AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated financial statements (Unaudited)

For the 6 months ended 30 June 2013

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Board of Directors and other officers

BOARD OF DIRECTORS:

Nataliya Vasylyuk (Chairwoman of the Board)
Oleg Bakhmatyuk (Member of the Board)
Oleg Michael Pohotsky (Non Executive Director)
Iryna Marchenko (Chief Executive Officer)
Oksana Prosolenko (Head of Business Development)

COMPANY SECRETARY:

Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:

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INDEPENDENT AUDITORS:

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1087 Nicosia Cyprus

BANKERS:

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1100 AT Amsterdam

Financial Initiativa
7/9 Schorsa Str.
Kyiv, Ukraine

AVANGARDCO INVESTMENTS PUBLIC LIMITED

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

We, the Members of the Board of Directors and the person responsible for the preparation of the interim consolidated financial statements of AvangardCo Investments Public Limited (the "Company") for the 6 months ended 30 June 2013, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the interim consolidated financial statements are true and complete.

Board of Directors members:

Nataliya Vasylyuk	
Oleg Bakhmatyuk	
Oleg Michael Pohotsky	
Iryna Marchenko	
Oksana Prosolenko	

Person responsible for the preparation of the interim consolidated financial statements for the 6 months ended 30 June 2013:

Iryna Melnyk	

22 August 2013

KPMG Limited
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS OF

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of AvangardCo Investments Public Limited (the "Company") and its subsidiary companies (together referred to as "the Group") as at June 2013, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2013, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS34 "Interim Financial Reporting".

KPMG Limited

Chartered Accountants

Nicosia, 22 August 2013

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AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of financial position
AS AT 30 JUNE 2013
(in USD thousands, unless otherwise stated)

	Note	30 June 2013	31 December 2012
ASSETS			
Property, plant and equipment	5	983 556	920 072
Non-current biological assets	6	43 746	46 724
Deferred tax assets	19	2 466	1 966
Other non-current assets	7	367	391
Total non-current assets		**1 030 135**	**969 153**
Inventories	9	146 774	177 886
Current biological assets	6	59 922	56 889
Trade accounts receivable, net	10	61 019	55 551
Prepaid income tax		39	18
Prepayments and other current assets, net	11	82 272	11 966
Taxes recoverable and prepaid	8	89 247	102 567
Cash and cash equivalents	12	159 160	204 298
Total current assets		**598 433**	**609 175**
TOTAL ASSETS		**1 628 568**	**1 578 328**
EQUITY			
Share capital	13	836	836
Share premium	13	201 164	201 164
Reserve capital		115 858	115 858
Retained earnings		1 003 324	899 357
Effect of translation into presentation currency		(68 194)	(68 135)
Equity attributable to the owners of the Company		**1 252 988**	**1 149 080**
Non-controlling interest		19 707	18 115
Total equity		**1 272 695**	**1 167 195**
LIABILITIES			
Long-term loans	14	52 953	3 969
Long-term bond liabilities	15	196 434	195 779
Deferred tax liabilities	19	48	72
Deferred income	33.1	4 894	5 047
Long-term finance lease	22	5	1 283
Total non-current liabilities		**254 334**	**206 150**
Short-term bond liabilities	23	-	25 023
Current portion of non-current liabilities	18	15 666	32 114
Short-term loans	16	50 000	94 368
Trade payables	20	14 528	24 435
Other accounts payable	21	21 345	29 043
Total current liabilities		**101 539**	**204 983**
TOTAL LIABILITIES		**355 873**	**411 133**
TOTAL EQUITY AND LIABILITIES		**1 628 568**	**1 578 328**

On 22 August 2013 the Board of Directors of AvangardCo Investments Public Limited authorised these interim consolidated financial statements for issue.

Nataliya Vasylyuk
Chairwoman

Iryna Marchenko
Director, CEO

The notes on pages 9 to 71 form an integral part of these interim consolidated financial statements.

The notes on pages 9 to 71 form an integral part of these interim consolidated financial statements.

Interim consolidated statement of comprehensive income
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
Revenue	25	304 288	283 562
Profit from revaluation of biological assets at fair value	6	20 717	19 684
Cost of sales	26	(206 400)	(189 308)
GROSS PROFIT		**118 605**	**113 938**
General administrative expenses	28	(8 614)	(12 258)
Distribution expenses	29	(10 510)	(7 958)
Income from government grants and incentives	33.1	157	153
Income from special VAT treatment	33.2	21 099	18 935
Other operating income, net	30	1 220	1 673
PROFIT FROM OPERATING ACTIVITIES		**121 957**	**114 483**
Finance income	32	67	420
Finance costs	31	(16 962)	(17 298)
PROFIT BEFORE TAX		**105 062**	**97 605**
Income tax credit/(expense)	19	499	(5)
PROFIT FOR THE PERIOD		**105 561**	**97 600**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Effect of translation into presentation currency		(61)	(359)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**105 500**	**97 241**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		103 967	95 518
Non-controlling interests		1 594	2 082
PROFIT FOR THE PERIOD		**105 561**	**97 600**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		103 908	95 165
Non-controlling interests		1 592	2 076
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**105 500**	**97 241**
Earnings per share, USD (basic and diluted)		**16**	**15**

The notes on pages 9 to 71 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of changes in equity
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

	Attributable to owners of the Company							
	Share capital (1)	**Capital contribution reserve (3)**	**Share premium (2)**	**Retained earnings**	**Foreign currency translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2012	**836**	**115 858**	**201 164**	**673 909**	**(67 761)**	**924 006**	**15 333**	**939 339**
Comprehensive income for the period								
Profit for the period	-	-	-	95 518	-	95 518	2 082	**97 600**
Effect from translation into presentation currency	-	-	-	-	(353)	(353)	(6)	**(359)**
Total comprehensive income for the period	**-**	**-**	**-**	**95 518**	**(353)**	**95 165**	**2 076**	**97 241**
As at 30 June 2012	**836**	**115 858**	**201 164**	**769 427**	**(68 114)**	**1 019 171**	**17 409**	**1 036 580**
As at 1 January 2013	**836**	**115 858**	**201 164**	**899 357**	**(68 135)**	**1 149 080**	**18 115**	**1 167 195**
Comprehensive income for the period								
Profit for the period	-	-	-	103 967	-	103 967	1 594	**105 561**
Effect from translation into presentation currency	-	-	-	-	(59)	(59)	(2)	**(61)**
Total comprehensive income for the period	**-**	**-**	**-**	**103 967**	**(59)**	**103 908**	**1 592**	**105 500**
As at 30 June 2013	**836**	**115 858**	**201 164**	**1 003 324**	**(68 194)**	**1 252 988**	**19 707**	**1 272 695**

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

(2) Companies incorporated in Cyprus which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (on 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.
The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

(3) In the year ended 31 December 2009, the beneficial owner made an additional capital contribution at the amount of UAH 925 122 311(US$ 115 858 thousand), in his capacity as an owner. This transaction was carried out under a debt for equity swap agreement resulting in a contibuton but no issue of shares.

Interim consolidated statement of cash flows
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		105 062	97 605
Adjustments for:			
Depreciation of property, plant and equipment		12 697	7 644
Change in allowance for irrecoverable amounts		283	894
Other provisions		(143)	299
Loss on disposal of current assets		55	367
Loss on disposal of property, plant and equipment		281	4
Impairment of current assets		468	658
Other income		-	(2 824)
Effect of fair value adjustments on biological assets		(20 717)	(19 684)
Gains realised from accounts payable written-off		(165)	(136)
Amortization of deferred income on government grants		(157)	(153)
Discount on long-term bonds amortization		655	589
Interest income		(67)	(420)
Interest payable on loans		16 327	15 691
Operating profit before working capital changes		**114 579**	**100 534**
(Increase)/decrease in trade receivables		(5 471)	21 131
Increase in prepayments and other current assets		(70 586)	(52 489)
Decrease in taxes recoverable and prepaid		13 320	8 422
Decrease in inventories		30 990	36 026
Decrease in deferred income		4	7
Decrease in other non-current assets		24	-
(Decrease)/increase in trade payables		(9 742)	2 051
Decrease in biological assets		20 261	30 757
Decrease in finance leases		(1 278)	(1 279)
(Decrease)/increase in other accounts payable		(7 731)	7 195
Cash generated from operations		**84 370**	**152 355**
Interest paid		(4 998)	(5 099)
Income tax paid		(46)	(37)
Net cash generated from operating activities		**79 326**	**147 219**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments and receipts - property, plant and equipment		(75 978)	(50 994)
Interest received		67	420
Net cash used in investing activities		**(75 911)**	**(50 574)**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of cash flows (cont.)
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
CASH FLOWS FROM FINANCING ACTIVITIES:			
New loans received		61 198	30 742
Repayment of loans		(73 030)	(19 941)
Interest paid for bonds issued		(11 686)	(12 648)
Repayment of short-term bonds		(25 023)	-
Blocked deposit		602	1 200
Net cash generated from financing activities		**(47 939)**	**(647)**
Net (decrease)/increase in cash		**(44 524)**	**95 998**
Cash and cash equivalents at 1 January		**203 504**	**230 640**
Effect from translation into presentation currency		(12)	5
Cash and cash equivalents at 30 June	12	**158 968**	**326 643**

The notes on pages 9 to 71 form an integral part of these interim consolidated financial statements.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

1. General information

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

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

The interim consolidated financial statements of the Company as at and for the 6 months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 30 June 2013 the production facilities of the Group include 32 poultry facilities (consisting of 19 egg laying farms, 10 farms for growing young laying hens and 3 breeder farms), 6 fodder mills, 3 long-term egg storage facilities and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows processing of approximately 95% 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 gaine additional profit due to synergies, 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.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

