assets held for sale and discontinued operations

The amendments are a part of project implemented by IASB on an annual basis relating to the improvements in standards issued in April 2009. The changes clarify IFRS 5 which stipulates disclosures required for non-current assets (or disposal groups) held for sale and discontinued operations. Such changes also specify that general requirements of IAS 1 are still applied, in particular, paragraph 15 (provide reliable information presentation) and paragraph 125 (sources of estimates) of IAS 1. The Group shall apply IFRS 5 (amended) starting from 1 January 2010.

In addition to those referred to above, other standards and improvements have been issued. The following have not been adopted in this financial information which will be generally effective (assuming endorsement by the EU where not currently endorsed) for periods commencing on or after 1 January 2010 or later.

IFRS 1: First time adoption of IFRS – Amendment; Additional exemptions for first time adopters
IFRS1: First time adoption of IFRS – Amendment: Limited exemptions from comparative IFRS7 disclosures for first time adopters
IFRS 2: Share-based payments – Amendment; Cash-settled Share-based payment transactions
IFRS 5: Non-current assets held for sale and discontinued operations: Improvement to Standard
IFRS 9: Financial Instruments
IAS 7: Statement of Cash Flows: Improvement to Standard (endorsed)
IAS 17: Leases: Improvement to Standard (endorsed)
IAS 24: Revised IAS 24 – Related party disclosures
IAS 32: Financial Instruments: Presentation – amendment; Classification of Rights Issues (endorsed)
IAS 36: Impairment of assets: Improvement to Standard (endorsed)
IAS 38: Intangible assets: Improvement to Standard
IAS 39: Financial Instruments: Recognition and Measurement – Amendment; Eligible hedged items (endorsed)
IFRIC 9: Reassessment of Embedded Derivatives: Improvement to Standard (endorsed)
IFRIC 14: Amendment – Prepayments of a minimum funding requirement

2.4 Standards and interpretations (continued)

IFRIC 16: Hedges of net investment in a foreign operation: Improvement to Standard (endorsed)
IFRIC 17: Distributions of Non-cash Assets to Owners (endorsed)
IFRFIC 18: Transfers of Assets from Customers (endorsed)
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial information of the Group

3. Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the companies controlled by the Group ("Subsidiaries") as at 31 December 2009, 31 December 2008 and 31 December 2007.

Transactions under common control

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

Subsidiaries

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

Combinations of businesses under common control

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

- The Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonisation of accounting policies.
- No goodwill arises in predecessor accounting. Predecessor accounting may lead to differences in consolidation, for example the consideration given may differ from the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. Such differences are included in equity in retained earnings.
- The consolidated financial 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.

Combinations of businesses not under common control

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

3.1 Basis of consolidation (continued)

Transactions eliminated by consolidation

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

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

Business combinations and goodwill

Business combinations from 1 January 2009
Business combinations (other than those of businesses under common control) are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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

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

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

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

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

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

Business combinations prior to 31 December 2008
In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

(in USD thousand, unless otherwise stated)

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 balance sheet 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 profit or loss.

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

Currency	31 December 2009	Weighted average for 2009	31 December 2008	Weighted average for 2008	31 December 2007
US dollar	7,99	7,79	7,70	5,17	5,05

The dollar rate was constant during 2007 at the rate disclosed for 31 December 2007 above. The foreign currencies may be freely convertible on the territory of Ukraine at the exchange rate which is close to the exchange rate established by the National Bank of Ukraine. At the moment, the Ukrainian Hryvnia is not a freely convertible currency outside of Ukraine.

(b) Presentation currency

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

(1) At each date of financial statements 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

3.3 Property, plant and equipment (continued)

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

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

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

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

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

De-recognition

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

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

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

3.4 Financial assets

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

(b) Loans and accounts receivable

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

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

c) 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 into current assets. Available for sale financial assets are recorded at fair value through equity.

3.4 Financial assets (continued)

Initial recognition

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

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

Principles of fair value measurement

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

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

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

Subsequent measurement

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

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

Impairment of financial assets

At each reporting date the Group measures whether there is any objective evidence of impairment of financial assets or group of financial assets. A financial asset or group of financial assets is considered to be impaired if and only if there is objective evidence 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. The financial liability is derecognised if the term of contractual obligations expires and contractual obligations fulfilled or agreement canceled.

3.5 Financial liabilities

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

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

Initial recognition

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

Subsequent measurement

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

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

De-recognition

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

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined as the estimated selling price less all estimated costs of completion and preliminary estimated distribution and selling costs. Inventories consumed 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 exceeds the net realisable value, raw materials are written-off to net realisation value.

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 expenses for sale, except for the cases, when it is not possible to quantify fair value with sufficient reliability.

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 on hand, cash in transit, issued letters of credit.

3.9 Impairment of non-current assets

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

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

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

3.10 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 Law of Ukraine "About value-added tax" dated 03.04.1997 No.168-ВР regarding the agricultural activities, which provides preferential VAT treatment to support agricultural producers.

3.10 Value added tax (VAT) (continued)

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

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

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

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

3.11 Income tax and deferred income tax

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

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

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

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

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

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

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

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

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

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

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

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

3.12 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 mentioned below are met. The amount of income cannot be reliably measured unless all contingent liabilities relating to sale are settled. The estimates of the Group are based on historical results, taking into account the type of customer, transaction and the specific terms of each agreement.

Revenue is recorded at fair value of assets receivable.

Interest income

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

3.13 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 lesse assumes all the significant risks and benefits associated with ownership of the relevant assets. All other leases are classified as operating leases.

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

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

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

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

3.14 Distribution of dividends

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

3.15 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.

3.16 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.

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.

3.17 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.

3.18 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 obligation as 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.

3.18 Accrued expenses and provisions (continued)

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

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

3.19 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and 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.

4. Significant accounting judgements and estimates

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

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

4.3 Impairment of non-financial assets

An 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 inflows and the growth rate used for extrapolation purposes.

(in USD thousand, unless otherwise stated)

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.

In calculating the impairment, two approaches are used, depending on the amount of receivables:

1. *Individual approach* – receivables from customers (consumers) exceeding UAH 50 thousand are analysed separately and, if necessary, provision is made individually for each debt. The amount of provision is calculated as a difference between the carrying value of accounts receivable and estimated future cash flows (including the amounts which may be received from guarantees and enforcement of pledge), discounted using interest rate of debtor at the date of receivables incurrence.
2. *Group approach* - receivables not exceeding UAH 50 thousand, are grouped, and turnover is analysed for the group as a whole, rather than on each individual debt separately. Based on the analysis of accounts receivable according to the previous reporting period data for the share of uncollectible receivables, interest is calculated for calculation of reserve for doubtful debt of current reporting period. Subsequently, to calculate the provision of doubtful debt of current reporting period, interest is applied to outstanding balance for the current period, less the amount of accounts receivable, provision for which is calculated on an individual basis.

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

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

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

4.5 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.

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.

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

4.8 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.

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment

As at 31 December 2007 movements in property, plant and equipment were as follows:

Initial value	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-progress and uninstalled equipment	Total
As at 1 January 2007	**1**	**61 552**	**10 303**	**29 045**	**2 040**	**432**	**182**	**103 555**
Acquisitions	28	21 689	1 916	22 061	624	679	5 022	**52 019**
Replacement of components	1	904	85	919	26	29	209	**2 173**
Merger of entities under common control	5 451	42 950	2 770	2 864	1 313	7 393	544	**63 285**
Disposals	-	(248)	(57)	(71)	(34)	(17)	-	**(427)**
As at 31 December 2007	**5 481**	**126 847**	**15 017**	**54 818**	**3 969**	**8 516**	**5 957**	**220 605**
Accumulated depreciation								
As at 1 January 2007	**-**	**503**	**216**	**711**	**61**	**13**	**-**	**1 504**
Depreciation charge for year	-	1 184	462	2 768	202	976	-	**5 592**
Depreciation eliminated on disposal'	-	(3)	-	(3)	(3)	(11)	-	**(20)**
As at 31 December 2007	**-**	**1 684**	**678**	**3 476**	**260**	**978**	**-**	**7 076**
Net carrying value as at:								
31 December 2007	**5 481**	**125 163**	**14 339**	**51 342**	**3 709**	**7 538**	**5 957**	**213 529**

(in USD thousand, unless otherwise stated)

As at 31 December 2008 movements in property, plant and equipment were as follows:

Initial value	**Land**	**Buildings and structures**	**Machinery and equipment**	**Equipment for biological assets**	**Vehicles**	**Other equipment**	**Assets under construction-progress and uninstalled equipment**	**Total**
As at 1 January 2008	**5 481**	**126 847**	**15 017**	**54 818**	**3 969**	**8 516**	**5 957**	**220 605**
Acquisitions	-	24 320	17 315	23 662	1 477	346	247 766	**314 886**
Replacement of components	-	6 024	208	6 941	33	27	45	**13 278**
Merger of entities under common control	-	10 331	433	5 884	397	836	6 852	**24 733**
Disposals	-	(147)	(339)	(139)	(54)	(35)	-	**(714)**
Effect from translation into presentation currency	(1 886)	(57 129)	(11 051)	(33 473)	(1 982)	(3 246)	(83 239)	**(192 006)**
Internal transfers	-	(140)	285	7 786	-	(263)	(7 668)	**-**
As at 31 December 2008	**3 595**	**110 106**	**21 868**	**65 479**	**3 840**	**6 181**	**169 713**	**380 782**
Accumulated depreciation								
As at 1 January 2008	**-**	**1 684**	**678**	**3 476**	**260**	**978**	**-**	**7 076**
Depreciation charge for year	-	3 111	873	5 973	518	1 305	-	**11 780**
Depreciation eliminated on disposal'	-	(2)	(22)	(12)	(8)	(10)	-	**(54)**
Effect from translation into presentation currency	-	(1 604)	(515)	(3 152)	(257)	(756)	-	**(6 284)**
As at 31 December 2008	**-**	**3 189**	**1 014**	**6 285**	**513**	**1 517**	**-**	**12 518**
Net carrying value as at:								
31 December 2008	**3 595**	**106 917**	**20 854**	**59 194**	**3 327**	**4 664**	**169 713**	**368 264**

(in USD thousand, unless otherwise stated)

As at 31 December 2009 movements in property, plant and equipment were as follows:

