AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated financial statements (Unaudited)

For the 6 months ended 30 June 2012

CONTENTS

AVANGARDCO INVESTMENTS PUBLIC LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS:

Oleg Bakhmatyuk (Non Executive Chairman)

Oksana Prosolenko (Chief Marketing Officer)

Nataliya Vasylyuk (Chief Executive Officer)

Iryna Marchenko (Chief Financial Officer)

Oleg Mikhael Pohotsky (Non Executive Director)

COMPANY SECRETARY:

Gliage Investments Limited
3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

REGISTERED OFFICE:

3 Anexartisias & Kyriakou Matsi
3040 Limassol
Cyprus

LEGAL ADVISORS:

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

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

INDEPENDENT AUDITORS:

KPMG Limited
14, Esperidon Str.,
1087 Nicosia Cyprus

BANKERS:

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

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Declaration of the Members of the Board of Directors and the person responsible for the preparation of the 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 for the 6 months ended 30 June 2012, 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:

Oleg Bakhatyuk	
Oksana Prosolenko	
Nataliya Vasylyuk	
Iryna Marchenko	
Oleg Michael Pohotsky	

Person responsible for the preparation of the interim consolidated financial statements for the 6 months ended 30 June 2012:

Iryna Marchenko	

24 August 2012

KPMG

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

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

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS OF

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Introduction

We have reviewed the accompanying consolidated financial position of AvangardCo Investments Public Limited (the "Company") and its subsidiary companies (together referred to as "the Group") as of 30 June 2012, and the related 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 notes. The Company's Board of Directors is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting" and the requirements of the Cyprus Companies Law, Cap. 113. 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 financial information 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 are not prepared, in all material respect, in accordance with IAS 34 "Interim Financial Reporting" and the requirements of the Cyprus Companies Law, Cap. 113.

KPMG Limited

Chartered Accountants

Nicosia, 24 August 2012

4

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of financial position
AS AT 30 JUNE 2012
(in USD thousand, unless otherwise stated)

	Note	30 June 2012	31 December 2011
ASSETS			
Property, plant and equipment	5	574 880	512 697
Non-current biological assets	6	45 557	44 304
Deferred tax assets	19	1 912	1 922
Other non-current assets	7	73 217	93 041
Total non-current assets		**695 566**	**651 964**
Inventories	9	165 595	202 279
Current biological assets	6	46 590	58 916
Trade accounts receivable, net	10	29 992	51 437
Prepaid income tax	19	7	-
Prepayments and other current assets, net	11	79 258	26 946
Taxes recoverable and prepaid, net	8	67 876	76 298
Cash and cash equivalents	12	332 617	237 814
Total current assets		**721 935**	**653 690**
TOTAL ASSETS		**1 417 501**	**1 305 654**
EQUITY			
Share capital	13	836	836
Share premium	13	201 164	201 164
Reserve capital	13	115 858	115 858
Retained earnings		769 427	673 909
Effect of translation into presentation currency		(68 114)	(67 761)
Equity attributable to the owners of the Company		**1 019 171**	**924 006**
Non-controlling interest		17 409	15 333
Total equity		**1 036 580**	**939 339**
LIABILITIES			
Long-term loans	14	4 684	15 384
Long-term bond liabilities	15	195 152	194 563
Deferred tax liabilities	19	55	86
Deferred income (non-current portion)	33, c)	5 205	5 351
Long-term finance lease	23	2 554	3 830
Total non-current liabilities		**207 650**	**219 214**
Short-term bond liabilities	24	25 023	25 013
Current portion of non-current liabilities	18	34 169	26 565
Short-term loans	16	66 967	53 063
Trade payables	20	19 809	17 894
Accrued expenses	21	1 900	1 601
Other current liabilities and accrued expenses	22	25 403	22 965
Total current liabilities		**173 271**	**147 101**
TOTAL LIABILITIES		**380 921**	**366 315**
TOTAL EQUITY AND LIABILITIES		**1 417 501**	**1 305 654**

Nataliya Vasylyuk
Director

Iryna Marchenko
Director

The notes on pages 8 to 67 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of comprehensive income
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

	Note	6 months ended 30 June 2012	30 June 2011
Revenue	25	283 562	223 940
Income from revaluation of biological assets at fair value	6	19 684	15 561
Cost of sales	27,28	(189 308)	(155 238)
GROSS PROFIT		**113 938**	**84 263**
General administrative expenses	28	(12 258)	(5 011)
Distribution expenses	29	(7 958)	(3 553)
Income from government grants and incentives	33.1	153	159
Income from special VAT treatment	33.2	18 935	11 231
Other operating income/(expenses), net	30	1 673	(2 992)
OPERATING PROFIT		**114 483**	**84 097**
Finance income	32	420	829
Finance cost	31	(17 298)	(15 766)
PROFIT BEFORE TAX		**97 605**	**69 160**
Income tax expense	19	(5)	(2 124)
PROFIT FOR THE PERIOD		**97 600**	**67 036**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Effect of translation into presentation currency		(359)	(1 113)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**97 241**	**65 923**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		95 518	64 774
Non-controlling interests		2 082	2 262
		97 600	**67 036**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		95 165	63 661
Non-controlling interests		2 076	2 262
		97 241	**65 923**
Earnings per share for the period USD (basic and diluted)	36	**15**	**10**

The notes on pages 8 to 67 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 2012
(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	**Capital contribution reserve (1)**	**Share premium (2)**	**Retained earnings**	**Foreign currency translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
As at 1 January 2011	**836**	**115 858**	**201 164**	**482 328**	**(64 587)**	**735 599**	**10 620**	**746 219**
Effect of acquisitions of non-controlling interest	-	-	-	(360)	-	(360)	360	**-**
Effect from translation into presentation currency	-	-	-	-	(1 113)	(1 113)	-	**(1 113)**
Profit for the period	-	-	-	64 774	-	64 774	2 262	**67 036**
As at 30 June 2011	**836**	**115 858**	**201 164**	**546 742**	**(65 700)**	**798 900**	**13 242**	**812 142**
As at 1 January 2012	**836**	**115 858**	**201 164**	**673 909**	**(67 761)**	**924 006**	**15 333**	**939 339**
Effect from translation into presentation currency	-	-	-	-	(353)	(353)	(6)	**(359)**
Profit for the period	-	-	-	95 518	-	95 518	2 082	**97 600**
As at 30 June 2012	**836**	**115 858**	**201 164**	**769 427**	**(68 114)**	**1 019 171**	**17 409**	**1 036 580**

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

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

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

The notes on pages 8 to 67 form an integral part of these interim consolidated financial statements.