1. General information (cont.)

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

Company name	Principal Activity	Country of registration	Ownership interest (%) 30 June 2013	Ownership interest (%) 31 December 2012
PJSC Avangard	Keeping of technical laying hen, production and selling of eggs	Ukraine	99,00%	99,00%
PJSC Chornobaivske		Ukraine	97,00%	97,00%
PJSC Agrofirma Avis		Ukraine	100,00%	100,00%
PJSC Kirovskiy		Ukraine	100,00%	100,00%
PJSC Ptakhohospodarstvo Chervonyi Prapor		Ukraine	98,00%	98,00%
SC Ptakhofabryka Lozuvatska of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
LLC Yuzhnaya - Holding		Ukraine	100,00%	100,00%
LLC Makarivska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC PF Volnovaska		Ukraine	100,00%	100,00%
PJSC Cross-PF Zorya		Ukraine	89,00%	89,00%
PJSC Ptakhofabryka Pershe Travnya		Ukraine	93,00%	93,00%
PJSC Chernivetska Ptakhofabryka		Ukraine	98,00%	98,00%
ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC Areal-Snigurivka		Ukraine	100,00%	100,00%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		Ukraine	100,00%	100,00%
PPB LLC Ptytsecompleks		Ukraine	100,00%	100,00%
PSPC Interbusiness		Ukraine	100,00%	100,00%
SC Avangard-Agro of PJSC Avangard	Incubation (production and saleof day-old chick), farming of young poultry for sale, and poultry	Ukraine	99,00%	99,00%
SC Gorodenkivska Ptakhofabryka of PJSC Avangard		Ukraine	99,00%	99,00%
SC Rogatynska Ptakhofabryka of PJSC Avangard		Ukraine	99,00%	99,00%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka		Ukraine	100,00%	100,00%
LLC Slovyany		Ukraine	90,00%	90,00%
SC Ptakhohospodarstvo Lozuvatske of Avangardco Investments Public Limited		Ukraine	100,00%	100,00%
SC Zorya of PJSC Cross-PF Zoraya		Ukraine	89,00%	89,00%
SC Ptakhofabryka Chervonyi Prapor Poultry, of PJSC Ptakhohospodarstvo ChervoniyPrapor		Ukraine	98,00%	98,00%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100,00%	100,00%
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska		Ukraine	100,00%	100,00%
SC Ptakhohospodarstvo Chornobaivske of PJSC Chornobaivske		Ukraine	97,00%	97,00%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	99,00%	99,00%
PJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod		Ukraine	80,00%	80,00%
PJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	72,00%	72,00%
LLC Kamyanets-Podilsky KombikormoviyZavod		Ukraine	100,00%	100,00%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	93,00%	93,00%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	99,00%	99,00%
LLC Agrarnyi Holding Avangard	Rendering services under guarantee agreements	Ukraine	100,00%	100,00%
LLC Imperovo LTD	Rental services	Ukraine	99,00%	99,00%

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

1. General information (cont.)

The parent company of the Group is AvangardCo Investments Public Limited, registered in Cyprus, with an issued share capital of 6 387 185 ordinary shares as at 30 June 2013 with nominal value of € 0,10 per share.

The shares were distributed as follows:

	30 June 2013		31 December 2012	
Owner	**Number of shares**	**Ownership interest (%)**	**Number of shares**	**Ownership interest (%)**
Quickcom Limited	1	-	1	-
Omtron Limited	1 848 575	28.9%	1 848 575	28.9%
Tanchem Limited	926 280	14.5%	926 280	14.5%
Mobco Limited	1	-	1	-
BNY (Nominees) Limited	1 437 500	22.5%	1 437 500	22.5%
UkrLandFarming Plc	2 174 825	34.1%	2 174 825	34.1%
Other	3	-	3	-
	6 387 185	100.0%	6 387 185	100.0%

As at 30 June 2013 and 31 December 2012 the interests in Quickcom Limited, Omtron Limited, Tanchem Limited, Mobco Limited, UkrLandFarming Plc beneficially owned by Oleg Bakhmatyuk ("the beneficial owner" hereinafter) were as follows:

	Ownership interest (%) as at 30 June 2013	**Ownership interest (%) as at 31 December 2012**
Quickcom Limited	100%	100%
Omtron Limited	100%	100%
Tanchem Limited	100%	100%
Mobco Limited	100%	100%
UkrLandFarming Plc	100%	100%

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

2. Basis of preparation

2.1 Statement of compliance

The interim consolidated financial statements for the 6 months ended 30 June 2013 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and were not audited by the external independent auditors' of the Group. The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2012.

2.2 Basis of measurement

The interim consolidated financial statements have been prepared on the historical cost basis, except for the biological assets which are measured at fair value and bonds and loans which are measured at amortised cost.

2.3 Functional and presentation currency

The functional currency of all companies of the Group is the Ukrainian Hryvnia ("UAH"). The currency of Cyprus is the Euro, but the principle exposure of the parent undertaking is through its Ukrainian subsidiaries, and therefore the functional currency of the Company is also considered to be UAH. Transactions in currencies other than the functional currency of the Group's companies are treated as transactions in foreign currencies. The Group's management decided to use US dollar ("USD") as the presentation currency for financial and management reporting purposes. Exchange differences arising are classified as equity and transferred to the Company's translation reserve.

2.4 Going concern basis

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

2.5 Standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations
As from 1 January 2013, the Group adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. This adoption did not have a material effect on the interim consolidated financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2013. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

2. Basis of preparation (cont.)

2.5 Standards and interpretations (cont)

(i) Standards and Interpretations adopted by the EU

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 “Fair value Measurements” (effective for annual periods beginning on or after 1 January 2013).
- IAS 19 (Amendments) “Employee Benefits” (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods on or after 1 January 2013).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- IFRC 20 “Stripping costs in the Production of a Surface Mine” (effective for annual periods beginning on or after 1 January 2013).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 7 (Amendments) "Financial Instruments: Disclosures" – "Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014).
- IAS 36 (Amendments) "Recoverable Amount Disclosures for Non-Financial Assets " (effective for annual periods beginning on or after 1 January 2014).
- IAS 39 (Amendments) "Novation of derivatives and continuation of Hedge accounting" (effective for annual periods beginning on or after 1 January 2014).
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Group.

3. Significant accounting policies

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

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

3.1 Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the parent company AvangardCo Investments Public Limited and the financial statements of the companies controlled by the Company as at 30 June 2013.

Transactions under common control

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

Subsidiaries

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

Loss of control

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

Combinations of businesses under common control

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

- The Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonisation of accounting policies.

- No goodwill arises in predecessor accounting. Predecessor accounting may lead to differences in consolidation, for example the consideration given may differ from the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. Such differences are included in equity in retained earnings.

3. Significant accounting policies (cont.)

3.1 Basis of consolidation (cont.)

Combinations of businesses under common control (cont.)

- The interim 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 interim consolidated financial statements reflect both entities' full periods results, even though the business combination may have occurred part of the way through the period. In addition, the corresponding amounts for the previous period also reflect the combined results of both entities, even though the transaction did not occur until the current period.

Acquisitions of business not under common control

The purchase method is applied for the consolidation of subsidiaries being acquired. On acquisition, the identifiable assets and liabilities of the subsidiary are measured at fair value on the acquisition date, irrespective of the extent of any non controlling interest. 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 policies used into compliance with the accounting policies used by other companies of the Group.

Transactions eliminated by consolidation

All significant transactions and balances between the Group's companies are eliminated from the interim consolidated financial statements. Unrealised profits and losses, under transactions between the Group's Companies are also subject to elimination.

Non-controlling interests(NCI)

NCI is represented by interest in the subsidiaries not owned by the Group. NCI in subsidiaries as at the reporting period is the proportion of fair value of the relevant subsidiaries' identified assets and liabilities attributable to those non-controlling interest as at the date of acquisition, together with their share of changes in their equity after the date of acquisition. Equity attributable to owners of non-controlling interest is reported as a separate item in the consolidated statement of financial position.

Business combinations and goodwill

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

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

3. Significant accounting policies (cont.)

3.1 Basis of consolidation (cont.)

Business combinations and goodwill (cont.)

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 the unit that 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 in such case is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.2 Foreign currency translation

(a) Transactions and balances

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

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

3. Significant accounting policies (cont.)

3.2 Foreign currency translation (cont.)

(a) Transactions and balances (cont.)

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

Currency	30 June 2013	Weighted average for the 6 months ended 30 June 2012	31 December 2012	Weighted average for the 6 months ended 30 June 2012	30 June 2012
US dollar to Ukrainian Hryvnia	7,993	7, 993	7,9925	7,9891	7,9925

The foreign currencies may be freely convertible to 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 reporting period of financial statements all the assets and liabilities are translated at the exchange rate of the National Bank of Ukraine at that reporting period;

(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 completion, PPE previously under construction 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.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2013
(in USD thousands, unless otherwise stated)

3. Significant accounting policies (cont.)

3.3 Property, plant and equipment (cont.)

Subsequent measurement of property, plant and equipment

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

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

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

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

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

An asset is not depreciated during the first year of its availability for use or disposal. The acquired asset is depreciated starting from the following year from the date it is available for use and depreciation is fully accumulated when useful life terminates.

Derecognition

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. 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.

Impairment

At each reporting period 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.

3. Significant accounting policies (cont.)

3.3 Property, plant and equipment (cont.)

Assets under construction

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 Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurmemt date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

3.5 Financial instruments

(i)Non-derivative financial assets

The Group classifies its non-derivative financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management takes decision concerning the classification at initial recognition and reviews such classification for reliability at each reporting period.

(a) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed payments or determinable payments which are not quoted in an active market. Such assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise of cash and cash equivalents and 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, less any impairment losses.

3. Significant accounting policies (cont.)

3.5 Financial instruments (cont.)

(b) Available for sale financial assets

Available for sale financial assets, are non-derivative financial assets that are designated as available for sale or are not classified into any other category of financial assets. Available for sale financial assets are recognised at fair value plus directly attributable transaction costs.

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 period, and if selling 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 and changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments, are recognised in other comprehensive income.

