AVANGARDCO INVESTMENTS PUBLIC LIMITED

Consolidated interim financial information (Unaudited)

For the 6 months ended 30 June 2010

AND INDEPENDENT REVIEW REPORT

CONTENTS

Board of Directors and other officers

BOARD OF DIRECTORS:

Oleg Bakhmatyuk (appointed 22 March 2010)
Oksana Prolenko (appointed 22 March 2010)
Nataliya Vasylyuk
Iryna Marchenko (appointed 22 March 2010)
Philippos Philippou (resigned 22 March 2010)
Kyriaki Georgiou

COMPANY SECRETARY:

Confida Secretarial Limtied
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REGISTERED OFFICE:

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Independent Auditors' Review Report

Report on review of consolidated interim financial information to Avangardco Investments Public Limited.

Introduction

We have reviewed the consolidated interim financial information of Avangardco Investments Public Limited (the "Company") and its subsidiaries (the "Group") on pages 5 to 59, which comprise the statement of consolidated interim financial position as at 30 June 2010 and the statements of consolidated interim 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. Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 consolidated interim financial information does not give a true and fair view of the financial position of the Group as at 30 June 2010, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Baker Tilly Klitou

Baker Tilly Klitou

23 August 2010

Consolidated interim statement of financial position as at 30 June 2010

(in USD thousand, unless otherwise stated)

ASSETS	Note	30 June 2010	31 December 2009	30 June 2009
NON-CURRENT ASSETS:				
Property, plant and equipment	5	384 315	375 426	385 135
Available for sale financial assets		40	40	41
Non-current biological assets	6	42 538	21 546	40 289
Long-term bank deposits	13	28	504	4 229
Deferred income tax assets	18	6	230	479
Other non-current assets	7	20 106	16 630	36 220
Total non-current assets		**447 033**	**414 376**	**466 393**
CURRENT ASSETS:				
Inventories	9	99 216	92 757	70 381
Prepaid income tax		10	35	7
Taxes recoverable and prepaid	8	24 341	28 708	26 681
Current biological assets	6	34 785	44 910	30 678
Prepayments and other current assets	10	25 588	58 626	170 559
Trade receivables	11	88 868	47 320	84 721
Short-term bank deposits	13	297 223	155 917	238 089
Cash and cash equivalents	12	105 625	1 727	1 446
Total current assets		**675 656**	**430 000**	**622 562**
TOTAL ASSETS		**1 122 689**	**844 376**	**1 088 955**
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	1	835	644	644
Capital contribution reserve	1	317 021	115 858	-
Retained earnings		360 688	300 107	201 098
Currency translation reserve		(60 199)	(64 137)	(55 343)
Total equity attributable to:				
Equity holders of the parent		**618 345**	**352 472**	**146 399**
Non-controlling interests		9 446	8 083	6 817
Total equity		**627 791**	**360 555**	**153 216**
NON-CURRENT LIABILITIES:				
Long-term loans	14	80 653	85 975	235 650
Deferred income tax liabilities	18	1 271	1 173	623
Deferred income (non-current portion)	32, c)	6 022	5 963	6 558
Long-term finance leases	22	5 167	6 142	7 503
Total non-current liabilities		**93 113**	**99 253**	**250 334**
CURRENT LIABILITIES:				
Short-term bond liabilities	23	24 488	24 249	25 376
Current portion of non-current financial liabilities	17	119 476	115 975	17 184
Short-term loans	15	43 425	33 001	463 233
Trade payables	19	86 016	68 019	76 958
Current income tax liabilities		6	7	6
Accrued expenses	20	958	1 278	556
Other current liabilities and accrued expenses	21	127 416	142 039	102 092
Total current liabilities		**401 785**	**384 568**	**685 405**
TOTAL LIABILITIES AND EQUITY		**1 122 689**	**844 376**	**1 088 955**
Carrying amount of equity attributable to shareholders of Avangardco Investments Public Limited		618 344	352 472	146 398
Average weighted number of shares, items		5 022 992	5 000 000	5 000 000
Carrying amount of a share, USD		123	70	29

On 23 August 2010 the Board of Directors of Avangardco Investments Public Limited authorized this interim consolidated financial information for issue.

Nataliya Vasylyuk	**Iryna Marchenko**
Director	Director

The notes on pages 10 to 59 form an integral part of this interim consolidated financial information.

(in USD thousand, unless otherwise stated)

	Note	6 months ended 30 June 2010	6 months ended 30 June 2009
Revenue	24	165 901	98 567
Net change in fair value of biological assets	6	14 735	14 729
Cost of sales	25	(125 275)	(72 981)
GROSS PROFIT		**55 361**	**40 315**
General administrative expenses	27	(2 505)	(2 596)
Distribution expenses	28	(2 436)	(1 433)
Income from government grants and incentives	32	466	6 786
Income/(expenses) from special VAT treatment	32, a)	9 060	(603)
Other operating expenses	29	(2 743)	(5 612)
OPERATING PROFIT		**57 203**	**36 857**
Finance income	31	15 590	19 643
Finance cost	30	(10 511)	(22 792)
PROFIT BEFORE TAX		**62 282**	**33 708**
Income tax expense	18	(339)	(341)
PROFIT FOR THE PERIOD		**61 943**	**33 367**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Effect of translation into presentation currency		3 935	1 351
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**3 935**	**1 351**
TOTAL COMPREHENSIVE INCOME		**65 878**	**34 718**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		60 580	32 949
Non-controlling interests		1 363	418
		61 943	**33 367**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		64 515	34 302
Non-controlling interests		1 363	416
		65 878	**38 718**
Average weighted number of shares, items		5 022 992	5 000 000
Earnings for the period per share, USD (basic and diluted)		12	7
Total comprehensive income per one share, USD		13	7

The notes on pages 10 to 59 form an integral part of this interim consolidated financial information.

(in USD thousand, unless otherwise stated)

	Share capital	Capital contribution reserve	Retained earnings	Foreign currency translation reserve	Non-controlling interests	Total
As at 31 December 2008	**644**	**-**	**168 151**	**(56 698)**	**6 406**	**118 503**
Effect of acquisitions of non-controlling interest	-	-	-	-	(5)	**(5)**
Effect from translation into presentation currency	-	-	-	1 353	(2)	**1 351**
Profit for the period	-	-	32 949	-	418	**33 367**
As at 30 June 2009	**644**	**-**	**201 100**	**(55 345)**	**6 817**	**153 216**
As at 1 January 2010	**644**	**115 858**	**300 107**	**(64 137)**	**8 083**	**360 555**
Additional issuance of shares	192	201 163	-	-	-	**201 355**
Effect from translation into presentation currency	-	-	-	3 935	-	**3 935**
Profit for the period	-	-	60 581	-	1 363	**61 944**
As at 30 June 2010	**836**	**317 021**	**360 688**	**(60 202)**	**9 446**	**627 789**

The notes on pages 10 to 59 form an integral part of this interim consolidated financial information.

(in USD thousand, unless otherwise stated)

	6 months ended 30 June 2010	6 months ended 30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	62 282	33 708
Adjustments to reconcile profit before tax with net cash generated from / (used in) operating activities:		
Depreciation of property, plant and equipment	6 295	6 218
Change in allowance for irrecoverable amounts	114	(304)
Other provisions	(317)	(448)
Loss on disposal of property, plant and equipment	19	26
Cost of current assets written-off	258	181
Effect of fair value adjustments	(14 735)	(14 729)
Gains realised from accounts payable written-off	(18)	(136)
Partial compensation of complex agricultural equipment cost	(79)	(158)
Interest income	(15 590)	(19 643)
Interest payable on loans	10 511	22 792
Operating profit before working capital changes	**48 740**	**27 507**
Increase in trade receivables	(41 362)	(69 027)
Decrease/(increase) in prepayments and other current assets	8 894	(18 132)
Decrease in taxes recoverable and prepaid	4 208	27 209
Increase in inventories	(6 717)	(23 486)
(Decrease)/increase in deferred income	(13)	61
(Increase)/decrease in other non-current assets	(13)	148
Increase in trade payables	18 016	56 565
Decrease in biological assets	4 585	1 467
Decrease in advances received and other current liabilities	(8 575)	(36 230)
Cash generated from operations	**27 763**	**(33 918)**
Interest paid	(9 831)	(18 113)
Income tax paid	(1)	(11)
Net cash generated from/(used in) operating activities	**17 932**	**(52 042)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(20 819)	(948)
(Increase)/decrease in bank deposits	(101 418)	40 304
Interest received	-	532
Net cash generated (used in)/from investing activities	**(122 237)**	**39 888**

The notes on pages 10 to 59 form an integral part of this interim consolidated financial information.

Consolidated interim statement of cash flows (continued)
for the 6 months ended 30 June 2010
(in USD thousand, unless otherwise stated)

	6 months ended 30 June 2010	6 months ended 30 June 2009
CASH FLOWS FROM FINANCING ACTIVITIES:		
New loans received	9 150	10 341
Repayment of loans	(412)	(1 379)
Interest paid for bonds issued	(1 621)	(61)
Repayment of short-term bonds issued	-	(467)
Increase in share capital	191	-
Increase in share capital	201 164	-
Net cash generated by financing activities	**208 472**	**8 434**
Effect from translation into presentation currency	(270)	(647)
Net increase/(decrease) in cash	**103 897**	**(4 367)**
Cash at the beginning of the period	**1 701**	**5 786**
Cash at the end of the period	**105 598**	**1 419**

The notes on pages 10 to 59 form an integral part of this interim consolidated financial information.

1. General information

This consolidated interim financial information of AvangardCo Investments Public Limited (the "Company") and subsidiaries (together hereafter refered as the "Group" or "Avangard") for the 6 months ended 30 June 2010 was approved by the Board of Directors on 23 August 2010.