Initial value	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-progress and uninstalled equipment	Total
As at 1 January 2009	**3 595**	**110 106**	**21 868**	**65 479**	**3 840**	**6 181**	**169 713**	**380 782**
Acquisitions	-	5 037	2 186	132	60	62	22 063	**29 540**
Replacement of components	-	1 766	257	102	16	24	-	**2 165**
under common control	-	-	1 501	-	-	18	-	**1 519**
Disposals	-	(64)	(3)	-	(27)	(6)	-	**(100)**
presentation currency	(129)	(4 274)	(904)	(2 417)	(138)	(229)	(6 339)	**(14 430)**
Internal transfers	-	8 807	9	3 107	-	79	(12 002)	**-**
As at 31 December 2009	**3 466**	**121 378**	**24 914**	**66 403**	**3 751**	**6 129**	**173 435**	**399 476**
Accumulated depreciation								
As at 31 December 2008	**-**	**3 189**	**1 014**	**6 285**	**513**	**1 517**	**-**	**12 518**
Depreciation charge for year	-	3 441	1 546	5 898	499	901	-	**12 285**
under common control		-	6	-	-	1	-	**7**
eliminated on disposal'	-	(3)	-	-	(7)	(3)	-	**(13)**
presentation currency	-	(199)	(74)	(368)	(30)	(76)	-	**(747)**
As at 31 December 2009	**-**	**6 428**	**2 492**	**11 815**	**975**	**2 340**	**-**	**24 050**
Net carrying value as at:								
31 December 2009	**3 466**	**114 950**	**22 422**	**54 588**	**2 776**	**3 789**	**173 435**	**375 426**

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (continued)

As at 31 December 2009, 31 December 2008 and 31 December 2007 property, plant and equipment were used as security for long-term and short-term loans were as follows:

	Carrying value of security as at 31 December 2009	Carrying value of security as at 31 December 2008	Carrying value of security as at 31 December 2007
Buildings and structures	114 950	106 917	125 163
Machinery and equipment	22 422	20 854	14 339
Equipment for biological assets	54 588	59 194	51 342
Vehicles	2 776	3 327	3 709
Assets under constructionin-progress and uninstalled equipment	173 435	169 713	-
	368 171	**360 005**	**194 553**

In 2009 the Group received government grants "Partial compensation of complex agricultural equipment cost" in the amount of USD 312 thousand (in 2008 - USD 469 thousand, in 2007 - USD 460 thousand).

As at 31 December 2009, 2008 and 2007 net book value of property, plant and equipment which were acquired under finance leases amounted to USD 11 521 thousand, USD 12 241 thousand and USD 204 thousand respectively. The residual amount of contractual commitments is presented in Note 24.

At each balance sheet date, the Group reviews the book values of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). As at 31 December 2009, 31 December 2008 and 31 December 2007 the recoverable amount was the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates of 22,00% and 16,53% as at 31 December 2009 and 2008 respectively. As a result, no impairment indicators were identified at 31 December 2009, 31 December 2008 and 31 December 2007.

6. Available for sale financial assets

Available for sale financial assets as at 31 December 2009, 31 December 2008 and 31 December 2007 comprised the following:

	As at 31 December 2009		As at 31 December 2008		As at 31 December 2007	
Company name	**Investment carrying value**	**Ownership ratio in percentage**	**Investment carrying value**	**Ownership ratio in percentage**	**Investment carrying value**	**Ownership ratio in percentage**
Nominal investment certificates	-	-	-	-	29 703	17,00%
Gasresursvydobuvannya, OJSC	40	0,25%	38	0,25%	60	0,25%
Sentyanovskoe hlebopriemnoe predpriyatie, OJSC	-	-	1	0,92%	1	0,92%
Perevalskoe remontno-transportnoe predpriatie, OJSC	-	-	2	7,93%	2	7,93%
	40		**41**		**29 766**	

As at 31 December 2007 the Group owned nominal investment certificates of closed non-diversified venture investment fund "Avangard-Agro-Invest" in the amount of 150 000 (one hundred fifty thousand) units with a carrying value of USD 29 703 thousand. These certificates were used as collateral for long-term and short-term borrowings of the Group.

(in USD thousand, unless otherwise stated)

6. Available for sale financial assets (continued)

In 2008, these investment certificates were sold to LLC "Stanislavskaya Trade Company" (related party) at par value.

As at 31 December 2009, 31 December 2008 and 31 December 2007 the Group owned equity instruments that do not have a quoted market price in an active market and they cannot be reliably measured. These equity instruments are recognised at cost as at each year end.

7. Biological assets

Biological assets as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

Non-current biological assets	**Note**	**31 December 2009**	**31 December 2008**	**31 December 2007**
Replacement poultry	a)	21 546	9 185	21 343
		21 546	**9 185**	**21 343**
Current biological assets				
Commercial poultry	b)	44 850	47 386	17 592
Other biological assets	c)	60	549	483
		44 910	**47 935**	**18 075**

a) Commercial poultry and replacement poultry as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009		**31 December 2008**		**31 December 2007**	
	Number, thousand head	**Carrying value**	**Number, thousand head**	**Carrying value**	**Number, thousand head**	**Carrying value**
Decalb	-	-	1 427	2 615	1 592	7 714
Isa Brown	-	-	917	3 079	709	1 937
Loman	331	1 947	823	2 335	1 391	5 560
Hy-Line	14 795	61 572	7 114	36 183	746	3 013
Hisex	350	2 115	876	1 536	2 436	8 926
Other	645	762	2 828	10 823	2 682	11 785
	16 121	**66 396**	**13 985**	**56 571**	**9 556**	**38 935**

b) Reconciliation of commercial and replacement poultry carrying value for the years ended 31 December 2009, 31 December 2008 and 31 December 2007:

As at 1 January 2007		**12 345**
Merger of entities under common control		10 747
Acquisitions		7 894
Increase in value as a result of changes in weight/number		1 482
Income from revaluation of biological assets at fair value	12 604	
Changes in value of biological assets as a result of agricultural produce harvesting	(6 137)	6 467
Net change in fair value		
As at 31 December 2007		**38 935**
Merger of entities under common control		5 128
Acquisitions		49 509
Increase in value as a result of increase in weight/number		42 202
Income from revaluation of biological assets at fair value	14 729	
Changes in value of biological assets as a result of agricultural produce harvesting	(2 039)	12 690
Net change in fair value		
Decrease in value resulting from assets disposal		(56 927)
Effect from translation into presentation currency		(28 712)
Other changes		(6 254)
As at 31 December 2008 (transferred to next page)		**56 571**

(in USD thousand, unless otherwise stated)

7. Biological assets (continued)

As at 31 December 2008 (from previous page)		**56 571**
Acquisitions		38 065
Increase in value as a result of increase in weight/number		30 082
Income from revaluation of biological assets at fair value	12 386	
Changes in value of biological assets as a result of agricultural produce harvesting	(4 691)	
Net change in fair value		7 695
Decrease in value resulting from assets disposal		(44 590)
Effect from translation into presentation currency		(4 822)
Other changes		(16 605)
As at 31 December 2009		**66 396**

Due to the absence of an active market for laying hen in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets. As a discount rate, the rate of 28.5% prevailing as at 31 December 2009 was applied (as at 31 December 2008 - 18%-19%, as at 31 December 2007 – 24%).

The line item “Other changes” includes mortality, discarding and utilisation of poultry.

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

As at 31 December 2009, 31 December 2008 and 31 December 2007, the biological assets with a carrying value of USD 3 227 thousand, USD 5 169 thousand and USD 2 592 thousand respectively were a security for long-term and short-term loans.

8. Other non-current assets

Other non-current assets as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Prepayments for property, plant and equipment	16 273	54 998	110 278
Other non-current assets	357	370	10
	16 630	**55 368**	**110 288**

9. Taxes recoverable and prepaid

Taxes recoverable and prepaid as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Note	31 December 2009	31 December 2008	31 December 2007
VAT settlements	a)	28 625	54 010	41 106
Other taxes prepaid		83	48	120
		28 708	**54 058**	**41 226**

a) As at 31 December 2009, 31 December 2008 and 31 December 2007 the item "VAT settlements" includes the amount of VAT, which is subject to:

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

10. Inventories

Inventories as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Raw and basic materials	72 877	39 468	8 141
Work-in-progress	1 935	206	201
Agricultural produce	884	4 639	1 857
Finished goods	9 958	67	428
Package and packing materials	3 262	1 450	829
Goods for resale	2 640	167	39
Other inventories	1 201	1 079	1 193
	92 757	**47 076**	**12 688**

For the year ended 31 December 2009 the amount of inventories writen-off as expenses and included into the item "Other operating income/(expenses)" is amounting to USD 1 571 thousand (31 December 2008 – USD 1 630 thousand, 31 December 2007 – USD 1 425 thousand).

For the years ended 31 December 2009, 2008 and 2007 the Group produced shell eggs in the quantity of 3 634 124 230, 2 421 604 110, 1 769 126 292 items respectively. The fair value produced shell eggs for the years ended 31 December 2009, 2008 and 2007 amounted to USD 125 148 thousand, USD 144 208 thousand and USD 67 595 thousand respectively.

As at 31 December 2009, finished goods – inventory with a carrying value of 135 USD thousand, and also raw and basic materials with a carrying value of USD 196 thousand were pledged as security for the Group's loans.
As at 31 December 2008, finished goods – shell inventory with a carrying value of USD 140 thousand, and also raw and basic materials with a carrying value of USD 203 thousand were pledged as security for the Group's loans.
As at 31 December 2007, finished goods – inventory with a carrying value of USD 214 thousand, and also raw and basic materials with a carrying value of USD 310 thousand were pledged as security for the Group's loans.

11. Prepayments and other current assets

Prepayments and other current assets as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Note	31 December 2009	31 December 2008	31 December 2007
Prepayments		11 584	90 703	10 125
Loans to related parties	a)	4 320	702	5 733
Commission receivable for acquisition of corporate rights	b)	-	12 987	19 802
Interest receivable on deposits		39 411	79	29
Accounts receivable for bonds	c)	-	25 496	-
Other non-trade accounts receivable		3 311	3 144	3 055
		58 626	**133 111**	**38 744**

a) "Loans to related parties" include interest-free loans to related parties. In accordance with the loan agreements, the settlement term is set by reference to "complete performance of all liabilities by parties".
b) As at 31 December 2008 and 31 December 2007 accounts receivable under a commission agreement amounting to USD 12 987 thousand and USD 19 802 thousand (equivalent to UAH 100 mln) respectively represented accounts receivable for acquisition of corporate rights of LLC "Slovyany" (90% of share capital) to "Invest Ptahoprodukt", LLC) in accordance with the agreement.
c) As at 31 December 2008 accounts receivable for bonds in the amount of USD 25 496 thousand (equivalent to UAH 196 319 thousand) represents accounts receivable from LLC "Stanislavskaya Torgovaya kompaniya", under securities contracts representing 193 544 items.