Impairment loss on available for sale financial assets is recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

The cumulative loss that is reclassifled from equity to profit or loss is the difference between the acquisition cost net of any principal repayments and amortization and the current fair value, less impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to the application of the effective interest method are reflected as a component of interest income. If in a subsequent period the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized then the impairment loss is reversed, with the amount of reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

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 transaction price. Gains or losses on initial recognition are reflected only if the difference between fair value and transaction price is confirmed by other actual and regular market transactions carried out with the same instruments or with such estimation of which the valuation technique is based on open market data.

All acquisitions and sales of financial instruments which are to be carried out on a regular basis, set by regulations or marketing agreements (acquisitions and sales carried out under regular transaction procedures) are recognised at the date of transaction. Change in value of an asset which is measured at fair value between one date of committing to purchase the assets and settlement date, is recognised either in profit or loss (for assets classified at fair value through profit or loss), or in equity (for assets classified as available-for-sale).

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2013
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3. Significant accounting policies (cont.)

3.5 Financial instruments (cont.)

(i)Non-derivative financial assets(cont.)

Principles of fair value measurement

Fair value of financial instruments is based on their market price prevailing at the reporting period 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 period. When using pricing models, the inputs are based on average market data prevailing at the reporting period.

Subsequent measurement

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

Loans and accounts receivable, 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 period 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 as a result of one or more events which occurred after initial recognition of the asset and that loss event, had an impact on the estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated.

Impairment evidence may comprise indicators that a debtor or group of debtors is in significant financial difficulties, is unable to repay the debt or makes inaccurate payments of interest or principal amount of debt, and also the probability of bankruptcy or any other financial reorganisation. In addition, such evidence includes other observable data indicating a decrease in expected cash flows from the financial asset which is subject to reliable measurement, for example, an overdue debt.

3. Significant accounting policies (cont.)

3.5 Financial instruments (cont.)

(i)Non-derivative financial assets(cont.)

Financial assets measured at amortised cost

The group considers evidence of impairment for a financial asset measured at amortised cost at both a specific asset and collective level. All individually significant assets are measured for specific impairment. Those found not to be specifically impairment are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risks characteristics.

In assessing collective impairment, the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial assets at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted using the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after at the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Derecognition

The financial assets are derecognised 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.

(ii)Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date which is the date that the Group becomes a party to the contractual provision for the instrument. The Group classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs using the effective interest method.

Other financial liabilities comprise loans and borrowings, bonds liabilities, bank overdrafts and trade and other payables.

(a) Loans and borrowings

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

Initial recognition

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

3. Significant accounting policies (cont.)

3.5 Financial instruments (cont.)

(ii)Non-derivative financial liabilities(cont.)

Subsequent measurement

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

Borrowings 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.

Derecognition

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

3.6 Bonds

Bonds consists of capital securities and are presented at amortised cost. The amortized cost is the fair value of securities issued after the deduction of interest payments plus the cumulative amortization using the effective interest method of any difference between the initial amount and the amount of maturity.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and allocate revenue or interest expense over the relevant period. The real interest rate is the rate that exactly discounts estimated future cash payments or receipts at the expected term of the financial instruments on when appropriate, a shorter period to the net book value of the financial asset or financial liability.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined as the estimated selling price less estimated costs of completion and preliminary estimated distribution and selling costs. The cost of inventories is based on the first-in-first-out (FIFO) principle.

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 recognised in profit or loss.

3. Significant accounting policies (cont.)

3.7 Inventories (cont.)

Impairment of inventories

At each reporting period, the Group assesses the necessity to impair obsolete and surplus inventory and supplies.

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

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

3.8 Biological assets

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

- replacement poultry (non-current asset);
- commercial poultry (current asset);
- other biological assets (current asset);

(a) Non current assets - assets with useful life of more than a year. Age of livestock poultry is between 1 – 194 days old.
(b) Current assets - assets with useful life within one year. Age of livestock poultry is between 195 – 560 days old.

The Group performs a biological asset measurement at initial recognition and as at each reporting period, at fair value less any estimated expenses for sale, except in the cases, were fair value cannot be determined reliably. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

The Group includes the following elements into cost of laying hens in the process of growing:

- Animal feed
- Depreciation of property, plant and equipment related to the process of growing
- Wages and salaries of personnel related to the process of growing
- Other expenses directly related to the process of growing

Determination of the fair value of biological assets

Due to an absence of an active market for laying hens in Ukraine, to determine the fair value of biological assets, the Group uses the discounted value of the asset’s expected net cash flows.

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. Significant accounting policies (cont.)

3.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks, cash in hand, cash in transit and issued letters of credit. The bank deposits are held without a specific maturity, are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short term commitments.

3.10 Impairment of non-current assets

The Group assesses at each reporting period 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 fair value less costs to sell and its value in use. In estimating value in use, the future cash flows are discounted to present value using a pre-tax discount that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

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, the 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 the case where no impairment loss for an asset (or cash-generating unit) was recognised in the previous years. Reversal of the impairment loss is recognised as profit immediately.

3.11 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 by the company.

The Group's entities apply the special VAT taxation treatment prescribed by the Tax Code of Ukraine, which entered into force on 1 January 2011, regarding the agricultural activities, which provides preferential VAT treatment to support agricultural producers.

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

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

3. Significant accounting policies (cont.)

3.11 Value added tax (VAT) (cont.)

-receivables and payables that are stated including the value added tax.

The Group classifies VAT recoverable arising from its operating activities and its capital expenditures. The balance of VAT recoverable may be realised by the Group either through a cash refund from the state budgets or by set off against VAT liabilities with the state budget in future periods.

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 interim consolidated statement of financial position.

3.12 Income tax and deferred tax

Current income tax

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

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting period 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:

-when 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, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the 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:

-when 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;

3. Significant accounting policies (cont.)

3.12 Income tax and deferred tax (cont.)

Deferred tax (cont.)

-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 be reversed 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 period 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 period 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 period 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 period.

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.

3.13 Revenue recognition

Revenue includes 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 recognised net of value added tax, returns, trade discounts and intragroup transactions.

Revenue is recognised when persuasive evidence exists that the significant risks and rewards have been transferred to the customer, recovery of the consideration is probable, the associated cost and possible return of goods and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting period. The stage of completion is assessed by reference to surveys of work performed.

3.14 Interest income/expense

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

3. Significant accounting policies (cont.)

3.15 Leases

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

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

Group as a lessee

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

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

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

Group as a lessor

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

3.16 Distribution of dividends

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

3.17 Borrowing costs

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

3. Significant accounting policies (cont.)

3.18 Government grants

Recognition of government grants

The Group recognises government grants when received.

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

- All grants, compensating the expenses of the preceding periods, shall be recognised by the Group in full in the period of their receipt as other operating income;
- All grants, related to assets not depreciated, such as a land site, shall be correlated by the Group with the expenses to fulfill the obligations. Where a grant in the form of provision of a land site is conditional on construction of a building on the site, the Group divides the recognition of the grant as other operating income over the whole useful life of the building;
- All grants, related to the amortised 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 grants are receivable. A contingent government grant, is recognised by the Group as income only after the fulfilment of respective conditions.

Return of the government grants

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

3.19 Contingent assets and liabilities

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

Notes to the interim consolidated financial statements
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3. Significant accounting policies (cont.)

3.20 Provisions

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

3.21 Share capital

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

3.22 Operating segments

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

The Group is organised by reportable segments and this is the primary format for segmental reporting. Each segment provides products or services which are subject to risks and rewards that are different from those of other segments.

3.23 Events after the reporting period

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

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

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4. Significant accounting judgements and estimates

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

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

In particular, information about significant area of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the interim consolidated financial statements are disclosed below:

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 Fair value less costs to sell of biological assets

Biological assets are recorded at fair values less costs to sell. The Group estimates the fair values of biological assets based on the following key assumptions:

- Average production of eggs over lifecycle of poultry
- Average productive life of livestock poultry
- Estimated future sales price
- Projected production costs and costs to sell
- Discount rate

4.3 Useful lives of property, plant and equipment

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

4. Significant accounting judgements and estimates (cont.)

4.4 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 the 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.

4.5 VAT recoverable

Management classified VAT recoverable balance as current based on expectations that will be realised within twelve months from the reporting period. In addition management assessed whether the allowance for irrecoverable VAT needs to be created.

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

4.6 Impairment of receivables

The Group provides for doubtful debts to cover potential losses when a customer may be unable to make necessary payments. In 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 interim consolidated financial statements as impairments of receivables.

Group approach is used in calculating the impairment of receivables:

Group approach - receivables are grouped, and turnover is analysed for the group as a whole, rather than on each individual debt separately. Based on the analysis of accounts receivable according to the previous reporting period data for the share of uncollectible receivables, interest is calculated for calculation of reserve for doubtful debt of current reporting period. Subsequently, to calculate the provision of doubtful debt of current reporting period, interest is applied to outstanding balance for the current period, less the amount of accounts receivable, provision for which is calculated on an individual basis.

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

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

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

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4. Significant accounting judgements and estimates (cont.)

4.7 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 obligation. 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.

4.8 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

4.9 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.

4. Significant accounting judgements and estimates (cont.)

4.9 Deferred tax assets (cont.)

Deferred tax assets are reviewed at each reporting period and reduced to the extent where no longer exists any probability for sufficient taxable profit to be received, which enables realising 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 utilisation of deferred tax assets be reduced, such reduction is to be recognised in profit or loss.

4.10 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 may be rebutted by the tax authorities.