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Interim consolidated statement of cash flows
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

		6 months ended	
Cash flows from operating activities	**Note**	**30 June 2012**	**30 June 2011**
Profit before tax		97 605	69 160
Adjustments for:			
Depreciation of property, plant and equipment	5	7 644	7 097
Change in allowance for irrecoverable amounts	30	894	366
Other provisions		299	882
Loss on disposal of current assets		367	-
Loss on disposal of property, plant and equipment		4	115
Impairment of current assets	30	658	15
Other income		(2 824)	-
Effect of fair value adjustments on biological assets	6	(19 684)	(15 561)
Gains realised from accounts payable written-off	30	(136)	(6)
Amortization of deferred income on government grants	33	(153)	(197)
Loss from disposal of VAT government bonds		-	32
Discount on long-term bonds amortization		589	530
Interest income		(420)	-
Interest payable		15 691	15 089
Operating profit before working capital changes		**100 534**	**77 522**
Decrease/(increase) in trade receivables		21 131	(15 134)
Increase in prepayments and other current assets		(52 489)	(24 815)
Decrease/(increase) in taxes recoverable and prepaid		8 422	(2 727)
Decrease in inventories		36 026	570
Increase in deferred income		7	38
Increase/(decrease) in trade payables		2 051	(4 305)
Decrease in biological assets		30 757	9 650
(Decrease)/increase in finance leases		(1 279)	-
Increase/(decrease) in advances received and other current liabilities and accruals		7 195	(10 778)
Cash generated from operations		**152 355**	**30 021**
Interest paid		(5 099)	(4 046)
Income tax paid		(37)	(3)
Net cash generated from operating activities		**147 219**	**25 972**
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(50 994)	(50 916)
VAT government bonds sale			230
Interest received		420	-
Net cash used in investing activities		**(50 574)**	**(50 686)**
Cash flows from financing activities			
New loans received		30 742	38 540
Repayment of loans		(19 941)	(37 757)
Interest paid for bonds issued		(12 648)	(12 538)
Proceeds from long-term bonds issued		-	(19)
Net cash used in financing activities		**(1 847)**	**(11 774)**
Effect from translation into presentation currency		5	1
Decrease/ (increase in restricted cash		1 200	(9 879)
Net increase/(decrease) in cash and cash equivalents		**96 003**	**(46 366)**
Cash and cash equivalents at the beginning of the period		230 640	183 065
Cash and cash equivalents at the end of the period	12	326 643	136 699

The notes on pages 8 to 67 form an integral part of these interim consolidated financial statements.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION

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

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

The interim consolidated financial statements of the Company as at and for the 6 months ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

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

The history of "Avangard" began with the acquisition by the principal 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 2012 the production facilities of the Group include 28 poultry facilities (consisting of 17 egg laying farms, 8 hen rearing farms and 3 breeding farms), 5 feed mills, and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows it to provide approximately 70% of its own fodder. The Group's activities cover almost all the territory of Ukraine.

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

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

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION (cont.)

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

Company name	**Principal Activity**	**Country of registration**	**Ownership Interest , % 30 June 2012**	**Ownership Interest , % 31 December 2011**
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%

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, 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 percentages are as follows:

Company name	Principal Activity	Country of registration	Ownership Interest , % 30 June 2012	Ownership Interest , % 31 December 2011
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska	Production and selling of animal feed	Ukraine	100.00%	100.00%
SC Ptakhohospodarstvo Chornobaivske of PJSC Chornobaivske		Ukraine	97.00%	97.00%
LLC Rohatyn-Korm		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%

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 2012 with nominal value of € 0,10 per share.

The shares were distributed as follows:

	30 June 2012		31 December 2011	
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%

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION (cont.)

As at 30 June 2012 and 31 December 2011 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 2012, %	Ownership interest as at 31 December 2011, %
Quickcom Limited	100%	100%
Omtron Limited	100%	100%
Tanchem Limited	100%	100%
Mobco Limited	100%	100%
UkrlandFarming Plc	100%	100%

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The interim consolidated financial statements for the 6 months ended 30 June 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and particularly with IAS 34 "Interim Financial Reporting" and the requirements of the Cyprus Companies Law, Cap. 113 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 2011.

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.

2.3 Functional and presentation currency

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

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. BASIS OF PRESENTATION (cont.)

2.5 Standards and interpretations

The accounting policies applied by the Group in the interim consolidated financial statements are consistent with those followed in consolidated financial statements as at and for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

- IAS 12 - *Income Taxes* - Deferred Tax: Recovery of Underlying Assets (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The jurisdictions in which the Group operates do not have a different tax charge for sale or consumption of the assets. While the amendment is applicable, it has no impact on the financial statement of the Group.

The following amendments to IFRSs did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 7 - *Financial Instruments: Disclosures* - Transfers of financial assets (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

- IFRS 1 - *First-time Adoption of International Financial Reporting Standards* – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

When an entity’s date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

.

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 Company and the companies controlled by the Company as at 30 June 2012.

Transactions under common control

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

Subsidiaries

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

Loss of control

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

Combinations of businesses under common control

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Basis of consolidation (cont.)

Combinations of businesses not under common control (cont.)

- The consolidated financial statements incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined from the date that common control was achieved, Consequently, the consolidated financial statements reflect both entities' full year's results, even though the business combination may have occurred part of the way through the year. In addition, the corresponding amounts for the previous year also reflect the combined results of both entities, even though the transaction did not occur until the current year.

Acquisitions of business not under common control

The purchase method is applied to consolidation of subsidiaries being acquired. On acquisition, the identifiable assets and liabilities of the subsidiary are measured at fair value on the acquisition date, irrespective of the extent of any non controlling interest. The excess of the consideration paid over the fair value of assets and liabilities acquired is treated as goodwill. Any negative goodwill arising on a “bargain purchase” (where the consideration is less than the fair value of assets and liabilities acquired) is immediately recognised in profit and loss. Non-controlling interests are reflected proportionally to 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 consolidated financial statements. Unrealised profits and losses, under transactions between the Group’s Companies are also subject to elimination.

Non-controlling interests

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

Business combinations and goodwill

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

3.2 Foreign currency translation

(a) Transactions and balances

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

Monetary assets and liabilities are translated into the functional currency of each company included into the Group, at the rates ruling at the reporting dates. Foreign exchange gains and losses, arising from transactions in foreign currency, and also from translation of monetary assets and liabilities into the functional currency of each company included into the Group at the rate ruling at the end of the year, are recognised to profit or loss.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Foreign currency translation (cont.)

(a) Transactions and balances (cont.)

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

Currency	30 June 2012	Weighted average for the 6 months ended 30 June 2012	31 December 2011	Weighted average for the 6 months ended 30 June 2011	30 June 2011
US dollar to Ukrainian Hryvnia	7.9925	7.9891	7,9898	7,958	7,972

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

(b) Presentation currency

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

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

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

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

3.3 Property, plant and equipment

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

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

After actual commissioning, PPE previously under 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 2012
(in USD thousand, 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 as the follows:

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

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

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

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

De-recognition

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

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.3 Property, plant and equipment (cont.)

De-recognition (cont.)

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

3.4 Financial assets

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

(a) Loans and accounts receivable

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

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

b) Available for sale financial assets

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

Initial recognition

All financial assets and liabilities are recognised at fair value plus transaction costs. Gains or losses at 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, which technique is based on open market data.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.4 Financial assets (cont.)

b) Available for sale financial assets (cont.)

Initial recognition (cont.)

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).

Principles of fair value measurement

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

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

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

Subsequent measurement

Financial assets at fair value through profit or loss are measured at fair value. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.4 Financial assets (cont.)

Impairment of financial assets

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

De-recognition

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

3.5 Financial liabilities

(a) Loans and borrowings

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

Initial recognition

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

Subsequent measurement

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

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

De-recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 sharing 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. Inventories consumed are accounted for using the FIFO method.