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

The company was incorporated as a private limited liability company in October 2007 in accordance with the provisions of the Cyprus Companies Law, Cap 113 under the name of "Ultrainvest Limited". In July 2009 the Company re-registered as a public company and changed its name to "AvangardCo Investments Public Limited".

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

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

The Group's activities cover all the links of the value chain: from production of combined feed, maintenance and breeding of chickens to production and sale of eggs and egg products. As at 30 June 2010 the production facilities of the Group include 31 poultry facilities (consisting of 19 egg laying farms, 9 hen rearing farms and 3 breeding farms), 6 feed mills, and 1 plant for manufacture of egg products. This vertically-integrated structure of the Group allows it to provide approximately 70% of its own fodder. The Group's activities cover almost all the territory of Ukraine.

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

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

(in USD thousand, unless otherwise stated)

1. General information (continued)

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

Company name	Principal Activity	Country of registration	Ownership Interest 30 June 2010	Ownership Interest 31 December 2009	Ownership Interest 30 June 2009
CJSC Avangard	Keeping of technical laying hen, production and selling of eggs	Ukraine	99%	99%	99%
APP CJSC Chornobaivske		Ukraine	97%	97%	97%
CJSC Agrofirma Avis		Ukraine	100%	100%	100%
OJSC Kirovskiy		Ukraine	100%	100%	100%
OJSC Ptakhohospodarstvo Chervonyi Prapor		Ukraine	98%	98%	98%
SC Ptakhofabryka Lozuvatska		Ukraine	100%	100%	100%
LLC Yuzhnaya – Holding		Ukraine	100%	100%	100%
LLC Makarivska Ptakhofabryka		Ukraine	100%	100%	100%
LLC PF Volnovaska		Ukraine	100%	100%	100%
LLC Cross-PF Zorya		Ukraine	89%	89%	89%
OJSC Ptakhofabryka Pershe Travnya		Ukraine	93%	93%	93%
CJSC Chernivetska Ptakhofabryka		Ukraine	98%	98%	98%
ALLC Donetska Ptakhofabryka		Ukraine	100%	100%	100%
LLC Areal-Snigurivka		Ukraine	100%	100%	100%
LLC Torgivenlniy Budynok Bohodukhivska Ptakhofabryka		Ukraine	100%	100%	100%
PPB LLC Ptytsecompleks		Ukraine	100%	100%	100%
PSPC Interbusiness		Ukraine	100%	100%	100%
SC Avangard-Agro of CJSC Avangard	Incubation (production and sale of day-old chick), farming of young poultry for sale, and poultry	Ukraine	99%	99%	99%
SC Gorodenkivska Ptakhofabryka of CJSC Avangard		Ukraine	99%	99%	99%
SC Rogatynska Ptakhofabryka of CJSC Avangard		Ukraine	99%	99%	99%
SC Ptakhohospodarstvo Donetske of ALLC Donetska Ptakhofabryka		Ukraine	100%	100%	100%
LLC Slovyany		Ukraine	90%	90%	90%
SC Ptakhohospodarstvo Lozuvatske		Ukraine	100%	100%	100%
SC Zorya of LLC Cross-PF Zoraya		Ukraine	89%	89%	89%
SC Ptakhofabryka Chervonyi Prapor Poultry, of OJSC Ptakhohospodarstvo Chervoniy Prapor		Ukraine	98%	98%	98%
SC Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding		Ukraine	100%	100%	100%
SC Ptakhogopodarstvo Volnovaske of LLC PF Volnovaska		Ukraine	100%	100%	100%
SC Ptakhohospodarstvo Chornobaivske of APP CJSC Chornobaivske		Ukraine	97%	97%	97%
LLC Rohatyn-Korm	Production and selling of animal feed	Ukraine	99%	99%	99%
OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod		Ukraine	80%	80%	80%
OJSC Volnovaskyi Kombinat Khliboproduktiv		Ukraine	72%	72%	72%
LLC Kamyanets-Podilsky Kombikormoviy Zavod		Ukraine	100%	100%	100%
LLC Pershe Travnya Kombikormoviy Zavod		Ukraine	93%	93%	93%
LLC Imperovo Foods	Processing of eggs and selling of egg products	Ukraine	100%	100%	100%
LLC Kross	Rendering services under guarantee agreements	Ukraine	100%	100%	100%

(in USD thousand, unless otherwise stated)

1. General information (continued)

The company hes an issued share capital of 6 387 185 ordinary shares as at 30 June 2010 with nominal value of Euro 0,10 per share.

The shares were distributed as follows:

	30 June 2010		31 December 2009		30 June 2009	
Shareholder	**Number of shares**	**Ownership interest, %**	**Number of shares**	**Ownership interest, %**	**Number of shares**	**Ownership interest, %**
Oleg Bakhmatyuk	20 000	0,3%	20 000	0,4%	20 000	0,4%
Quickcom Limited	1 074 684	16,8%	1 074 684	21,5%	1 074 684	21,5%
Omtron Limited	1 848 575	28,9%	1 848 575	37,0%	1 848 575	37,0%
Tanchem Limited	926 280	14,5%	926 280	18,5%	926 280	18,5%
Mobco Limited	1 080 143	16,9%	1 130 458	22,6%	1 130 458	22,6%
BNY (Nominees) Limited	1 437 500	22,5%	-	-	-	-
Other	3	-	3	-	3	-
	6 387 185	100,0%	5 000 000	100,0%	5 000 000	100,0%

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

	Ownership interest as at 30 June 2010, %	Ownership interest as at 31 December 2009, %	Ownership interest as at 30 June 2009, %
Quickcom Limited	100%	100%	100%
Omtron Limited	100%	100%	100%
Tanchem Limited	100%	100%	100%
Mobco Limited	100%	100%	100%

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

In June 2010 the Company issued 1 437 500 ordinary personal shares with nominal value 0,10 EUR per item.

For the 6 months ended 30 June 2010 the Company generated share premium amounting to USD 201 163 thousand (10 GDR are equal to 1 ordinary personal share) as a result of initial placement of 14 375 000 GDR on the main market of London Stock Exchange.

2. Basis of presentation of consolidated interim financial information

2.1 Basis of preparation and accounting

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

This consolidated interim financial information was prepared in accordance with IFRS which became effective for years commencing on or after 30 June 2010.

2.2 Functional and presentation currency

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

2.3 Going concern basis

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

2.4 Standards and interpretations

The following amended or revised standards and interpretations were applied by the Company in the process of preparing its consolidated interim financial information which resulted in some changes to accounting policies and other disclosures in the notes to the consolidated interim financial information.

IFRS 2 Share-based Payment - vesting conditions and cancellations

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

IFRS 3 Business Combinations (Revised)

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

IFRS 7 Financial Instruments: Disclosures

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

IFRS 8 Operating Segments

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

IAS 1 Presentation of Financial Statements (Revised)

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

IAS 23 Borrowing Costs (Revised)

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

2.4 Standards and interpretations (continued)

IAS 27 Consolidated and Separate Financial statements (Revised)

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

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

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

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

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

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

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

IFRIC 13 Customer Loyalty Programmes

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

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

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

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

IFRIC Interpretation 17 Distributions of Non-Cash Assets to Owners

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

2.4 Standards and interpretations (continued)

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

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

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

IFRS 1: First time adoption of IFRS – Amendment; Additional exemptions for first time adopters
IFRS1: First time adoption of IFRS – Amendment: Limited exemptions from comparative IFRS7 disclosures for first time adopters
IFRS 2: Share-based payments – Amendment; Cash-settled Share-based payment transactions
IFRS 5: Non-current assets held for sale and discontinued operations: Improvement to Standard
IFRS 9: Financial Instruments
IAS 7: Statement of Cash Flows: Improvement to Standard (endorsed)
IAS 17: Leases: Improvement to Standard (endorsed)
IAS 24: Revised IAS 24 – Related party disclosures
IAS 32: Financial Instruments: Presentation – amendment; Classification of Rights Issues (endorsed)
IAS 36: Impairment of assets: Improvement to Standard (endorsed)
IAS 38: Intangible assets: Improvement to Standard
IAS 39: Financial Instruments: Recognition and Measurement – Amendment; Eligible hedged items (endorsed)
IFRIC 9: Reassessment of Embedded Derivatives: Improvement to Standard (endorsed)
IFRIC 14: Amendment – Prepayments of a minimum funding requirement
IFRIC 16: Hedges of net investment in a foreign operation: Improvement to Standard (endorsed)
IFRIC 17: Distributions of Non-cash Assets to Owners (endorsed)
IFRFIC 18: Transfers of Assets from Customers (endorsed)
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

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

3. Significant accounting policies

3.1 Basis of consolidation

This consolidated interim financial information comprises the financial information of the companies controlled by the Company ("Subsidiaries").

Transactions under common control

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

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company 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.

3.1 Basis of consolidation (continued)

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

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

Combinations of businesses not under common control
The purchase method is applied to consolidation of subsidiaries being acquired. On acquisition, the identifiable assets and liabilities of the subsidiary are measured at fair value on the acquisition date, irrespective of the extent of any noncontrolling interest. The excess of the consideration paid over the fair value of assets and liabilities acquired is treated as goodwill. Any negative goodwill arising on a "bargain purchase" (where the consideration is less than the fair value of assets and liabilities acquired) is immediately recognised in profit and loss. Non-controlling interests are reflected proportionally to fair value of cost of recognised assets and liabilities.

If necessary, adjustments are entered into the consolidated interim financial information of subsidiaries to bring the accounting policy used into compliance with the accounting policy used by the Company.