4.11 Impact of the global financial and economic crisis

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

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

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5. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Cost								
As at 1 January 2013	**3 464**	**301 995**	**48 381**	**101 353**	**6 340**	**3 100**	**521 381**	**986 014**
Acquisitions	-	72	76	8	22	14	76 349	**76 541**
Disposals	-	(221)	(146)	(1)	(34)	(31)	-	**(433)**
Foreign currency translation	-	(19)	(3)	(6)	-	-	(25)	**(53)**
Internal transfers	-	60 511	111	-	-	87	(60 709)	**-**
Reclassification	-	30	111	-	-	(30)	(111)	**-**
As at 30 June 2013	**3 464**	**362 368**	**48 530**	**101 354**	**6 328**	**3 140**	**536 885**	**1 062 069**
Accumulated depreciation								
As at 1 January 2013	**-**	**22 612**	**6 441**	**32 658**	**2 851**	**1 380**	**-**	**65 942**
Depreciation charge	-	6 376	2 157	3 512	386	266	-	**12 697**
Depreciation eliminated on disposal	-	(34)	(55)	-	(8)	(22)	-	**(119)**
Foreign currency translation	-	(2)	(1)	(2)	-	(2)	-	**(7)**
Reclassification	-	-	-	-	-	-	-	**-**
As at 30 June 2013	**-**	**28 952**	**8 542**	**36 168**	**3 229**	**1 622**	**-**	**78 513**
Net book value								
As at 30 June 2013	**3 464**	**333 416**	**39 988**	**65 186**	**3 099**	**1 518**	**536 885**	**983 556**

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5. Property, plant and equipment (cont.)

Cost	**Land**	**Buildings and structures**	**Machinery and equipment**	**Equipment for biological assets**	**Vehicles**	**Other equipment**	**Assets under construction-in-progress and uninstalled equipment**	**Total**
As at 1 January 2012	**3 465**	**173 848**	**22 042**	**91 371**	**5 306**	**2 460**	**264 936**	**563 428**
Acquisitions	-	17 383	1 071	47	854	448	406 874	**426 677**
Disposals	-	(4)	(52)	-	(33)	(17)	(3 731)	**(3 837)**
Foreign currency translation	(1)	(86)	(13)	(33)	(2)	(1)	(118)	**(254)**
Internal transfers	-	110 854	25 915	9 423	215	173	(146 580)	**-**
Reclassification	-	-	(582)	545	-	37	-	**-**
As at 31 December 2012	**3 464**	**301 995**	**48 381**	**101 353**	**6 340**	**3 100**	**521 381**	**986 014**
Accumulated depreciation								
As at 1 January 2012	**-**	**17 220**	**4 671**	**25 778**	**2 156**	**909**	**-**	**50 734**
Depreciation charge	-	5 399	1 959	6 727	715	484	-	**15 284**
Depreciation eliminated on disposal	-	-	(24)	-	(19)	(13)	-	**(56)**
Foreign currency translation	-	(7)	(2)	(10)	(1)	-	-	**(20)**
Reclassification	-	-	(163)	163	-	-	-	**-**
As at 31 December 2012	**-**	**22 612**	**6 441**	**32 658**	**2 851**	**1 380**	**-**	**65 942**
Net book value								
As at 31 December 2012	**3 464**	**279 383**	**41 940**	**68 695**	**3 489**	**1 720**	**521 381**	**920 072**

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5. Property, plant and equipment (cont.)

	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
Cost								
As at 1 January 2012	**3 465**	**173 848**	**22 042**	**91 371**	**5 306**	**2 460**	**264 936**	**563 428**
Acquisitions	-	8 206	170	15	463	188	60 989	**70 031**
Disposals	-	-	(5)	-	-	(1)	-	**(6)**
Foreign currency translation	(1)	(62)	(8)	(31)	(2)	(1)	(115)	**(220)**
Internal transfers	-	-	4	-	(6)	59	(57)	**-**
Reclassification	-	-	(41)	-	-	41	-	**-**
As at 30 June 2012	**3 464**	**181 992**	**22 162**	**91 355**	**5 761**	**2 746**	**325 753**	**633 233**
Accumulated depreciation								
As at 1 January 2012	**-**	**17 220**	**4 671**	**25 778**	**2 156**	**906**	**-**	**50 731**
Depreciation charge	-	2 700	993	3 351	358	242	-	**7 644**
Depreciation eliminated on disposal	-	-	(1)	-	-	(1)	-	**(2)**
Foreign currency translation	-	(7)	(2)	(10)	(1)	-	-	**(20)**
Reclassification	-	-	4	-	-	(4)	-	**-**
As at 30 June 2012	**-**	**19 913**	**5 665**	**29 119**	**2 513**	**1 143**	**-**	**58 354**
Net book value								
As at 30 June 2012	**3 464**	**162 079**	**16 497**	**62 236**	**3 248**	**1 603**	**325 753**	**574 880**

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5. Property, plant and equipment (cont.)

As at 30 June 2013 and 31 December 2012 the property, plant and equipment with carrying amount USD 107 333 thousand and USD 129 334 thousand were pledged as a security for Group's loans (note 17 of the interim consolidated financial statements).

As at 30 June 2013 and 31 December 2012 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 10 387 thousand and USD 10 486 thousand respectively. The residual amount of contractual commitments is presented in note 22 of these interim consolidated financial statments.

6. Biological assets

	Note	30 June 2013	31 December 2012
Non-current biological assets			
Replacement poultry	a), b)	43 746	46 724
		43 746	**46 724**
Current biological assets			
Commercial poultry	a), b)	59 922	56 886
Other biological assets	c)	-	3
		59 922	**56 889**
Total		**103 668**	**103 613**

a) Commercial poultry and replacement poultry were as follows:

	30 June 2013		31 December 2012	
	Number, thousand head	Fair value	Number, thousand head	Fair value
Loman	2 251	10 093	-	-
Hy-Line	27 010	89 190	27 020	100 843
Hisex	1 011	4 385	499	2 767
	30 272	**103 668**	**27 519**	**103 610**

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6. Biological assets (cont.)

b) Reconciliation of commercial and replacement poultry fair value was as follows:

As at 1 January 2012	**103 217**
Acquisitions	23 601
Increase in value as a result of increase in weight/number	7 129
Net change in fair value	19 684
Decrease in value resulting from assets disposal	(27 050)
Effect from translation into presentation currency	(30)
Decrease in value resulting from hens slaughtering	(34 347)
Other changes	(60)
As at 30 June 2012	**92 144**
As at 1 January 2013	**103 610**
Acquisitions	37 590
Increase in value as a result of increase in weight/number	41 694
Net change in fair value	20 717
Decrease in value resulting from assets disposal	(32 961)
Effect from translation into presentation currency	(6)
Decrease in value resulting from hens slaughtering	(66 842)
Other changes	(133)
As at 30 June 2013	**103 668**

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

Due to the absence of an active market for laying hen in Ukraine, to determine the fair value of biological assets, the Group uses the discounted net present value of future net cash flows expected from the biological assets. As a discount rate, the rate of 25.0% prevailing as at 30 June 2013 was applied (for the year ended 31 December 2012: 25.0%).

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

7. Other non-current assets

Other non-current assets as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	**31 December 2012**
Other non-current assets	367	391
	367	**391**

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8. Taxes recoverable and prepaid, net

Taxes recoverable and prepaid as at 30 June 2013 and 31 December 2012 were as follows:

	Note	30 June 2013	31 December 2012
VAT settlements	a)	89 164	102 455
Other taxes prepaid		83	112
		89 247	**102 567**

a) VAT settlements related to VAT recoverable arising from operating activities and capital expenditure, is subject to:

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

The VAT settlements are receivable within one year based on the prior years' pattern, history of cash refunds and expectations that funds will be realised within twelve months from the reporting period.

9. Inventories

Inventories as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	31 December 2012
Raw and basic materials	109 721	144 752
Work-in-progress	202	1 153
Agricultural produce	6 218	2 417
Finished goods	14 645	11 487
Package and packing materials	5 637	6 168
Goods for resale	6 998	8 707
Other inventories	3 353	3 202
	146 774	**177 886**

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

The Group produced shell eggs in the quantity of 3 378 136 548 (6 months ended 30 June 2012: 3 106 180 735 items) whose fair value amounted to USD 266 261 thousand (6 months ended 30 June 2012: USD 256 610 thousand).

In 2012 raw and basic materials with carrying amount 32 thousand were pledged as a security for Group's loans (note 17 of these interim consolidated financial statments).

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10. Trade accounts receivable, net

Trade accounts reveivable as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	31 December 2012
Trade receivables-gross	61 239	55 768
Provision for doubtful debts	(220)	(217)
	61 019	**55 551**

As at 30 June 2013 an amount of USD 4 740 thousand or 7.8 % of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 31 December 2012–see note 40 of these interim consolidated financial statments).

The fair values of trade accounts receivable due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade accounts receivable is reported in note 40 of these interim consolidated financial statements.

11. Prepayments and other current assets, net

Prepayments and other current assets as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	31 December 2012
Prepayments	81 301	9 823
Provision for doubtful debts	(809)	(765)
Other non-trade accounts receivable	1 780	2 908
	82 272	**11 966**

12. Cash and cash equivalents

Cash and cash equivalents as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	31 December 2012
Cash in banks	157 111	202 249
Cash in hand	49	49
Other bank accounts in foreign currency	2 000	2 000
Cash and cash equivalents	**159 160**	**204 298**
Less blocked deposit		
Other bank accounts in foreign currency	(192)	(794)
Cash and cash equivalents represented in interim consolidated statement of cash flows	**158 968**	**203 504**

Blocked deposit represents letter of credit opened with banks under the contracts for purchase of property, plant and equipment.

The exposure of the Group to credit risk, impairment losses and liquidity risk in relation to cash and cash equivalents is reported in note 40 of these interim consolidated financial statements.

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13. Share capital

	30 June 2013		31 December 2012	
	Number of shares	**Share capital, USD ths**	**Number of shares**	**Share capital, USD ths**
Authorised				
Ordinary shares Euro 0,10 each	6 500 000	908	6 500 000	908
Issued and fully paid				
As at 30 June 2013/31 December 2012	6 387 185	836	6 387 185	836

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

In May and June 2010 the Company issued 1 387 185 ordinary shares with nominal value EUR 0,10 per share.