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

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

Impairment of inventories

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.8 Biological assets (cont.)

(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 date, at fair value less any estimated expenses for sale, except for the cases, when it is not possible to quantify fair value with sufficient reliability.

The Group includes the following elements into cost of 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 used the discounted value of net cash flows expected from assets as at reporting date.

Determination of the fair value of agricultural produce

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

3.9 Cash and cash equivalents

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

3.10 Impairment of non-current assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.10 Impairment of non-current assets (cont.)

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

3.11 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.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.12 Income tax and deferred tax (cont.)

Current income tax (cont.)

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 date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.12 Income tax and deferred tax (cont.)

Deferred tax (cont.)

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

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

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

Revenue is recorded at fair value of assets receivable.

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 in the statement of comprehensive income.

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.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.15 Leases (cont.)

Group as a lessee (cont.)

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 interim financial statements of the Group in the period the dividends were approved by the owners of the Company.

3.17 Non Controlling interests (NCI)

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

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

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

3.18 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.)

3.19 Government grants

Recognition of government grants

The Group recognises government grants when received.

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

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

Accounting for government grants for agricultural activities

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

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

Return of the government grants

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

3.20 Contingent assets and liabilities

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.21 Accrued expenses and provisions

Accrued expenses

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

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

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

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

Provisions

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

3.22 Share capital

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

3.23 Segment reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.24 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 date.

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

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 revenues, expenses, assets and liabilities. Actual results may differ from these estimates.

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

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

4.1 Basis of consolidation (transactions under common control)

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

4.2 Useful lives of property, plant and equipment

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont.)

4.3 Impairment of non-financial assets

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

4.4 Impairments of receivables

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

Group approach is used in calculating the impairment of receivables:

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

The amount of impairment in respect of doubtful debt is reported in the 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 related parties regardless of the origin date of current debt, as these would be eliminated on consolidation.

4.5 Legal proceedings

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

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont.)

4.6 Impairment of obsolete and surplus inventory

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

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

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

Inventory storage period = Duration of reporting period/ Inventory turnover

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

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

4.7 Deferred tax assets

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

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

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont.)

4.8 Contingent liabilities

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2012 movements in property, plant and equipment were as follows:

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	-	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**	**-**	**58 353**
Net carrying value as at:								
30 June 2012	**3 464**	**162 079**	**16 497**	**62 236**	**3 248**	**1 603**	**325 753**	**574 880**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (cont.)

As at 31 December 2011 movements in property, plant and equipment were as follows:

Initial value	**Land**	**Buildings and structures**	**Machinery and equipment**	**Equipment for biological assets**	**Vehicles**	**Other equipment**	**Assets under construction-in-progress and uninstalled equipment**	**Total**
As at 1 January 2011	**3 477**	**157 864**	**14 801**	**87 435**	**4 355**	**1 412**	**163 570**	**432 914**
Acquisitions	-	1 071	728	99	1 021	759	119 373	**123 051**
Acquisitions of subsidiary	-	8 248	6 310	-	-	319	-	**14 877**
Disposals	-	(56)	(106)	(69)	(52)	(23)	(5 230)	**(5 536)**
Foreign currency translation	(12)	(577)	(89)	(319)	(18)	(5)	(858)	**(1 878)**
Internal transfers	-	7 317	377	4 225	-	-	(11 919)	**-**
Reclassification	-	(19)	21	-	-	(2)	-	**-**
As at 31 December 2011	**3 465**	**173 848**	**22 042**	**91 371**	**5 306**	**2 460**	**264 936**	**563 428**
Accumulated depreciation								
As at 1 January 2011	**-**	**12 181**	**3 237**	**18 932**	**1 632**	**696**	**-**	**36 678**
Depreciation charge	-	5 101	1 497	6 943	557	232	-	**14 330**
Depreciation eliminated on disposal	-	(5)	(48)	(11)	(26)	(16)	-	**(106)**
Foreign currency translation	-	(57)	(15)	(86)	(7)	(6)	-	**(171)**
Reclassification	-	-	-	-	-	-	-	**-**
As at 31 December 2011	**-**	**17 220**	**4 671**	**25 778**	**2 156**	**906**	**-**	**50 731**
Net carrying value as at:								
31 December 2011	**3 465**	**156 628**	**17 371**	**65 593**	**3 150**	**1 554**	**264 936**	**512 697**

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (cont.)

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

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (cont.)

As at 30 June 2012 and 31 December 2011 the property, plant and equipment that was used as security for long-term and short-term loans was as follows:

	Carrying value of security as at	
	30 June 2012	**31 December 2011**
Buildings and structures	86 812	87 998
Machinery and equipment	6 159	6 406
Equipment for biological assets	10 388	10 724
Vehicles	366	407
Other equipment	313	333
Assets under construction-in-progress and uninstalled equipment	46 718	46 463
	150 756	**152 331**

For the 6 months ended 30 June 2012 the Group received government grants "Partial compensation of complex agricultural equipment cost" amounted to USD 153 thousand (for the 6 months ended 30 June 2011- USD 151 thousand), (Note 33.1).

As at 30 June 2012 and 31 December 2011 the net book value of property, plant and equipment which were acquired under finance leases amounted to USD 10 846 thousand and USD 11 109 thousand respectively. The residual amount of contractual commitments is presented in Note 23.

6. BIOLOGICAL ASSETS

		30 June 2012	31 December 2011
Non-current biological assets			
Replacement poultry	a), b)	**45 557**	**44 304**
Current biological assets			
Commercial poultry	a), b)	46 587	58 913
Other biological assets	c)	3	3
		46 590	**58 916**
		92 147	**103 220**

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

6. BIOLOGICAL ASSETS **(cont.)**

a) Commercial poultry and replacement poultry were as follows:

	30 June 2012		31 December 2011	
	Number, thousand head	**Fair value USD**	**Number, thousand head**	**Fair value USD**
Loman	1 264	1 721	2 303	6 152
Hy-Line	24 582	90 423	22 833	97 065
	25 846	**92 144**	**25 136**	**103 217**

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

As at 1 January 2011	**103 779**
Acquisitions	30 089
Increase in value as a result of increase in weight/number	23 373
Net change in fair value	15 561
Decrease in value resulting from assets disposal	(44 445)
Effect from translation into presentation currency	(191)
Decrease in value resulting from hens slaughtering	(18 436)
Other changes	(38)
As at 30 June 2011	**109 692**
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**

Due to the absence of an active market for laying hen in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets. As a discount rate, the rate of 25% prevailing as at 30 June 2012 was applied (for the 6 months ended 30 June 2011 - 24.0%).

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

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

As at 30 June 2012 and 31 December 2011, the biological assets with a fair value of USD 3 416 thousand and USD 4 487 thousand respectively were pledged for long-term and short-term loans (Note 17).

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

7. OTHER NON-CURRENT ASSETS

Other non-current assets as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	**31 December 2011**
Prepayments for property, plant and equipment	72 861	92 684
Other non-current assets	356	357
	73 217	**93 041**

Prepayments for property, plant and equipment mainly includes prepayments for equipment for biological assets and prepayments for the construction of poultry farms premises.