Transactions eliminated by consolidation

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

Non-controlling interests

Non-controlling interests in subsidiaries as at the balance sheet date is the proportion of fair value of the relevant subsidiaries' identified assets and liabilities attributable to those non-controlling interest as at the date of acquisition, together with their share of changes in its equity after the date of acquisition. Equity attributable to shareholders of non-controlling interest is reported as a separate item in the consolidated interim information 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 noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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

(in USD thousand, unless otherwise stated)

3.1 Basis of consolidation (continued)

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

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

Currency	30 June 2010	Weighted average for the 6 months ended 30 June 2010	31 December 2009	Weighted average for the 6 months ended 30 June 2009	30 June 2009
US dollar	7,907	7,955	7,985	7,678	7,630

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 position all the assets and liabilities are translated at the exchange rate of the National Bank of Ukraine at the date;

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

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

3.3 Property, plant and equipment

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

PPE is recognised by the Group as an asset only in a case, when:

- it is probable that the Group will receive certain future economic benefits;
- the historical cost can be assessed in a reliable way;
- it is intended for use during more than one operating cycle (usually more than 12 months).

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

Expenses after the initial recognition of property, plant and equipment

Any subsequent expenses, increasing the future economic benefits from the asset, are treated as additions. Otherwise, the Group recognises subsequent expenses as expenses of the period, in which they have been incurred. The Group divides all expenses, related to the property, plant and equipment, into the following types:

- current repairs and expenses for maintenance and technical service;
- capital refurbishment, including modernisation.

Subsequent measurement of property, plant and equipment

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

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

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

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

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

De-recognition

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

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

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

3.4 Financial assets

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

(a) Loans and accounts receivable

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

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

b) Available for sale financial assets

Investments which Management plans to hold for an indefinite period of time, and which may be sold to improve liquidity or due to changes in interest rates, are classified 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. The best confirmation of fair value at initial recognition is selling price. Gains or losses at initial recognition are reflected only if the difference between fair value and selling price is confirmed by other actual and regular market transactions carried out with the same instruments or with such estimation, which technique is based on open market data.

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

Principles of fair value measurement

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

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

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

Subsequent measurement

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

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

3.4 Financial assets (continued)

Impairment of financial assets

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

De-recognition

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

3.5 Financial liabilities

(a) Financial liabilities at fair value through profit or loss

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

(b) Loans and borrowings

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

Initial recognition

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

Subsequent measurement

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

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

De-recognition

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

3.6 Inventories

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

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

3.6 Inventories (continued)

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.

3.7 Biological assets

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

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

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

Determination of the fair value of biological assets

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

Determination of the fair value of agricultural produce

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

3.8 Cash and cash equivalents

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

3.9 Impairment of non-current assets

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

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

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

3.10 Value added tax (VAT)

There are two rates of value added taxes: 20% – on import and sales of goods and services in the territory of Ukraine and 0% - on export of goods and rendering of services and works outside Ukraine.

The VAT liability is equal to the total amount of VAT accrued during the reporting period and arises at the earlier of goods shipment to the customer or at the date of receipt of payment from the client.

VAT credit is the amount by which a taxpayer is entitled to reduce his/her VAT liabilities in the reporting period. The right to VAT credit arises on the earlier of the date of payment to supplier or the date of receipt of goods.

The Group's entities apply the special VAT taxation treatment prescribed by the Law of Ukraine "About value-added tax" dated 3.4.1997 No.168-BP 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.

3.11 Income tax and deferred income tax

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

3.11 Income tax and deferred income tax (continued)

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

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

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

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

3.12 Revenue recognition

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

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

Revenue is recorded at fair value of assets receivable.

Interest income

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

3.13 Leases

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

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

Group as a lessee

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

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

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

3.13 Leases (continued)

Group as a lessor

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

3.14 Distribution of dividends

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

3.15 Borrowing costs

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

3.16 Government grants

Recognition of government grants

The Group recognises government grants when received.

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

- All grants, compensating the expenses of the preceding periods, shall be recognised by the Group in full in the period of their receipt as other operating income;

- All grants, related to assets not depreciated, such as a land site, shall be correlated by the Group with the expenses to fulfill the obligations. Where a grant in the form of provision of a land site is conditional on construction of a building on the site, the Group divides the recognition of the grant as other operating income over the whole useful life of the building;

- All grants, related to the amortisable assets, shall be recognised by the Group as a decrease in the expenses for amortisation during the periods, when the amortisation of these assets is accrued.

Accounting for government grants for agricultural activities

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

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

Return of the government grants

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

3.17 Contingent assets and liabilities

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

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

3.18 Accrued expenses and provisions

Accrued expenses

The Group accrues the following expenses:

- accrued expenses for future employee benefits;
- accrued expenses for settling legal claims;
- accrued expenses for payments on tax penalties;
- accrued expenses for other expenses and payments.

The Group recognises accrued expenses in the following circumstances; when:

- there exists present obligation as a result of a past event;
- there exists a probability that an outflow of resources, embodying economic benefits, will be necessary to satisfy the obligations;
- it is possible to reliably estimate the obligations' amounts.

The estimate of expenses required to settle the obligations for the reporting date, is represented by an amount calculated, after taking into consideration the following factors:

- consideration risks and uncertainty;
- consideration accrued expenses at reduced value, using a discounting rate, which reflects market evaluations of the time value of money and risks, peculiar to the obligation, and recognition of an increase in the reserve in the course of time as the interest expense, where material.

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

Provisions

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

3.19 Share capital

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

4. Significant accounting judgements and estimates

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

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

4.1 Basis of consolidation (transactions under common control)

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

4.2 Useful lives of property, plant and equipment

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

4.3 Impairment of non-financial assets

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 interim consolidated financial information as impairments of receivables.

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

1. *Individual approach* – receivables from customers (consumers) exceeding UAH 50 thousand are analysed separately and, if necessary, provision is made individually for each debt. The amount of provision is calculated as a difference between the carrying value of accounts receivable and estimated future cash flows (including the amounts which may be received from guarantees and enforcement of pledge), discounted using interest rate of debtor at the date of receivables incurrence.

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

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

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

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

4.5 Legal proceedings

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

(in USD thousand, unless otherwise stated)

4.6 Impairment of obsolete and surplus inventory

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

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

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

Inventory storage period = Duration of reporting period/ Inventory turnover

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

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

4.7 Deferred tax assets

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

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

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

4.8 Contingent liabilities

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

4.9 Impact of the global financial and economic crisis

The ongoing global financial and economic liquidity crisis that emerged out of the severe reduction in global liquidity (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets.

4.9 Impact of the global financial and economic crisis (continued)

The uncertainties in the global financial markets have also led to bank failures of banks and other corporations, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against.

The volume of wholesale financing has significantly reduced. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Debtors and clients of the Group may be adversely affected by the financial and economic environment, lower liquidity situation which could in turn impact their ability to repay the amounts owed.

Deteriorating operating economic conditions for clients may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

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

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment

As at 30 June 2010 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 2010	3 466	121 378	24 914	66 403	3 751	6 129	173 435	399 476
Additions	-	189	102	2	103	31	11 042	11 469
Disposals	-	(10)	(5)	-	(4)	(5)	-	(24)
Effect from translation into presentation currency	35	1 194	163	745	38	58	1 779	4 012
Internal transfers	-	-	-	-	-	-	-	-
Reclassification	-	(703)	(14 077)	14 728	99	(47)	-	-
As at 30 June 2010	3 501	122 048	11 097	81 878	3 987	6 166	186 256	414 933
Accumulated depreciation								
As at 1 January 2010	-	6 428	2 492	11 815	975	2 340	-	24 050
Depreciation charge	-	1 808	796	2 997	243	451	-	6 295
Depreciation eliminated on disposal'	-	-	(1)	-	(2)	(2)	-	(5)
Effect from translation into presentation currency	-	74	19	146	12	27	-	278
Reclassification	-	(41)	(1 522)	1 563	22	(22)	-	-
As at 30 June 2010	-	8 269	1 784	16 521	1 250	2 794	-	30 618
Net carrying value as at:								
30 June 2010	3 501	113 779	9 313	65 357	2 737	3 372	186 256	384 315

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (continued)

As at 30 June 2009 movements in property, plant and equipment were as follows:

Initial value	Land	Buildings and structures	Machinery and equipment	Equipment for biological assets	Vehicles	Other equipment	Assets under construction-in-progress and uninstalled equipment	Total
As at 1 January 2009	3 595	110 106	21 868	65 479	3840	6 181	169 713	380 782
Additions	-	6 615	2 513	229	67	67	10 183	19 674
Disposals	-	-	(1)	-	(27)	(5)	-	(33)
Effect from translation into presentation currency	33	1 105	215	612	35	56	1 546	3 602
Internal transfers	-	3 104	(1)	1 950	(1)	80	(5 132)	-
As at 30 June 2009	3 628	120 930	24 594	68 270	3 914	6 379	176 310	404 025
Accumulated depreciation								
As at 1 January 2009	-	3 189	1 014	6 285	513	1 517	-	12 518
Depreciation charge	-	1 735	783	2 991	252	457	-	6 218
Depreciation eliminated on disposal'	-	-	-	-	(5)	(2)	-	(7)
Effect from translation into presentation currency	-	41	15	78	8	19	-	161
As at 30 June 2009	-	4 965	1 812	9 354	768	1 991	-	18 890
Net carrying value as at:								
30 June 2009	3 628	115 965	22 782	58 916	3 146	4 388	176 310	385 135

(in USD thousand, unless otherwise stated)

5. Property, plant and equipment (continued)

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

	Carrying value of security as at 30 June 2010	Carrying value of security as at 31 December 2009	Carrying value of security as at 30 June 2009
Buildings and structures	97 147	114 950	115 965
Machinery and equipment	8 025	22 422	22 782
Equipment for biological assets	46 520	54 588	58 916
Vehicles	2 028	2 776	3 146
Assets under construction-in-progress and uninstalled equipment	168 763	173 435	176 310
	322 483	**368 171**	**377 119**

For the 6 months ended 2010 the Group received government grants "Partial compensation of complex agricultural equipment cost" in the amount of USD 153 thousand (for the 6 months ended 30 June 2009 - USD 158 thousand).