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

14. Long-term loans

Long-term loans as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	**31 December 2012**
Long-term bank loans in national currency	3 575	4 290
Long-term bank loans in foreign currency	61 083	27 832
Total loans	**64 658**	**32 122**
Commodity credit	1 109	1 109
	65 767	**33 231**
Current portion of non-current liabilities for bank loans in national currency	(1 430)	(1 430)
Current portion of non-current liabilities for bank loans in foreign currency	(11 384)	(27 832)
	52 953	**3 969**

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14. Long-term loans (cont.)

a) As at 30 June 2013 and 31 December 2012 the long-term bank loans by maturities were as follows:

	30 June 2013	31 December 2012
Less than one year (current portion) (note 18)	12 814	29 262
From 1 to 2 years	11 919	1 430
From 2 to 3 years	11 204	1 430
From 3 to 4 years	10 489	-
From 4 to 5 years	5 239	
Over 5 years	12 993	-
	64 658	**32 122**

b) As at 30 June 2013 and 31 December 2012 the long-term bank loans by currencies were as follows:

	30 June 2013	31 December 2012
Long-term bank loans in UAH	3 575	4 290
Long-term bank loans in USD	-	27 832
Long-term bank loans in EUR	61 083	-
	64 658	**32 122**

c) As at 30 June 2013 and 31 December 2012 the interest rates for long-term bank loans were as follows:

	30 June 2013	31 December 2012
Long-term bank loans denominated in UAH	14%	14-21%
Long-term bank loans denominated in USD	-	11%
Long-term bank loans in EUR	1.5%+EURIBOR-1.75%+EURIBOR	-

d) Commodity credit in the amount of USD 1 109 thousand 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. In case of default after the maturity of the loan the Group's companies are subject to fine and, according to Ukrainian laws, is set equal to compulsory payments in the State budget of Ukraine, applying sanctions stipulated by the laws with regard to late payment of taxes and making of non-tax payments. The commodity credit does not have a maturity date.

The exposure of the Group to interest rate risk and liquidity risk in relation to loans and borrowings is reported in note 40 of these interim consolidated financial statements.

15. Long-term bond liabilities

Long-term bond liabilities as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	31 December 2012
Par value	200 000	200 000
Discount on issued bonds	(3 566)	(4 221)
	196 434	**195 779**

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15. Long-term bond liabilities (cont.)

On 29 October 2010, the Company issued 2 000 five year non-convertible bonds with par value equal to USD 100 000 each. The Notes have been admitted to the official list of the UK listing Authority and to trading on London Stock Exchange plc's regulated market with effect from 1 November 2010. The USD 200 000 000 10% Notes, bear interest from 29 October 2010 at a rate of 10% per annum payable semi annually in arrears on 29 April and 29 October in each year, commencing on 29 April 2011. The maturity date is 29 October 2015 and the placement price was 98 093% of the principal amount of the Notes.

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

The exposure of the Group to interest rate risk and liquidity risk in relation to long term-bond liabilities is reported in note 40 of these interim consolidated financial statements.

16. Short-term loans

Short-term loans as at 30 June 2013 and 31 December 2012 were as follows:

	Note	30 June 2013	31 December 2012
Short-term loans in national currency		-	32
Short-term bank loans in foreign currency	a), b), c)	50 000	94 336
		50 000	**94 368**

a) As at 30 June 2013 and 31 December 2012 the short-term bank loans by maturity were as follows:

	30 June 2013	31 December 2012
Less than 3 months	-	-
From 3 to 6 months	50 000	94 336
	50 000	**94 336**

b) As at 30 June 2013 and 31 December 2012 the short-term bank loans by currencies were as follows:

	30 June 2013	31 December 2012
Short-term bank loans in USD	50 000	50 004
Short-term bank loans in EUR	-	44 332
	50 000	**94 336**

c) The interest bearing short-term bank loans by currencies as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	31 December 2012
Short-term bank loans denominated in USD	10,25%	10,25%
Short-term bank loans denominated in EUR	-	1.5%+EURIBOR-1.75%+EURIBOR

The exposure of the Group to interest rate risk and liquidity risk in relation to short term borrowings is reported in note 40 of these interim consolidated financial statements.

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17. Securities

Long-term loans (note 14) and short-term loans (note 16) as at 30 June 2013 and 31 December 2012 were secured on assets as follows:

	30 June 2013	31 December 2012
Buildings and structures	91 164	66 520
Machinery and equipment	5 670	5 914
Equipment for biological assets	7 905	10 054
Vehicles	243	265
Other equipment	263	293
Assets under construction-in-progress and uninstalled equipment	2 088	46 288
Property, plant and equipment, total	107 333	129 334
Inventories	-	32
Total	**107 333**	**129 366**

As at 31 December 2012, 116 404 961 shares of APP CJSC Chornobaivske were pledged under long-term bank loans.

18. Current portion of non-current financial liabilities

The current portion of non-current financial liabilities as at 30 June 2013 and 31 December 2012 was as follows:

	30 June 2013	31 December 2012
Trade and other payables		
Deferred income (current portion)	304	304
Financial liabilities		
Current portion of finance lease liabilities	2 123	2 123
VAT included in current portion of finance lease liabilities	425	425
Current portion of non-current liabilities for bank loans in foreign currency	11 384	27 832
Current portion of non-current liabilities for bank loans in national currency	1 430	1 430
	15 666	**32 114**

The exposure of the Group to liquidity risk in relation to non-current financial liabilities is reported in note 40 of these interim consolidated financial statements.

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19. Deferred tax assets and liabilities, income tax expense

The principal components of deferred tax assets and liabilities before netting off on a company basis as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	31 December 2012
Influence of temporary differences on deferred tax assets		
Property, plant and equipment, non-current assets	2 281	1 718
Provisions	142	181
Total deferred tax assets	**2 423**	**1 899**
Influence of temporary differences on deferred tax liabilities		
Deferred expenses	(5)	(5)
Total deferred tax liabilities	**(5)**	**(5)**
Net deferred tax assets	**2 418**	**1 894**

	30 June 2013	31 December 2012
Total deferred tax assets	2 466	1 966
Total deferred tax liabilities	(48)	(72)
Net deferred tax assets	**2 418**	**1 894**

Principal components of income tax expense

As at 30 June 2013 the rate of income tax in Ukraine was equal to 19% (31 December 2012: 21%)

	30 June 2013	30 June 2012
Current income tax	(25)	(27)
Deferred tax asset	524	23
Effect of translation into presentation currency	-	(1)
Income tax credit/(expense) for the period	**499**	**(5)**

Reconciliation of deferred tax

	30 June 2013	31 December 2012
Balance as at 1 January	1 894	1 836
Deferred tax credit	524	70
Effect of translation into presentation currency	-	(12)
Balance as at 30 June /31 December	**2 418**	**1 894**

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19. Deferred tax assets and liabilities, income tax expense (cont.)

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

	30 June 2013	30 June 2012
Accounting profit before tax	105 062	97 605
Less accounting profit of the companies being fixed agricultural tax payers	(95 208)	(125 978)
	9 854	(28 373)
Accounting loss of the companies being income tax payers at the rate 12,5%	(10 153)	(16 462)
Accounting profit/(loss) of the companies being income tax payers at the rate 19%, 21%	20 007	(11 911)
	9 854	(28 373)
Income tax, taxable at the rate of 12,5%	(1 269)	(1 646)
Income tax, taxable at the rate of 19%, 21%	3 801	(2 501)
Tax effect of allowances and income not subject to tax	(2 033)	4 142
Tax as per consolidated statement of comprehensive income - credit/(expense)	**499**	**(5)**

The income tax payers in 2013 and 2012 were the following companies: LLC “Rohatyn-Korm”, OJSC “Vuhlelhirskyi Eksperrementalnyi Kombikrmovyi Zavod”, OJSC “Volhovatskiy Kombinat Khliboproduktiv”,LLC“Kamyanets-Podilsky Kombikormovyi Zavod”, LLC “Pershe Travnya Kombikormovyi Zavod”, LLC “ImperovoFoods”, LLC “Agrarnyi Holding Avangard”, AvangardCo Investments Public Limited and LLC “Imperovo LTD”. All other companies of the Group were tax payers of the fixed agricultural tax.

According to the Tax Code of Ukraine, the taxation for the fixed agricultural tax payers is based on the agricultural area, which is submitted to a manufacturer of agricultural products in the property or for use. This new Tax Code of Ukraine introduced gradual decrease in income tax rates over the future years (from 23% effective 1 April 2011 to 16% effective 1 January 2014), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 30 June 2013 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

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20. Trade payables

Trade payables as at 30 June 2013 and 31 December 2012 were as follows:

	Note	30 June 2013	31 December 2012
Trade payables		11 863	22 608
Short-term notes issued	a)	2 665	1 827
		14 528	**24 435**

a) As at 30 June 2013 and 31 December 2012 the short-term notes issued were represented by promissory, non interest-bearing, notes.

The exposure of the Group to liquidity risk in relation to trade payables is reported in note 40 of these interim consolidated financial statements.

21. Other accounts payable

Other accounts payable as at 30 June 2013 and 31 December 2012 were as follows:

	Note	30 June 2013	31 December 2012
Accrued expenses for future employee benefits		1 391	1 453
Other accrued expenses		201	282
Wages and salaries and related taxes liabilities		3 024	3 070
Other taxes and compulsory payments liabilities	a)	1 160	3 113
Accounts payable for property, plant and equipment		2 848	13 546
Advances received from customers	b)	1 458	1 856
Interest payable		438	722
Accrued coupon on bonds		4 473	4 013
Other payables		6 352	988
		21 345	**29 043**

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

The exposure of the Group to liquidity risk in relation to other accounts payable is reported in note 40 of these interim consolidated financial statements.

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22. Finance lease liabilities

	Minimum lease payments	Future finance charges	Current value of minimum lease payments
As at 30 June 2013			
Less than one year	2 332	209	2 123
Between one and five years	6	1	5
Total	**2 338**	**210**	**2 128**

	Minimum lease payments	Future finance charges	Current value of minimum lease payments
As at 31 December 2012			
Within a year	2 869	321	2 548
Between one and five years	1 356	73	1 283
Total	**4 225**	**394**	**3 831**

The finance lease liabilities also contain the VAT payments that are as follows:

	30 June 2013	31 December 2012
Short-term VAT payable	425	425
Long-term VAT payable	1	213
Total	**426**	**638**

Net carrying value of property, plant and equipment acquired via finance lease as at 30 June 2013 and 31 December 2012 was as follows:

	30 June 2013	31 December 2012
Equipment for biological assets	10 363	10 456
Vehicles	24	30
	10 387	**10 486**

Non-current assets under finance lease include equipment for biological assets, construction-in-progress and uninstalled equipment and vehicles with finance lease term of 3-4 years. Interest rate under finance lease agreements is LIBOR+8% per annum for the 6 months ended 30 June 2013 and year ended 31 December 2012. Finance lease agreements do not provide the possibility of changing the initial terms of agreements.

