

**Ovostar Union N.V. and its subsidiaries**

**Consolidated Condensed Interim  
Financial Statements (Unaudited)**

**For the nine months ended  
30 September 2012**

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## **CEO Statement**

Dear Shareholders,

Among the key achievements of Ovostar Union for the 9 months of 2012 we see successful completion of the investment program that has been declared during the IPO and fully aligned with the chosen growth strategy. This achievement will serve as a strong base supporting the Group's competitiveness and will ensure strong operating and financial performance in the future.

We continued strengthening our market positions through meeting customers' demand for high quality branded products thereby expanding modern retail sales channel for eggs and targeting leading local and international customers for liquid egg products.

Industry leading quality standards of our business operations, efficient and professional management team as well as strategic focus on continuous development allows Ovostar Union to look confidently into the future.

Sincerely yours,

Borys Bielikov, CEO

## Operational results

As at 30 September 2012 total flock amounted to 3.62 mln (including 2.71 mln laying hens) compared to total flock of 2.45 mln (including 2.1 mln laying hens) at 30 September 2011. Based on 9M 2012 egg production increased by 11% to 491 mln and volume of eggs processed increased by 11% YoY to 176 mln. In addition, the Group processed 8,552 tons of sunflower seeds. During 9M 2012 4,358 tons of internally produced sunflower meal and 179 tons of internally produced sunflower oil were used in production of poultry feed.

## Financial position and performance

### Revenue

In 9M 2012 total revenue of the Group increased by 16% to USD 40,300 ths. Increase in revenue was attributed to the growth volumes sold and selling prices of eggs and egg products as well as revenue from sunflower processing segment.

### The Group's revenue structure

Segment	9M 2012		9M 2011	
	Revenue, USD ths	Share in the Group's revenue	Revenue, USD ths	Share in the Group's revenue
Egg segment	27,403	68%	25,212	73%
Egg products segment	10,079	25%	9,439	27%
Sunflower processing segment	2,818	7%	-	-
<b>Total</b>	<b>40,300</b>	<b>100%</b>	<b>34,651</b>	<b>100%</b>

### Cost of sales and gross profit

In 9M 2012 cost of sales of the Group increased by 22% to USD 27,102 ths compared to the increase in revenues of 16%. Cost of sales grew at a faster pace due to significant increase in cost of grains and sunflower seeds in Q3 2012 compared to Q3 2011. As a result, in 9M 2012 gross profit amounted to USD 17,018 ths representing 42% gross profit margin compared to 43% in 9M 2011.

### Operating profit and EBITDA

In 9M 2012 operating profit of the Group increased by 5% reaching USD 13,834 ths. During 9M 2012 EBITDA increased by 10% to USD 16,046 ths mainly as a result of increase in selling expenses and decrease in net other operating income.

Selling expenses increased by 16% to USD 2,452 ths in line with the increase in volumes sold while administrative expenses decreased by 12% to USD 1,350 ths. At the same time, the share of selling and administrative expenses in total revenue decreased to 9% in 9M 2012 (11% in 9M 2011).

Net other operating income decreased by 71% to USD 618 ths as a result of less income received from refund under special VAT treatment attributed to increased capital expenditure under current expansion program.

**Profit before tax and net profit**

In 9M 2012 profit before tax increased by 23% to USD 14,339 ths while net profit increased by 27% to USD 14,274 ths. Net profit margin in 9M 2012 reached 35% compared to 33% in 9M 2011.

**Cash flows**

During 9M 2012 operating cash flows of the Group increased to USD 9,482 ths compared to USD 2,977 ths in 9M 2011. Cash flows used in investing activities increased to USD 27,367 ths from USD 9,623 ths in 9M 2011, mainly as a result of property, plant and equipment purchases as a part of the current investment program. During in 9M 2012 cash flow from financing activities was a net outflow of USD 748 ths compared to an inflow of USD 30,377 ths during 9M 2011.

**Segment results****Egg segment**

In 9M 2012 volume of eggs sold amounted to 326 mln remaining at the level of 9M 2011. The average egg sales price increased by 9% to USD 0.79\*/10 eggs compared to USD 0.73\*/10 eggs in 9M 2011. Egg segment contributed 68% or USD 27,403 ths to the total revenue (including USD 25,792 ths from egg sales and USD 1,611 ths from poultry and other sales). Profit before tax in egg segment increased by 3% YoY to USD 10,761 ths.

Egg sales were traditionally divided among five distribution channels. The share of retail chains in total egg sales by value has increased to 58% or USD 14,939 ths compared to 39% in 9M 2011. Own points of sale contributed 25% or USD 6,343 ths to egg revenue while sales to wholesale and B2B each contributed 4% or USD 2,205 ths in total. Sales of eggs on export markets contributed 9% to the total egg revenue or USD 2,305 ths. The Group exported fewer eggs compared to 9M 2011 due to more favorable egg prices on the local market.

**Egg products segment**

In 9M 2012 the Group sold 3,506 tons of liquid and 711 tons of dry egg products, a 25% increase and 32% decrease YoY, respectively. Growth of demand for liquid egg products is supported by their increasing popularity among the food companies. The average sales price of liquid egg products increased by 22% to USD 1.89\*/kg compared to USD 1.55\*/kg in 9M 2011. The average sales price of dry egg products increased by 9% to USD 5.31\*/kg compared to USD 4.87\*/kg in 9M 2011. Egg products segment contributed 25% or USD 10,079 ths to the total revenue. Profit before tax in egg products segment increased by 177% to USD 3,409 ths.

**Sunflower processing segment**

During 9M 2012, the Group sold 2,676 tons of sunflower oil at USD 1,021\*/ton and 1,073 tons of husk briquettes at USD 81\*/ton. Sunflower segment contributed 7% or USD 2,818 ths to the total revenue and USD 169 ths to profit before tax.

**Investment program update**

Over 9M 2012 Ovostar Union has been installing additional egg production and processing capacities in line with the 2011-2012 expansion program improving quality of equipment and infrastructure. As has been initially planned, this investment program has been successfully completed in Q3 2012 with launch of two laying hens houses of 309 ths hen places each in July and September 2012. Still, full effect of production capacity expansion will be reached in 2013.

In 3Q 2012, the Group has started implementation of the 2012-2013 investment program. In July 2012, new hatchery building of 460 ths incubation places has been launched thereby expanding total incubation capacities to 1 mln incubation places. In August 2012, egg sorting capacities of the Group have been increased by 180 ths eggs/hour to 400 ths eggs/hour with installation of a new egg sorting machine Moba Omnia 500. Expanded sorting capacities provide for efficient handling of all eggs incoming from poultry houses. In September 2012, in line with the previously announced schedule, a young laying hens house of 135 ths hen places have been launched. Also in September, fodder mill capacity expansion has been completed, providing current fodder production capacity of 56 tons/hour.

## Management statement

The Board of Directors of Ovostar Union N.V. hereby represents that to the best of their knowledge the Consolidated Condensed Interim Financial Statements (Unaudited) of Ovostar Union N.V. and subsidiaries for the nine months ended 30 September 2012 and the comparable information:

- (1) are prepared in accordance with the applicable accounting standards;
- (2) give a true, fair and clear view of the assets, financial standing and financial results of Ovostar Union N.V.; and
- (3) give a true view of the developments, achievements and situation of the Group.

12 November, 2012

Board of Directors of Ovostar Union N.V.