8. TAXES RECOVERABLE AND PREPAID, NET

Taxes recoverable and prepaid as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	**31 December 2011**
VAT settlements	67 724	76 181
Other taxes prepaid	152	117
	67 876	**76 298**

VAT settlements related to VAT, is subject to:

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

9. INVENTORIES

Inventories as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	**31 December 2011**
Raw and basic materials	135 412	181 504
Work-in-progress	759	1 117
Agricultural produce	2 541	4 623
Finished goods	16 176	1 672
Package and packing materials	3 857	5 834
Goods for resale	3 606	3 632
Other inventories	3 244	3 897
	165 595	**202 279**

For the 6 months ended 30 June 2012 the Group produced shell eggs in the quantity of 3 106 180 735 (30 June 2011: 2 874 942 062 items). The fair value of produced shell eggs for the 6 months ended 30 June 2012 amounted to USD 256 610 thousand (30 June 2011: 191 470 thousand).

As at 30 June 2012, finished goods - inventory with a carrying value of USD 135 thousand (30 June 2011:USD 135 thousand) and also raw and basic materials with a carrying value of USD 196 thousand (30 June 2011: USD 196 thousand) were pledged as security for the Group’s loans (Note 17).

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

10. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts reveivable, net as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Trade receivables-gross	30 556	51 686
Provision for doubtful debts	(564)	(249)
	29 992	**51 437**

As at 30 June 2012 an amount of USD 2 428 thousand or 8.1 % of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 31 December 2011–see note 38).

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 38 of the interim consolidated financial statements.

11. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

Prepayments and other current assets, net as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Prepayments	75 098	22 166
Provision for doubtful debts	(400)	(631)
Financial assistance issued	-	16
Other non-trade accounts receivable	4 560	5 395
	79 258	**26 946**

The exposure of the Group to credit risk and impairment losses in relation to other current assets is reported in note 38 of the interim consolidated financial statements.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Cash at bank	332 573	231 164
Cash in hand	41	116
Cash in transit	1	21
Cash equivalents (notes, deposits - repayment on demand)	-	6 000
Other bank accounts in foreign currency	2	513
	332 617	**237 814**
Less restricted cash:		
Other bank accounts in foreign currency	(5 974)	(7 174)
Cash represented in consolidated statement of cash flows	**326 643**	**230 640**

Restricted cash 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 and impairment losses in relation to cash and cash equivalents is reported in note 38 of the interim consolidated financial statements.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

13. SHARE CAPITAL, SHARE PREMIUM, CAPITAL CONTRIBUTION RESERVE

	6 months ended 30 June 2012			
	Number of shares	**Share capital**	**Share premium**	**Capital contribution reserve**
Authorised Ordinary shares	6 500 000	-	-	-
Issued and fully paid				
As at 1 January 2012 and 30 June 2012	**6 387 185**	**836**	**201 164**	**115 858**

	31 December 2011			
	Number of shares	**Share capital**	**Share premium**	**Capital contribution reserve**
Authorised Ordinary shares	6 500 000	-	-	-
Issued and fully paid				
As at 1 January 2011 and 30 June 2011	**6 387 185**	**836**	**201 164**	**115 858**
As at 31 December 2011	**6 387 185**	**836**	**201 164**	**115 858**

14. LONG-TERM LOANS

Long-term loans as at 30 June 2012 and 31 December 2011 were as follows:

	Note	**30 June 2012**	**31 December 2011**
Long-term bank loans in national currency	a),b),c)	5 138	5 613
Long-term bank loans in foreign currency		29 751	29 870
Total loans		**34 889**	**35 483**
Other long-term loans		-	2 500
Commodity credit	d)	1 109	1 109
Total loans		**35 998**	**39 092**
Current portion of non-current liabilities for bank loans in national currency		(1 563)	(1 321)
Current portion of non-current liabilities for bank loans in foreign currency		(29 751)	(22 387)
		4 684	**15 384**

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

14. LONG-TERM LOANS (cont.)

a) As at 30 June 2012 and 31 December 2011 the long-term bank loans by maturities were as follows:

	30 June 2012	31 December 2011
Under a year (current portion) (Note 18)	31 314	23 708
From 1 to 2 years	2 860	7 483
From 2 to 3 years	715	4 292
	34 889	**35 483**

b) As at 30 June 2012 and 31 December 2011 the long-term bank loans by currencies were as follows:

	30 June 2012	31 December 2011
Long-term bank loans in UAH	5 138	5 613
Long-term bank loans in USD	29 751	29 870
	34 889	**35 483**

c) As at 30 June 2012 and 31 December 2011 the interest rates for long-term bank loans were as follows:

	30 June 2012	31 December 2011
Long-term bank loans denominated in UAH	14 - 21%	14 - 21%
Long-term bank loans denominated in USD	11%	11%

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

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 KombinatKhilboprodiktiv” and OJSC “Ptakhohospodarstvo Chervonyi Prapor” for an interest-free budget loan received in the years 1995-1998 for the acquisition of agricultural products under a Government contract. 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 38 of the interim consolidated financial statements.

15. LONG-TERM BOND LIABILITIES

Long-term bond liabilities as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Par value	200 000	200 000
Discount on issued bonds	(4 848)	(5 437)
	195 152	**194 563**

	30 June 2012	31 December 2011
Coupon payable	3 462	3 462

(in USD thousand, unless otherwise stated)

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 38 of the interim consolidated financial statements.

16. SHORT-TERM LOANS

Short-term loans as at 30 June 2012 and 31 December 2011 were as follows:

	Note	30 June 2012	31 December 2011
Short-term loans in national currency	a),b),c)	32	32
Short-term loans in foreign currency	a),b),c)	66 925	52 850
Interest free loans		10	181
		66 967	**53 063**

a) As at 30 June 2012 and 31 December 2011 the short-term bank loans by maturity were as follows:

	30 June 2012	31 December 2011
Under 3 months	-	668
From 3 to 6 months	66 925	52 182
	66 925	**52 850**

(in USD thousand, unless otherwise stated)

16. SHORT-TERM LOANS (cont.)

b) As at 30 June 2012 and 31 December 2011 the short-term bank loans by currencies were as follows:

	30 June 2012	31 December 2011
Short-term bank loans in UAH	-	-
Short-term bank loans in USD	50 000	50 669
Short-term bank loans in EUR	16 925	2 181
	66 925	**52 850**

c) Short-term bank loans by currencies as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Short-term bank loans denominated in UAH	-	-
Short-term bank loans denominated in USD	10.25%	10% - 17%
	1.5%+EURIBOR	2.5%+EURIBOR
Short-term bank loans denominated in EUR	1.75%+EURIBOR	10%

The exposure of the Group to interest rate risk and liquidity risk in relation to short term borrowings is reported in note 38 of the interim consolidated financial statements.