The exposure of the Group to interest rate risk and liquidity risk in relation to finance lease liabilities is reported in note 40 of these interim consolidated financial statements.

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23. Short-term bond liabilities

Short-term bond liabilities as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	31 December 2012
Nominal value	-	25 023
	-	**25 023**

As at 31 December 2012 current liabilities for bonds were presented as liabilities for A-type bonds with nominal value of USD 25 023 thousand, which was equivalent to UAH 200 000 thousand, issued by CJSC "Avangard" on 2 July 2008. Those bonds were issued in book-entry form in number of 200 000 items. The bonds issue were secured by SC "Zorya, LLC Cross-PF Zorya", LLC "Cross-PF Zorya",OJSC "Ptakhohospodarstvo Chervonyi Prapor", SC "Ptakhofabryka Lozuvatska", SC "Ptakhofabryka Chervonyi Prapor Poultry Farm, of OJSC Ptakhohospodarstvo Chervoniy Prapor", OJSC "Volnovaskyi Kombinat Khliboprodiktiv", OJSC "Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod", ALLC "Donetska Ptakhofabryka", LLC "PF Volnovaska", SC "Ptakhohospodarstvo Lozuvatskoe", SC "Gorodenkivska Ptakhofabryka of CJSC Avangard", SC "Rogatynska Ptakhofabryka of CJSC Avangard", SC "Avangard-Agro of CJSC Avangard", CJSC "Chernivetska Ptakhofabryka", CJSC "Agrofirma Avis", LLC "Kamyanets-Podilsky Kombikormoviy Zavod", OJSC "Kirovskiy", LLC "Slovyany", OJSC "Ptakhofabryka Pershe Travnya", SC "Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding", LLC "Yuzhnaya Holding", LLC "Areal-Snigurivka". The Guarantors are fully responsible for the issuer's liabilities to bond holders.

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 be less than the National Bank of Ukraine bank rate on the date of the decision of determining the interest rate. The bonds owner has the right to present the bonds to the issuer for payment on the following dates: 25 May 2009, 24 May 2010, 23 May 2011 and 21 May 2012, under the notification conditions. The bonds circulation period is from 2 July 2008 to 19 May 2013.

The exposure of the Group to interest rate risk and liquidity risk in relation to short term bond liabilities is reported in note 40 of these interim consolidated financial statements.

24. Profit from operating activities

Profit from operating activities is stated after (charging)/crediting the following items:

		6 months ended	
	Note	30 June 2013	30 June 2012
Depreciation of property, plant and equipment	5	(12 697)	(7 644)
Loss on disposal of non current assets	30	(281)	-
Provisions for doubtful debts and amounts written off	30	(283)	(894)
Payroll and related expenses	34	(14 203)	(16 829)
Independent auditors' remuneration for other assurance services		(142)	(188)

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25. Revenue

Sales revenue for the 6 months ended 30 June 2013 and 30 June 2012 were as follows:

	30 June 2013	30 June 2012
Revenue from finished goods	302 975	282 388
Revenue from goods sold and services rendered	1 313	1 174
	304 288	**283 562**

For the 6 months ended 30 June 2013 USD 23 584 thousand (6 months ended 30 June 2012: USD 24 054 thousand) or 7.8% (6 months ended 30 June 2012: 8.5%) from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients (for the year ended 30 June 2012 – note 40 of these interim consolidated financial statments).

26. Cost of sales

Cost of sales for the 6 months ended 30 June 2013 and 30 June 2012 was as follows:

	Note	30 June 2013	30 June 2012
Cost of finished goods sold	27	(205 287)	(188 152)
Cost of goods sold and services rendered		(1 113)	(1 156)
		(206 400)	**(189 308)**

27. Cost of sales by elements

The cost of finished goods sold (note 26) for the 6 months ended 30 June 2013 and 30 June 2012 as follows:

	Note	30 June 2013	30 June 2012
Raw materials		(171 046)	(157 318)
Payroll of production personnel and related taxes	34	(9 512)	(11 653)
Depreciation		(12 267)	(7 321)
Services provided by third parties		(12 384)	(11 777)
Other expenses		(78)	(83)
		(205 287)	**(188 152)**

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

28. General administrative expenses

General administrative expenses for the 6 months ended 30 June 2013 and 30 June 2012 were as follows:

	Note	30 June 2013	30 June 2012
Salaries and wages of administrative personnel	34	(4 060)	(4 038)
Services provided by third parties		(3 679)	(7 516)
Depreciation		(67)	(53)
Repairs and maintenance costs		(88)	(38)
Tax expenses, except for income tax		(177)	(166)
Material usage		(271)	(289)
Other expenses		(272)	(158)
		(8 614)	**(12 258)**

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29. Distribution expenses

Distribution expenses for the 6 months ended 30 June 2013 and 30 June 2012 were as follows:

	Note	30 June 2013	30 June 2012
Salaries and wages of distribution personnel	34	(631)	(1 138)
Transport expenses		(4 807)	(4 657)
Depreciation		(365)	(270)
Services provided by third parties		(3 565)	(664)
Packing materials		(918)	(931)
Repairs and maintenance costs		(29)	(29)
Other expenses		(195)	(269)
		(10 510)	**(7 958)**

30. Other operating income, net

Other operating income, net for the 6 months ended 30 June 2013 and 30 June 2012 were as follows:

	30 June 2013	30 June 2012
Loss on disposal of current assets	(55)	(367)
Loss on disposal of non current assets	(281)	-
Impairment of current assets	(468)	(658)
Gain realised from writing-off of accounts payable	165	136
Gains/(losses) on exchange	1 101	(100)
Foreign currency sale income	1 742	651
Provision for doubtful debts and amounts written off	(283)	(894)
Fines, penalties recognized	(735)	(459)
Other income	34	3 364
	1 220	**1 673**

31. Finance cost

Finance cost for the 6 months ended 30 June 2013 and 30 June 2012 was as follows:

	30 June 2013	30 June 2012
Interest payable on loans	(4 181)	(4 814)
Capitalised interest	533	1 636
Total finance expenses on loans	**(3 648)**	**(3 178)**
Finance expenses on finance lease	(186)	(301)
Finance expenses on bonds (interest)	(12 146)	(12 513)
Other finance expenses	(982)	(1 306)
	(16 962)	**(17 298)**

32. Finance income

Finance income for the 6 months ended 30 June 2013 and 30 June 2012 includes the interest income from placement of deposits, amounted to USD 67 thousand and USD 420 thousand respectively.

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33. Government grants received

33.1 Income from government grants and incentives

Income from government grants and incentives received for the 6 months ended 30 June 2013 and 30 June 2012 was as follows:

	Note	30 June 2013	30 June 2012
Amortization of deferred income on government grants	a)	157	153
		157	**153**

a) Partial compensation of complex agricultural equipment cost
Enterprises of the Group received partial compensation of complex agricultural equipment cost during the years 2004-2010 according to Ukrainian laws. The total amount of compensations received for the above mentioned period is UAH 60 608 thousand. Those grants were recognised as deferred income and reflected within the "Deferred income" item in the interim consolidated 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 the above table.

33.2 Income from special VAT treatment

Income from special VAT treatment received for the 6 months ended 30 June 2013 and 30 June 2012 amounted to USD 21 099 thousand and USD 18 935 thousand respectively.

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

All members of the Group that met the criteria for the use of these VAT benefits except from: (LLC Rohatyn-Korm, LLC Kamyanets-Podilsky Kombikormoviy Zavod, OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, OJSC Volnovaskyi Kombinat Khliboprodiktiv, LLC Pershe Travnya Kombikormoviy Zavod, LLC Imperovo Foods, LLC Imperovo LTD, LLC Agrarnyi Holding Avangard, AvangardCo Investments Public Limited).

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34. Payroll and related taxes

	Note	30 June 2013	30 June 2012
Salary		(8 907)	(10 553)
Contributions to state funds		(5 296)	(6 276)
	24	**(14 203)**	**(16 829)**

		6 months ended	
	Note	30 June 2013	30 June 2012
Payroll of production personnel and related taxes	27	(9 512)	(11 653)
Salaries and wages of administrative personnel	28	(4 060)	(4 038)
Salaries and wages of distribution personnel	29	(631)	(1 138)
		(14 203)	**(16 829)**

	6 months ended	
	30 June 2013	30 June 2012
Average number of employees, persons	**4 489**	**5 287**

35. Related party balances and transactions

The Company is controlled by Mr Oleg Bakhmatyuk, who directly or indirectly owns 77.5% of the Company’s share capital. The remaining 22.5% of the shares are widely owned.

For the purposes of these interim 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 personnel;
B. Companies having the same top management;
C. Companies in which the Group's owners have an equity interest;
D. Companies in which activities are significantly influenced by the Group's owners.

Salary costs of key management personnel for the 6 months ended 30 June 2013 and 30 June 2012 were as follows:

	30 June 2013	30 June 2012
Salary	999	899
Contributions to state funds	268	255
	1 267	**1 154**

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35. Related party balances and transactions (cont.)