Borys Bielikov \_\_\_\_\_ [signed]

Vitalii Veresenko \_\_\_\_\_ [signed]

Marc M.L.J. van Campen \_\_\_\_\_ [signed]

Oleksandr Bakumenko \_\_\_\_\_ [signed]

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

**For the nine months ended 30 September 2012**

**(in USD thousand, unless otherwise stated)**

	Note	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
Revenue	7	40 300	34 651
Net change in fair value of biological assets		3 820	2 289
Cost of sales		(27 102)	(22 166)
<b>Gross profit</b>		<b>17 018</b>	<b>14 774</b>
Other operating income	8	1 054	3 304
Selling and distribution costs		(2 452)	(2 111)
Administrative expenses		(1 350)	(1 541)
Other operating expenses	9	(436)	(1 191)
<b>Operating profit</b>		<b>13 834</b>	<b>13 235</b>
Finance costs		(128)	(2 162)
Finance income		633	629
<b>Profit before tax</b>		<b>14 339</b>	<b>11 702</b>
Income tax expense	12	(65)	(425)
<b>Profit for the period</b>		<b>14 274</b>	<b>11 277</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		(12)	(4)
<b>Other comprehensive income for the period, net of tax</b>		<b>(12)</b>	<b>(4)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>14 262</b>	<b>11 273</b>
<i>Profit for the period attributable to:</i>			
Equity holders of the parent company		13 933	11 036
Non-controlling interests		341	241
<b>Total profit for the period</b>		<b>14 274</b>	<b>11 277</b>
<i>Other comprehensive income attributable to:</i>			
Equity holders of the parent company		(11)	(2)
Non-controlling interests		(1)	(2)
<b>Total other comprehensive income</b>		<b>(12)</b>	<b>(4)</b>
<i>Total comprehensive income attributable to:</i>			
Equity holders of the parent company		13 922	11 034
Non-controlling interests		340	239
<b>Total comprehensive income</b>		<b>14 262</b>	<b>11 273</b>
<i>Earnings per share:</i>			
Average weighted number of shares, items		6 000 000	6 000 000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (USD per share)		2.32	1.84

On 12 November of 2012 the Board of Directors of Ovostar Union N.V. authorised these consolidated condensed interim financial statements for issue.

[signed]  
Borys Bielikov  
Executive director

[signed]  
Oleksander Bakumenko  
Non-executive director

[signed]  
Vitalii Veresenko  
Non-executive director

[signed]  
Marc van Campen  
Non-executive director



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

**As at 30 September 2012**

**(in USD thousand, unless otherwise stated)**

	Note	As at 30 September 2012 (unaudited)	As at 31 December 2011 (audited)	As at 30 September 2011 (unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Non-current biological assets	13	15 972	20 517	15 581
Property, plant and equipment and intangible assets	14	45 483	23 976	16 983
Other non-current assets	15	1 342	1 324	1 434
Deferred tax assets		84	92	12
<b>Total non-current assets</b>		<b>62 881</b>	<b>45 909</b>	<b>34 010</b>
<b>Current assets</b>				
Inventories	17	11 874	10 645	9 688
Current biological assets	13	14 567	1 921	1 876
Trade and other receivables	18	12 347	10 688	13 265
Prepayments to suppliers		694	587	1 065
Prepayments for income tax		46	-	18
Cash and cash equivalents	19	2 833	21 541	23 984
<b>Total current assets</b>		<b>42 361</b>	<b>45 382</b>	<b>49 896</b>
<b>Total assets</b>		<b>105 242</b>	<b>91 291</b>	<b>83 906</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued capital	20	77	78	82
Share premium		30 933	30 933	30 933
Foreign currency translation reserve		(73)	(63)	-
Retained earnings		62 757	48 824	40 045
<b>Equity attributable to equity holders of the parent</b>		<b>93 694</b>	<b>79 772</b>	<b>71 060</b>
Non-controlling interests		3 001	2 661	2 592
<b>Total equity</b>		<b>96 695</b>	<b>82 433</b>	<b>73 652</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and other non-current financial liabilities	16	951	2 569	1 909
Deferred tax liability		35	35	380
<b>Total non-current liabilities</b>		<b>986</b>	<b>2 604</b>	<b>2 289</b>
<b>Current liabilities</b>				
Trade and other payables	21	5 485	4 939	4 537
Advances received		118	154	101
Interest-bearing loans and borrowings	16	1 958	1 161	3 327
<b>Total current liabilities</b>		<b>7 561</b>	<b>6 254</b>	<b>7 965</b>
<b>Total liabilities</b>		<b>8 547</b>	<b>8 858</b>	<b>10 254</b>
<b>Total equity and liabilities</b>		<b>105 242</b>	<b>91 291</b>	<b>83 906</b>

[signed]  
Borys Bielikov  
Executive director

[signed]  
Oleksander Bakumenko  
Non-executive director

[signed]  
Vitalii Veresenko  
Non-executive director

[signed]  
Marc van Campen  
Non-executive director

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

**For the nine months ended 30 September 2012**

**(in USD thousand, unless otherwise stated)**

	Attributable to equity holders of the parent company					Non-controlling interests	Total equity
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Total		
<b>As at 31 December 2010 (audited)</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>29 009</b>	<b>29 072</b>	<b>2 353</b>	<b>31 425</b>
Profit for the period	-	-	-	11 036	11 036	241	11 277
Other comprehensive income	-	-	(2)	-	(2)	(2)	(4)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>11 036</b>	<b>11 034</b>	<b>239</b>	<b>11 273</b>
Share issued 20 June 2011	21	33 048	-	-	33 069	-	33 069
Costs allocated to issue of share capital	-	(2 115)	-	-	(2 115)	-	(2 115)
Exchange differences	(2)	-	2	-	-	-	-
<b>As at 30 September 2011 (unaudited)</b>	<b>82</b>	<b>30 933</b>	<b>-</b>	<b>40 045</b>	<b>71 060</b>	<b>2 592</b>	<b>73 652</b>
<b>As at 31 December 2011 (audited)</b>	<b>78</b>	<b>30 933</b>	<b>(63)</b>	<b>48 824</b>	<b>79 772</b>	<b>2 661</b>	<b>82 433</b>
Profit for the period	-	-	-	13 933	13 933	341	14 274
Other comprehensive income	-	-	(11)	-	(11)	(1)	(12)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>13 933</b>	<b>13 922</b>	<b>340</b>	<b>14 262</b>
Exchange differences	(1)	-	1	-	-	-	-
<b>As at 30 September 2012 (unaudited)</b>	<b>77</b>	<b>30 933</b>	<b>(73)</b>	<b>62 757</b>	<b>93 694</b>	<b>3 001</b>	<b>96 695</b>

[signed]  
\_\_\_\_\_  
Borys Bielikov  
Executive director  
[signed]  
\_\_\_\_\_  
Oleksander Bakumenko  
Non-executive director

[signed]  
\_\_\_\_\_  
Vitalii Veresenko  
Non-executive director  
[signed]  
\_\_\_\_\_  
Marc van Campen  
Non-executive director

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**For the nine months ended 30 September 2012**  
**(in USD thousand, unless otherwise stated)**

	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
<b>Operating activities</b>		
<i>Profit before tax</i>	14 339	11 705
<i>Non-cash adjustment to reconcile profit before tax to net cash flows</i>		
Depreciation of property, plant and equipment and amortisation of intangible assets	2 212	1 311
Net change in fair value of biological assets	(3 820)	(2 289)
Loss on disposal of property, plant and equipment	6	97
Finance income	(633)	(629)
Finance costs	128	2 162
Impairment of doubtful accounts receivable and prepayments to suppliers	118	590
Liability for unused vacation	(45)	-
<i>Working capital adjustments:</i>		
Increase in trade and other receivables	(1 960)	(1 334)
Increase in prepayments to suppliers	(135)	(941)
Increase in inventories	(1 229)	(699)
Increase/(Decrease) in trade and other payables and advances received	594	(6 956)
	<b>9 574</b>	<b>3 017</b>
Income tax paid	(92)	(41)
<b>Net cash flows from operating activities</b>	<b>9 482</b>	<b>2 976</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	-	48
Purchase of property, plant and equipment	(23 728)	(5 804)
Increase in biological assets	(4 281)	(4 022)
Interest received	464	118
Proceeds from repayment of loan to Beneficial Owner	178	36
<b>Net cash flows used in investing activities</b>	<b>(27 367)</b>	<b>(9 623)</b>
<b>Financing activities</b>		
Proceeds from borrowings	-	12 103
Repayment of borrowings	(628)	(12 342)
Interest paid	(119)	(338)
Increase in share premium	-	30 933
Increase in share capital	-	21
<b>Net cash flows used in financing activities</b>	<b>(748)</b>	<b>30 377</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(18 632)</b>	<b>23 730</b>
Effect from translation into presentation currency	(76)	(104)
<b>Cash and cash equivalents at 1 January</b>	<b>21 541</b>	<b>358</b>
<b>Cash and cash equivalents at 30 September</b>	<b>2 833</b>	<b>23 984</b>