As at 30 June 2010 and 2009 net book value of property, plant and equipment which were acquired under finance leases amounted to USD 11 487 thousand and USD 12 164 thousand respectively. The residual amount of contractual commitments is presented in Note 24.

At each balance sheet date, the Group reviews the book values of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

As at 30 June 2010 the recoverable amount was the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates of 26,00% and 22,00% as at 30 June 2010 and 2009 respectively.

As a result, no impairment indicators were identified for the 6 months ended 2010 and 2009.

6. Biological assets

Biological assets as at 30 June 2010 were as follows:

Non-current biological assets	**Note**	**30 June 2010**	**31 December 2009**	**30 June 2009**
Replacement poultry	a), b)	42 538	21 546	40 289
		42 538	**21 546**	**40 289**
Current biological assets				
Commercial poultry	a), b)	34 770	44 850	30 618
Other biological assets	c)	15	60	60
		34 785	**44 910**	**30 678**

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

	30 June 2010		31 December 2009		30 June 2009	
	Number, thousand head	Carrying value	Number, thousand head	Carrying value	Number, thousand head	Carrying value
Isa Brown	-	-	-	-	229	617
Loman	-	-	331	1 947	880	3 169
Hy-Line	17 078	70 177	14 795	61 572	13 458	62 432
Hisex	342	1 934	350	2 115	48	319
Other	1 250	5 197	645	762	1 369	4 370
	18 670	**77 308**	**16 121**	**66 396**	**15 984**	**70 907**

(in USD thousand, unless otherwise stated)

6. Biological assets (continued)

b) Reconciliation of commercial and replacement poultry carrying value for the 6 months ended 30 June 2010 was as follows:

As at 1 January 2009	**56 571**
Acquisitions	23 509
Increase in value as a result of increase in weight/number	15 478
Income from revaluation of biological assets at fair value	17 058
Changes in value of biological assets as a result of agricultural produce harvesting	(2 330)
Decrease in value resulting from assets disposal	(32 294)
Effect from translation into presentation currency	604
Other changes	(7 629)
As at 30 June 2009	**70 967**
As at 1 January 2010	**66 396**
Acquisitions	18 448
Increase in value as a result of increase in weight/number	16 193
Income from revaluation of biological assets at fair value	18 506
Changes in value of biological assets as a result of agricultural produce harvesting	(3 771)
Decrease in value resulting from assets disposal	(31 699)
Effect from translation into presentation currency	717
Other changes	(7 467)
As at 30 June 2010	**77 323**

Due to the absence of an active market for laying hen in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets. As a discount rate, the rate of 28% prevailing as at 30 June 2010 was applied (as at 30 June 2009 - 30%).

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

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

As at 30 June 2010 the biological assets with a carrying value of USD 6 098 thousand and USD 5 802 thousand respectively were a security for long-term and short-term loans.

As at 31 December 2009 the biological assets with a carrying value of USD 3 227 thousand were a security for long-term and short-term loans.

7. Other non-current assets

Other non-current assets as at 30 June 2010 were as follows:

	30 June 2010	31 December 2009	30 June 2009
Prepayments for property, plant and equipment	19 736	16 273	35 847
Other non-current assets	370	357	373
	20 106	**16 630**	**36 220**

8. Taxes recoverable and prepaid

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

	Note	30 June 2010	31 December 2009	30 June 2009
VAT settlements	a)	23 936	28 625	26 449
Other taxes prepaid		405	83	232
		24 341	**28 708**	**26 681**

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

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

As at 30 June 2010 VAT refund is amounting to USD 19 824 thousand. This amount comprises of USD 5 815 thousand because of which legal proceedings are carried out with the aim of determining legality and validity of this VAT refund amount. The Company's Management considers that judicial decisions will be made in favor of Group's companies and above mentioned refund amount will be received.

9. Inventories

Inventories as at 30 June 2010 were as follows:

	30 June 2010	31 December 2009	30 June 2009
Raw and basic materials	70 068	72 877	44 660
Work-in-progress	1 861	1 935	3 361
Agricultural produce	7 333	884	2 657
Finished goods	11 646	9 958	13 033
Package and packing materials	3 345	3 262	2 739
Goods for resale	2 933	2 640	2 600
Other inventories	2 030	1 201	1 331
	99 216	**92 757**	**70 381**

For the 6 months ended 30 June 2010 and 2009 the Group produced shell eggs in the quantity of 1 910 352 536 and 1 481 413 670 items respectively. The fair value produced shell eggs for the 6 months ended 30 June 2010 and 2009 amounted to USD 127 278 thousand and USD 55 796 thousand respectively.

As at 30 June 2010 agricultural produce and finished goods – shell eggs in the quantity of 7 577 430 items and process meat with a total carrying value of USD 137 thousand, and also raw and basic materials with a carrying value of USD 198 thousand were pledged as security for the Group's loans.

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

As at 30 June 2009 agricultural produce and finished goods – shell eggs in the quantity of 7 577 430 items and process meat with a total carrying value of USD 142 thousand, and also raw and basic materials with a carrying value of USD 205 thousand were pledged as security for the Group's loans.

(in USD thousand, unless otherwise stated)

10. Prepayments and other current assets

Prepayments and other current assets, net as at 30 June 2010 were as follows:

	Note	30 June 2010	31 December 2009	30 June 2009
Prepayments		5 619	11 584	14 636
Allowance for estimated irrecoverable amounts of prepayments and other current assets		(726)		(403)
Financial assistance	b)	2 717	4 320	108 451
Interest receivable on deposits		15 561	39 411	19 190
Accounts receivable for bonds	a)	-	-	25 937
Other non-trade accounts receivable		2 417	3 311	2 748
		25 588	**58 626**	**170 559**

a) As at 30 June 2009 accounts receivable for bonds in the amount of USD 25 937 thousand (equivalent to UAH 197 899 thousand) represents accounts receivable from LLC "Stanislavskaya Torgovaya kompaniya", under securities contracts representing 193 544 items.

b) The item "Financial assistance" uncludes free of interest borrowing issued to related parties. The term of duration is set "until complete performance of obligations by parties" in accordance with borrowing agreements.

11. Trade accounts receivable

Trade accounts receivable as at 30 June 2010 were as follows:

	30 June 2010	31 December 2009	30 June 2009
Trade accounts receivable	88 868	47 320	84 721
	88 868	**47 320**	**84 721**

As at 30 June 2010, USD 19 087 thousand or 22% of the total carrying value of trade accounts receivable is due from the single most significant debtor (as at 30 June 2009 – see note 40, a)).

12. Cash and cash equivalents

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

	30 June 2010	31 December 2009	30 June 2009
Cash in banks	105 485	1 493	1 139
Cash on hand	112	103	186
Cash in transit	1	105	94
Letter of credit in national currency	27	26	27
	105 625	**1 727**	**1 446**
Less restricted cash:			
Letter of credit in national currency	(27)	(26)	(27)
Cash to be represented in statement of cash flows	**105 598**	**1 701**	**1 419**

(in USD thousand, unless otherwise stated)

13. Deposits

Deposits as at 30 June 2010 were as follows:

	30 June 2010	31 December 2009	30 June 2009
Bank deposits (with maturity under 3 months)	100 000	-	-
Bank deposits (with maturity from 3 to 12 months)	197 223	155 917	238 089
Bank deposits (with maturity above 12 months)	28	504	4 229
	297 251	**156 421**	**242 318**

As at 30 June 2010 all the bank deposits were made in national currency of Ukraine.

Deposit interest rates as at 30 June 2010 were as follows:

	30 June 2010	31 December 2009	30 June 2009
Bank deposits (with maturity under 3 months)	12.0%	-	-
Bank deposits (with maturity from 3 to 12 months)	16.0%	16.0%	15.0%-16.0%
Bank deposits (with maturity above 12 months)	12.0%	12.0%	12.0%

As at 30 June 2010 and 2009 bank deposits with carrying value of USD 197 250 thousand and USD 242 319 thousand were a security for long- and short-term loans of the Group's companies.

As at 31 December 2009 bank deposits with carrying value of USD 156 421 thousand were a security for long- and short-term loans of the Group's companies.

14. Long-term loans

Long-term loans as at 30 June 2010 were as follows:

	Note	30 June 2010	31 December 2009	30 June 2009
Long-term bank loans in national currency	a),b),c)	195 237	196 634	247 569
Long-term bank loans in foreign currency	a),b),c)	1 545	1 845	1 774
Total loans		**196 782**	**198 479**	**249 343**
Commodity credit	d)	1 121	1 110	1 162
		197 903	**199 589**	**250 505**
Current portion of bank loans in national currency		(115 770)	(112 652)	(14 461)
Current portion of bank loans in foreign currency		(1 480)	(962)	(394)
		80 653	**85 975**	**235 650**

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

	30 June 2010	31 December 2009	30 June 2009
Under a year (current portion)	115 770	113 612	14 855
From 1 to 2 years	47 093	51 278	145 263
From 2 to 3 years	33 919	-	54 075
From 3 to 4 years	-	33 586	35 150
	196 782	**198 476**	**249 343**

(in USD thousand, unless otherwise stated)

14. Long-term loans (continued)

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

	30 June 2010	31 December 2009	30 June 2009
Long-term bank loans in UAH	195 237	196 634	247 569
Long-term bank loans in CHF	1 545	1 845	1 774
	196 782	**198 479**	**249 343**

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

	30 June 2010	31 December 2009	30 June 2009
Long-term bank loans denominated in UAH	14.0%-23.0%	16.0%-23.0%	16.0%-23.0%
Long-term bank loans denominated in CHF	9.0%	9.0%	9.0%

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

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

15. Short-term loans

Short-term loans as at 30 June 2010 were as follows:

	Note	30 June 2010	31 December 2009	30 June 2009
Short-term loans in national currency	a),b),c)	27 450	23 741	220 565
Short-term loans in foreign currency	a),b),c)	725	725	738
Interest free loans	d)	15 250	8 535	241 930
		43 425	**33 001**	**463 233**

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

	30 June 2010	31 December 2009	30 June 2009
under 3 months	6 964	975	133
from 3 to 6 months	21 001	11 151	39 208
from 6 to 12 months	210	12 340	181 962
	28 175	**24 466**	**221 303**

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

	30 June 2010	31 December 2009	30 June 2009
Short-term bank loans in UAH	27 450	23 741	220 564
Short-term bank loans in USD	725	725	739
	28 175	**24 466**	**221 303**

(in USD thousand, unless otherwise stated)

15. Short-term loans (continued)

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

	30 June 2010	31 December 2009	30 June 2009
Short-term bank loans denominated in UAH	14.0%-29.0%	10.25%-28.0%	10.25%-28.0%
Short-term bank loans denominated in USD	17.0%	17.0%	17.0%

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

d) As at 30 June 2010 and 2009 interest-free loans received under financial assistance contracts amounted to USD 8 535 thousand, USD 104 151 thousand and USD 96 101 thousand respectively, with contracts not exceeding a year from the reporting date.