17. SECURITIES

Long-term loans (Note 14) and short-term loans (Note 16) as at 30 June 2012 and 31 December 2011 were secured on assets as follows:

	30 June 2012	31 December 2011
Buildings and structures	86 812	87 998
Machinery and equipment	6 159	6 406
Equipment for biological assets	10 388	10 724
Vehicles	366	407
Other equipment	313	333
Assets under construction-in-progress and uninstalled equipment	46 718	46 463
Property, plant and equipment, total	150 756	152 331
Inventories	331	331
Biological assets	3 416	4 487
	154 503	**157 149**

As at 30 June 2012 and 31 December 2011 shares of APP CJSC Chornobaivske in the number of 116 404 961 shares were pledged under long-term bank loans.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

18. CURRENT PORTION OF NON-CURRENT FINANCIAL LIABILITIES

The current portion of non-current financial liabilities as at 30 June 2012 and 31 December 2011 was as follows:

	Note	30 June 2012	31 December 2011
Trade and other payables			
Deferred income (current portion)	33, c)	304	304
Financial liabilities			
Current portion of finance lease liabilities	23	2 125	2 128
VAT included in current portion of finance lease liabilities	23	426	426
Current portion of non-current liabilities for bank loans in foreign currency	14, a)	29 751	22 387
Current portion of non-current liabilities for bank loans in national currency	14, a)	1 563	1 320
		34 169	**26 565**

The exposure of the Group to liquidity risk in relation to non-current financial liability is reported in note 38 of the interim consolidated financial statements.

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 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Influence of temporary differences on deferred tax assets		
Property, plant and equipment, non-current assets	1 742	1 771
Provisions	120	70
Total deferred tax assets	**1 862**	**1 841**
Influence of temporary differences on deferred tax liabilities		
Deferred expenses	(5)	(5)
Total deferred tax liabilities	**(5)**	**(5)**
Net deferred tax assets	**1 857**	**1 836**

	30 June 2012	31 December 2011
Total deferred tax assets	1 912	1 922
Total deferred tax liabilities	(55)	(86)
Net deferred tax assets	**1 857**	**1 836**

(in USD thousand, unless otherwise stated)

19. DEFERRED TAX ASSETS AND LIABILITIES, INCOME TAX EXPENSE (cont.)

Principal components of income tax expense

As at 30 June 2012 the rate of income tax in Ukraine was equal to 21% (31 December 2011: 21%, 30 June 2011: 23%)

	6 months ended	
	30 June 2012	**30 June 2011**
Current income tax	(27)	(6)
Deferred tax assets/(liabilities)	23	(2 080)
Effect of translation into presentation currency	(1)	(38)
Income tax expense for the period	**(5)**	**(2 124)**

Reconciliation of deferred tax liabilities

	6 months ended 30 June 2012	Year ended 31 December 2011
Balance as at 1 January	1 836	(1 110)
Deferred income for income tax for the reporting period	23	2 996
Effect of translation into presentation currency	(2)	(50)
Balance as at 30 June 2012/31 December 2011	**1 857**	**1 836**

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

	6 months ended	
	30 June 2012	**30 June 2011**
Accounting profit before tax	97 605	69 160
Less accounting profit of the companies being fixed agricultural tax payers	(125 978)	(71 880)
	(28 373)	(2 720)
Accounting loss of the companies being income tax payers at the rate 10%	(16 462)	(12 034)
Accounting (loss)/profit of the companies being income tax payers at the rate 21%	(11 911)	9 314
	(28 373)	(2 720)
Income tax, taxable at the rate of 10%	1 646	1 203
Income tax, taxable at the rate of 21%/23%	2 501	2 142
Tax effect of allowances and income not subject to tax	(4 142)	(1 221)
Tax as per interim consolidated statement of comprehensive income	**5**	**2 124**

The income tax payers for the reporting period and year 2011 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 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.

(in USD thousand, unless otherwise stated)

20. TRADE PAYABLES

Trade payables as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Trade payables	17 982	15 920
Short-term notes issued	1 827	1 974
	19 809	**17 894**

As at 30 June 2012 and 31 December 2011 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 38 of the interim consolidated financial statements.

21. ACCRUED EXPENSES

Accrued expenses as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Provision for future employee benefits	1 879	1 426
Other accrued expenses	21	175
	1 900	**1 601**

22. OTHER CURRENT LIABILITIES AND ACCRUED EXPENSES

Other current liabilities and accrued expenses as at 30 June 2012 and 31 December 2011 were as follows:

	Note	30 June 2012	31 December 2011
Wages and salaries and related taxes liabilities		2 551	2 215
Other taxes and compulsory payments liabilities	a)	4 199	547
Accounts payable for property, plant and equipment		2 263	4 687
Advances received from customers	b)	2 029	1 971
Interest payable		432	717
Accrued coupon on bonds		3 729	5 918
Other payables		10 200	6 910
		25 403	**22 965**

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

The exposure of the Group to liquidity risk in relation to other current liabilities and accrued expenses is reported in note 38 of the interim consolidated financial statements.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

23. FINANCE LEASE LIABILITIES

Amounts payable for finance lease as at 30 June 2012	**Minimum lease payments**	**VAT included in minimum lease payments**	**Current value of minimum lease payments**	**VAT included in current value of minimum lease payments**
Within a year	2 558	425	2 125	426
From one to five years	2 338	426	2 128	426
	4 896	**851**	**4 253**	**852**
Less: finance expenses of future periods	(642)	-	-	-
Current value of lease liabilities	4 254	851	4 253	852
Less: amount to be paid within a year			(2 125)	(426)
Amount to be paid after a year			2 128	426

Amounts payable for finance lease as at 30 June 2011	**Minimum lease payments**	**VAT included in minimum lease payments**	**Current value of minimum lease payments**	**VAT included in current value of minimum lease payments**
Within a year	2 388	350	1 748	350
From one to five years	4 909	853	4 265	853
	7 297	**1 203**	**6 013**	**1 203**
Less: finance expenses of future periods	(1 284)	-	-	-
Current value of lease liabilities	6 013	1 203	6 013	1 203
Less: amount to be paid within a year			(1 748)	(350)
Amount to be paid after a year			4 265	853

Net carrying value of property, plant and equipment acquired via finance lease as at 30 June 2012 and 31 December 2011 was as follows:

	30 June 2012	**31 December 2011**
Equipment for biological assets	10 810	11 068
Vehicles	36	41
	10 846	**11 109**

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 2012 and for the year ended 31 December 2011. 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 38 of the interim consolidated financial statements.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

24. SHORT-TERM BOND LIABILITIES

Short-term bond liabilities as at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012	31 December 2011
Nominal value	25 023	25 032
Bonds repurchased	-	(19)
	25 023	**25 013**

	30 June 2012	31 December 2011
Bonds coupon payable	267	2 456

As at 30 June 2012 and 31 December 2011 current liabilities for bonds were presented as liabilities for A-type bonds with nominal value of USD 25 023 thousand and USD 25 013 thousand respectively, which was equivalent to UAH 200 000 thousand, issued by CJSC "Avangard" 2 July 2008. Those bonds were issued in book-entry form in number of 200 000 items. The bonds issue was secured by SC "Zorya, LLC Cross-PF Zorya", LLC "Cross-PF Zorya",OJSC "Ptakhohospodarstvo Chervonyi Prapor", SC "Ptakhofabryka Lozuvatska", SC "Ptakhofabryka Chervonyi Prapor Poultry Farm, of OJSC Ptakhohospodarstvo Chervoniy Prapor", OJSC "Volnovaskyi Kombinat Khliboprodiktiv", OJSC "Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod", ALLC "Donetska Ptakhofabryka", LLC "PF Volnovaska", SC "Ptakhohospodarstvo Lozuvatskoe", SC "Gorodenkivska Ptakhofabryka of CJSC Avangard", SC "Rogatynska Ptakhofabryka of CJSC Avangard", SC "Avangard-Agro of CJSC Avangard", CJSC "Chernivetska Ptakhofabryka", CJSC "Agrofirma Avis", LLC "Kamyanets-Podilsky Kombikormoviy Zavod", OJSC "Kirovskiy", LLC "Slovyany", OJSC "Ptakhofabryka Pershe Travnya", SC "Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding", LLC "Yuzhnaya Holding", LLC "Areal-Snigurivka". The Guarantors are fully responsible for the issuer's liabilities to bond holders.