[signed]

Borys Bielikov  
Executive director

[signed]

Oleksander Bakumenko  
Non-executive director

[signed]

Vitalii Veresenko  
Non-executive director

[signed]

Marc van Campen  
Non-executive director

## 1. Corporate information

Principal activities of Ovostar Union N.V. (referred to herein as the “Company”) and its subsidiaries (together – the “Group”) include egg production, distribution, egg products manufacturing and production of sunflower oil. The registered office and principal place of business of the Company is Koningslaan 17, 1075 AA Amsterdam. The Company was incorporated on 22 March 2011 in Amsterdam. The largest shareholder is Prime One Capital Ltd., Larnaca, Cyprus. Its principal activity is the holding of ownership interests in its subsidiary and strategic management.

The Group operates through a number of subsidiaries in Ukraine (the list of the subsidiaries is disclosed below) and has a concentration of its business in Ukraine, where its production facilities are located. All subsidiary companies are registered under the laws of Ukraine. The registered office and principal place of business of the subsidiary companies in Ukraine is 34 Petropavlivska Street, 34, Kyiv, Ukraine.

Total number of employees of all companies of the Group constituted 1 292 employees as at 30 September 2012, and 1 310 employees as at 30 September 2011.

The company is listed on the Warsaw Stock Exchange.

The Group is controlled by the Beneficial Owners – Mr. Borys Bielikov and Mr. Vitalii Veresenko (hereinafter, the “Beneficial Owners”).

The consolidated condensed interim financial statements for the 9 months ended 30 September 2012 were authorized by the Board of Directors on 12 November 2012.

As at 30 September 2012, 31 December 2011 and 30 September 2011 the Group included the following subsidiaries:

Name of the company	Business activities	Ownership		
		As at 30 September 2012	As at 31 December 2011	As at 30 September 2011
Limited Liability Company “Ovostar Union”	Strategic management of subsidiary companies in Ukraine	100%	100%	100%
Limited Liability Company “Yasensvit”	Breeder farms, production of hatching eggs, farms for growing young laying flock and for laying flock, production and distribution of shell eggs, poultry feed production	98%	98%	98%
Limited Liability Company “Ovostar”	Egg-products production and distribution	100%	100%	100%
Public Joint Stock Company “Poultry Farm Ukraine”	Production of shell eggs, assets holding	92%	92%	92%
Public Joint Stock Company “Malynove”	Production of shell eggs, assets holding	94%	94%	94%
Public Joint Stock Company “Krushynskyy Poultry Complex”	Trading company, egg trading – no operational activity	76%	76%	76%
Limited Liability Company “Skybynskyy Fodder Plant”	In the process of liquidation – no operational activity	99%	99%	99%

## 2. Basis of preparation

The consolidated condensed interim financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU" hereinafter).

The companies of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS" hereinafter). UAS principles and procedures may differ from those generally accepted under IFRS EU. Accordingly, the consolidated condensed interim financial statements, which have been prepared from the Group entities' UAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS EU.

The consolidated condensed interim financial statements have been prepared on a historical cost basis, except for biological assets, agricultural produce, and certain financial instruments that have been measured at fair value. The functional currency of the Company is U.S. dollar (USD). The Consolidated financial statements are presented in the company's functional currency, that is, U.S. dollar (USD). The operating subsidiaries have Ukrainian hryvnia (UAH) as their functional currency. All values are rounded to the nearest thousand, except when otherwise indicated.

The financial statements are prepared on a going-concern basis, under which assets are sold and liabilities are repaid in the ordinary course of business. The accompanying consolidated condensed interim financial statements do not include adjustments that would need to be made in case if the Group was unable to continue as a going concern.

### Restructuring of the Group

As described in Note 1, Ovostar Union N.V. was established in 2011 to serve as the holding company of the Group. Prior to the establishment of the Parent, the ownership of the legal entities, which the Group currently consists of, was under the control of the Beneficial Owners of the Group through Ukrainian holding company Ovostar Union LLC. At 31 December 2010 and 2009 the Beneficial Owners directly owned 100% of Ovostar Union LLC. As a result of the restructuring, Ovostar Union LLC and its subsidiaries was transferred towards the end of March 2011 to the newly incorporated company, Ovostar Union N.V., the parent of the Group, for cash consideration in amount of USD 38 thousand.

Purchases of businesses from parties under common control are accounted for using the pooling of interest method. Under this method the financial statements of the combined entities are presented as if the businesses had been combined as at 1 January 2010.

Management and shareholders of the Group carried out restructuring of its activities. As the result, Group's ownership of primary development business was transferred to a newly established holding company - Ovostar Union N.V. Most of the entities in the Group were acquired at their nominal values. With this, fair value of acquired net assets considerably exceeded its cost. This is explained by the fact that all transactions of subsidiary purchase were, by nature, operations under common control.

That is, founders of Ovostar Union N.V. eventually acquired shares of the current subsidiary, which they had effectively controlled as Beneficial Owners.

The assets and liabilities of the subsidiary transferred under common control are recorded at the predecessor entity's carrying amounts. Any difference between the carrying amount of net assets and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

### **3. Basis of consolidation**

The consolidated condensed interim financial statements are comprised of the financial statements of the Group and its subsidiaries as at 30 September 2012.

The consolidated condensed interim financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiary). Control is achieved when the Parent has the power to govern the financial and operating policies of an entity, either directly or indirectly, so as to obtain benefits from its activities. The financial statements of subsidiary are included in the consolidated condensed interim financial statements of the Group from the date when control effectively commences.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidated condensed interim level, except when the intragroup losses indicate an impairment that requires recognition in the consolidated condensed interim financial statements.

Non-controlling interests represent the interest in subsidiary not held by the Group. Non-controlling interests at the reporting date represent the minority shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minorities' portion of changes in net assets since the date of the combination. Non-controlling interests are presented within the shareholders' equity.

Any excess or deficit of the consideration paid over the net assets on the acquisition of non-controlling interests in subsidiary is charged or credited to accumulated profits.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used in line with those adopted by the Group.

### **4. Use of estimates and assumptions**

The preparation of the financial statements requires management to make 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, due to uncertainty about these estimates, actual results recorded in future periods may differ from such estimates.

These consolidated condensed interim financial statements include management's estimates regarding the value of assets, liabilities, revenues, expenses, and recognized contractual obligations. These estimates mainly include:

#### **Impairment of property, plant and equipment**

In accordance with IAS 36 "Impairment of Assets" the Group reviews the carrying amount of non-current tangible assets (mainly property, plant and equipment) to identify signs of impairment of these assets.

The Company used a model of strategic planning in order to calculate the discounted cash flows (using the "value in use" method as defined in IAS 36) and, thus, assessed the recoverability of the carrying amount of property, plant and equipment. The model was based on budgets and forecasts approved by the management for the next 5 years.

Expected future cash flows reflect long-term production plans formed on the basis of past experience and market expectations. The plans take into account all relevant characteristics of poultry farming, including egg production, safety of livestock, volume of meat production, prices for main components of mixed fodder. Thus, the production capacity is the basis for forecasting the future production volume for each subsequent year and related production costs.

Levels of costs included in projected cash flows are based on current long-term production plans. When conducting impairment testing, recent levels of costs are taken into account, as well as the expected cost changes based on the current condition of operating activities and in accordance with the requirements of IAS 36. IAS 36 provides a number of restrictions on future cash flows, which may be recognized in respect of future restructuring and capital modernization expenses.