(in USD thousand, unless otherwise stated)

12. Trade accounts receivable

Trade accounts receivable, net as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Note	31 December 2009	31 December 2008	31 December 2007
Trade accounts receivable		47 320	15 593	47 331
Accounts receivable under commission agreement		-	-	622
		47 320	**15 593**	**47 953**

As at 31 December 2009, USD 33 293 thousand or 69.9% of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 31 December 2008 and 2007 – see note 41, a)).

13. Changes in impairment provisions

Changes in impairment provisions for the years ended 31 December 2009, 2008 and 2007 were as follows:

	Impariment for doubtful debts
As at 31 December 2006	**(384)**
Expense accruals	(499)
Provision usage	252
As at 31 December 2007	**(631)**
Expense accruals	(829)
Provision usage	134
Effect of translation of presentation currency	445
As at 31 December 2008	**(881)**
Expense accruals	(69)
Provision usage	62
Effect of translation of presentation currency	186
As at 31 December 2009	**(702)**

14. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Cash in banks	1 493	5 701	3 957
Cash on hand	103	44	211
Cash in transit	105	42	292
Letter of credit in national currency	26	91	-
	1 727	**5 878**	**4 460**
Less restricted cash:			
Letter of credit in national currency	(26)	(91)	-
Cash to be represented in statement of cash flows	**1 701**	**5 786**	**4 460**

(in USD thousand, unless otherwise stated)

15. Deposits

Deposits as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Bank deposits (with maturity under 3 months)	-	510	2 588
Bank deposits (with maturity from 3 to 12 months)	155 917	232 761	34 775
Bank deposits (with maturity above 12 months)	504	49 351	107 627
	156 421	**282 622**	**144 990**

As at 31 December 2009, 31 December 2008 and 31 December 2007, all the bank deposits were made in national currency of Ukraine.

Deposit interest rates as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Bank deposits (with maturity under 3 months)	-	12.5%	10.5%-16.0%
Bank deposits (with maturity from 3 to 12 months)	16.0%	8.0%-16.0%	12.9%-17.0%
Bank deposits (with maturity above 12 months)	12.0%	12.0%-16.0%	8.0%-16.0%

As at 31 December 2009, 31 December 2008 and 31 December 2007, bank deposits with carrying value of USD 156 421 thousand, USD 282 622 thousand and USD 95 116 thousand respectively were a security for long- and short-term loans of the Group's companies.

16. Long-term loans

Long-term loans as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Note	31 December 2009	31 December 2008	31 December 2007
Long-term bank loans in national currency	a),b),c)	84 104	190 142	195 535
Long-term bank loans in foreign currency	a),b),c)	1 845	2 146	2 310
Total loans		**85 949**	**192 288**	**197 845**
Commodity credit	d)	1 110	1 151	1 755
		87 059	**193 439**	**199 600**
Current portion of bank loans in national currency		(122)	(116)	(8 917)
Current portion of bank loans in foreign currency		(962)	(805)	(1 343)
		85 975	**192 518**	**189 340**

a) As at 31 December 2009, 31 December 2008 and 31 December 2007 long-term bank loans by maturities were as follows:

	31 December 2009	31 December 2008	31 December 2007
Under a year (current portion)	1 085	921	10 260
From 1 to 2 years	51 278	85 775	63 801
From 2 to 3 years	-	70 762	123 763
From 3 to 4 years	33 586		
From 4 to 5 years	-	34 830	-
Above 5 years	-	-	21
	85 949	**192 288**	**197 845**

(in USD thousand, unless otherwise stated)

16. Long-term loans (continued)

b) As at 31 December 2009, 31 December 2008 31 December 2007 long-term bank loans by currencies were as follows:

	31 December 2009	31 December 2008	31 December 2007
Long-term bank loans in UAH	84 104	190 142	195 535
Long-term bank loans in CHF	1 845	2 146	-
Long-term bank loans in USD	-	-	2 144
Long-term bank loans in EURO	-	-	166
	85 949	**192 288**	**197 845**

c) As at 31 December 2009, 31 December 2008 and 31 December 2007 interest rates for long-term bank loans were as follows:

	31 December 2009	31 December 2008	31 December 2007
Long-term bank loans denominated in UAH	16.0%-23.0%	14.0%-23.0%	14.0%-18.0%
Long-term bank loans denominated in CHF	9.0%	9.0%	-
Long-term bank loans denominated in USD	-	-	13.0%
Long-term bank loans denominated in EURO	-	-	10.5%

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

d) Commodity credit is represented by a liability of the Group's companies, such as OJSC "Volnovahskyi Kombinat Khilboprodiktiv" 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.

17. Short-term loans

Short-term loans as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Note	31 December 2009	31 December 2008	31 December 2007
Short-term loans in national currency	a),b),c)	136 271	175 181	117 709
Short-term loans in foreign currency	a),b),c)	725	771	-
Interest free loans	d)	8 535	104 151	96 101
Overdrafts	c)	-	73	57
		145 531	**280 176**	**213 867**

As at 31 December 2008 interest free loans received in the amount of USD 198 369 thousand were reclassified into advances received.

a) As at 31 December 2009, 31 December 2008 and 31 December 2007 short-term bank loans by maturity were as follows:

	31 December 2009	31 December 2008	31 December 2007
under 3 months	975	20 995	30 231
from 3 to 6 months	11 151	5 743	32 498
from 6 to 12 months	124 870	149 214	54 980
	136 996	**175 952**	**117 709**

b) As at 31 December 2009, 31 December 2008 and 31 December 2007 short-term bank loans by currencies were as follows:

	31 December 2009	31 December 2008	31 December 2007
Short-term bank loans in UAH	136 271	175 181	117 709
Short-term bank loans in USD	725	725	-
Short-term bank loans in EURO	-	46	-
	136 996	**175 952**	**117 709**

(in USD thousand, unless otherwise stated)

17. Short-term loans (continued)

c) Short-term bank loans and overdrafts by currencies as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Short-term bank loans denominated in UAH	10.25%-28.0%	14,5%-30,0%	14.0%-20.0%
Short-term bank loans denominated in USD	17.0%	13.0%	-
Short-term bank loans denominated in EURO	-	10.5%	-
Overdrafts denominated in UAH	-	22.0%	16.0%

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

d) As at 31 December 2009, 31 December 2008 and 31 December 2007 interest-free loans received under financial assistance contracts amounted to USD 8 535 thousand, USD 104 151 thousand and USD 96 101 thousand respectively, with contracts not exceeding a year from the reporting date.

18. Security

Long-term and short-term loans as at 31 December 2009, 31 December 2008 and 31 December 2007 were secured on assets as follows:

	31 December 2009	31 December 2008	31 December 2007
Buildings and structures	114 950	106 917	125 163
Machinery and equipment	22 422	20 854	14 339
Equipment for biological assets	54 588	59 194	51 342
Vehicles	2 776	3 327	3 709
Assets under constructionin-progress and uninstalled equipment	173 435	169 713	-
Property, plant and equipment, total	368 171	360 007	194 553
Inventories	331	343	524
Biological assets	3 227	5 169	2 592
Personal investment certificates	-	-	29 703
Bank deposits	156 421	282 622	95 116
	528 150	**648 139**	**322 488**

As at 31 December 2007, the shares of OJSC "Vuhlelhirskyi Eksperementalnyi Kombikrmovyi Zavod" in the amount of 79,17% of share capital with collateral value of USD 2 176 thousand and shares of OJSC "Volnovahskiy Kombinat Khliboproduktiv", in the amount of 72,44% of share capital with collateral value of USD 3 300 thousand were pledged as security for loans to the Group.

As at 31 December 2008, shares of OJSC "Kirovskyi" in the amount of 1,10% of share capital with collateral value of USD 20 677 thousand, shares of OJSC "Ptakhohospodarstvo Chervonyi Prapor" in the amount of 13,98 % of share capital with collateral value of USD 19 562 thousand, shares of CJSC "Chernivetska Ptakhofabryka" in the amount of 2,70% of share capital with collateral value of USD 4 952 thousand, shares of CJSC "Avangard", in the amount of 1,13% of share capital with collateral value of USD 32 264 thousand, CJSC "Chernobaevskoe", in the amount of 93,21% of share capital, corporate rights ALLC "Donetska Ptakhofabryka" in the amount of 99,9% of share capital with collateral value of USD 20 694 thousand, shares of LLC "Cross-PF Zorya" in the amount of 89,43% of share capital with collateral value of USD 13 582 thousand, and also corporate rights of SC "Ptakhofabryka Losuvatska" in the amount of 100% of share capital with collateral value of USD 10 260 thousand were used as security for loans to the Group.

(in USD thousand, unless otherwise stated)

19. Current portion of non-current financial liabilities

The current portion of non-current financial liabilities as at 31 December 2009, 31 December 2008 and 31 December 2007 was as follows:

		31 December 2009	31 December 2008	31 December 2007
Trade and other payables				
Deferred income (current portion)	34, c)	304	315	468
Financial liabilities				
Current portion of finance lease liabilities		1 714	1 816	73
VAT included in current portion of finance lease liabilities		343	363	15
Current portion of bank loans in national currency		122	116	8 917
Current portion of bank loans in foreign currency		962	805	1 343
		3 445	**3 415**	**10 816**

20. Deferred tax assets and liabilities

The principal components of deferred tax assets and liabilities as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:
Influence of temporary differences on deferred tax assets

	31 December 2009	31 December 2008	31 December 2007
Advances received	321	2 132	-
Intangible assets	1	1	1
Provisions	37	22	10
Total deferred tax assets	**359**	**2 155**	**11**
Influence of temporary differences on deferred tax liabilities			
Advances issued to suppliers and deferred expenses	(527)	(1 296)	(54)
Property, plant and equipment, non-current assets	(775)	(679)	(1 148)
Inventories	-	-	(9)
Low-value items	-	-	(1)
Total deferred tax liabilities	**(1 302)**	**(1 975)**	**(1 212)**
Net deferred tax liabilities	**(943)**	**180**	**(1 201)**

Principal components of income tax expense

As at 31 December 2009, 31 December 2008 and 31 December 2007 the rate of income tax in Ukraine was equal to 25%.