Bond interest coupon is payable over 20 periods of 91 days each. The interest rate on the above mentioned bonds for the first-fourth coupon periods is set at 17% per annum. The procedure of interest rate determination for the fifth-eighth, ninth-twelfth, thirteenth-sixteenth and seventeenth-twentieth periods is set by the issuer board of directors based on market conditions, but not less than the National Bank of Ukraine bank rate on the date of the decision on setting interest rate. The bonds owner has a right to present the bonds to the issuer for payment on the following dates: 25 May 2009, 24 May 2010, 23 May 2011 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 38 of the interim consolidated financial statements.

25. REVENUE

Sales revenue for the 6 months ended 30 June 2012 and 30 June 2011 were as follows:

	6 months ended 30 June 2012	6 months ended 30 June 2011
Revenue from finished goods	282 388	223 550
Revenue from goods and services sold/rendered	1 174	390
	283 562	**223 940**

For the 6 months ended 30 June 2012 USD 24 054 thousand or 8.5% from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients (for 30 June 2011 – note 38).

(in USD thousand, unless otherwise stated)

26. COST OF SALES

Cost of sales for the 6 months ended 30 June 2012 and 30 June 2011 was as follows:

		6 months ended	
	Note	**30 June 2012**	**30 June 2011**
Cost of finished goods sold	27	(188 152)	(155 000)
Cost of goods and services sold/rendered		(1 156)	(238)
		(189 308)	**(155 238)**

27. COST OF SALES BY ELEMENTS

The cost of finished goods sold (Note 26) for the 6 months ended 30 June 2012 and 30 June 2011 as follows:

		6 months ended	
	Note	**30 June 2012**	**30 June 2011**
Raw materials		(157 318)	(126 482)
Payroll of production personnel and related taxes		(11 653)	(10 620)
Depreciation	5	(7 321)	(6 864)
Services provided by third parties		(11 777)	(11 001)
Other expenses		(83)	(33)
		(188 152)	**(155 000)**

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 2012 and 30 June 2011 were as follows:

		6 months ended	
	Note	**30 June 2012**	**30 June 2011**
Salaries and wages of administrative personnel		(4 038)	(2 108)
Services provided by third parties		(7 516)	(2 378)
Depreciation	5	(53)	(46)
Repairs and maintenance costs		(38)	(32)
Tax expenses, except for income tax		(166)	(143)
Material usage		(289)	(239)
Other expenses		(158)	(65)
		(12 258)	**(5 011)**

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

29. DISTRIBUTION EXPENSES

Distribution expenses for the 6 months ended 30 June 2012 and 30 June 2011 were as follows:

		6 months ended	
	Note	**30 June 2012**	**30 June 2011**
Salaries and wages of distribution personnel		(1 138)	(1 080)
Transport expenses		(4 657)	(1 860)
Depreciation	5	(270)	(187)
Services provided by third parties		(664)	(71)
Packing materials		(931)	(108)
Repairs and maintenance costs		(29)	(27)
Other expenses		(269)	(220)
		(7 958)	**(3 553)**

30. OTHER OPERATING INCOME/(EXPENSES), NET

Other operating income/(expenses), net for the 6 months ended 30 June 2012 and 30 June 2011 were as follows:

	6 months ended	
	30 June 2012	**30 June 2011**
Loss from disposal of current assets	(367)	(15)
Loss from disposal of non-current assets	-	(115)
Impairment of current assets	(658)	(1 001)
Gain realised from writing-off of accounts payable	136	6
Losses on exchange	(100)	(1 856)
Provision for doubtful debts	(894)	(365)
Fines, penalties recognized	(459)	(617)
Other income	4 015	971
	1 673	**(2 992)**

31. FINANCE COST

Finance cost for the 6 months ended 30 June 2012 and 30 June 2011 was as follows:

	6 months ended	
	30 June 2012	**30 June 2011**
Interest payable on loans	(4 814)	(5 437)
Capitalised interest	1 636	2 997
Total finance expenses on loans	**(3 178)**	**(2 440)**
Finance expenses on finance lease	(301)	(323)
Finance expenses on bonds (interest)	(12 513)	(12 649)
Other finance expenses	(1 306)	(354)
	(17 298)	**(15 766)**

32. FINANCE INCOME

Finance income for the 6 months ended 30 June 2012 and 30 June 2011 mainly includes the interest income from placement of deposits, amounted to USD 420 thousand and USD 829 thousand respectively.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

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

33.1 Income from government grants and incentives

Income from government grants and incentives received for the 6 months ended 30 June 2012 and 30 June 2011 was as follows:

		6 months ended	
	Note	**30 June 2012**	**30 June 2011**
Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions	a)	-	3
Amortization of deferred income on government grants	b)	153	151
Other grants	c)	-	5
		153	**159**

a) Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions

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

b) Partial compensation of complex agricultural equipment cost

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

c) Other grants

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

33.2 Income from special VAT treatment

Income from special VAT treatment received for the 6 months ended 30 June 2012 and 30 June 2011 was as follows:

	6 months ended	
	30 June 2012	**30 June 2011**
Income from special VAT treatment	**18 935**	**11 231**

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

34. 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;
B. Companies having the same top management;
C. Companies in which the Group's owners have an equity interest;
D. Companies which activities are significantly influenced by the Group's owners.

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

	6 months ended	
	30 June 2012	**30 June 2011**
Salary	899	634
Contributions to state funds	255	228
	1 154	**862**

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

34. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

Outstanding amounts of the Group for transactions with related parties as at 30 June 2012 and 31 December 2011 were as follows:

	Outstanding balances with related parties as at	
	30 June 2012	**31 December 2011**
Other current asset:		
C. Companies in which the Group's owners have an equity interest;	-	279
D. Companies which activities are significantly influenced by the Group's owners	-	341
	-	**620**
Prepayments and other current assets, net		
C. Companies in which the Group's owners have an equity interest;	2	
D. Companies which activities are significantly influenced by the Group's owners	11	**-**
	13	**-**
Trade accounts receivable:		
D. Companies which activities are significantly influenced by the Group's owners	3	722
	3	**722**
Cash and cash equivalents:		
D. Companies which activities are significantly influenced by the Group's owners	10 089	11 557
	10 089	**11 557**
Long-term loans		
B. Companies having the same top management;	-	2500
	-	**2500**
Short-term loans		
D. Companies which activities are significantly influenced by the Group's owners	32	65
	32	**65**
Trade accounts payable:		
C. Companies in which the Group's owners have an equity interest;	2	-
D. Companies which activities are significantly influenced by the Group's owners	10	1 293
	12	**1 293**
Other current liabilities :		
C. Companies in which the Group's owners have an equity interest;	5	-
D. Companies which activities are significantly influenced by the Group's owners	12	293
	17	**293**