Below are the key assumptions that formed the basis for forecasting future cash flows in the models:

- prices for main components of mixed fodder based on internal forecasts of the Group's management;
- production data (production of eggs, safety of livestock, meat production volume) based on internal forecasts of the Group's management from past experience;
- selling prices for eggs and poultry meat are based on forecasts of the Group's management and market expectations.

Review of impairment led to the conclusion that the allowance for impairment of property, plant and equipment is not needed.

Management believes that calculations of the recoverable amount are the most sensitive to changes in such assumptions as the price of poultry meat, price of chicken fodder and production data. Management believes that any reasonably possible change in key assumptions on which the recoverable amount of the Company is based (such as a 5% change in the discount rate or 5% change in prices) will not cause the excess of carrying amount of the Group over its recoverable amount.

Application of IAS 36 requires extensive judgments by the management regarding estimates and assumptions related to future cash flows and discount rate. Given the nature of the current global economic environment, such assumptions and estimates have a high degree of uncertainty. Therefore, other similar assumptions may lead to significantly different results.

#### **Fair value of biological assets**

Estimation of fair value of biological assets is based on the discounted cash flow model. The fair value of biological assets might be affected by the fact that the actual future cash flows will differ from the current forecast, which typically occurs as a result of significant changes in any factors or assumptions used in the calculations.

Among such factors are:

- differences between actual prices and price assumptions used in estimating net realizable value of eggs;
- changes in productivity of laying hens;
- unforeseen operational problems inherent in the branch specificity;
- age of hens at the end of reporting period;
- changes in production costs, costs of processing and sale of products, discount and inflation rates and exchange rates that could adversely affect the fair value of biological assets.

The key assumptions concerning biological assets based on discounted cash flow approach are presented as the following:

- cost planning at each stage of chicken farming will remain constant in future periods;
- egg production volume will not be significantly changed;
- discount rate for determining the present value of future cash flows expected from the biological assets was set at 30 September 2012: 24.10% (31 December 2011: 24.36%, 30 September 2011: 27.03%).

Management determined that calculations of the fair value of biological assets are the most sensitive to changes in such assumptions as the volume of egg production, cost planning and prices of eggs and



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poultry meat. Management believes that any reasonably possible change in key assumptions will not cause any significant change in the fair value of biological assets.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results.

**Allowances for doubtful debts**

The Group forms allowances for doubtful debts to cover any potential losses arising in case of buyer's insolvency. In assessing the adequacy of the allowance for doubtful debts the management takes into account overall current economy conditions, terms of balances of outstanding receivables, the Group's experience to write off liabilities, customers' solvency and changes in the conditions of payment. Changes in the economy, industry or financial position of individual buyers may cause adjustment to the amount of allowance for doubtful debts reflected in the consolidated condensed interim financial statements.

**Useful lives of property, plant and equipment**

The Group estimates useful lives of property, plant and equipment at least at the end of each financial year and, if expectations differ from previous estimates, changes are recorded as changes in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates can have a significant impact on the carrying amount of property, plant and equipment and depreciation expenses during the period.

**Deferred tax assets**

Deferred tax assets are recognized for all unused tax losses to the extent that the inflow of taxable profit is possible, at the expense of which these losses may be implemented. Significant judgments are required from the management in determining the amount of deferred tax assets that can be recognized on the basis of the possible terms of receipt and the level of future taxable profit together with the future tax planning strategy.

**5. Summary of significant accounting policies**

**Recognition and measurement of financial instruments**

Financial assets and financial liabilities are recorded in the Group's consolidated condensed interim statement of financial position when the Group becomes a contractual party regarding the corresponding financial instrument. The Group records the acquisition and sale of financial assets and financial liabilities at the settlement date.

Financial assets and liabilities are initially recognized at fair value plus, if a financial asset or financial liability is recognized not at fair value through profit or loss, incurred operating expenses directly related to the acquisition or issue of this financial asset or financial liability.

Fair value of investments that are actively traded in organized financial markets is calculated on the basis of current market value at the close of trading on the reporting date. Regarding investments in securities for which there is no active market, fair value is calculated using other methods of valuation of financial instruments. Such valuation methods include the use of information on recent market transactions between well informed, willing to commit such transaction, independent parties, or data about the current market value of another similar instrument, discounted cash flow analysis or other pricing models.

Accounting policy for subsequent revaluation of these items is disclosed below in the appropriate sections of accounting policy.



**Financial assets**

Investments recognized in the accounting records and derecognized at the time of transaction, in case if investments are purchased or sold in accordance with the contract, terms of which require delivery of an instrument within the time specified in the relevant market, are initially measured at fair value less transaction costs directly attributable to the transaction, except for financial assets belonging to the category of assets at fair value through profit or loss that are initially recognized at fair value.

**Effective interest rate method**

The effective interest rate method is used to calculate the amortized cost of a financial asset and distribute interest income during the relevant period. The effective interest rate is the rate that enables discounting of estimated future cash receipts through the expected life of a financial asset or a shorter period, if applicable.

Revenues relating to debt instruments are recorded at the effective interest rate method, except for financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss - a financial asset is classified as at fair value through profit or loss if it is held for trading or designated at fair value through profit or loss.

A financial asset is classified as held-for-trading if it is:

- purchased originally for the purpose of sale / repayment within a short period of time; or
- a part of the portfolio of identified financial instruments that are managed together, and structure of which demonstrates the intention of profit earning in the short term; or
- a derivative that is not classified as a hedging instrument and is not effective for these purposes.

A financial asset that is not a financial asset held-for-trading may be classified as a financial asset at fair value through profit or loss at the time of recognition in the accounting records if:

- application of such classification eliminates or significantly reduces discrepancies in valuation or accounting, that otherwise might arise, or
- a financial asset is a part of a group of financial assets, financial liabilities or both groups, which are managed and controlled on the basis of fair value in accordance with a documented risk or investment management strategy, and information about this group is provided internally on that basis, or
- it exists in the framework of the contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits to classify the whole contract (asset or liability) as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value with arising gains or losses recognized in the consolidated condensed interim statement of comprehensive income. Net gains or losses recognized in the income statement include dividends and interest received on the relevant financial asset.

Held-to-maturity investments - investments held to maturity are measured at amortized cost using the effective interest rate method, less impairment, and income is recognized using the effective yield method. During the reporting periods presented in these financial statements, the Group had no investments of this category.

Loans and receivables - accounts receivable regarding principal activities, loans, borrowings and other receivables with fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest rate method less impairment and uncollectible debts. Interest income is recognized by applying the effective interest rate, except for short-term receivables for which the amount of such interest income is insignificant.

Unquoted investments available for sale are accounted for at cost if their fair value cannot be reliably measured.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and cash in bank accounts.

#### **Short-term deposits**

Short-term deposits include deposits with original maturities of more than three months. If short-term deposit can be canceled at the request of the Group companies, it is classified as cash and cash equivalents.

#### **Impairment of financial assets**

Financial assets, except for financial assets at fair value through profit or loss, at each reporting date are assessed for signs indicating impairment. Impairment loss is recognized when there is objective evidence of reduction of the estimated future cash flows on this asset as a result of one or more events that occurred after the financial asset was recorded in the accounting. For financial assets at amortized cost, the amount of impairment is calculated as the difference between the asset's carrying amount and present value of the expected future cash flows discounted using the effective interest rate.

Impairment loss directly reduces the carrying amount of all financial assets, except for accounts receivable on principal activities, carrying amount of which is reduced due to the allowance formed. If the accounts receivable on principal activities are uncollectible, they are written-off against the related allowance. Subsequently received reimbursements of amounts previously written-off are recorded in credit of the allowance account. Changes in the carrying amount of the allowance account are recorded in the profit and loss.