	2009	2008	2007
Current income tax	(19)	(26)	(71)
Deferred tax	(1 149)	1 440	(1 183)
	(1 168)	**1 414**	**(1 254)**

Reconciliation of deferred tax liabilities

	2009	2008	2007
Balance as at 1 January	**180**	**(1 201)**	**53**
Deferred income/ (expenses) for income tax for the reporting period	(1 168)	1 414	(1 254)
Effect from translation into presentation currency	45	(33)	-
Balance as at 31 December	**(943)**	**180**	**(1 201)**

(in USD thousand, unless otherwise stated)

20. Deferred tax assets and liabilities (continued)

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

	2009	2008	2007
Profit / (loss) before tax	134 837	75 869	31 488
Less profit / (loss) of the companies being fixed agricultural tax payers	(126 247)	(79 475)	(35 831)
	8.590	3.606	4.343
Profit / (loss) of the companies being income tax payers at the rate 10%	93	(57)	-
Profit / (loss) of the companies being income tax payers at the rate 25%	8 497	(3 549)	(4 343)
	8 590	(3 606)	(4 343)
Income (loss) tax, taxable at the rate of 10%	(9)	6	-
Income (loss) tax, taxable at the rate of 25%	(2 124)	887	1 086
Expenses not included in gross expenses for income tax	965	520	(2 340)
Profit / (loss) for income tax	**(1 168)**	**1 413**	**(1 254)**

As at 1 January 2007	**-**
Income tax accrued for the period	(77)
Income tax paid for the period	71
As at 31 December 2007	**(6)**
Income tax accrued for the period	(26)
Income tax paid for the period	29
Effect from translation into presentation currency	8
As at 31 December 2008	**5**
Income tax accrued for the period	(19)
Income tax paid for the period	49
Effect from translation into presentation currency	(1)
As at 31 December 2009	**34**

The income tax payers in 2009 were the following companies: LLC “Rohatyn-Korm”, OJSC “Vuhlelhirskyi Eksperrementalnyi Kombikrmovyi Zavod”, OJSC “Volhovatskiy Kombinat Khliboproduktiv”, LLC “Kamyanets-Podilsky Kombikormovyi Zavod”, LLC “Pershe Travnya Kombikormovyi Zavod”, and LLC, “Imperovo Foods”. All other companies of the Group were payers of the fixed agricultural tax.
The income tax payers in 2007-2008 were the following companies: LLC “Rohatyn-Korm”, OJSC “Vuhlelhirskyi Eksperrementalnyi Kombikrmovyi Zavod”, OJSC “Volhovatskiy Kombinat Khliboproduktiv”, LLC “Kamyanets-Podilsky Kombikormovyi Zavod”. 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 accounts payable

Trade accounts payable as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Trade accounts payable	65 893	18 679	40 313
Financial liabilities			
Short-term notes issued	2 126	1 850	2 821
	68 019	**20 529**	**43 134**

As at 31 December 2009, 31 December 2008 and 31 December 2007, short-term notes issued were represented by promissory, noninterest-bearing, notes.

(in USD thousand, unless otherwise stated)

22. Accrued expenses

Accrued expenses as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Accrued expenses for future employee benefits	1 139	909	679
Other accrued expenses	139	95	43
	1 278	**1 004**	**722**

23. Other current liabilities and accrued expenses

Other current liabilities and accrued expenses as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Wages and salaries and related taxes liabilities	2 858	1 483	1 066
Other taxes and compulsory payments liabilities	132	75	1 126
Accounts payable for property, plant and equipment	12 847	9 112	1 468
Advances received from customers	108 395	225 380	28 987
Interest payable	8 331	291	38
Accrued coupon on bonds	2 055	2 039	-
Other accounts payable	7 421	123 947	89 363
	142 039	**362 327**	**122 048**

As at 31 December 2008 and 31 December 2007 the item "Other accounts payable" in the amount of USD 120 642 thousand and USD 87 759 thousand respectively, comprised liabilities for settlement of consideration payable for subsidiaries.

24. Finance lease liabilities

Finance lease liabilities for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Minimum lease payments	VAT included in minimum lease payments	Current value of minimum lease payments	VAT included in current value of minimum lease payments
Amounts payable for Finance lease as at 31 December 2009:				
Within a year	2 652	343	1 714	343
From one to five years	6 458	1 023	5 119	1 023
Above 5 years	-	-	-	-
	9 110	**1 366**	**6 833**	**1 366**
Less: financial expenses of future periods	(2 277)	-	-	-
Current value of lease liabilities	6 833	1 366	6 833	1 366
Less: amount to be paid within a year	-	-	(1 714)	(343)
Amount to be paid after a year	-	-	5 119	1 023

(in USD thousand, unless otherwise stated)

24. Finance lease liabilities (continued)

	Minimum lease payments	VAT included in minimum lease payments	Current value of minimum lease payments	VAT included in current value of minimum lease payments
Amounts payable under finance lease as at 31 December 2008:				
Within a year	3 047	363	1 816	363
From one to five years	9 447	1 417	7 085	1 417
Above 5 years	-	-	-	-
	12 494	**1 780**	**8 901**	**1 780**
Less: financial expenses of future periods	(3 593)	-	-	-
Current value of lease liabilities	8 901	1 780	8 901	1 780
Less: amount to be paid within a year	-	-	(1 816)	(363)
Amount to be paid after a year	-	-	7 085	1 417

Net carrying value of property, plant and equipment acquired via finance lease as at 31 December 2009, 31 December 2008 and 31 December 2007 was as follows:

	31 December 2009	31 December 2008	31 December 2007
Equipment for biological assets	9 677	10 307	-
Vehicles	71	68	-
Assets under constructionin-progress and uninstalled equipment	1 696	1 759	-
Other equipment	78	107	204
	11 522	**12 241**	**204**

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 2008, 31 December 2009. Finance lease agreements do not provide the possibility of changing the initial terms of agreements.

25. Current liabilities for bonds

Current liabilities for bonds as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Nominal value	24 249	25 844	-
Discount on bonds issued	-	(1)	-
	24 249	**25 843**	**-**

	31 December 2009	31 December 2008	31 December 2007
Bonds coupon payable	2 055	2 039	-

As at 31 December 2008 current liabilities for bonds were presented as liabilities for A-type bonds with nominal value of USD 25 974 thousand, which was equivalent to UAH 200 000 thousand, issued by CJSC "Avangard" 2 July 2008. Those bonds were issued in book-entry form in number of 200 000 items. The bonds issue was secured by SC "Zorya, LLC Cross-PF Zorya", LLC "Cross-PF Zorya", OJSC "Ptakhohospodarstvo Chervonyi Prapor", SC "Ptakhofabryka Lozuvatska", SC "Ptakhofabryka Chervonyi Prapor Poultry Farm, of OJSC Ptakhohospodarstvo Chervoniy Prapor", OJSC "Volnovaskyi Kombinat Khliboprodiktiv", OJSC "Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod", ALLC "Donetska Ptakhofabryka", LLC "PF Volnovaska", SC "Ptakhohospodarstvo Lozuvatskoe", SC "Gorodenkivska Ptakhofabryka of CJSC Avangard", SC "Rogatynska Ptakhofabryka of CJSC Avangard", SC "Avangard-Agro of CJSC Avangard", CJSC "Chernivetska Ptakhofabryka", CJSC "Agrofirma Avis", LLC "Kamyanets-Podilsky Kombikormoviy Zavod", OJSC "Kirovskiy", LLC "Slovyany", OJSC "Ptakhofabryka Pershe Travnya", SC "Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding", LLC "Yuzhnaya Holding", LLC "Areal-Snigurivka". The Guarantors are fully responsible for the issuer's liabilities to bond holders.

(in USD thousand, unless otherwise stated)

25. Current liabilities for bonds (continued)

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

26. Sales revenue

Sales revenue for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 was as follows:

	2009	2008	2007
Revenue from finished goods	319 219	299 501	126 175
Revenue from goods and services sold/rendered	1 329	3 266	2 223
Deduction from income	(693)	(475)	(610)
	319 855	**302 292**	**127 788**

For the year ended 31 December 2009 USD 77 788 thousand or 24.4% from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients (for 2008 and 2007 - note 40, a)).

27. Cost of sales

Cost of sales for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 was as follows:

	Note	2009	2008	2007
Cost of finished goods sold	28	(215 883)	(229 609)	(109 147)
Cost of goods and services sold/rendered		(4 524)	(3 366)	(5 542)
		(220 407)	**(232 975)**	**(114 689)**

28. Cost of sales by elements

Cost of sales by elements for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 was as follows:

	Note	2009	2008	2007
Raw materials		(175 804)	(233 968)	(88 006)
Payroll of production personnel and related taxes	35	(14 953)	(21 447)	(11 985)
Depreciation		(11 641)	(11 095)	(5 386)
Services provided by third parties		(14 365)	(14 331)	(5 102)
Changes in balances of finished products, work-in progress, biological assets		977	51 420	1 535
Other expenses		(97)	(188)	(203)
		(215 883)	**(229 609)**	**(109 147)**

(in USD thousand, unless otherwise stated)

29. General administrative expenses

General administrative expenses for the years ended 31 December 2009, 31 December 2008 and 31 December 2007, were as follows:

	Note	2009	2008	2007
Salaries and wages of administrative personnel	35	(2 889)	(4 520)	(2 753)
Services provided by third parties		(1 216)	(1 534)	(1 035)
Depreciation		(144)	(167)	(14)
Repairs and maintenance costs		(44)	(145)	(77)
Tax expenses, except for income tax		(252)	(270)	(76)
Material usage		(271)	(498)	(392)
Other expenses		(117)	(798)	(639)
		(4 933)	**(7 932)**	**(4 986)**

The auditors' remuneration for the years 2009, 2008 and 2007 was USD 914 thousand. An amount of USD 824 thousand was paid by LLC "Agroholding Avangard", which is a related party by common ownership, on behalf of the Company. The related party has no demand from the Company to reimburse this amount and as a result this amount was not included into the Group's expenses.