As at 31 December 2009 the item "Short-term loans denominated in UAH" was reclassified into item "Current portion of bank loans in national currency" (Note 17) in the amount of USD 112 530 thousand for better understanding of financial information by users.

16. Security

Long-term and short-term loans as at 30 June 2010 were secured on assets as follows:

	30 June 2010	31 December 2009	30 June 2009
Buildings and structures	97 147	114 950	115 965
Machinery and equipment	8 025	22 422	22 782
Equipment for biological assets	46 520	54 588	58 916
Vehicles	2 208	2 776	3 146
Assets under constructionin-progress and uninstalled equipment	168 763	173 435	176 310
Property, plant and equipment, total	*322 663*	*368 171*	*377 119*
Inventories	335	331	347
Biological assets	6 098	3 227	5 802
Bank deposits	197 250	156 421	242 319
	526 346	**528 150**	**625 587**

As at 30 June 2010 shares of the following Group's companies were pledged under short-term and long-term loan agreements: OJSC Kirovskiy (452 900 000 items) and APP CJSC Chornobaivske (4 906 890 items).

17. Current portion of non-current financial liabilities

The current portion of non-current financial liabilities as at 30 June 2010 was as follows:

	30 June 2010	31 December 2009	30 June 2009
Trade and other payables			
Deferred income (current portion)	152	304	159
Financial liabilities			
Current portion of finance lease liabilities	1 728	1 714	1 808
VAT included in current portion of finance lease liabilities	346	343	362
Current portion of bank loans in national currency	115 770	112 652	14 461
Current portion of bank loans in foreign currency	1 480	962	394
	119 476	**115 972**	**17 184**

(in USD thousand, unless otherwise stated)

18. Deferred tax assets and liabilities

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

	30 June 2010	31 December 2009	30 June 2009
Advances received	-	321	166
Intangible assets	1	1	1
Provisions	33	37	16
Expenses charged and other temporary differences	3		440
Total deferred tax assets	**37**	**359**	**623**
Influence of temporary differences on deferred tax liabilities			
Advances issued to suppliers and deferred expenses	(27)	(527)	(4)
Property, plant and equipment, non-current assets	(786)	(775)	(719)
Inventories	(16)	-	(43)
Currency differences	(473)	-	-
Total deferred tax liabilities	**(1 302)**	**(1 302)**	**(766)**
Net deferred tax liabilities	**(1 265)**	**(943)**	**(143)**

Principal components of income tax expense

As at 30 June 2010 the rate of income tax in Ukraine was equal to 25%.

	30 June 2010	31 December 2009	30 June 2009
Current income tax	(20)	(19)	(17)
Deferred tax	(320)	(1 149)	(325)
Effect of translation into presentation currency	1	-	1
	(339)	**(1 168)**	**(341)**

Reconciliation of deferred tax liabilities

	30 June 2010	31 December 2009	30 June 2009
Balance as at 1 January	**(943)**	**180**	**180**
Deferred expenses for income tax for the reporting period	(320)	(1 168)	(325)
Effect from translation into presentation currency	(2)	45	2
Balance as at 30 June	**(1 265)**	**(943)**	**(143)**

(in USD thousand, unless otherwise stated)

18. Deferred tax assets and liabilities (continued)

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

	30 June 2010	31 December 2009	30 June 2009
Profit / (loss) before tax	62 477	134 837	33 708
Less profit / (loss) of the companies being fixed agricultural tax payers	59 265	(126 247)	34 813
Profit /(loss) of the companies being income tax payers at the rate 10%	26	93	-
Profit /(loss) of the companies being income tax payers at the rate 25%	3 186	8 497	(1 105)
	3 212	8 590	(1 105)
Loss taxable at the rate of 10%	(3)	(9)	-
Income / (loss) taxable at the rate of 25%	(796)	(2 124)	276
Income / (expenses) not included in gross expenses for income tax	460	965	(617)
Loss for income tax	**(339)**	**(1 168)**	**(341)**

As at 1 January 2009	**5**
Income tax accrued for the period	(17)
Income tax paid for the period	11
Currency differences	2
As at 30 June 2009	**1**
As at 1 January 2010	**34**
Income tax accrued for the period	(20)
Income tax paid for the period	1
Effect from translation into presentation currency	(11)
As at 30 June 2010	**4**

The income tax payers for the six months ended 30 June 2010 were the following companies: LLC "Rohatyn-Korm", OJSC "Vuhlelhirskyi Eksperrementalnyi Kombikrmovyi Zavod", OJSC "Volhovatskiy Kombinat Khliboproduktiv", LLC "Kamyanets-Podilsky Kombikormovyi Zavod", LLC "Pershe Travnya Kombikormovyi Zavod" and LLC "Imperovo Foods". All other companies of the Group were payers of the fixed agricultural tax.

The income tax payers for the six months ended 30 June 2009 were the following companies: LLC "Rohatyn-Korm", OJSC "Vuhlelhirskyi Eksperrementalnyi Kombikrmovyi Zavod", OJSC "Volhovatskiy Kombinat Khliboproduktiv", LLC "Kamyanets-Podilsky Kombikormovyi Zavod" and LLC "Pershe Travnya Kombikormovyi Zavod". All other companies of the Group were payers of the fixed agricultural tax.

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

19. Trade accounts payable

Trade accounts payable as at 30 June 2010 were as follows:

	30 June 2010	31 December 2009	30 June 2009
Trade accounts payable	84 170	65 893	75 044
Financial liabilities			
Short-term notes issued	1 846	2 126	1 914
	86 016	**68 019**	**76 958**

As at 30 June 2010 short-term notes issued were represented by promissory, noninterest-bearing, notes.

(in USD thousand, unless otherwise stated)

20. Accrued expenses

Accrued expenses as at 30 June 2010 were as follows:

	30 June 2010	31 December 2009	30 June 2009
Accrued expenses for future employee benefits	631	1 139	518
Other accrued expenses	327	139	38
	958	**1 278**	**556**

21. Other current liabilities and accrued expenses

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

	30 June 2010	31 December 2009	30 June 2009
Wages and salaries and related taxes liabilities	3 346	2 858	2 233
Other taxes and compulsory payments liabilities	78	132	-
Accounts payable for property, plant and equipment	7 762	12 847	9 618
Advances received from customers	100 474	108 395	78 506
Interest payable	6 969	8 331	2 750
Accrued coupon on bonds	2 052	2 055	4 184
Other accounts payable	6 735	7 421	4 801
	127 416	**142 039**	**102 092**

As at 30 June 2010 the item "Other accounts payable" comprises of finance lease liabilities in the amount of USD 2 120 thousand, which are expired in accordance with agreement conditions. Lessor went to the law in order to recovery past-due payments and corresponding fines.

As at 30 June 2010 legal proceedings are depend, the Group recordered charging of provision amounting to USD 197 thousand for probable penalties because of untimely repayments (Note 38).

22. Finance lease liabilities

Finance lease liabilities as at 30 June 2010 were as follows:

	Minimum lease payments	VAT included in minimum lease payments	Current value of minimum lease payments	VAT included in current value of minimum lease payments
Amounts payable for Finance lease as at 30 June 2010:				
Within a year	2 551	346	1 728	346
From one to five years	5 279	861	4 306	861
Above 5 years	-	-	-	-
	7 830	**1 207**	**6 034**	**1 207**
Less: financial expenses of future periods	(1 797)	-	-	-
Current value of lease liabilities	6 033	1 207	6 034	1 207
Less: amount to be paid within a year	-	-	(1 728)	(346)
Amount to be paid after a year	-	-	4 306	861

(in USD thousand, unless otherwise stated)

22. Finance lease liabilities (continued)

	Minimum lease payments	VAT included in minimum lease payments	Current value of minimum lease payments	VAT included in current value of minimum lease payments
Amounts payable under finance lease as at 30 June 2009:				
Within a year	2 920	362	1 808	362
From one to five years	8 114	1 250	6 252	1 250
	11 034	**1 612**	**8 060**	**1 612**
Less: financial expenses of future periods	(2 973)	-	-	-
Current value of lease liabilities	8 060	1 612	8 060	1 612
Less: amount to be paid within a year	-	-	(1 808)	(362)
Amount to be paid after a year	-	-	6 252	1 250

Net carrying value of property, plant and equipment acquired via finance lease as at 30 June 2010 was as follows:

	30 June 2010	31 December 2009	30 June 2009
Equipment for biological assets	9 642	9 677	10 216
Vehicles	67	71	78
Assets under constructionin-progress and uninstalled equipment	1 713	1 696	1 775
Other equipment	65	78	95
	11 487	**11 522**	**12 164**

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 six months 2010 and 2009. Finance lease agreements do not provide the possibility of changing the initial terms of agreements.