Except for equity instruments available for sale, if in a subsequent period the amount of impairment loss decreases and such decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss previously recognized is recovered by adjusting the items in the income statement. In this case, the carrying amount of financial investments at the date of recovery of impairment cannot exceed its amortized cost, which would be reflected in the case, if impairment was not recognized.

In respect of equity securities available for sale, any increase in fair value after recognition of impairment loss relates directly to equity.

#### **Writing-off of financial assets**

The Group writes-off a financial asset only if rights for cash flows under the corresponding contract terminated the treaty or if a financial asset and corresponding risks and rewards are transferred to other organization. If the Group does not transfer or retain all the principal risks and rewards of ownership of the asset and continues to control the transferred asset, it shall record its share in the asset and related liability in the amount of possible payment of corresponding amounts. If the Group retains all the principal risks and rewards of ownership of the transferred financial asset, it shall continue to account for the financial asset, and reflect a secured loan on income earned.

#### **Financial liabilities and equity instruments issued by the Group**

##### **Accounting as liabilities or equity**

Debt and equity financial instruments are classified as liabilities or equity based on the substance of the corresponding contractual obligations.

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**Equity instruments**

Equity instrument is any contract confirming the right for a share in the company's assets remaining after deducting all its liabilities. Equity instruments issued by the Group are recorded in the amount of generated income, net of direct expenses for their issue.

**Liabilities under financial guarantee contracts**

Liabilities under financial guarantee contracts are initially measured at fair value and subsequently recorded at the higher of:

- cost of contractual obligations determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and
- cost, less, where applicable, accumulated depreciation reflected in accordance with the principles of revenue recognition set forth below.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or as other financial liabilities.

Financial liabilities at fair value through profit or loss - Financial liabilities are classified as at fair value through profit or loss if they are held for trading or designated as at fair value through profit or loss.

A financial liability is classified as held for trading if it is:

- assumed mainly to be repurchased within a short period of time; or
- a part of the portfolio of identified financial instruments that are managed together, and structure of which demonstrates the intention of profit earning in the short term; or
- a derivative that is not classified as a hedging instrument and is not effective for these purposes

A financial liability that is not a financial liability held-for-trading may be classified as a financial liability at fair value through profit or loss at the time of recognition in the accounting records if:

- application of such classification eliminates or significantly reduces discrepancies in valuation or accounting, that otherwise might arise, or
- a financial liability is a part of a group of financial assets, financial liabilities or both groups, which are managed and controlled on the basis of fair value in accordance with a documented risk or investment management strategy, and information about this group is provided internally on that basis, or
- it exists in the framework of the contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits to classify the whole contract (asset or liability) as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value with arising gains or losses recognized in the financial results. Net gains or losses recognized in the income statement include interest paid on a financial liability.

Other financial liabilities - other financial liabilities, including borrowings, are accounted for at fair value less transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method, with the recognition of interest expenses using the effective (actual) yield.

**Trade and other accounts payable**

Trade payables are recognized when the counterparty fulfills its contractual obligations and measured at amortized cost using the effective interest rate.

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**Loans and borrowings**

Loans and borrowings are initially recognized at fair value less costs incurred in the transaction. Subsequently, loans and borrowings are stated at amortized cost; any difference between proceeds (net of transaction costs) and the amount of repayment is reflected in the income statement over the period for which loans and borrowings are issued using the effective interest rate method. Loans and borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the obligation to at least one year after the date of balance-sheet preparation.

**Writing-off of financial liabilities**

The Group writes-off financial liabilities only when they are repaid, cancelled or expire.

**Foreign currency transactions**

Transactions in currencies other than the functional currency are initially recorded at exchange rates set on the dates of these transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates applicable at the reporting date. All realized and unrealized gains and losses resulting from exchange rate differences are included in profit or loss for the period.

Relevant exchange rates are presented as follows:

	As at 30 September 2012	As at 31 December 2011	As at 30 September 2011
USD/UAH	7.993	7.990	7.973
EUR/UAH	9.971	10.298	10.855
PLN/USD	3.442	3.422	3.247
EUR/USD	0.795	0.772	0.735

**Biological assets**

Biological assets represented by the commercial herd and herd replacements are recorded at fair value less estimated selling and distribution expenses. Estimate of fair value of biological assets of the Group is based on discounted cash flow models, according to which the fair value of biological assets is calculated using present value of the expected net cash flows from biological assets discounted at the appropriate rate.

The Group recognizes a biological asset only where it controls an asset as a result of past events; it is probable that the economic benefits from the asset will flow to the Group, fair value or cost of an asset can be estimated with reasonable certainty.

Profit or loss arising on initial recognition of biological assets at fair value less estimated selling and distribution expenses are included in the consolidated condensed interim income statement as incurred.

Agricultural products collected from a biological asset are measured at fair value less estimated selling and distribution expenses. Profit or loss arising on initial recognition of agricultural products at fair value, less estimated selling and distribution expenses, is recognized in the consolidated condensed interim statement of comprehensive income.

**Inventories**

Inventories consist mainly of agricultural produce and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost of goods includes the cost of acquisition and, where appropriate, costs incurred in bringing inventories to their present condition and location. Cost is calculated using the FIFO method. Net realizable value is calculated based on the estimated selling price less all estimated costs of production completion and sale.

### Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost of an asset of property, plant and equipment includes (a) the purchase price, including non-recoverable import duties and taxes, net of trade and other discounts; (b) any costs directly related to the delivery of an asset to the location and condition, which provide its functioning in accordance with the intentions of the Group's management; (c) initial assessment of the costs of dismantling and removal of an asset of property, plant and equipment and restoration of the occupied territory; this obligation is assumed by the Company either upon the acquisition of the asset, or as a result of its operation for a certain period of time for the purposes not related to the production of inventories during this period. Cost of assets created in-house includes cost of materials, direct labor costs and an appropriate proportion of production overheads.

Construction in progress includes costs directly related to the construction of property, plant and equipment, including distribution of variable overheads associated with the construction and prepayments for the property, plant and equipment. Construction in progress is not depreciated. These assets are depreciated from the moment when they are used in economic activity, on the same basis as depreciation on other assets.

Capitalized costs include principal expenses for modernization and replacement of parts of assets, which prolong their useful lives or improve their ability to generate income. Cost of repairs and maintenance of property, plant and equipment that do not meet the above criteria for capitalization are recognized in profit or loss in the period in which they were incurred.

Depreciable amount is the cost of an asset of property, plant and equipment, or any other amount, replacing the cost, less its residual value. The residual value of an asset is the estimated amount that the company would receive to date from the sale of an asset of property, plant and equipment, less estimated costs of disposal if the asset reached the age and condition, in which, presumably, it will be at the end of its useful life. Assets under finance lease are depreciated over the shorter of estimated useful life on the same basis as own assets or over the period of the relevant lease.

Depreciation is provided to write-off the depreciable amount over the useful life of an asset and is calculated using the straight-line method. Useful lives of the groups of property, plant and equipment are as follows:

Buildings	10 - 30 years
Plant and equipment	5 - 10 years
Vehicles	3 - 10 years
Furniture and fittings	3 - 5 years
Construction in progress and uninstalled equipment	No depreciation

The residual value, useful life and depreciation method are reviewed at the end of each financial year. Impact of any changes arising from estimates made in prior periods is recorded as a change in an accounting estimate.

Gains or losses arising from disposal or liquidation of an asset of property, plant and equipment, are defined as the difference between sales proceeds and carrying amount of an asset and recognized in profit or loss.

### Impairment of property, plant and equipment

At each reporting date the Group reviews the carrying amount of its assets of property, plant and equipment to determine whether any signs of impairment exist due to depreciation. If any such indication exists, the expected recoverable amount of an asset is estimated to determine the amount of impairment losses, if any.

In order to determine the impairment losses, assets are grouped at the lowest levels for which it is possible to identify separately the cash flows (cash generating unit).