Outstanding amounts of the Group for transactions with related parties as at 30 June 2013 and 31 December 2012 were as follows:

	Outstanding balances with related parties as at	
	30 June 2013	**31 December 2012**
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	4	1
D. Companies in which activities are significantly influenced by the Group's owners	35	47
	39	**48**
Trade accounts receivable		
C. Companies in which the Group's owners have an equity interest;	-	2
D. Companies in which activities are significantly influenced by the Group's owners	4	10
	4	**12**
Cash and cash equivalents		
D. Companies in which activities are significantly influenced by the Group's owners	7 172	12 103
	7 172	**12 103**
Short-term loans		
D. Companies in which activities are significantly influenced by the Group's owners	-	32
	-	**32**
Trade accounts payable		
C. Companies in which the Group's owners have an equity interest;	2	2
D. Companies in which activities are significantly influenced by the Group's owners	6	12
	8	**14**
Other current liabilities		
C. Companies in which the Group's owners have an equity interest;	1	5
D. Companies in which activities are significantly influenced by the Group's owners	21	16
	22	**21**

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35. Related party balances and transactions (cont.)

The Group's transactions with related parties for the 6 months ended 30 June 2013 and 30 June 2012 were as follows:

	Transactions with related parties for the 6 months ended	
	30 June 2013	**30 June 2012**
Sales revenue		
C. Companies in which the Group's owners have an equity interest;	4	3
D. Companies in which activities are significantly influenced by the Group's owners	190	145
	194	**148**
General administrative expenses		
C. Companies in which the Group's owners have an equity interest;	(431)	(19)
D. Companies in which activities are significantly influenced by the Group's owners	(43)	(78)
	(474)	**(97)**
Distribution expenses		
C. Companies in which the Group's owners have an equity interest;	(13)	(25)
D. Companies in which activities are significantly influenced by the Group's owners	(311)	(39)
	(324)	**(64)**
Other operating income/(expenses), net		
C. Companies in which the Group's owners have an equity interest;	94	(5)
D. Companies in which activities are significantly influenced by the Group's owners	3	(3)
	97	**(8)**
Finance income		
D. Companies in which activities are significantly influenced by the Group's owners	65	149
	65	**149**
Finance cost		
D. Companies in which activities are significantly influenced by the Group's owners	-	(1)
	-	**(1)**

For the 6 months ended 30 June 2013 and 30 June 2012 transportation, slaughtering and rent services were provided to the Group by related parties in the amount of USD 1 098 thousand and USD 202 thousand respectively. All those services were provided on market terms.

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36. Operating segments

A reportable 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 reportable segments.

For the purpose of management the Group is divided into the following reportable segments on the basis of produced goods and rendered services, and consists of the following 5 reportable 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 interim consolidated financial statements.

Reportable segment information for the 6 months ended 30 June 2013 was as follows:

	Shell eggs	**Poultry**	**Animal feed**	**Egg products**	**Other activities**	**Adjustments and elimination**	**Total**
Sales revenue	279 103	46 037	141 426	57 568	4 464	-	528 598
Intra-group elimination	(80 346)	(19 869)	(120 969)	-	(3 126)	-	(224 310)
Revenue from external buyers	**198 757**	**26 168**	**20 457**	**57 568**	**1 338**	**-**	**304 288**
Income from revaluation of biological assets at fair value	11 223	9 494	-	-	-	-	20 717
Other operating income/(expenses)	(2 042)	(118)	(70)	1 720	1 730	-	1 220
Income from government grants and incentives	149	8	-	-	-	-	157
OPERATING PROFIT/(LOSS)	**87 718**	**11 729**	**(1 908)**	**26 616**	**(2 198)**	**-**	**121 957**
Finance income	42	3	5	11	6	-	67
Finance costs,	(3 005)	-	-	(2 577)	(11 380)	-	(16 962)
including:							-
Interest payable on loans	(355)	-	-	(2 577)	(716)	-	(3 648)
Income tax (expense)/credit	-	-	(243)	746	(4)	-	499
NET PROFIT/(LOSS) FOR THE PERIOD	**84 755**	**11 732**	**(2 147)**	**24 804**	**(13 583)**	**-**	**105 561**
TOTAL ASSETS	**2 172 679**	**92 244**	**566 051**	**450 256**	**517 897**	**(2 170 559)**	**1 628 568**
Depreciation	6 366	537	211	5 230	353	-	12 697
TOTAL LIABILITIES	**780 659**	**17 041**	**515 122**	**248 939**	**276 148**	**(1 482 037)**	**355 873**

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36. Operating segments (cont.)

Reportable segment information for the 6 months ended 30 June 2012 was as follows:

	Shell eggs	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Sales revenue	281 019	34 311	87 345	35 922	2 940	-	441 537
Intra-group elimination	(79 513)	(13 061)	(63 648)	(119)	(1 634)	-	(157 975)
Revenue from external buyers	**201 506**	**21 250**	**23 697**	**35 803**	**1 306**	**-**	**283 562**
Income from revaluation of biological assets at fair value	7 229	12 455	-	-	-	-	19 684
Other operating expenses	994	499	(122)	38	176	-	1 585
Income from government grants and incentives	149	4	-	-	-	-	153
OPERATING PROFIT/(LOSS)	**145 076**	**6 630**	**800**	**(29 527)**	**(8 495)**	**-**	**114 483**
Finance income	222	21	7	-	170	-	420
Finance cost,	(3 524)	(24)	-	(2 676)	(11 074)	-	(17 298)
including:							-
Interest payable on loans	(406)	(21)	-	(2 677)	(74)	-	(3 178)
Income tax (expense)/credit	-	-	(49)	47	(3)	-	(5)
NET PROFIT/(LOSS) FOR THE PERIOD	**141 773**	**6 627**	**757**	**(32 156)**	**(19 401)**	**-**	**97 600**
TOTAL ASSETS	**1 396 350**	**79 572**	**270 866**	**299 966**	**159 996**	**(789 249)**	**1 417 501**
Depreciation	6 329	516	172	300	327	-	7 644
TOTAL LIABILITIES	**588 731**	**13 229**	**218 698**	**114 547**	**305 227**	**(859 511)**	**380 921**

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

	Revenue from external customers For the 6 months ended		Non-current assets As at	
	30 June 2013	**30 June 2012**	**30 June 2013**	**31 December 2012**
Ukraine	226 921	247 854	1 030 135	969 153
Middle East and North Africa	55 545	31 403	-	-
Far East	12 432	2 420	-	-
Central and West Africa	8 386	-	-	-
Rest of the World	1 004	1 885	-	-
Total	**304 288**	**283 562**	**1 030 135**	**969 153**

37. Earnings per share

Basic earnings per share
The calculation of basic earnings per share for the 6 months ended 30 June 2013 and 30 June 2012 was based on profit attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	6 months ended	
	30 June 2013	**30 June 2012**
Profit attributable to the owners of the Company:		
(in USD thousands)		
Profit attributable to the owners of the Company	103 967	95 518
Weighted average number of shares:		
Weighted average number of ordinary shares at 30 June	6 387 185	6 387 185

Earnings per share is the profit for the year after taxation divided by the weighted average number of shares in issue for each year.

There are no options or instruments convertible into new shares and so basic and diluted earnings per share are the same.

38. Contingent and contractual liabilities

Economic environment

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

Taxation

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business cycles. In connection with it, tax laws in Ukraine are subject to frequent changes. Furthermore, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to serious fines and penalties.

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.

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

39. Contingent and contractual liabilities (cont.)

Taxation (cont.)

based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

The Group considers that it operates in compliance with tax laws of Ukraine, although, a lot of new laws about taxes and transactions in foreign currency have been adopted recently, and their interpretation is rather ambiguous.

In December 2010, the Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later. Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for agricultural industry from 1 January 2018, respectively, the Tax Code also changes various other taxation rules. As at the date that these financial statements were authorized for issue, additional clarifications and guidance on application of the new tax rules were not published, and certain revisions were proposed for consideration of Ukrainian Parliament.

While the Group's management believes the enactment of the Tax Code of Ukraine will not have a significant negative impact on the Group's financial results in the foreseeable future, as of the date these financial statements were authorized for issue management was in the process of assessing its effects of its adoption on the operations of the Group.

Pension and other liabilities

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

As at 30 June 2013 and 31 December 2012 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 such proceedings with the purpose of preventing from losses in the economic sphere or minimize them.

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

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(in USD thousands, unless otherwise stated)

40. Financial risk management

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

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

Additional disclosures of quantitative information are presented in many other sections of these interim consolidated financial statements, including:

- information on finance income and expenses is disclosed in Notes 31, 32 (all finance income and expenses are recognised as a part of profit or loss for the year, other than interest capitalised which is allocated to the cost of the relevant asset);
- information on cash is disclosed in Note 12;
- information on trade and other accounts receivable is disclosed in Notes 10, 11;
- information on trade and other accounts payable is disclosed in Notes 20, 21;
- information on significant terms of borrowings and loans granting is disclosed in Notes 14, 16, 18;
- information on timing and terms of effective contracts for finance lease is disclosed in Note 22;
- information on significant conditions of issued bonds is disclosed in Note 15, 23.

a) Credit risk

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

Exposure to credit risk

The carrying value of financial assets is a maximum value exposed to credit risk. Maximum level of credit risk as at 30 June 2013 and 31 December 2012 was presented as follows:

Financial assets	30 June 2013	31 December 2012
Cash and cash equivalents	159 160	204 298
Trade accounts receivable	61 239	55 768
Total	**220 399**	**260 066**

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 the 6 months ended 30 June 2013 and 2012 resulting from non-fulfillment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

(in USD thousands, unless otherwise stated)

40. Financial risk management (cont.)

a) Credit risk (cont.)

For the 6 months ended 30 June 2013 USD 23 584 thousand or 7.8% from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients. For the 6 months ended 30 June 2012 USD 24 054 thousand or 8.5% . As at 30 June 2013 USD 4 740 thousand or 7.8% of the total carrying value of trade accounts receivable is due from the single most significant debtor. As at 31 December 2012 USD 7 632 thousand or 13.7 % of the total carrying value of trade accounts receivable was due from the single most significant debtor.

Trade receivables as at 30 June 2013 and 31 December 2012 by dates of origin were presented as follows:

30 June 2013	**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	55 662	4 675	575	54	29	23	1	**61 019**

31 December 2012	**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	52 554	2 215	590	71	84	37	-	**55 551**

The amounts in column 0-30 days represent the amounts not past due nor impaired.