23. Current liabilities for bonds

Current liabilities for bonds as at 30 June 2010 were as follows:

	30 June 2010	31 December 2009	30 June 2009
Nominal value	24 488	24 249	25 376
	24 488	**24 249**	**25 376**

	30 June 2010	31 December 2009	30 June 2009
Bonds coupon payable	2 052	2 055	4 184

As at 30 June 2010 current liabilities for bonds were presented as liabilities for A-type bonds with nominal value of USD 25 294 thousand and USD 26 211 thousand respectively, which was equivalent to UAH 200 000 thousand, issued by CJSC "Avangard" on 2 July 2008. Those bonds were issued in book-entry form in number of 200 000 items. The bonds issue was secured by SC "Zorya, LLC Cross-PF Zorya", LLC "Cross-PF Zorya", OJSC "Ptakhohospodarstvo Chervonyi Prapor", SC "Ptakhofabryka Lozuvatska", SC "Ptakhofabryka Chervonyi Prapor Poultry Farm, of OJSC Ptakhohospodarstvo Chervoniy Prapor", OJSC "Volnovaskyi Kombinat Khliboprodiktiv", OJSC "Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod", ALLC "Donetska Ptakhofabryka", LLC "PF Volnovaska", SC "Ptakhohospodarstvo Lozuvatskoe", SC "Gorodenkivska Ptakhofabryka of CJSC Avangard", SC "Rogatynska Ptakhofabryka of CJSC Avangard", SC "Avangard-Agro of CJSC Avangard", CJSC "Chernivetska Ptakhofabryka", CJSC "Agrofirma Avis", LLC "Kamyanets-Podilsky Kombikormoviy Zavod", OJSC "Kirovskiy", LLC "Slovyany", OJSC "Ptakhofabryka Pershe Travnya", SC "Ptakhohospodarstvo Yuzhnaya Holding of LLC Yuzhnaya Holding", LLC "Yuzhnaya Holding", LLC "Areal-Snigurivka". The Guarantors are fully responsible for the issuer's liabilities to bond holders.

(in USD thousand, unless otherwise stated)

23. Current liabilities for bonds (continued)

Bond interest coupon is payable over 20 periods of 91 days each. The interest rate on the above mentioned bonds for the first-fourth coupon periods is set at 17% per annum. The procedure of interest rate determination for the fifth-eighth, ninth-twelfth, thirteenth-sixteenth and seventeenth-twentieth periods is set by the issuer board of directors based on market conditions, but not less than the National Bank of Ukraine bank rate on the date of the decision on setting interest rate. The bonds owner has a right to present the bonds to the issuer for payment on the following dates: 25 May 2009, 24 May 2010, 23 May 2011, 21 May 2012, under the notification conditions. The bonds circulation period is from 02 July 2008 to 19 May 2013.

On 25 May 2009 the bonds in the number of 5 370 items which are equal to USD 668 thousand were repaid by Avangard, CJSC.

24. Sales revenue

Sales revenue for the 6 months ended 30 June 2010 was as follows:

	6 months ended 30 June 2010	6 months ended 30 June 2009
Revenue from finished goods	166 585	98 387
Revenue from goods and services sold/rendered	333	292
Deduction from income	(1 017)	(112)
	165 901	**98 567**

For the 6 months ended 30 June 2010 17 547 thousand or 11% from the Group's revenue is referred to the sales transactions carried out with one of the Group's clients (for the 6 months ended 30 June 2009 - Note 36, a)).

25. Cost of sales

Cost of sales for the 6 months ended 30 June 2010 was as follows:

	Note	6 months ended 30 June 2010	6 months ended 30 June 2009
Cost of finished goods sold	26	(124 389)	(72 014)
Cost of goods and services sold/rendered		(886)	(967)
		(125 275)	**(72 981)**

26. Cost of sales by elements

Cost of sales by elements for the 6 months ended 30 June 2010 was as follows:

	6 months ended 30 June 2010	6 months ended 30 June 2009
Raw materials	(104 248)	(55 216)
Payroll of production personnel and related taxes	(7 772)	(7 271)
Depreciation	(5 949)	(5 892)
Services provided by third parties	(6 193)	(3 632)
Other expenses	(227)	(3)
	(124 389)	**(72 014)**

(in USD thousand, unless otherwise stated)

27. General administrative expenses

General administrative expenses for the 6 months ended 30 June 2010 were as follows:

	6 months ended 30 June 2010	6 months ended 30 June 2009
Salaries and wages of administrative personnel	(1 598)	(1 379)
Services provided by third parties	(483)	(735)
Depreciation	(73)	(73)
Repairs and maintenance costs	(20)	(27)
Tax expenses, except for income tax	(136)	(180)
Material usage	(143)	(148)
Other expenses	(52)	(54)
	(2 505)	**(2 596)**

28. Distribution expenses

Distribution expenses for the 6 months ended 30 June 2010 were as follows:

	6 months ended 30 June 2010	6 months ended 30 June 2009
Salaries and wages of distribution personnel	(681)	(390)
Transport expenses	(1 244)	(410)
Depreciation	(247)	(252)
Services provided by third parties	(48)	(146)
Packing materials	(122)	(32)
Repairs and maintenance costs	(19)	(9)
Other expenses	(75)	(194)
	(2 436)	**(1 433)**

29. Other operating expenses, net

Other operating expenses, net for the 6 months ended 30 June 2010 were as follows:

	6 months ended 30 June 2010	6 months ended 30 June 2009
Loss from disposal of current assets	(170)	(464)
Loss from disposal of non-current assets	(19)	(26)
Impairment of current assets	(258)	(181)
Income from accounts payable written off	18	136
Losses on exchange	(14)	(537)
Provision for doubtful debts	(311)	(81)
Fines, penalties recognized	(575)	(729)
Other expenses	(1 414)	(3 730)
	(2 743)	**(5 612)**

For the 6 months ended 30 June 2009 the item "Other expenses" in the amount of USD 4 207 thousand comprised the amount of losses from unreceived tax invoices written off.

(in USD thousand, unless otherwise stated)

30. Finance costs

Finance costs for the 6 months ended 30 June 2010 were as follows:

	6 months ended 30 June 2010	6 months ended 30 June 2009
Interest payable on loans	(16 938)	(28 672)
Capitalised interest	8 970	8 736
Total financial expenses on loans	**(7 968)**	**(19 936)**
Financial expenses on finance lease	(502)	(648)
Financial expenses on bonds (interest)	(2 041)	(2 173)
Other financial expenses	-	(35)
	(10 511)	**(22 792)**

31. Finance income

Finance income for the 6 months ended 30 June 2010 represents the amount of interest income from placement of deposits, referred to in Note 15, in the amount of USD 15 590 thousand (30 June 2009: USD 19 643 thousand).

32. Income from government grants and incentives

Income from government grants and incentives received for the 6 months ended 30 June 2010 were as follows:

	Note	6 months ended 30 June 2010	6 months ended 30 June 2009
Partial compensation of interest for loans received by agro-industrial enterprises from financial institutions	a)	79	3 757
VAT for development of poultry keeping	b)	233	2 861
Partial compensation of complex agricultural equipment cost	c)	153	158
Other grants	d)	1	10
		466	**6 786**

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

In compliance with the legislation of Ukraine, the agricultural producers received partial compensation of interest rates by loans received by agro-industrial enterprises from financial institutions based on competitiveness and compensation principles. For the 6 months ended 30 June 2010 and 2009 the Group received partial compensation of interest for loans received by agro-industrial enterprises from financial institutions in the amount of USD 79 thousand and USD 3 757 thousand respectively which is presented on a cash received basis in the condensed consolidated financial statements because of unstable financial position in Ukraine. Decreasing in partial compensation of interest for loans received by agro-industrial enterprises from financial institutions for the period from 1 January 2010 till 30 June 2010 due to that fact that the budget of Ukraine was approved in April 2010, consequently the Group is planning to receive such garnts in the second half of 2010.

b) *VAT for development of poultry keeping*

The following regime for VAT compensation for poultry keeping was effective until 1 January 2009.
According to the Law of Ukraine " On Value Added Tax" agricultural enterprises (those with not less than 50% of income from agricultural production sales or those selling milk-meat production) have a tax benefit for VAT on agriculture transactions. The amount of VAT is not paid to the budget but enterprises transfer it to a special account in order to use it for agriculture development. Enterprises of the Group recognise income from government grants on receipt and use of funds from the special account. VAT credited but not used for the specified purpose is disclosed in the line item "Target financing". Use of these benefits was changed with effect from 1 January 2009 by the laws of Ukraine. Only enterprises with 75% share of agricultural operations in total deliveries for the last 12 months are now permitted to use them. A positive VAT balance will be used for agriculture support as before (but without special account transactions) and negative VAT balance shall be recognised as other operating expenses. These income and expenses are recorded in the interim consolidated financial information on a net basis.

(in USD thousand, unless otherwise stated)

32. Income from government grants received (continued)

All members of the Group that met the criteria for the use of these VAT benefits a except: (LLC Rohatyn-Korm, LLC Kamyanets-Podilsky Kombikormoviy Zavod, OJSC Vuhlehirskyi Eksperementalnyi Kombikormovyi Zavod, OJSC Volnovaskyi Kombinat Khliboprodiktiv, LLC Pershe Travnya Kombikormoviy Zavod, LLC Imperovo Foods).

c) *Partial compensation of complex agricultural equipment cost*

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

d) *Other grants*

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

33. Related party balances and transactions

The Company is controlled by Mr Oleg Bakhmatyuk, who directly or indirectly owns 77.5% of the Company's share capital as at the balance sheet date. The remaining 22.5% of the shares are widely held.