The recoverable amount is the higher of the fair value less selling and distribution expenses and value of an asset in use. In assessing the value of an asset in use, the estimated future cash flows associated with the asset, are discounted to their present value using pre-tax discount rate that reflects current market estimates of time value of money and the risks inherent in the asset.

If, according to the estimates, the recoverable amount of an asset (cash generating unit) is less than its carrying amount, the carrying amount of an asset (cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case the impairment loss is considered as a revaluation decrease.

In cases where impairment losses are subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of recovery amount, however, in such a way that the increased carrying amount does not exceed the carrying amount that would be determined, if an impairment loss was not recognized in respect of an asset (cash generating unit) in previous years. Reversal of impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case, the reversal of an impairment loss is considered as a revaluation increase.

#### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortization is calculated on a straight line basis over the useful life of an asset, which is 3 years.

#### **Borrowing costs**

Borrowing costs are capitalized by the Group in the asset if they are directly attributable to the acquisition or construction of a qualifying asset, including construction in progress, costs for acquisition



of which arose since 1 January 2008. Other borrowing costs are recognized as an expense in the period they were incurred.

#### **Leases**

Leases are classified as finance leases when according to the terms of lease the lessee assumes all principal risks and rewards incident to ownership of the leased property. Other leases are classified as operating leases. Income and expenses associated with operating leases are accrued on a straight-line basis and recorded in the income statement over the lease term.

#### **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. Operating lease payments are recognized as an expense in the income statement evenly over the lease term.

#### **Group as a lessor**

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount 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.

#### **Contingent assets and liabilities**

Contingent liabilities are not recognized in the financial statements. Such liabilities are disclosed in the notes to the financial statements, except where the probability of outflow of resources embodying economic benefits is insignificant.

Contingent assets are not recognized in the financial statements, but disclosed in the notes to the extent that it is probable that the economic benefits will flow to the Group.

#### **Provisions**

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.

The amount recognized as a provision is the best estimate of compensation necessary to repay a current liability on the reporting date, which takes into account all the risks and uncertainties inherent in this liability. In cases where the amount of provision is estimated using cash flows that can be required to repay current liabilities, its carrying amount represents the present value of these cash flows.

Where there is a possibility that one or all of the economic benefits necessary to recover the amount of provision will be reimbursed by a third party, the receivables are recognized as an asset if there is actual assurance that such reimbursement will be received and the amount of receivables can be measured reliably.

#### **Revenue recognition**

Revenues from the sale of goods are recognized when the Group has transferred to the buyer all significant risks and rewards of ownership of the goods, and it is probable that the economic benefits associated with this transaction will flow to the Group.

Revenues from rendering of services are recognized in the reporting period in which the services were provided, based on the level of completion of the specific transaction and only when the amount of revenue can be reliably measured and it is probable that the economic benefits associated with this transaction will flow to the Group.

Income and expenses relating to the same transaction or event are recognized simultaneously.

Interest income is recognized using the effective interest rate method.

#### **Income tax**

Income tax is calculated in accordance with the requirements of the applicable legislation of Ukraine. Income tax is calculated on the basis of financial results for the year adjusted to items that are not included in taxable income or that cannot be attributed to gross expenses. It is calculated using tax rates effective at the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used to calculate taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recorded taking into account the degree of certainty in sufficient taxable income, which enables to realize temporary differences related to gross expenses.

Deferred tax is calculated at tax rates, which presumably will be applied during the sale of related assets or repayment of related liabilities.

Assets and liabilities on deferred income tax are offset when: a) The Group has a legally enforceable right to offset the recognized current income tax assets and liabilities; b) the Group intends either to perform settlement by offsetting counterclaims, or simultaneously sell the asset and settle the liability; c) deferred tax assets and liabilities relate to income taxes levied by the same taxation authority in each future period in which it is intended to repay or reimburse a significant amount of deferred tax liabilities and assets.

Deferred income tax is recognized in the income statement, except when it relates to items recognized directly in equity. In this case the deferred tax is also recognized in equity.

#### **Value Added Tax**

For the 9 months ended 30 September 2012 and in the year ended 31 December 2011, VAT was levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine.

VAT output equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in the reporting period. According to Ukrainian legislation, rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.

Starting from 1 January 2014 VAT rate at 20% will be changed by the new Tax Code of Ukraine (Note 23) and it was established at the level of 17%. This change has no effect on these consolidated condensed interim financial statements.

#### **Government grants**

Government grants are stated at fair value when there is reasonable assurance that the grant will be received.

Ukrainian legislation provides a variety of tax benefits and subsidies for agricultural companies. Such benefits and subsidies are approved by the Supreme Council of Ukraine, the Ministry of Agrarian Policy,



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Ministry of Finance, local authorities. Under the applicable legislation, agricultural producers are entitled to use VAT benefit regarding agricultural transactions.

VAT positive balance on agricultural transactions is directed at supporting agriculture, and negative - to be included in expenses. The amount of VAT revenues and expenses is included in other operating income and expenses in the statement of comprehensive income.

**Partial compensation of interest rates on loans raised by the agricultural companies from financial institutions**

The Group companies are entitled to compensation from the government of a share of interest expenses incurred on loans which were received for agricultural purposes. The amount of interest compensation depends on the term and purpose of the loan. Due to the fact that the payment of interest compensations depends on the capabilities of the country's budget, they are recognized on a cash basis as other operating income in the period of receipt.

**Related party transactions**

For the purposes of these consolidated condensed interim financial statements, the parties are considered to be related if one of the parties has a possibility to control or considerably influence the operational and financial decisions of other company. While considering any relation which can be defined as related party transactions it is necessary to take into consideration the substance of the transaction not only their legal form.

**6. Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's consolidated condensed interim financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

At the date of approval of these consolidated condensed interim financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

**a) Adopted by the European Union**

**Amendments**

- Amendment to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- Amendment to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).

**b) Not adopted by the European Union**

**New standards**

- IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Agreements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2013).

- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 “Separate Financial Statements” (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2013).

**Amendments**

- Amendment to IAS 12 “Income Taxes” on deferred tax relating to recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 “First-time adoption of International Financial Reporting Standards” on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IFRS 7 “Financial Instruments: Disclosures” on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IAS 32 “Financial Instruments: Presentation” on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IFRS 1 “Government Loans” (effective for annual periods beginning on or after 1 January 2013).

**New IFRICs**

- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (effective for annual periods beginning on or after 1 January 2013).

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

- Amendments to IFRS 7 “Financial Instruments: Disclosures” on derecognition of financial instruments. These amendments will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitization of financial assets. These amendments are effective for annual periods beginning on or after 1 July 2011 and have not yet been endorsed by the European Union.
- Amendments to IAS 12 “Income Taxes” on deferred tax. IAS 12 “Income taxes”, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when an asset is measured using fair value model in IAS 40 “Investment Property”. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 “Income Taxes – recovery of revalued non-depreciable assets”, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. This amendment is effective for annual periods beginning on or after 1 January 2012 and has not yet been endorsed by the European Union.

**Adoption of new and revised IFRS**

- IFRS 9 “Financial Instruments”. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains, but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

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- IFRS 10 “Consolidated Financial Statements”. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements, when an entity controls one or more other entity to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It sets out the accounting requirements for the preparation of consolidated financial statements. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.
- IFRS 13 “Fair Value Measurement”. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied, where its use is already required or permitted by other standards. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

## 7. Segment information

All of the Group’s operations are located within Ukraine.

Segment information is analyzed on the basis of the types of goods supplied by the Group’s operating divisions. The Group’s reportable segments under IFRS 8 are therefore as follows:

Egg operations segment	- sales of egg - sales of chicken meat
Egg products operations segment	- sales of egg processing products
Sunflower products operations segment	- sales of sunflower oil and related products

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in Note 5. Sales between segments are mainly carried out at market prices. Segment result represents operating profit before tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments.
- All liabilities are allocated to reportable segments.