30. Distribution expenses

Distribution expenses for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Note	2009	2008	2007
Salaries and wages of distribution personnel	35	(1 015)	(1 766)	(1 423)
Transport expenses		(864)	(1 032)	(489)
Depreciation		(499)	(518)	(192)
Services provided by third parties		(319)	(215)	(200)
Packing materials		(128)	(465)	(744)
Repairs and maintenance costs		(27)	(19)	(52)
Other expenses		(234)	(414)	(905)
		(3 086)	**(4 429)**	**(4 005)**

31. Other operating expenses

Other operating expenses net for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Note	2009	2008	2007
Loss from disposal of current assets		(890)	-	(407)
Income/(loss) from disposal of noncurrent assets		(90)	(376)	(242)
Impairment of current assets		(1 571)	(1 630)	(1 425)
Losses on exchange		(672)	(1 744)	(28)
Other expenses		(1 747)	(3 190)	(553)
		(4 970)	**(6 940)**	**(2 655)**

For the year ended 31 December 2009 the item "Income received from waiver of accounts payable" in the amount of USD 22 525 thousand resulted from the waiver of debt due to related parties. Of this amount, USD18 307 thousand was as a result of trading of certain subsidiaries through related party trading companies which are not part of the Group, to mitigate the risks associated with that trading. The waiver for these amounts is effectively the Group's participation in the profit in those transactions. The remainder related to an arrangement with former corporate shareholders of subsidiaries as part of a financial restructuring. The amount in 2007 of USD7 798 thousand related to old credit balances with companies that no longer existed where the company was satisfied that there was no recourse to the Group.

(in USD thousand, unless otherwise stated)

32. Finance costs

Finance costs for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	2009	2008	2007
Interest payable on loans	(60 025)	(56 063)	(25 907)
Capitalised interest	17 382	7 449	3 367
Total financial expenses on loans	**(42 643)**	**(48 614)**	**(22 540)**
Financial expenses on finance lease	(1 216)	(1 153)	-
Financial expenses on bonds (interest)	(2 259)	(3 194)	-
Other financial expenses	(31)	(25)	-
	(46 150)	**(52 986)**	**(22 540)**

33. Finance income

Finance income for the year ended 31 December 2009 represents the amount of interest income from placement of deposits, referred to in Note 15, in the amount of USD 41 180 thousand (31 December 2008 - USD 26 897 thousand, 31 December 2007 - USD 20 868 thousand).

34. Income from government grants and incentives

Income from government grants and incentives received for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 ware as follows:

	Note	2009	2008	2007
Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions	a)	6 261	30 598	12 582
VAT for development of poultry keeping	b)	2 855	7 795	3 957
Partial compensation of complex agricultural equipment cost	c)	312	469	460
Other grants	d)	12	206	188
		9 440	**39 068**	**17 187**

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

For the years ended 31 December 2009, 31 December 2008 and 31 December 2007 the Group received partial compensation of interest for loans received by agro-industrial enterprises from financial institutions in the amount of USD 6 261 thousand, USD 30 598 thousand and USD 12 582 thousand respectively which is presented on a cash received basis.

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

(in USD thousand, unless otherwise stated)

34. Income from government grants received (continued)

c) *Partial compensation of complex agricultural equipment cost*

Enterprises of the Group received partial compensation of complex agricultural equipment cost during the years 2004-2009 according to Ukrainian laws. The total amount of compensations received for above mentioned period is UAH 60 608 thousand. Those grants were recognised as deferred income and reflected within the "Deferred income" item in the statement of financial position. The deferred income is amortised over the estimate useful life of the relevant asset (generally 25 years) and the amortisation is reflected in "Other operating expenses".

d) *Other grants*

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

35. Payroll and related taxes

Payroll and related taxes for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	2009	2008	2007
Salary	(14 461)	(22 404)	(13 631)
Contributions to pension fund	(3 912)	(4 645)	(2 110)
Other contributions	(484)	(684)	(420)
	(18 857)	**(27 733)**	**(16 161)**

	Note	2009	2008	2007
Payroll of production personnel and related taxes	28	(14 953)	(21 447)	(11 985)
Salaries and wages of administrative personnel	29	(2 889)	(4 520)	(2 753)
Salaries and wages of distribution personnel	30	(1 015)	(1 766)	(1 423)
		(18 857)	**(27 733)**	**(16 161)**

Average number of employees for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 was presented as follows:

	2009	2008	2007
Average number of employees, persons	**4 978**	**5 366**	**4 721**

36. Related party balances and transactions

The Company is controlled by Mr Oleg Bakhmatyuk, who directly or indirectly owns 100% of the Company's share capital as at each balance sheet date.

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

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

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

A. Key management;
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.

36. Related party balances and transactions (continued)

(in USD thousand, unless otherwise stated)

Salary costs of key management for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	31 December 2009	31 December 2008	31 December 2007
Salary	932	1 346	730
Contributions to pension funds	244	278	106
Other contributions	31	43	20
	1 207	**1 667**	**856**

Number of top management personnel for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 was as follows:

	2009	2008	2007
Number of top management personnel, persons	**122**	**129**	**102**

Outstanding amounts of the Group for transactions with related parties as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Outstanding balances with related parties		
	As at 31 December 2009	**As at 31 December 2008**	**As at 31 December 2007**
Other non-current assets:			
B. Companies having the same top management;	-	-	3
D. Companies which activities are significantly influenced by the Group's owners.	1 286	30 834	6 054
	1 286	**30 834**	**6 057**
Other current asset:			
B. Companies having the same top management;	2	12 990	19 820
C. Companies in which the Group's owners have an equity interest;	1 957	370	1
D. Companies which activities are significantly influenced by the Group's owners.	46 475	110 184	10 875
	48 434	**123 544**	**30 696**
Trade accounts receivable:			
C. Companies in which the Group's owners have an equity interest;	8 181	7 581	1 439
D. Companies which activities are significantly influenced by the Group's owners.	33 319	6 362	16 748
	41 500	**13 943**	**18 187**
Cash and cash equivalents:			
D. Companies which activities are significantly influenced by the Group's owners.	1 413	5 472	3 359
	1 413	**5 472**	**3 359**

(in USD thousand, unless otherwise stated)

36. Related party balances and transactions (continued)

	Outstanding balances with related parties		
	As at 31 December 2009	**As at 31 December 2008**	**As at 31 December 2007**
Deposits:			
D. Companies which activities are significantly influenced by the Group's owners.	155 917	272 991	110 340
	155 917	**272 991**	**110 340**
Long-term loans:			
D. Companies which activities are significantly influenced by the Group's owners.	50 354	155 042	191 263
	50 354	**155 042**	**191 263**
Short-term loans:			
B. Companies having the same top management;	-	-	5
C. Companies in which the Group's owners have an equity interest;	346	43 851	-
D. Companies which activities are significantly influenced by the Group's owners.	138 967	205 432	74 388
	139 313	**249 283**	**74 393**
Trade accounts payable:			
B. Companies having the same top management;	7	-	179
C. Companies in which the Group's owners have an equity interest;	3 725	1 161	-
D. Companies which activities are significantly influenced by the Group's owners.	16 548	4 446	13 323
	20 280	**5 607**	**13 502**
Other current liabilities			
B. Companies having the same top management;	23	29	70
C. Companies in which the Group's owners have an equity interest;	10 404	1 424	12
D. Companies which activities are significantly influenced by the Group's owners.	98 785	226 643	23 811
	109 212	**228 096**	**23 893**

Operating lease

As at 31 December 2009 the LLC Imperovo Foods leased property, plant and equipment for production purposes from a related party accordingly to a lease agreement dated 1.12.2007. The term of the lease until 1 December 2008, in - the agreement is to be continued on the same effective period and on the same conditions subject to one month's notice from either party before the end of the next period. For the year ended 31 December 2009 lease payments were equal to USD 740 thousand (UAH 5 905 thousand).

(in USD thousand, unless otherwise stated)

36. Related party balances and transactions (continued)

The Group's transactions with related parties as at 31 December 2009, 31 December 2008 and 31 December 2007 were as follows:

	Transactions with related parties for the year ended		
	31 December 2009	**31 December 2008**	**31 December 2007**
Sales revenue:			
B. Companies having the same top management;	-	2	
C. Companies in which the Group's owners have an equity interest;	14 413	84 454	1 925
D. Companies which activities are significantly influenced by the Group's owners.	83 507	81 974	1 639
	97 920	**166 430**	**3 564**
General administrative expenses:			
B. Companies having the same top management;	(66)	(217)	(1)
C. Companies in which the Group's owners have an equity interest;	-	(54)	(2)
	(66)	**(271)**	**(3)**
Other operating income/(expenses), net:			
B. Companies having the same top management;	(18)	-	-
C. Companies in which the Group's owners have an equity interest;	80	1 239	-
D. Companies which activities are significantly influenced by the Group's owners.	(30)	(594)	4
	32	**645**	**4**
Finance income:			
D. Companies which activities are significantly influenced by the Group's owners.	40 472	24 625	507
	40 472	**24 625**	**507**
Finance cost:			
D. Companies which activities are significantly influenced by the Group's owners.	41 510	(41 036)	(1 524)
	41 510	**(41 036)**	**(1 524)**

(in USD thousand, unless otherwise stated)

37. Business segments

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

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

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

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

The Group carries out its core financial and economic activities in the territory of Ukraine. Accordingly, the Group operates in one geographical segment.

Business segment information for the year ended 31 December 2007 was as follows:

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group balances	Adjust-ments and elimi-nation	Total
NON-CURRENT ASSETS								
Property, plant and equipment	182 228	18 883	12 272	-	146	-	-	213 529
Available for sale financial assets	-	-	-	-	-	29 766	-	29 766
Non-current biological assets	17 342	4 001	-	-	-	-	-	21 343
Long-term deposits	107 567	60	-	-	-	-	-	107 627
Other non-current assets	110 288	-	-	-	-	-	-	110 288
Total non-current assets	**417 425**	**22 944**	**12 272**	**-**	**146**	**29 766**	**-**	**482 553**
CURRENT ASSETS								
Inventories	8 673	1 084	2 931	-	-	-	-	12 688
Taxes recoverable and prepaid	39 266	1 576	237	-	147	-	-	41 226
Current biological assets	17 899	176	-	-	-	-	-	18 075
Prepayments and other current assets	15 558	20 054	214	-	2 918	-	-	38 744
Trade accounts receivable	40 621	8 087	1 668	-	-	-	(2 423)	47 953
Short-term deposits	36 949	414	-	-	-	-	-	37 363
Cash and cash equivalents	4 219	198	33	-	10	-	-	4 460
Total current assets	**163 185**	**31 589**	**5 083**	**-**	**3 075**	**-**	**(2 423)**	**200 509**
TOTAL ASSETS	**580 610**	**54 533**	**17 355**	**-**	**3 221**	**29 766**	**(2 423)**	**683 062**

(in USD thousand, unless otherwise stated)

37. Business segments (continued)

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group balances	Adjust-ments and elimi-nation	Total
NON-CURRENT LIABILITIES								
Long-term loans	188 135	1 205	-	-	-	-	-	189 340
Deferred tax liabilities	-	-	1 201	-	-	-	-	1 201
Deferred income (non-current portion)	9 713	423	-	-	-	-	-	10 136
Total non-current liabilities	**197 848**	**1 628**	**1 201**	**-**	**-**	**-**	**-**	**200 677**
CURRENT LIABILITIES								
Current portion of non-current liabilities	9 572	1 244	-	-	-	-	-	10 816
Short-term loans	176 922	5 468	31 477	-	-	-	-	213 867
Trade accounts payable	31 017	3 346	11 073	-	8	-	(2 310)	43 134
Accounts payable for income tax	-	-	6	-	-	-	-	6
Accrued expenses	569	110	43	-	-	-	-	722
Other current liabilities and accrued expenses	7 664	23 583	3 097	-	1 498	87 759	(1 553)	122 048
Total current liabilities	**225 744**	**33 751**	**45 696**	-	**1 506**	**87 759**	**(3 863)**	**390 593**
TOTAL LIABILITIES	**423 592**	**35 379**	**46 897**	-	**1 506**	**87 759**	**(3 863)**	**591 270**

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group tran-sactions	Adjust-ments and elimi-nation	Total
Depreciation	5 319	257	16	-	-	-	-	**5 592**
Acquisition of property, plant and equipment	49 574	2 353	90	-	-	-	-	**52 017**

Long-term financial investments (USD 29 766 thousand), as the assets management is carried out at the Group level.