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

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

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

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

Salary costs of key management for the 6 months ended 30 June 2010 were as follows:

	6 months ended 30 June 2010	6 months ended 30 June 2009
Salary	498	442
Contributions to pension funds	158	111
Other contributions	17	14
	673	**567**

(in USD thousand, unless otherwise stated)

33. Related party balances and transactions (continued)

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

	Outstanding balances with related parties		
	As at 30 June 2010	**As at 31 December 2009**	**As at 30 June 2009**
Other non-current assets:			
C. Companies in which the Group's owners have an equity interest;	-	-	20 687
D. Companies which activities are significantly influenced by the Group's owners.	-	1 286	-
	-	**1 286**	**20 687**
Other current asset:			
B. Companies having the same top management;	-	2	2
C. Companies in which the Group's owners have an equity interest;	926	1 957	27 251
D. Companies which activities are significantly influenced by the Group's owners.	20 959	46 475	105 509
	21 885	**48 434**	**132 762**
Trade accounts receivable:			
C. Companies in which the Group's owners have an equity interest;	13 447	8 181	4 618
D. Companies which activities are significantly influenced by the Group's owners.	775	33 319	78 501
	14 222	**41 500**	**83 119**
Cash and cash equivalents:			
D. Companies which activities are significantly influenced by the Group's owners.	18 250	1 413	869
	18 250	**1 413**	**869**
Deposits:			
D. Companies which activities are significantly influenced by the Group's owners.	197 222	155 917	237 877
	197 222	**155 917**	**237 877**
Long-term loans:			
D. Companies which activities are significantly influenced by the Group's owners.	177 769	50 354	209 720
	177 769	**50 354**	**209 720**

(in USD thousand, unless otherwise stated)

33. Related party balances and transactions (continued)

	Outstanding balances with related parties		
	As at 30 June 2010	As at 31 December 2009	As at 30 June 2009
Short-term loans:			
C. Companies in which the Group's owners have an equity interest;	18	346	18 040
D. Companies which activities are significantly influenced by the Group's owners.	23 515	138 967	197 097
	23 533	**139 313**	**215 137**
Trade accounts payable:			
B. Companies having the same top management;	-	7	16
C. Companies in which the Group's owners have an equity interest;	7 431	3 725	2 243
D. Companies which activities are significantly influenced by the Group's owners.	27 648	16 548	24 181
	35 079	**20 280**	**26 440**
Other current liabilities			
B. Companies having the same top management;	14	23	15
C. Companies in which the Group's owners have an equity interest;	16 136	10 404	3 034
D. Companies which activities are significantly influenced by the Group's owners.	71 236	98 785	74 055
	87 386	**109 212**	**77 104**
Current liabilities for bonds			
D. Companies which activities are significantly influenced by the Group's owners.	24 019	23 817	25 365
	24 019	**23 817**	**25 365**

(in USD thousand, unless otherwise stated)

33. Related party balances and transactions (continued)

The Group's transactions with related parties for the 6 months ended 30 June 2010 were as follows:

	Transactions with related parties for the 6 months ended 30 June 2010	Transactions with related parties for the 6 months ended 30 June 2009
Sales revenue:		
C. Companies in which the Group's owners have an equity interest;	11 876	7 748
D. Companies which activities are significantly influenced by the Group's owners.	17 593	40 072
	29 469	**47 820**
Cost of sales:		
D. Companies which activities are significantly influenced by the Group's owners.	(256)	-
	(256)	**-**
General administrative expenses:		
B. Companies having the same top management;	-	(66)
	-	**(66)**
Distribution expenses:		
D. Companies which activities are significantly influenced by the Group's owners.	(791)	-
	(791)	**-**
Other operating income/(expenses), net:		
B. Companies having the same top management;	-	(18)
C. Companies in which the Group's owners have an equity interest;	40	15
D. Companies which activities are significantly influenced by the Group's owners.	-	4
	40	**1**
Finance income:		
D. Companies which activities are significantly influenced by the Group's owners.	15 467	19 137
	15 467	**19 137**
Finance cost:		
D. Companies which activities are significantly influenced by the Group's owners.	(7 555)	(18 028)
	(7 555)	**(18 028)**

(in USD thousand, unless otherwise stated)

34. 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 generates 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 information

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

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

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group balances	Adjust-ments and elimi-nation	Total
Sales revenue	116 998	21 183	12 828	32 542	3 834	-	-	187 385
Intra-group elimination	(11 556)	(925)	(7 989)	-	(1 014)	-	-	(21 484)
Revenue from external buyers	**105 442**	**20 258**	**4 839**	**32 542**	**2 820**	**-**	**-**	**165 901**
Income from revaluation of biological assets at fair value	2 383	12 352	-	-	-	-	-	14 735
Other operating income/(expenses)	(2 279)	(517)	(232)	281	199	-	-	(2 548)
Income from government grants and incentives	222	244	-	-	-	-	-	466
OPERATING PROFIT/(LOSS)	**55 098**	**1 249**	**(507)**	**363**	**1 195**	**-**	**-**	**57 398**
Finance income	12 712	863	1 961	-	54	-	-	15 590
Finance cost, *including:*	(10 343)	(154)	(15)	-	-	-	-	(10 512)
Interest payable on loans	(7 800)	(153)	(15)	-	-	-	-	(7 968)
Income tax expense	-	-	321	(660)	-	-	-	(339)
OPERATING PROFIT/(LOSS) FOR THE PERIOD	**57 272**	**1 958**	**1 760**	**(296)**	**1 249**	**-**	**-**	**61 943**
TOTAL ASSETS	**790 470**	**80 388**	**51 980**	**53 974**	**173 701**	**-**	**(27 824)**	**1 122 689**
Capitalised expenses	11 384	81	-	5	-	-	-	11 470
Depreciation	(5 640)	(539)	(60)	(30)	(27)	-	-	(6 296)
TOTAL LIABILITIES	**(389 486)**	**(30 495)**	**(56 568)**	**(40 852)**	**(4 847)**	**-**	**27 350**	**(494 898)**

(in USD thousand, unless otherwise stated)

34. Business segments (continued)

Business segment information for the 6 months ended 30 June 2009 was as follows:

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group balances	Adjust-ments and elimi-nation	Total
Sales revenue	65 747	22 742	41 175	629	490	-	-	130 783
Intra-group elimination	-	-	(32 060)	-	(156)	-	-	(32 216)
Revenue from external buyers	**65 747**	**22 742**	**9 115**	**629**	**334**	**-**	**-**	**98 567**
Income from revaluation of biological assets at fair value	7 464	7 265	-	-	-	-	-	14 729
Other operating income/(expenses)	(4 232)	(1 048)	(538)	-	206	-	-	(5 612)
Income from government grants and incentives	5 281	518	987	-	-	-	-	6 786
OPERATING PROFIT/(LOSS)	**31 498**	**5 630**	**923**	**(678)**	**(516)**	**-**	**-**	**36 857**
Finance income	16 740	1 017	1 886	-	-	-	-	19 643
Finance cost, *including:*	(16 535)	(1 285)	(4 972)	-	-	-	-	-
Interest payable on loans	(13 682)	(1 284)	(4 971)	-	-	-	-	(19 937)
Income tax expense	-	-	(341)	-	-	-	-	(241)
OPERATING PROFIT/(LOSS) FOR THE PERIOD	**31 701**	**5 362**	**(2 503)**	**(678)**	**(515)**	**-**	**-**	**33 367**
TOTAL ASSETS	**953 074**	**81 576**	**90 100**	**-**	**2 706**	**-**	**(38 501)**	**1 088 955**
Capitalised expenses	19 621	36	16	-	-	-	-	19 673
Depreciation	(5 573)	(555)	(89)	-	-	-	-	(6 217)
TOTAL LIABILITIES	**(700 005)**	**(55 548)**	**(92 840)**	**-**	**(125 847)**	**-**	**38 501**	**(935 739)**

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

	Shell egg	Poultry	Animal feed	Egg products	Other activities	Unal-located group balances	Adjust-ments and elimi-nation	Total
TOTAL ASSETS	**739 771**	**59 970**	**52 052**	**18 493**	**2 681**	**40**	**(28 631)**	**844 376**
TOTAL LIABILITIES	**(417 346)**	**(29 906)**	**(58 337)**	**(5 610)**	**(939)**	**-**	**28 317**	**(483 821)**

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

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

The Group met its tax filing obligations in Cyprus and in Ukraine. To the best of management's knowledge, no breaches of tax law have occurred. Thus, the Group has not recorded any provision for potential impact of any such breaches as at 30 June 2010 and 31 December 2009.

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 2010 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees.

Legal matters

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

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

Operating lease

As at 30 June 2010 the company LLC Imperovo Foods leased property, plant and equipment for production purposes from a related party accordingly to lease agreement. The term of the lease is until 1 December 2008, in the agreement is to be continued on the same period of validity and on the same conditions subject to one month's notice from either party before the end of the next period.

For the 6 months ended 30 June 2010 lease payments were equal to USD 256 thousand (UAH 2 035 thousand).

(in USD thousand, unless otherwise stated)

35. Contingent and contractual liabilities (continued)

Commitments under exclusive distribution agreement (poultry)

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

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

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

36. Financial risk management

The Group is not a financial company, thus it uses financial instruments as may be necessary in order to obtain finance for its activities, not for the purpose of receiving income. In the process of its activities the Group uses the following financial instruments: cash and cash equivalents, deposits, loans to and from related parties, accounts receivable, bonds, bank loans, finance leases, accounts payable, nominal investment certificates.
The Group is exposed to the following risks resulting from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk of fair value). This explanation contains information relating to the Group's exposure to each of the risk types mentioned above, Group's objectives, its policy and procedures of these risks measurement and management.
Additional disclosures of quantitative information are presented in many other sections of these interim consolidated financial information, including:
-information on finance income and expenses is disclosed in Notes 30, 31 (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 19, 21;
-information on significant terms of borrowings and loans granting is disclosed in Notes 14, 15;
-information on timing and terms of effective contracts for finance lease is disclosed in Note 22;
-information on significant conditions of issued bonds is disclosed in Note 23.

a) Credit risk

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

Exposure to credit risk

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

Financial assets	**30 June 2010**	**31 December 2009**	**30 June 2010**
Cash and cash equivalents	105 625	1 727	1 446
Long-term deposits	28	504	4 229
Short-term deposits	297 223	155 917	238 089
Trade accounts receivable, net	88 868	47 320	84 721
Loans to related parties	2 717	4 320	108 451
Interest receivable for deposits	15 561	39 411	19 190
Accounts receivable for bonds	-	-	25 937
	510 022	**249 199**	**482 063**

(in USD thousand, unless otherwise stated)

36. Financial risk management (continued)

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

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 2010 and 2009 resulting from non-fulfilment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterised by the following indicators:

For the 6 months ended 30 June 2010 USD 17 547 thousand or 11% of Group's sales revenue is related to sales transactions, realised with one client of the Group. As at 30 June 2010 USD 19 087 thousand or 22% of trade accounts receivable relates to one customer.