The following table presents revenue, results of operations segments for the 9 months ended 30 September 2012 and 2011:

For the 9 months ended 30 September 2012 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	39 678	10 402	2 818	<b>52 898</b>
Inter-segment revenue	(12 275)	(323)	-	<b>(12 598)</b>
<b>Revenue from external buyers</b>	<b>27 403</b>	<b>10 079</b>	<b>2 818</b>	<b>40 300</b>
<b>Profit before tax</b>	<b>10 761</b>	<b>3 409</b>	<b>169</b>	<b>14 339</b>

For the 9 months ended 30 September 2011 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Revenue	37 442	9 948	-	<b>47 390</b>
Inter-segment revenue	(12 230)	(509)	-	<b>(12 739)</b>
<b>Revenue from external buyers</b>	<b>25 212</b>	<b>9 439</b>	<b>-</b>	<b>34 651</b>
<b>Profit before tax</b>	<b>10 475</b>	<b>1 227</b>	<b>-</b>	<b>11 702</b>

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Segment assets and liabilities as at 30 September 2012, 31 December 2011 and 30 September 2011 were presented as follows:

As at 30 September 2012 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	89 798	15 048	396	105 242
Total segment liabilities	4 628	3 919	-	8 547

As at 31 December 2011 (audited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	73 422	17 393	476	91 291
Total segment liabilities	5 520	3 338	-	8 858

As at 30 September 2011 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Total segment assets	79 258	4 331	317	83 906
Total segment liabilities	8 861	1 393	-	10 254

For the 9 months ended 30 September 2012 and 2011, respectively, other information regarding operating segments was as follows:

For the 9 months ended 30 September 2012 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Addition to property, plant and equipment and intangible assets	16 432	7 282	14	23 728
Net change in fair value of biological assets and agricultural produce	2 452	1 368	-	3 820
Depreciation and amortization	1 229	951	32	2 212
Interest income	447	17	-	464
Interest on debts and borrowings	39	80	-	119
Income tax expense	(11)	(47)	-	(58)

For the 9 months ended 30 September 2011 (unaudited)	Egg operations segment	Egg products operations segment	Sunflower products operations segment	Consolidated
Addition to property, plant and equipment and intangible assets	5 728	28	48	5 804
Net change in fair value of biological assets and agricultural produce	2 289	-	-	2 289
Depreciation and amortization	1 119	140	52	1 311
Interest income	150	2	-	152
Interest on debts and borrowings	290	30	-	320
Income tax expense	(369)	(56)	-	(425)

## 8. Other operating income

	Note	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
<b>Income from refund under the special legislation:</b>			
Income from special VAT treatment	a)	758	2 976
Other grants	b)	3	-
<b>Total income from refund under the special legislation</b>		<b>761</b>	<b>2 976</b>
Other income		292	328
<b>Total other operating income</b>		<b>1 053</b>	<b>3 304</b>

**a) Income from special VAT treatment**

Ukrainian agricultural producers, including the companies of the Group, benefit from a special regime of taxation. According to special regime rules, agricultural producers are permitted to retain the difference between the VAT that they charge on their agricultural products (prior to 1 January 2011 - at a rate of 20%) and the VAT paid on items purchased for their operational needs. This income and expenses are recognized in the consolidated financial statements on a net basis in other operating income/expenses.

All members of the Group qualify for the use of VAT benefits except for Limited Liability Company "Ovostar", Public Joint Stock Company "Krushynskyy Poultry Complex", Limited Liability Company "Skybynsky Fodder Plant".

According to the new Tax Code of Ukraine, VAT benefit will be cancelled as at 1 January 2018.

**b) Other grants**

The item "Other grants" comprises mainly of social insurance benefits.

**9. Other operating expenses**

	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
Impairment of doubtful accounts receivable and prepayments to suppliers	(118)	(590)
VAT written off	(107)	-
Loss on disposal of inventories	(67)	-
Fines and penalties	(16)	(56)
Loss on disposal of property plant and equipment	(6)	-
Shortages and losses from damage of valuables	-	(159)
Other expenses	(122)	(386)
<b>Total other operating expenses</b>	<b>(436)</b>	<b>(1 191)</b>

**10. Amortisation and depreciation expenses**

	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
Depreciation and amortisation - Cost of sales	(2 004)	(1 188)
Depreciation and amortisation - Selling and distribution costs	(11)	(15)
Depreciation and amortisation - Administrative expenses	(197)	(108)
<b>Total amortisation and depreciation expenses</b>	<b>(2 212)</b>	<b>(1 311)</b>

**11. Employee benefits expense**

	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
Wages, salaries and social security costs of production personnel	(4 268)	(3 566)
Wages, salaries and social security costs of distribution personnel	(295)	(331)
Wages, salaries and social security costs of administrative personnel	(420)	(423)
<b>Total employee benefits expense</b>	<b>(4 983)</b>	<b>(4 320)</b>

## 12. Income tax

Companies of the Group that are involved in agricultural production pay the Fixed Agricultural Tax (the "FAT") in accordance with the applicable laws. The FAT is paid in lieu of corporate income tax, land tax, duties for geological survey works and duties for trade patents.

The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of comprehensive income in administrative expenses.

During the period ended 30 September 2012 and 2011, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax in 1 quarter 2011 – at a 25% rate, in 2-4 quarter 2011 – at a 23% rate. The new Tax Code of Ukraine effective as of 1 January 2011 (Note 23), introduced gradual decreases in income tax rates over the future years (from 23% effective 1 April 2011 to 16% effective 1 January 2014, income tax rate in 2012 – at a 21% rate), as well as certain changes to the rules of income tax assessment starting 1 April 2011. The deferred income tax assets and liabilities as of 30 September 2012 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The major components of income tax expense for the 9 months ended 30 September 2012 and 2011 were:

	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
<b>Current income tax:</b>		
Current income tax charge	(49)	(23)
Adjustments in respect of current income tax of previous period	-	56
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(16)	(458)
<b>Income tax (expense)/benefit reported in the income statement</b>	<b>(65)</b>	<b>(425)</b>

## 13. Biological assets

As at 30 September 2012, 31 December 2011 and 30 September 2011 commercial and replacement poultry were presented as follows:

	As at 30 September 2012 (unaudited)		As at 31 December 2011 (audited)		As at 30 September 2011 (unaudited)	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
<b>Non-current biological assets</b>						
<u>Replacement poultry</u>						
Hy-line	1 202	15 972	1 873	19 341	1 479	13 362
Rodonit (brown)	-	-	496	1 176	548	2 219
<b>Total non-current biological assets</b>	<b>1 202</b>	<b>15 972</b>	<b>2 369</b>	<b>20 517</b>	<b>2 027</b>	<b>15 581</b>
<b>Current biological assets</b>						
<u>Commercial poultry</u>						
Hy-line	2 402	14 546	31	1 101	25	37
Hy-sex	18	22	745	820	932	1 839
Rodonit (brown)	-	-	-	-	-	-
<b>Total current biological assets</b>	<b>2 420</b>	<b>14 567</b>	<b>776</b>	<b>1 921</b>	<b>957</b>	<b>1 876</b>
<b>Total biological assets</b>	<b>3 622</b>	<b>30 539</b>	<b>3 145</b>	<b>22 438</b>	<b>2 984</b>	<b>17 457</b>

Classification of biological assets into non-current and current component is based on the life cycle of a biological asset. Biological assets that will generate cash flow more than one year are classified as non-current biological assets, biological assets that generate cash flow less than one year are classified as current biological assets.

Reconciliation of commercial and replacement poultry carrying values for the 9 months ended 30 September 2012 and 2011, was presented as follows:

	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
<b>As at 01 January</b>	<b>22 438</b>	<b>11 147</b>
Increase in value as a result of assets acquisition	213	262
Increase in value as a result of capitalization of cost	4 586	4 577
Income from presentation of biological assets at fair value	3 820	2 289
Decrease in value as a result of assets disposal	(410)	(625)
Decrease in value as a result of assets slaughter	(95)	(173)
Exchange differences	(13)	(20)
<b>As at 30 September</b>	<b>30 539</b>	<b>17 457</b>

For the 9 months ended 30 September 2012 the Group produced shell eggs in the quantity of 490 525 thousand items (30 September 2011: 442 983 thousand).