Liabilities for advances from customers and other current liabilities (USD 87 759 thousand), have not been allocated as the management of such liabilities is carried out at the Group level.

(in USD thousand, unless otherwise stated)

37. Business segments (continued)

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group tran-sactions	Adjust-ments and elimi-nation	Total
Sales revenue	88 043	27 544	17 001	1 321	4 610	-	-	138 519
Intra-group elimination	(597)	(648)	(9 486)	-	-	-	-	(10 731)
Revenue from external buyers	**87 446**	**26 896**	**7 515**	**1 321**	**4 610**	**-**	**-**	**127 788**
Income from revaluation of biological assets at fair value	5 565	902	-	-	-	-	-	6 467
Cost of sales	(79 615)	(15 929)	(7 083)	(1 993)	(10 069)	-	-	(114 689)
GROSS PROFIT	**13 396**	**11 869**	**432**	**(672)**	**(5 459)**	**-**	**-**	**19 566**
General administrative expenses	(3 495)	(873)	(509)	-	(109)	-	-	(4 986)
Distribution expenses	(3 182)	(735)	(88)	-	-	-	-	(4 005)
Other operating income/expenses, net	19 133	3 503	(6)	-	(45)	-	-	22 585
OPERATING PROFIT/(LOSS)	**25 852**	**13 764**	**(171)**	**(672)**	**(5 613)**	**-**	**-**	**33 160**
Finance income	20 585	111	172	-	-	-	-	20 868
Finance cost	(18 540)	(1 015)	(2 985)	-	-	-	-	(22 540)
including:								
Interest payable on loans	(18 540)	(1 015)	(2 985)	-	-	-	-	(22 540)
PROFIT BEFORE TAX	**27 897**	**12 860**	**(2 984)**	**(672)**	**(5 613)**	**-**	**10 731**	**31 488**
Income tax income/(expenses)	-	-	(1 254)	-	-	-	-	(1 254)
PROFIT FOR THE YEAR	**27 897**	**12 860**	**(4 238)**	**(672)**	**(5 613)**	**-**	**10 731**	**30 234**

(in USD thousand, unless otherwise stated)

37. Business segments (continued)

Business segment information for the year ended 31 December 2008 was as follows:

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group balances	Adjust-ments and elimi-nation	Total
NON-CURRENT ASSETS								
Property, plant and equipment	336 100	23 879	8 285	-	-	-	-	368 264
Available for sale financial assets	-	-	-	-	-	41	-	41
Non-current biological assets	6 725	2 460	-	-	-	-	-	9 185
Long-term deposits	7 792	-	41 559	-	-	-	-	49 351
Deferred tax assets	-	-	830	-	-	-	-	830
Other non-current assets	55 318	43	7	-	-	-	-	55 368
Total non-current assets	**405 935**	**26 382**	**50 681**	**-**	**-**	**41**	**-**	**483 039**
CURRENT ASSETS								
Inventories	21 664	3 831	21 581	-	-	-	-	47 076
Income tax prepaid	-	-	5	-	-	-	-	5
Taxes recoverable and prepaid	46 519	3 336	4 125	-	78	-	-	54 058
Current biological assets	40 235	7 700	-	-	-	-	-	47 935
Prepayments and other current assets	93 234	18 155	30 385	-	3 241	-	(11 904)	133 111
Trade accounts receivable	12 041	6 038	3 916	-	-	-	(6 402)	15 593
Short-term deposits	233 231	40	-	-	-	-	-	233 271
Cash and cash equivalents	3 105	2 247	526	-	-	-	-	5 878
Total current assets	**450 029**	**41 347**	**60 538**	**-**	**3 319**	**-**	**(18 306)**	**536 927**
TOTAL ASSETS	**855 964**	**67 729**	**111 219**	**-**	**3 319**	**41**	**(18 306)**	**1 019 966**

(in USD thousand, unless otherwise stated)

37. Business segments (continued)

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group balances	Adjust-ments and elimi-nation	Total
NON-CURRENT LIABILITIES								
Long-term loans	191 048	672	798	-	-	-	-	192 518
Deferred tax liabilities	-	-	650	-	-	-	-	650
Deferred income (non-current portion)	6 079	420	-	-	-	-	-	6 499
Non-current finance lease liabilities	8 499	3	-	-	-	-	-	8 502
Total non-current liabilities	**205 626**	**1 095**	**1 448**	**-**	**-**	**-**	**-**	**208 169**
CURRENT LIABILITIES								
Current liabilities for bonds	25 843	-	-	-	-	-	-	25 843
Current portion of non-current liabilities	3 305	21	89	-	-	-	-	3 415
Short-term loans	202 187	28 269	50 253	-	-	-	(533)	280 176
Trade accounts payable	15 030	3 078	6 566	-	44	-	(4 189)	20 529
Accrued expenses	774	160	70	-	-	-	-	1 004
Other current liabilities and accrued expenses	192 176	12 092	49 916	-	879	120 642	(13 378)	362 327
Total current liabilities	**439 315**	**43 620**	**106 894**	-	923	**120 642**	**(18 100)**	**693 294**
TOTAL LIABILITIES	**644 941**	**44 715**	**108 342**	-	**923**	**120 642**	**(18 100)**	**901 463**

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group tran-sactions	Adjust-ments and elimi-nation	Total
Depreciation	11 216	370	194	-	-	-	-	**11 780**
Acquisition of property, plant and equipment	300 367	13 971	548	-	-	-	-	**314 886**

Liabilities for advances from customers and other current liabilities (USD 120 642 thousand), have not been allocated as the management of such liabilities is carried out at the Group level.

(in USD thousand, unless otherwise stated)

37. Business segments (continued)

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group tran-sactions	Adjust-ments and elimi-nation	Total
Sales revenue	236 964	60 664	75 351	2 200	11 881	-	-	387 060
Intra-group elimination	(11 266)	(300)	(73 202)			-	-	(84 768)
Revenue from external buyers	**225 698**	**60 364**	**2 149**	**2 200**	**11 881**	**-**	**-**	**302 292**
Income from revaluation of biological assets at fair value	8 730	3 960	-	-	-	-	-	12 690
Cost of sales	(163 023)	(56 927)	(1 997)	(4 884)	(6 144)		-	(232 975)
GROSS PROFIT	**71 405**	**7 397**	**152**	**(2 684)**	**5 737**	**-**	**-**	**82 007**
General administrative expenses	(5 931)	(1 211)	(697)	-	(93)	-	-	(7 932)
Distribution expenses	(3 852)	(527)	(50)	-	-	-	-	(4 429)
Other operating income / expenses, net	33 837	(2 311)	959	-	(167)	-	(6)	32 312
OPERATING PROFIT / (LOSS)	**95 459**	**3 348**	**364**	**(2 684)**	**5 477**	**-**	**(6)**	**101 958**
Finance income	26 831	43	23	-	-	-	-	26 897
Finance cost	(45 971)	(1 868)	(5 147)	-	-	-	-	(52 986)
including:								
Interest payable on loans	(41 618)	(1 854)	(5 142)	-	-	-	-	(48 614)
Financial expenses for bonds (interest)	(3 194)	-	-	-	-	-	-	(3 194)
PROFIT BEFORE TAX	**76 139**	**1 523**	**(4 760)**	**(2 684)**	**5 477**	**-**	**(6)**	**75 869**
Income tax income / (expenses)	-	-	1 414	-	-	-	-	1 414
PROFIT FOR THE YEAR	**76 139**	**1 523**	**(3 346)**	**(2 684)**	**5 477**	**-**	**(6)**	**77 283**

(in USD thousand, unless otherwise stated)

37. Business segments (continued)

Business segment information for the year ended 31 December 2009 was as follows:

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group balances	Adjust-ments and elimi-nation	Total
NON-CURRENT ASSETS								
Property, plant and equipment	355 672	14 217	4 095	1 442	-	-	-	375 426
Available for sale financial assets	-	-	-	-	-	40	-	40
Non-current biological assets	11 141	10 405	-	-	-	-	-	21 546
Long-term deposits	504	-	-	-	-	-	-	504
Deferred tax assets	-	-	174	56	-	-	-	230
Other non-current assets	16 630	-	-	-	-	-	-	16 630
Total non-current assets	**383 947**	**24 622**	**4 269**	**1 498**	**-**	**40**	**-**	**414 376**
CURRENT ASSETS								
Inventories	74 504	2 972	6 948	8 375	-	-	(43)	92 756
Income tax prepaid	-	-	9	26	-	-	-	35
Taxes recoverable and prepaid	22 074	2 117	1 012	3 430	75	-	-	28 708
Current biological assets	41 402	3 508	-	-	-	-	-	44 910
Prepayments and other current assets	52 894	4 197	7 554	703	2 605	-	(9 327)	58 626
Trade accounts receivable	38 074	13 321	10 761	4 425	-	-	(19 261)	47 320
Short-term deposits	125 783	8 845	21 290	-	-	-	-	155 918
Cash and cash equivalents	1 093	388	209	36	1	-	-	1 727
Total current assets	**355 824**	**35 348**	**47 783**	**16 995**	**2 681**	**-**	**(28 631)**	**430 000**
TOTAL ASSETS	**739 771**	**59 970**	**52 052**	**18 493**	**2 681**	**40**	**(28 631)**	**844 376**