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

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

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40. Financial risk management (cont.)

b) Liquidity risk (cont.)

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

30 June 2013	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(127 138)	-	(70 333)	(43 115)	(13 690)
Finance lease (including VAT)	(2 338)	-	(2 332)	(6)	-
Current liabilities for bonds	(4 473)	-	(4 473)	-	-
Long-term bond liabilities	(250 000)	-	(20 000)	(230 000)	-
Trade accounts payable	(14 528)	(14 528)	-	-	-
	(398 477)	**(14 528)**	**(97 138)**	**(273 121)**	**(13 690)**

31 December 2012	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(133 878)	-	(130 634)	(3 244)	-
Finance lease (including VAT)	(4 225)	-	(2 869)	(1 356)	-
Current liabilities for bonds	(27 194)	-	(27 194)	-	-
Long-term bond liabilities	(260 000)	-	(20 000)	(240 000)	-
Trade accounts payable	(24 435)	(24 435)	-	-	-
	(449 732)	**(24 435)**	**(180 697)**	**(244 600)**	**-**

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 rate risk, is given below.

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40. Financial risk management (cont.)

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 denomination will be more favourable for the Group during the expected period until maturity.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in local currency as at 30 June 2013 based on carrying amounts was as follows:

(in conversion to USD thousand)	**USD**	**EUR**	**TOTAL**
Long-term bond liabilities	196 434	-	**196 434**
Short-term bank loans (including overdrafts)	50 000	-	**50 000**
Long-term bank loans		61 083	**61 083**
Trade accounts payable	271	669	**940**
Accounts payable for property, plant and equipment	6	856	**862**
Other accounts payable	-	92	**92**
Trade accounts receivable	(20 299)	-	**(20 299)**
Accrued coupon on bonds	3 462		**3 462**
Net exposure to foreign currency risk	**229 874**	**62 700**	**292 574**

The Group's exposure to foreign currency risk and the amount in local currency as at 31 December 2012 based on carrying amounts was as follows:

(in conversion to USD thousand)	**USD**	**EUR**	**TOTAL**
Long-term bond liabilities	195 779	-	**195 779**
Short-term bank loans (including overdrafts)	50 004	44 332	**94 336**
Trade accounts payable	264	517	**781**
Accounts payable for property, plant and equipment	15	6 995	**7 010**
Other accounts payable	-	69	**69**
Trade accounts receivable	(6 371)	-	**(6 371)**
Other accounts receivable	-	(160)	**(160)**
Accrued coupon bond	3 462	-	**3 462**
Net exposure to foreign currency risk	**243 153**	**51 753**	**294 906**

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40. Financial risk management (cont.)

ii) Sensitivity analysis (foreign currency risk)

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

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
30 June 2013			
USD	15%	(34 481)	(34 481)
EUR	10%	(6 270)	(6 270)

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
31 December 2012			
USD	15%	(36 473)	(36 473)
EUR	10%	(5 175)	(5 175)

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 of borrowings at fixed interest rates.

<u>Structure of interest rate risk</u>

As at 30 June 2013 and 31 December 2012 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	30 June 2013	31 December 2012
Instruments with fixed interest rate		
Financial liabilities	(250 009)	(304 069)
Instruments with variable interest rate		
Financial liabilities	(63 637)	(48 163)

Interest rate risk related to the liabilities with the floating interest arises from the possibility that changes in interest rates will affect the value of the financial instruments. For variable rate borrowings, interest is linked to LIBOR or EURIBOR.

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40. Financial risk management (cont.)

d) Interest rate risk (cont.)

As at 30 June 2013 and 31 December 2012 the Group's sensitivity to changes of LIBOR or EURIBOR by 5% was presented as follows:

Effect in USD thousand:	**Increase/(decrease) of floating rate**	**Effect on profit before tax**
30 June 2013		
LIBOR	5%	(1)
LIBOR	-5%	1
EURIBOR	5%	(11)
EURIBOR	-5%	11
31 December 2012		
LIBOR	5%	(1)
LIBOR	-5%	1
EURIBOR	5%	(8)
EURIBOR	-5%	8

The effect of interest rate sensitivity on owners' equity is equal to that on the interim consolidated statement of comprehensive income.

Such financial instruments as cash and cash equivalents, trade accounts receivable, financial assistance issued, interest receivable for deposits, prepayment for bonds, other non trading 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.

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 owners 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.

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40. Financial risk management (cont.)

d) Interest rate risk (cont.)

Capital management (cont.)

Finncial leverage ratio calculation

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.

As at 30 June 2013 and 31 December 2012 the Group's financial leverage coefficient made up 10.9% and 11.2% respectively.

	Carrying value	
	30 June 2013	**31 December 2012**
Short-term loans	50 000	94 368
Long-term loans	52 953	3 969
Current portion of long-term loans	12 814	29 262
Long-term finance lease (including VAT)	2 553	3 831
Long-term bond liabilities	196 434	195 779
Short-term bond liabilities	-	25 023
Total amount of borrowing costs	**314 754**	**352 232**
Cash and cash equivalents	159 160	204 298
Net debt	**155 594**	**147 934**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	1 003 324	899 357
Effect of translation into presentation currency	(68 196)	(68 135)
Non-controlling interests	19 707	18 115
Total equity	**1 272 693**	**1 167 195**
Total amount of equity and net debt	**1 428 287**	**1 315 129**
Financial leverage coefficient	**10,9%**	**11,2%**

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40. Financial risk management (cont.)

d) Interest rate risk (cont.)

Capital management (cont.)

Finncial leverage ratio calculation (cont.)

For the 6 months ended 30 June 2013 and 30 June 2012 ratio of net debt to EBITDA amounted to:

	6 months ended	
	30 June 2013	**30 June 2012**
PROFIT FOR THE PERIOD	105 561	97 600
Income tax income/expenses	(499)	5
Finance income	(67)	(420)
Finance expenses	16 962	17 298
EBIT (earnings before interest and income tax)	**121 957**	**114 483**
Depreciation	12 697	7 644
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**134 654**	**122 127**
Net debt at the year end	155 594	(4 372)
Net debt at the period end / EBITDA	**1,16**	**-0,04**

During the period 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.

41. Fair values

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

•Level 1 – inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
•Level 2 – inputs other than quoted prices included within Level 1 that are observable either directly or indirectly from market data.
•Level 3 – inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have significant effect on the instrument’s valuation.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2013
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41. Fair values (cont.)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

	Level 1	Level 2	Level 3	Total
30 June 2013				
Financial Assets				
Biological Assets	-	-	103 668	103 668

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the six months ended 30 June 2013.

The fair value of biological assets is determined as the discounted value of net cash flows expected from assets.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that reports directly to the Chief Financial Officer, and has overall responsibility for fair value measurement of biological assets.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. The valuation team assesses and documents the evidence obtained to support the conclusion that the valuation meets the requirements of IFRS, including the level in the fair value hierarchy. Significant valuation issues are reported to the Chief Financial Officer.

The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed in the table below:

	As at	
	30 June 2013	**31 December 2012**
Discount rate	25%	25%
Inflation rate	100,2%	100,6%

The higher the discount rate the lower the fair value of biological assets, and the higher the inflation rate the higher the fair value of biological assets. Any interrelationship between the unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions.

Sensitivity analysis of biological assets fair value to the possible changes in foreign currency rates is disclosed in the table below:

Effect in USD thousand:	**Increase/decrease of rate**	**Effect on fair value of biological assets**
30 June 2013		
Discount rate	1%	(931)
Discount rate	-1%	941
Inflation rate	0,5%	4 804
Inflation rate	-0,5%	(4 804)
31 December 2012		
Discount rate	1%	(923)
Discount rate	-1%	933
Inflation rate	0,5%	4 656
Inflation rate	-0,5%	(4 656)

(in USD thousands, unless otherwise stated)

41. Fair values (cont.)

There were no transfers to/from Level 3 of the fair value hierarchy during the six months ended 30 June 2013.

The reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy is analyzed in note 6 of these interim consolidated financial statements.

Total gain or losses for the period as shown in the reconciliation (note 6) are presented on the face of the consolidated statement of comprehensive income as “Profit from revaluation of biological assets at fair value” (30 June 2013: USD 20 717 thousand).

The following table analyses the fair values of financial instruments not measures at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized:

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
30 June 2013					
Financial Assets					
Cash and cash equivalents	-	159 160	-	159 160	159 160
Trade and other receivables	-	-	61 019	61 019	61 019
Financial Liabilities					
Trade and other accounts payables	-	-	14 52	14 528	14 528
Bank loans	-	115 7677	-	115 767	115 767
Long term bond liabilities	199 500	-	-	199 500	196 434

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

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 realize in a market exchange from the sale of its full holding of a particular instrument.

As at 30 June 2013 and 31 December 2012, the following methods and assumptions, which remained the same as the prior year, 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.

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. Fair values (cont.)

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 reporting period.

Long-term bonds issued - the fair value of long-term bonds issued is measured using the available quoted market prices from the relevant stock exchange which the bonds are listed.

As at 30 June 2013 the fair value of the above financial instruments approximated to their carrying amount besides long-term bonds whose fair value was USD 199 500 thousand (31 December 2012: USD 189 000 thousand).

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 2013. Despite signs of stabilisation, major concerns remain over the performance of the Ukrainian economy at a macro level. The economy has remained very energy intensive and is still insufficiently diversified, with exports remaining centred on metallurgical products. Consequently, the economy remains vulnerable to fluctuations in steel prices and to shocks resulting from Russia's control over the supply of gas. In terms of business environment, high taxes, legal uncertainties and bureaucratic impediments have conspired to create a difficult business environment in which to operate. In addition, the lack of an enduring political consensus on reforms has created uncertainty over the modernisation of the economy.

43. Events after the reporting period

There were no material events after the reporting period which affect the interim consolidated financial statements as at 30 June 2013.

The interim consolidated financial statements were approved and authorized for issue by the Board of Directors on 22 August 2013.