AVANGARDCO INVESTMENTS PUBLIC LIMITED

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

34. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

The Group's transactions with related parties for the 6 months ended 30 June 2012 and 30 June 2011 were as follows:

	Transactions with related parties for the 6 months ended	
	30 June 2012	**30 June 2011**
Revenue:		
C. Companies in which the Group's owners have an equity interest;	3	359
D. Companies which activities are significantly influenced by the Group's owners	145	1 260
	148	**1 619**
General administrative expenses:		
C. Companies in which the Group's owners have an equity interest;	(19)	(13)
D. Companies which activities are significantly influenced by the Group's owners	(78)	(27)
	(97)	**(40)**
Distribution expenses:		
C. Companies in which the Group's owners have an equity interest;	(25)	-
D. Companies which activities are significantly influenced by the Group's owners	(39)	(45)
	(64)	**(45)**
Other operating income/(expenses), net:		
C. Companies in which the Group's owners have an equity interest;	(5)	(163)
D. Companies which activities are significantly influenced by the Group's owners	(3)	(2)
	(8)	**(165)**
Finance income:		
D. Companies which activities are significantly influenced by the Group's owners	149	205
	149	**205**
Finance cost:		
D. Companies which activities are significantly influenced by the Group's owners	(1)	(283)
	(1)	**(283)**

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

35. BUSINESS SEGMENTS

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

For the purpose of management the Group is divided into the following business segments on the basis of produced goods and rendered services, and consists of the following 5 operating segments:
- shell eggs - breeding of industrial laying hens, production and sale of shell eggs;
- poultry - incubation (production and sale of baby chicks), breeding of young birds for sale, as well as sale of birds for slaughter;
- animal feed - production and sale of feeds;
- egg products - processing and sale of egg products;
- other activities - including sale of goods and services, sale of poultry meat and by-products, sale of plant production, sale of poultry manure etc.

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

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

	Shell egg	**Poultry**	**Animal feed**	**Egg products**	**Other activities**	**Adjustments and elimination**	**Total**
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 income/(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)**	**(8 496)**	**-**	**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	-	-	(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**
Capitalised expenses	15 471	335	220	53 900	104	-	70 030
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**

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

35. BUSINESS SEGMENTS (cont.)

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

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Adjustments and elimination	Total
Revenue	180 556	43 432	93 362	35 369	3 301	-	356 020
Intra-group elimination	(39 133)	(31 294)	(59 355)	(561)	(1 737)	-	(132 080)
Revenue from external buyers	**141 423**	**12 138**	**34 007**	**34 808**	**1 564**	**-**	**223 940**
Income from revaluation of biological assets at fair value	10 671	4 890	-	-	-	-	15 561
Other operating expenses	(677)	(180)	(346)	(825)	(964)	-	(2 992)
Income from government grants and incentives	158	1	-	-	-	-	159
OPERATING PROFIT/(LOSS)	**73 733**	**(735)**	**25 320**	**(1 737)**	**(12 484)**	**-**	**84 097**
Finance income	256	1	6	15	551	-	829
Finance cost,	(2 949)	(103)	(2 181)	-	(10 533)	-	(15 766)
including:							
Interest payable on loans	(155)	(2 181)	(101)	-	(3)	-	(2 440)
Income tax expense	-	-	(60)	(2 064)	-	-	(2 124)
NET PROFIT/(LOSS) FOR THE PERIOD	**71 040**	**(836)**	**23 085**	**(3 786)**	**(22 467)**	**-**	**67 036**
TOTAL ASSETS	**1 354 164**	**76 378**	**232 545**	**112 093**	**173 499**	**(819 350)**	**1 129 329**
Capitalised expenses	6 364	20	1 042	15 023	49	-	22 498
Depreciation	6 199	514	86	298	-	-	7 097
TOTAL LIABILITIES	**656 399**	**10 937**	**222 639**	**34 341**	**203 557**	**(810 686)**	**317 187**

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		**Non-current assets As at**	
	6 months ended 30 June 2012	**6 months ended 30 June 2011**	**30 June 2012**	**31 December 2011**
Ukraine	247 854	213 445	693 651	650 042
Middle East	31 403	10 111	-	-
Far East	2 420	384	-	-
Rest of the World	1 885	-	-	-
Total	**283 562**	**223 940**	**693 651**	**650 042**

36. EARNINGS PER SHARE

Basic earnings per share
The calculation of basic earnings per share for the 6 months ended 30 June 2012 and 30 June 2011 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 2012	**30 June 2011**
Profit attributable to the owners of the Company:		
(in USD thousand)		
Profit attributable to the owners of the Company	95 518	64 774
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.

37. CONTINGENT AND CONTRACTUAL LIABILITIES

Economic environment

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

Taxation

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

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

37. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)

Taxation (cont.)

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

The Group met its tax filing obligations in Cyprus and in Ukraine. To the best of management's knowledge, no breaches of tax law have occurred. Thus, the Group has not recorded any provision for potential impact of any such breaches as at 30 June 2012 and 31 December 2011.

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 2012 and 31 December 2011 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees.

Legal matters

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

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

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

The financial effect of changes in contingent and contractual liabilities is not possible to be calculated as at the reporting date.

38. 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, 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.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (cont.)

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

- information on finance income and expenses is disclosed in Notes 31, 32 (all finance income and expenses are recognised as a part of profit or loss for the period, other than interest capitalised which is allocated to the cost of the relevant asset);
- information on cash is disclosed in Note 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, 22;
- 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 23;
- information on significant conditions of issued bonds is disclosed in Note 15, 24.

a) Credit risk

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

The carrying value of financial assets is a maximum value exposed to credit risk. Maximum level of credit risk as at 30 June 2012 and 31 December 2011 was presented as follows:

Financial assets	**30 June 2012**	**31 December 2011**
Loans and accounts receivable		
Cash and cash equivalents	332 617	237 814
Trade accounts receivable, net	29 992	51 437
Loans to related parties	-	16
Total	**362 609**	**289 267**

Credit risk is heightened in Ukraine due to the impact of the economic crisis although management are of the view that some degree of stability returned following the involvement of the International Monetary Fund.

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients, there were no significant losses during the 6 months ended 30 June 2012 and 2011 resulting from non-fulfillment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the 6 months ended 30 June 2012 USD 24 054 thousand or 8.5% from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients. As at 30 June 2012 USD 2 428 thousand or 8.1 % of the total carrying value of trade accounts receivable is due from the single most significant debtor.

(in USD thousand, unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (cont.)

a) Credit risk (cont.)

For the 6 months ended 30 June 2011 USD 33 741 thousand or 15.1% from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients. As at 31 December 2011 USD 6 328 thousand or 12.3 % of the total carrying value of trade accounts receivable is due from the single most significant debtor

Trade accounts receivable as at 30 June 2012 and 31 December 2011 by dates of origin were presented as follows:

30 June 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	21 732	5 979	1 946	9	180	41	105	**29 992**

31 December 2011	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	50 417	212	36	84	77	-	611	**51 437**

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

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.