(in USD thousand, unless otherwise stated)

37. Business segments (continued)

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group balances	Adjust-ments and elimi-nation	Total
NON-CURRENT LIABILITIES								
Long-term loans	84 640	648	687	-	-	-	-	85 975
Deferred tax liabilities	-	-	1 173	-	-	-	-	1 173
Deferred income (non-current portion)	5 577	386	-	-	-	-	-	5 963
Non-current finance lease liabilities	6 141	1	-	-	-	-	-	6 142
Total non-current liabilities	**96 358**	**1 035**	**1 860**	**-**	**-**	**-**	**-**	**99 253**
CURRENT LIABILITIES								
Current liabilities for bonds	24 249	-	-	-	-	-	-	24 249
Current portion of non-current liabilities	3 320	21	104	-	-	-	-	3 445
Short-term loans	143 246	1 620	1 038	-	-	-	(373)	145 531
Trade accounts payable	60 560	12 893	12 536	4 160	-	-	(22 130)	68 019
Accounts payable for income tax	-	-	1	-	6	-	-	7
Accrued expenses	1 016	192	52	18	-	-	-	1 278
Other current liabilities and accrued expenses	88 597	14 145	42 746	1 432	933	-	(5 814)	142 039
Total current liabilities	**320 988**	**28 871**	**56 477**	**5 610**	**939**	**-**	**(28 317)**	**384 568**
TOTAL LIABILITIES	**417 346**	**29 906**	**58 337**	**5 610**	**939**	**-**	**(28 317)**	**483 821**

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group tran-sactions	Adjust-ments and elimi-nation	Total
Depreciation	11 011	1 095	175	3	-	-	-	**12 284**
Acquisition of property, plant and equipment	29 498	25	17	-	-	-	-	**29 540**

(in USD thousand, unless otherwise stated)

37. Business segments (continued)

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group tran-sactions	Adjust-ments and elimi-nation	Total
Sales revenue	255 819	42 891	68 658	26 758	4 044	-	-	398 170
Intra-group elimination	(15 233)	(5 145)	(53 143)	(4 794)	-	-	-	(78 315)
Revenue from external buyers	**240 586**	**37 746**	**15 515**	**21 964**	**4 044**	**-**	**-**	**319 855**
Income from revaluation of biological assets at fair value	678	7 017	-	-	-	-	-	7 695
Cost of sales	(158 029)	(30 904)	(13 855)	(16 732)	(887)	-	-	(220 407)
GROSS PROFIT	**83 235**	**13 859**	**(1 660)**	**5 232**	**3 157**	**-**	**-**	**107 143**
General administrative expenses	(3 513)	(837)	(475)	(61)	(47)	-	-	(4 933)
Distribution expenses	(2 726)	(226)	(182)	(138)	-	-	186	(3 086)
Other operating income/expenses, net	21 904	4 719	2 375	12 318	140	-	(773)	40 683
OPERATING PROFIT/(LOSS)	**98 900**	**17 515**	**(3 378)**	**17 351**	**3 250**	**-**	**(587)**	**139 807**
Finance income	35 661	2 010	3 503	6	-	-	-	41 180
Finance cost	(32 368)	(3 050)	(10 732)	-	-	-	-	(46 150)
including:								
Interest payable on loans	(28 863)	(3 048)	(10 731)	-	-	-	-	(42 642)
Financial expenses for bonds (interest)	(2 259)	-	-	-	-	-	-	(2 259)
PROFIT BEFORE TAX	**102 193**	**16 475**	**(3 851)**	**17 357**	**3 250**	**-**	**(587)**	**134 837**
Income tax income/(expenses)	-	-	(1 225)	57	-	-	-	(1 168)
PROFIT FOR THE YEAR	**102 193**	**16 475**	**(5 076)**	**17 414**	**3 250**	**-**	**(587)**	**133 669**

(in USD thousand, unless otherwise stated)

38. Acquisitions of subsidiaries

On 1 July 2009 the Group acquired from a third party a 100.0% interest in LLC Imperovo Foods, eggs processing company. The transaction was accounted for under the purchase method of accounting. The Group's effective ownership interest in LLC Imperovo Foods upon the acquisition and as of 31 December 2009 was equal to 100.0%.

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

	Fair value	Book value
Property, plant and equipment, net	1 512	1 451
Inventories	45 121	45 121
Deferred tax assets	22	22
Prepayments and other current assets	47 490	47 490
Trade accounts receivable	17 279	17 279
Cash and cash equivalents	32	32
Total assets	**111 456**	**111 395**
Short-term loans	(88 668)	(88 668)
Trade accounts payable	(9 431)	(9 431)
Other current liabilities	(13 986)	(13 986)
Total liabilities	**(112 085)**	**(112 085)**
Net liabilities acquired	(629)	(690)
Non-controlling interest	-	
The value of acquired net assets	(629)	
Goodwill	634	
Total amount paid for investments	**(5)**	
Cash and cash equivalents acquired	32	
Net cash inflow arising on the acquisition	**27**	

As at 1 July 2009 the item "Short-term loans" amounting to USD 88 668 thousand represented as interest free loans received from related parties.

The amount of revenue and profit of LLC Imperovo included in the results of the Group since acquisition are USD 26 307 thousand and USD 195 thousand respectively. If the Group had acquired LLC Imperovo Foods on 1 January 2009 the revenue of the Group would have amounted to USD 377 669 thousand, and Group's profit would have been USD 134 097 thousand and earnings for the year per share would have been equal to USD 26, 82.

Control over the following entities was achieved in 2008:

Name	Ownership interest, %
LLC Areal-Snigurivka	100%
LLC Torgivenlniy budynok ohodukhivska Ptakhofabryka	100%
PPB LLC Ptytsecompleks	100%
PSPC Interbusiness	100%

The above mentioned companies were included in the consolidated financial statements of the Group for the year ended 31 December 2008 from the date common control was achieved. The effect of acquiring control over these entities was equal to USD 9 349 thousand and was recognised in the consolidated statement of changes in equity for the year ended 31 December 2008.

(in USD thousand, unless otherwise stated)

38. Acquisitions of subsidiaries (continued)

The control over the following entities was achieved in 2007:

Name	Ownership interest, %
OJSC Ptakhohospodarstvo Chervonyi Prapor	98%
LLC PF Volnovaska	100%
LLC Cross-PF Zorya	89%
OJSC Ptakhofabryka Pershe Travnya	93%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka	100%
SC Ptakhofabryka Lozuvatska	100%
SC Zorya of LLC Cross-PF Zoraya	89%
SC Ptakhofabryka Chervonyi Prapor Poultry Farm, of OJSC Ptakhohospodarstvo Chervoniy Prapor	98%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding	100%
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska	100%
SC Ptakhohospodarstvo Chornobaivske of APP CJSC Chornobaivske	97%
OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod	80%
OJSC Volnovaskyi Kombinat Khliboprodiktiv	72%
LLC Kamyanets-Podilsky Kombikormoviy Zavod	100%

The above mentioned companies were included in the consolidated financial statements of the Group for the year ended 31 December 2007 from the date common control was achieved. The effect of acquired control over these entities was equal to USD 28 098 thousand and was recognised in the consolidated statement of changes in equity for the year ended 31 December 2007.

39. Earnings per share

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

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.

40. Contingent and contractual liabilities (continued)

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

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

The Group met its tax filing obligations in Cyprus and in Ukraine. To the best of management's knowledge, no breaches of tax law have occurred. Thus, the Group has not recorded any provision for potential impact of any such breaches as at 31 December 2009, 2008 and 2007.

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 2009, 31 December 2008 and 31 December 2007 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 mitigating of economic losses.

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

Operating lease

As of 31 December 2009 the company LLC Imperovo Foods leased property, plant and equipment for production purposes from a related party accordingly to lease agreement #14/2 dated 1.12.2007. The term of the lease is until 1 December 2008, in the agreement is to be continued on the same period of validity and on the same conditions subject to one month's notice from either party before the end of the next period.

For the year ended 31 December 2009 lease payments were equal to USD 740 thousand (UAH 5 905 thousand).

Commitments under exclusive distribution agreement (poultry)

On 11 June 2007 the Group signed the exclusive distribution agreement in accordance with which the Group has an exclusive rights to purchase Hy-Line W-36 and Hy-Line Brown Parent Stock for the purposes of production and sale of commercial, day-old egg-laying chicks in Ukraine with validity term till 11 November 2009. The Group has a commitment to purchase minimum 200 000 Parent Female for the period from 11 June 2007 to 11 June 2009. Commitments under this agreement were carried out in full measure.

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

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

(in USD thousand, unless otherwise stated)

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, deposits, loans to and from related parties, accounts receivable, bonds, bank loans, finance leases, accounts payable, nominal investment certificates.
The Group is exposed to the following risks resulting from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk of fair value). This explanation contains information relating to the Group's exposure to each of the risk types mentioned above, Group's objectives, its policy and procedures of these risks measurement and management.
Additional disclosures of quantitative information are presented in many other sections of 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 14;
- 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 16, 17;
- 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 25.

a) Credit risk

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

Exposure to credit risk

The carrying value of financial assets is a maximum value exposed to credit risk. Maximum level of credit risk as at 31 December 2009, 31 December 2008 and 2007 was presented as follows:

Financial assets	**31 December 2009**	**31 December 2008**	**31 December 2007**
Cash and cash equivalents	1 727	5 878	4 460
Long-term deposits	504	49 351	107 627
Short-term deposits	155 917	233 271	37 363
Trade accounts receivable, net	47 320	15 593	47 953
Loans to related parties	4 320	702	5 733
Accounts receivable under commission contract	-	12 987	19 802
Interest receivable for deposits	39 411	79	29
Accounts receivable for bonds	-	25 496	-
Nominal investment certificates	-	-	29 703
	249 199	**343 357**	**252 670**

The Group's credit risk is mainly related to long-term and short-term deposits. 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.

(in USD thousand, unless otherwise stated)

41. Financial risk management (continued)

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients, there were no significant losses during 2009, 2008 and 2007 resulting from non-fulfilment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the year ended 31 December 2009 USD 77 788 thousand or 24.4% of Group's sales revenue is related to sales transactions, realised with one client of the Group. As at 31 December 2009 USD 33 293 thousand or 69.9% of trade accounts receivable relates to one customer.