For the 6 months ended 30 June 2009 USD 22 198 thousand or 22% of Group's sales revenue is related to sales transactions, realised with one client of the Group. As at 30 June 2009 USD 58 143 thousand or 69% of trade accounts receivable relates to one customer.

Trade accounts receivable as at 30 June 2010 and 2009 by dates of origin was presented as follows:

30 June 2010:	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	60 108	10 400	4 339	3 811	979	-	9 231	**88 868**

30 June 2009:	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**121-180 days**	**181-365 days**	**over one year**	**TOTAL**
Carrying value of trade accounts receivable	14 227	13 852	5 454	7 151	9 101	2	34 934	**84 721**

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

b) Liquidity risk

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

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

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

(in USD thousand, unless otherwise stated)

36. Financial risk management (continued)

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

30 June 2010:	Carrying value	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank deposits	297 251	100 000	197 223	28	-
Trade accounts receivable	88 868	88 868	-	-	-
Financial assistance issued	2 717	2 717	-	-	-
Cash and cash equivalents	105 625	105 625	-	-	-
Other nontrading accounts receivable	2 417	2 417	-	-	-
Interest receivable for deposits	15 561	15 561	-	-	-
Bank loans	(226 078)	(6 964)	(120 373)	(98 741)	-
Trade accounts payable	(86 016)	(86 016)	-	-	-
Financial assistance received	(15 250)	(15 250)	-	-	-
Finance lease (including VAT)	(7 240)	-	(2 073)	(5 167)	-
Current liabilities for bonds	(24 488)	-	(24 488)	-	-
Accounts payable for property, plant and equipment	(7 762)	(7 762)	-	-	-
Interest payable	(6 969)	(6 969)	-	-	-
Bonds coupon profit payable	(2 052)	(2 052)	-	-	-
Other accounts payable	(6 735)	(6 735)	-	-	-
	129 849	**183 440**	**50 289**	**(103 880)**	-

30 June 2009:	Carrying value	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Bank deposits	242 318	-	238 089	4 229	-
Trade accounts receivable, net	84 719	84 719	-	-	-
Financial assistance issued	108 451	108 451	-	-	-
Cash and cash equivalents	1 446	1 446	-	-	-
Other nontrading accounts receivable	2 748	2 748	-	-	-
Accounts receivable for bonds	25 937	25 937	-	-	-
Interest receivable for deposits	19 190	19 190	-	-	-
Bank loans	(471 807)	(131)	(236 026)	(236 026)	-
Trade accounts payable	(76 958)	(76 958)	-	-	-
Financial assistance received	(241 929)	(60 481)	(181 448)	-	-
Finance lease (including VAT)	(9 673)	-	(2 170)	(7 503)	-
Current liabilities for bonds	(26 376)	-	(25 376)	-	-
Accounts payable for property, plant and equipment	(9 618)	(9 618)	-	-	-
Interest payable	(2 750)	(2 750)	-	-	-
Bonds coupon profit payable	(4 184)	(4 184)	-	-	-
Other accounts payable	(4 850)	(4 850)	-	-	-
	(363 336)	**83 519**	**(206 931)**	**(239 300)**	-

36. Financial risk management (continued)

c) Market risk

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

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

i) Foreign currency risk

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

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

Exposure to foreign currency risk

The Group's exposure to foreign currency risk and the amount in local currency (UAH) as at 30 June 2010 based on carrying amounts was as follows:

	USD	EUR	CHF	UAH	TOTAL
(in conversion to USD thousand)					
Short-term bank deposits	(100 000)	-	-	(197 223)	**(297 223)**
Long-term bank loans	-	-	1 545	195 237	**196 782**
Short-term bank loans	725	-	-	27 450	**28 175**
Trade accounts payable	203	1 109	-	84 704	**86 016**
Trade accounts receivable, net	-	(11 733)	-	(77 135)	**(88 868)**
Accounts payable for property, plant and equipment	-	1 265	-	6 497	**7 762**
Net exposure to foreign currency risk	**(99 072)**	**(9 359)**	**1 545**	**39 530**	**(67 356)**

The Group's exposure to foreign currency risk and the amount in local currency (UAH) as at 30 June 2009 based on carrying amounts was as follows:

	USD	EUR	CHF	UAH	TOTAL
(in conversion to USD thousand)					
Long-term bank loans	-	-	1 774	247 569	**249 343**
Short-term bank loans	738	-	-	220 564	**221 302**
Trade accounts payable	1 422	300	-	72 623	**74 345**
Accounts payable for property, plant and equipment	-	920	-	2 109	**3 029**
Net exposure to foreign currency risk	**2 160**	**1 220**	**1 774**	**542 865**	**548 019**

36. Financial risk management (continued)

ii) Sensitivity analysis (foreign currency risk)

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

Effect in USD thousand:

30 June 2010	Increase in currency rate against UAH	Effect on profit before tax
USD	15%	14 861
EUR	10%	936
CHF	10%	(154)

Effect in USD thousand:

30 June 2009	Increase in currency rate against UAH	Effect on profit before tax
USD	15%	(324)
EUR	10%	(122)
CHF	10%	(177)

d) Interest rate risk

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

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

Structure of interest rate risk

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

	30 June 2010	30 June 2009
Instruments with fixed interest rate		
Financial assets	297 250	242 319
Financial liabilities	(250 566)	(497 183)
Instruments with variable interest rate		
Financial assets	-	-
Financial liabilities	(7 240)	(9 673)

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

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

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

36. Financial risk management (continued)

As at 30 June 2010 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

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

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

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

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

e) Financial markets volatility

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

Capital management

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

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

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

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

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

(in USD thousand, unless otherwise stated)

36. Financial risk management (continued)

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

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

As at 30 June 2010 and 2009 the Group's financial leverage coefficient made up (26.8%) and 70.8% respectively.

	Carrying value	
	30 June 2010	**30 June 2009**
Short-term loans	43 425	463 233
Long-term loans	80 653	235 650
Current portion of long-term loans	117 250	14 855
Long-term finance lease (including VAT)	5 167	7 503
Current portion of non-current liabilities for finance lease (including VAT)	2 073	2 170
Current liabilities for bonds	24 488	25 376
Total amount of borrowing costs	**273 056**	**748 787**
Cash and cash equivalents	105 625	1 446
Deposits	297 250	242 319
Financial assistance issued	2 717	108 451
Accounts receivable for bonds	-	25 937
Net debt	**(132 536)**	**370 634**
Share capital	835	644
Share premium	317 021	-
Retained earnings	360 883	201 098
Effect from translation into presentation currency	(60 199)	(55 343)
Minority interest	9 446	6 817
Total equity	**627 986**	**153 216**
Total amount of equity and net debt	**495 450**	**523 850**
Financial leverage coefficient	**(26.8%)**	**70.8%**

For the 6 months ended 30 June 2010 ratio of net debt to EBITDA amounted to:

	6 months ended 30 June 2010	**6 months ended 30 June 2009**
PROFIT/(LOSS) FOR THE PERIOD	61 943	33 367
Income tax income/expenses	339	341
Financial income	(15 590)	(19 643)
Financial expenses	10 511	22 792
EBIT (earnings before interest and income tax)	**57 203**	**36 857**
Depreciation	6 295	6 218
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**63 498**	**43 075**
Net debt at the year end	(132 536)	370 634
Net debt at the year end / EBITDA	**-2,1**	**8,6**

During the 6 months there were no changes in approaches to capital management. The Group is not subject to external regulatory requirements regarding capital.

36. Financial risk management (continued)

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.

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

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Soviet Union to an independent sovereign state and has been progressively developing into a market economy. Although substantial progress has been made since independence in reforming Ukraine's economy, along with the country's political and judicial systems to some extent, Ukraine still lacks the necessary legal infrastructure and regulatory framework essential to support market institutions, effective transition to a market economy and broad-based social and economic reforms. Conditions for the Ukrainian economy have been extremely unstable during the course of 2009 and this instability has continued into the first quarter of 2010. Despite signs of stabilisation, major concerns remain over the performance of the Ukrainian economy at a macro level. The economy has remained very energy intensive and is still insufficiently diversified, with exports remaining centred on metallurgical products. Consequently, the economy remains vulnerable to fluctuations in steel prices and to shocks resulting from Russia's control over the supply of gas. In terms of business environment, high taxes, legal uncertainties and bureaucratic impediments have conspired to create a difficult business environment in which to operate. In addition, the lack of an enduring political consensus on reforms has created uncertainty over the modernisation of the economy.

38. Events after the consolidated balance sheet date

On 14 July 2010 a deposit amounting to USD 100 000 thousand was transfered into the bank account of Avangardco Investments Public Limited.

As at reporting date the Group and Lessor (Note 21) carry on negotiations about conditions of signing of amicable settlement agreements relating to finance lease liabilities. As of the date of the issuance of the interim consolidated financial information amicable settlement agreements are still in the process of signing by parts.

In the third quarter of 2010 trade receivables significantly changed as a result of their paying-off in the amount of USD 68 420 thousand.

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