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

38. 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 2012	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(106 195)	-	(102 015)	(4 180)	-
Trade accounts payable	(19 809)	(19 809)	-	-	-
Finance lease (including VAT)	(5 747)	-	(2 983)	(2 764)	-
Current liabilities for bonds	(28 998)	-	(28 998)	-	-
Long-term bond liabilities	(270 000)	-	(20 000)	(250 000)	-
	(430 749)	**(19 809)**	**(153 996)**	**(256 944)**	**-**

31 December 2011	Contractual cash flows	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank loans	(94 490)	(696)	(81 770)	(12 024)	-
Trade accounts payable	(17 894)	(17 894)	-	-	-
Finance lease (including VAT)	(7 327)	-	(3 100)	(4 227)	-
Current liabilities for bonds	(29 100)	-	(29 100)	-	-
Long-term bond liabilities	(280 000)	-	(20 000)	(260 000)	-
	(428 811)	**(18 590)**	**(133 970)**	**(276 251)**	**-**

c) Market risk

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

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

i) Foreign currency risk

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

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (cont.)

c) Market risk (cont.)

i) Foreign currency risk (cont.)

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in local currency (UAH) as at 30 June 2012 based on carrying amounts was as follows:

(in conversion to USD thousand)	**USD**	**EUR**	**RUB**	**UAH**	**TOTAL**
Long-term bond liabilities	195 152	-	-	-	**195 152**
Short-term bank loans (including overdrafts)	50 000	16 925	-	-	**66 925**
Trade accounts payable	274	207	18	17 483	**17 982**
Accounts payable for property, plant and equipment	-	2 257	-	6	**2 263**
Trade accounts receivable	(11 739)	-	-	(18 253)	**(29 992)**
Accrued coupon on bonds	3 462	-	-	267	**3 729**
Net exposure to foreign currency risk	**237 149**	**19 389**	**18**	**(497)**	**256 059**

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

(in conversion to USD thousand)	**USD**	**EUR**	**RUB**	**UAH**	**TOTAL**
Long-term bond liabilities	194 563	-	-	-	**194 563**
Short-term bank loans (including overdrafts)	50 669	2 181	-	-	**52 850**
Trade accounts payable	517	105	-	15 298	**15 920**
Accounts payable for property, plant and equipment	-	3 969	-	718	**4 687**
Trade accounts receivable	(46 638)	-	-	(5 048)	**(51 686)**
Accrued coupon bond	3 462	-	-	2 456	**5 918**
Net exposure to foreign currency risk	**202 573**	**6 255**	**-**	**13 424**	**222 552**

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

38. 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 2012			
USD	15%	(35 572)	(35 572)
EUR	10%	(1 939)	(1 939)
RUB	10%	(2)	(2)

Effect in USD thousand:	Increase in currency rate against UAH	Effect on profit before tax	Effect on equity
31 December 2011			
USD	15%	(30 386)	(30 386)
EUR	10%	(626)	(626)

d) Interest rate risk

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

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

As at 30 June 2012 and 31 December 2011 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	30 June 2012	31 December 2011
Instruments with fixed interest rate		
Financial assets	-	-
Financial liabilities	(306 215)	(309 550)
Instruments with variable interest rate		
Financial assets	-	-
Financial liabilities	(22 030)	(8 564)

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.

38. FINANCIAL RISK MANAGEMENT (cont.)

d) Interest rate risk (cont.)

As at 30 June 2012 and 31 December 2011 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 2012		
LIBOR	5%	(1)
LIBOR	-5%	1
EURIBOR	5%	(8)
EURIBOR	-5%	8
31 December 2011		
LIBOR	5%	(1)
LIBOR	-5%	1
EURIBOR	5%	(2)
EURIBOR	-5%	2

The effect of interest rate sensitivity on owners' equity is equal to that on 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.

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

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

As at 30 June 2012 and 31 December 2011, the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

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

38. FINANCIAL RISK MANAGEMENT (cont.)

d) Interest rate risk (cont.)

Assumptions in assessing fair value of financial instruments and assessment of their subsequent recognition (cont.)

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

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

Capital management

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

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

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

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

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

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

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

Notes to the interim consolidated financial statements
FOR THE 6 MONTHS ENDED 30 JUNE 2012
(in USD thousand, unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (cont.)

d) Interest rate risk (cont.)

Capital management (cont.)

As at 30 June 2012 and 31 December 2011 the Group's financial leverage coefficient made up -0.4% and 7.9% respectively.

	Carrying value	
	30 June 2012	**31 December 2011**
Short-term loans	66 967	53 063
Long-term loans	4 684	15 384
Current portion of long-term loans	31 314	23 708
Long-term finance lease (including VAT)	5 105	6 383
Long-term bond liabilities	195 152	194 563
Short-term bond liabilities	25 023	25 013
Total amount of borrowing costs	**328 245**	**318 114**
Cash and cash equivalents	332 617	237 814
Financial assistance issued	-	16
Net debt	**(4 372)**	**80 284**
Share capital	836	836
Share premium	201 164	201 164
Capital contribution reserve	115 858	115 858
Retained earnings	769 427	673 909
Effect of translation into presentation currency	(68 114)	(67 761)
Non-controlling interests	17 409	15 333
Total equity	**1 036 580**	**939 339**
Total amount of equity and net debt	**1 032 208**	**1 019 624**
Financial leverage coefficient	**-0.4%**	**7.9%**

For the 6 months ended 30 June 2012 and 30 June 2011 ratio of net debt to EBITDA amounted to:

	6 months ended	
	30 June 2012	**30 June 2011**
PROFIT/(LOSS) FOR THE PERIOD	97 600	67 036
Income tax	5	2 124
Finance income	(420)	(829)
Finance expenses	17 298	15 766
EBIT (earnings before interest and income tax)	**114 483**	**84 097**
Depreciation	7 644	7 097
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**122 127**	**91 194**
Net debt at the period end	(4 372)	114 836
Net debt at the period end / EBITDA	**-0.04**	**1.30**

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

38. FINANCIAL RISK MANAGEMENT (cont.)

f) Livestock diseases risk

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

39. Risks related to the Group’s operating environment in Ukraine

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Soviet Union to an independent sovereign state and has been progressively developing into a market economy. Although substantial progress has been made since independence in reforming Ukraine’s economy, along with the country’s political and judicial systems to some extent, Ukraine still lacks the necessary legal infrastructure and regulatory framework essential to support market institutions, effective transition to a market economy and broad-based social and economic reforms.

Conditions for the Ukrainian economy have been extremely unstable during the course of 2009 and this instability has continued into 2011. Despite signs of stabilisation, major concerns remain over the performance of the Ukrainian economy at a macro level. The economy has remained very energy intensive and is still insufficiently diversified, with exports remaining centred on metallurgical products. Consequently, the economy remains vulnerable to fluctuations in steel prices and to shocks resulting from Russia’s control over the supply of gas. In terms of business environment, high taxes, legal uncertainties and bureaucratic impediments have conspired to create a difficult business environment in which to operate. In addition, the lack of an enduring political consensus on reforms has created uncertainty over the modernisation of the economy.

40. EVENTS AFTER THE REPORTING DATE

There were no material events after the reporting date, which affect the interim consolidated financial statements as at 30 June 2012.

The interim consolidated financial statements were approved and authorized for issue on 24 August 2012.