For the year ended 31 December 2008 USD 54 272 thousand or 18% of Group's sales revenue is related to sales transactions, realised with one client of the Group. As at 31 December 2008 USD 6 354 thousand or 39% of trade accounts receivable relates to one customer.

For the year ended 31 December 2007 USD 14 427 thousand or 12% of Group's sales revenue is related to sales transactions, realised with one client of the Group. As at 31 December 2007 USD 16 015 thousand or 34% of trade accounts receivable relates to one customer.

Trade accounts receivable as at 31 December 2009, 31 December 2008 and 31 December 2007 by dates of origin were presented as follows:

31 December 2009:	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	10 080	11 471	1 268	1 289	5 678	16 620	914	**47 320**

31 December 2008:	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	7 118	1 099	946	1 667	692	3 834	237	**15 593**

31 December 2007:	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	21 707	3 405	2 929	5 163	2 143	11 874	733	**47 954**

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

b) Liquidity risk

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

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

(in USD thousand, unless otherwise stated)

41. Financial risk management (continued)

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

31 December 2009:	Carrying value	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank deposits	156 421	-	155 917	504	-
Trade accounts receivable	47 320	47 320	-	-	-
Loans to related parties	4 320	4 320	-	-	-
Cash and cash equivalents	1 727	1 727	-	-	-
Other nontrading accounts receivable	3 311	3 311	-	-	-
Interest receivable for deposits	39 411	39 411	-	-	-
Accounts receivable under commission contract	-	-	-	-	-
Bank loans (including overdrafts)	(222 945)	(974)	(137 106)	(84 864)	-
Trade accounts payable	(68 019)	(68 019)	-	-	-
Loans from related parties	(8 535)	-	(8 535)	-	-
Finance lease (including VAT)	(8 199)	-	(2 057)	(6 142)	-
Current liabilities for bonds	(24 249)	-	(24 249)	-	-
Accounts payable for property, plant and equipment	(12 847)	-	(12 847)	-	-
Interest payable	(8 331)	(8 331)	-	-	-
Bonds coupon profit payable	(2 055)	(2 055)	-	-	-
Other accounts payable	(7 421)	(7 421)	-	-	-
	(110 091)	**9 289**	**(28 877)**	**(90 502)**	**-**

31 December 2008:	Carrying value	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank deposits	282 622	510	232 761	49 351	-
Trade accounts receivable	15 593	15 593	-	-	-
Loans to related parties	702	176	526	-	-
Accounts receivable for bonds	25 496	25 496	-	-	-
Cash and cash equivalents	5 877	5 877	-	-	-
Other nontrading accounts receivable	3 144	3 144	-	-	-
Interest receivable for deposits	79	79	-	-	-
Accounts receivable under commission contract	12 987	-	12 987	-	-
Bank loans (including overdrafts)	(368 313)	(21 068)	(155 878)	(191 367)	-
Trade accounts payable	(20 529)	(20 529)	-	-	-
Loans from related parties	(302 520)	(75 630)	(226 890)	-	-
Finance lease (including VAT)	(10 681)	(545)	(1 634)	(8 502)	-
Current liabilities for bonds	(25 843)	-	(25 843)	-	-
Accounts payable for property, plant and equipment	(9 112)	(9 112)	-	-	-
Interest payable	(291)	(291)	-	-	-
Bonds coupon profit payable	(2 039)	(2 039)	-	-	-
Other accounts payable	(123 947)	(123 947)	-	-	-
	(516 775)	**(202 286)**	**(163 971)**	**(150 518)**	**-**

41. Financial risk management (continued)

31 December 2007:	**Carrying value**	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**
Bank deposits	144 990	2 588	34 775	107 627	-
Trade accounts receivable	47 953	47 954	-	-	-
Loans to related parties	5 733	5 733	-	-	-
Cash and cash equivalents	4 460	4 460	-	-	-
Other nontrading accounts receivable	3 055	3 055	-	-	-
Interest receivable for deposits	29	29	-	-	-
Accounts receivable under commission contract	19 802	-	19 802	-	-
Bank loans (including overdrafts)	(315 611)	(30 288)	(97 738)	(187 564)	(21)
Trade accounts payable	(43 134)	(43 134)	-	-	-
Loans from related parties	(96 101)	(24 025)	(72 076)	-	-
Accounts payable for property, plant and equipment	(1 468)	(1 468)	-	-	-
Interest payable	(38)	(38)	-	-	-
Other accounts payable	(89 364)	(89 364)	-	-	-
	(319 694)	**(124 498)**	**(115 237)**	**(79 937)**	**(21)**

c) Market risk

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

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

i) Foreign currency risk

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

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

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in local currency (UAH) as at 31 December 2009 based on carrying amounts was as follows:

(in conversion to USD thousand)	**USD**	**EUR**	**CHF**	**UAH**	**TOTAL**
Long-term bank loans	-	-	1 845	84 104	**85 949**
Short-term bank loans (including overdrafts)	725	-	-	136 271	**136 996**
Trade accounts payable	1 346	268	-	-	**1 614**
Accounts payable for property, plant and equipment	-	1 365	-	11 482	**12 847**
Net exposure to foreign currency risk	**2 071**	**1 633**	**1 845**	**231 857**	**237 406**

41. Financial risk management (continued)

The Group's exposure to foreign currency risk and the amount in local currency (UAH) as at 31 December 2008 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	CHF	UAH	TOTAL
Long-term bank loans	-	-	2 146	190 142	**192 288**
Short-term bank loans (including overdrafts)	725	46	-	175 181	**175 952**
Trade accounts payable	721	237	-	19 571	**20 529**
Accounts payable for property, plant and equipment	866	221	-	8 025	**9 112**
Net exposure to foreign currency risk	**2 312**	**504**	**2 146**	**392 919**	**397 881**

The Group's exposure to foreign currency risk and the amount in local currency (UAH) as at 31 December 2007 based on carrying amounts was as follows:

(in conversion to USD thousand)	USD	EUR	CHF	UAH	TOTAL
Long-term bank loans	2 144	166	-	195 535	**197 845**
Short-term bank loans (including overdrafts)	-	-	-	117 709	**117 709**
Accounts payable for property, plant and equipment	9	40		1 419	**1 468**
Net exposure to foreign currency risk	**2 153**	**206**	**-**	**314 663**	**317 022**

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:

31 December 2009	**Increase in currency rate against UAH**	**Effect on profit before tax**
USD	15%	(311)
EUR	10%	(163)
CHF	10%	(185)

Effect in USD thousand:

31 December 2008	**Increase in currency rate against UAH**	**Effect on profit before tax**
USD	15%	(347)
EUR	10%	(50)
CHF	10%	(215)

Effect in USD thousand:

31 December 2007	**Increase in currency rate against UAH**	**Effect on profit before tax**
USD	15%	(323)
EUR	10%	(21)

(in USD thousand, unless otherwise stated)

41. Financial risk management (continued)
d) Interest rate risk

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

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

Structure of interest rate risk

As at 31 December 2009, 31 December 2008 and 31 December 2007 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	31 December 2009	31 December 2008	31 December 2007
Instruments with fixed interest rate			
Financial assets	156 421	233 271	144 990
Financial liabilities	(247 194)	(394 156)	(315 611)
Instruments with variable interest rate			
Financial assets	-	-	-
Financial liabilities	(8 199)	(10 681)	-

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

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

Fair value of financial instruments is defined at the amount at which instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instruments. The estimates presented herein are not necessarily indicative of the amounts the Group could realise in a market exchange from the sale of its full holding of a particular instrument.

As at 31 December 2009, 31 December 2008 and 31 December 2007, 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, financial assistance issued - the fair value is reasonably estimated to be the same as the carrying value, as provision for doubtful debts is reasonable estimation of discount needed for reflection of credit risk influence.

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

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

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

41. Financial risk management (continued)

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 balance sheet plus the amount of net debt.

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

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

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

(in USD thousand, unless otherwise stated)

41. Financial risk management (continued)

As at 31 December 2009, 31 December 2008 and 31 December 2007 the Group's financial leverage coefficient made up 29.5%, 65.1% and 73.8% respectively.

		Carrying value		
	Note	**31 December 2009**	**31 December 2008**	**31 December 2007**
Short-term loans		145 531	280 176	213 867
Long-term loans		85 975	192 518	189 340
Current portion of long-term loans		1 085	921	10 260
Long-term finance lease (including VAT)		6 142	8 502	-
Current portion of non-current liabilities for finance lease (including VAT)		2 057	2 179	87
Current liabilities for bonds		24 249	25 843	-
Total amount of borrowing costs		**265 039**	**510 139**	**413 554**
Cash and cash equivalents		1 727	5 878	4 460
Deposits		156 421	282 622	144 990
Financial assistance issued		4 320	702	5 733
Net debt		**102 571**	**220 937**	**258 371**
Share capital		644	644	3
Retained earnings		300 107	168 151	74 109
Effect from translation into presentation currency		(64 137)	(56 698)	-
Minority interest		8 083	6 406	17 680
Total equity		**244 697**	**118 503**	**91 792**
Total amount of equity and net debt		**347 268**	**339 440**	**350 163**
Financial leverage coefficient		**29,5%**	**65,1%**	**73,8%**

For the years ended 31 December 2009, 31 December 2008 and 31 December 2007 ratio of net debt to EBITDA amounted to:

	2009	**2008**	**2007**
PROFIT/(LOSS) FOR THE PERIOD	133 669	77 283	30 234
Income tax income/expenses	1 168	(1 414)	1 254
Financial income	(41 180)	(26 897)	(20 868)
Financial expenses	46 150	52 986	22 540
EBIT (earnings before interest and income tax)	**139 807**	**101 958**	**33 160**
Depreciation	12 285	11 780	5 592
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**152 092**	**113 738**	**38 752**
Net debt at the year end	102 571	220 937	258 371
Net debt at the year end / EBITDA	**0,7**	**1,9**	**6,7**

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

f) Livestock diseases risk

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

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 the first quarter of 2010. 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 balance sheet date

In the first quarter of 2010 trade accounts receivables from related parties significantly changed as a result of their paying-off. There were no changes in bank loans or bank deposits portfolio.

On 30 March 2010 Companies of the Group concluded 2 supply contracts for females and males of parent stock of "Hy-Line W-36" and "Hy-Line Brown" for the amounts of EUR 3 130 000 and EUR 570 000. The term of these contracts is 3 years from signing.

Independent Auditors' Reports on pages 5 to 10.