Fair value of biological assets was estimated by the Group's specialists who have experience in valuation of such assets. Fair value was calculated by discounting of expected net cash flow (in nominal measuring) at the moment of eggs produced selling using corresponding discount rate which is equal to 24.10% (30 September 2011: 27.03%). Management assumes that sale price and production and distribution costs fluctuations will comply with forecasted index of consumer price in Ukraine. The major assumptions were performed on the basis of internal and external information and they reflected Management's assessment of the future agricultural prospect.

Value measurement is a maximum value exposed to the following assumptions which were used in fair value calculations:

	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
Eggs sale price, USD per item	0.077	0.071
Discount rate, %	24.10%	27.03%
Long-term inflation rate of Ukrainian hryvnia, %	112.10%	108.90%

Changes in key assumptions that were used in fair value estimation of biological assets will have the following influence on the value of biological assets as at 30 September 2012 and 2011:

	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
1% decrease in egg sale price	(498)	(325)
1% increase in discount rate	(273)	(135)
1% increase in long-term inflation rate of Ukrainian hryvnia	240	137



#### 14. Property, plant and equipment and Intangible assets

During the 9 months ended 30 September 2012 and 2011, the Group's additions to property, plant and equipment amounted to USD 23 728 thousand and USD 5 804 thousand respectively. In particular in January-September 2012 the Group acquired battery cage equipment in the amount equal to USD 7 610 thousand and capital expenditures in amount of USD 16 118 thousand were incurred in connection with the reconstruction and improvement of the existing facilities and reconstruction of poultry buildings.

For the 9 months ended 30 September 2012 and 2011 respectively the Group has put into operation fixed assets of book value equal to USD 9 012 thousand and USD 3 636 thousand respectively.

As at 30 September 2012 net book value of property plant and equipment which was used as collateral for bank loans amounted to USD 5 583 thousand (30 September 2011: USD 6 892 thousand). As at 30 September 2012 construction-in-progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 2 209 thousand (30 September 2011: USD 336 thousand).

#### 15. Other non-current assets

As at 30 September 2012 long-term loan issued to the Beneficial Owner was equal to USD 1 342 thousand (30 September 2011: USD 1 434 thousand). The loan represents an interest-free loan, with maturity on 12 December 2013, and balance outstanding at 30 September 2012 of UAH 12 739 thousand (approximately USD 1 594 thousand), which is recognized at amortized cost using 16% effective interest rate.

#### 16. Interest-bearing loans and other non-current financial liabilities

	Currency	Interest rate, %	Maturity	As at 30 September 2012 (unaudited)	As at 31 December 2011 (audited)	As at 30 September 2011 (unaudited)
<b>Current interest-bearing loans and borrowings</b>						
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	340	340	380
UniCreditBank loan	USD	5,0% + LIBOR (3m)	19.12.2012	57	230	230
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	157	168	-
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	133	133	-
UniCreditBank loan	UAH	10,5% + Libor (1m), 15,5% in UAH	31.03.2012	-	-	2 446
Other current loans	UAH	-	-	99	125	98
Short-term financial lease liabilities (a)	UAH	7%	28.09.2017	165	165	173
<b>Total current interest-bearing loans and borrowings</b>				<b>951</b>	<b>1 161</b>	<b>3 327</b>
<b>Non-current interest-bearing loans and borrowings</b>						
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	05.07.2015	679	935	1 056
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	08.08.2015	346	462	-
Credit Agricole loan	EUR	5.92% + EURIBOR (6m)	03.10.2015	296	396	-
UniCreditBank loan	USD	5,0% + LIBOR (3m)	19.12.2012	-	-	57
Long-term financial lease liabilities (a)	UAH	7%	28.09.2017	637	776	796
<b>Total non-current interest-bearing loans and borrowings</b>				<b>1 958</b>	<b>2 569</b>	<b>1 909</b>
<b>Total interest-bearing loans and borrowings</b>				<b>2 909</b>	<b>3 730</b>	<b>5 236</b>

#### Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and other legal matters. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.



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At 30 September 2012, 31 December 2011 and 30 September 2011 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.

In the case in violation of the terms of repayment of loans Credit Agricole, the interest rate increases to 10%.

**(a) Finance lease liabilities**

	<i>As at 30 September 2012 (unaudited)</i>		<i>As at 31 December 2011 (audited)</i>		<i>As at 30 September 2011 (unaudited)</i>	
	Minimum lease payments	Current value of minimum lease payments	Minimum lease payments	Current value of minimum lease payments	Minimum lease payments	Current value of minimum lease payments
<b>Amounts payable under finance lease:</b>						
Within a year	218	165	226	165	229	173
From one to five years	735	637	791	658	802	658
Above 5 years	-	-	123	118	171	139
	<b>953</b>	<b>802</b>	<b>1 140</b>	<b>941</b>	<b>1 202</b>	<b>969</b>
Less: financial expenses of future periods	(151)	-	(199)	-	(233)	-
Current value of lease liabilities	802	802	941	941	969	969
Less: amount to be paid within a year		(165)		(165)		(173)
Amount to be paid after one year		637		776		796

Finance lease obligations represent amounts due under agreements for lease of battery cage equipment with Ukrainian companies. Net carrying value of property, plant and equipment acquired via finance lease as at 30 September 2012, 31 December 2011 and 30 September 2011 was as follows:

	<i>As at 30 September 2012</i>	<i>As at 31 December 2011</i>	<i>As at 30 September 2011</i>
Plant and equipment	873	953	990
<b>Total</b>	<b>908</b>	<b>953</b>	<b>990</b>

As at 30 September 2012, 31 December 2011 and 30 September 2011 there were no restrictions imposed by the lease arrangements, in particular those concerning dividends, additional debt or further leasing.

**17. Inventories**

	<i>As at 30 September 2012 (unaudited)</i>	<i>As at 31 December 2011 (audited)</i>	<i>As at 30 September 2011 (unaudited)</i>
Raw materials	3 325	4 957	4 655
Agricultural produce and finished goods	5 756	4 148	3 773
Package and packing materials	1 016	742	808
Work in progress	707	396	34
Other inventories	1 119	754	451
(Less: impairment of agricultural produce and finished goods)	(49)	(352)	(33)
<b>Total inventories at the lower of cost and net realisable value</b>	<b>11 874</b>	<b>10 645</b>	<b>9 688</b>

## 18. Trade and other receivables

	As at 30 September 2012 (unaudited)	As at 31 December 2011 (audited)	As at 30 September 2011 (unaudited)
Trade receivables	7 328	5 406	5 748
VAT for reimbursement	5 005	4 936	4 740
Receivables for securities sold but not yet settled	210	640	-
Other accounts receivable	318	120	381
Current loans issued	-	-	316
Short-term notes received	-	-	2 803
Provision for doubtful accounts receivable	(514)	(414)	(723)
<b>Total trade and other receivables</b>	<b>12 347</b>	<b>10 688</b>	<b>13 265</b>

## 19. Cash and cash equivalents

	As at 30 September 2012 (unaudited)	As at 31 December 2011 (audited)	As at 30 September 2011 (unaudited)
Cash in banks	2 813	21 504	23 972
Cash on hand	20	37	12
<b>Total cash at banks and on hand</b>	<b>2 833</b>	<b>21 541</b>	<b>23 984</b>

## 20. Equity

### Issued capital and capital distribution

As referred to in Note 1, the Company was incorporated on 22 March 2011.

The Company's authorized share capital amounts to EUR 225 000 and consists of 22 500 000 ordinary shares with a nominal value off EUR 0.01 each. As at 30 September 2012, 6 000 000 ordinary shares were issued and fully paid. In June 2011 the shares of the Company were listed on the Warsaw Stock Exchange.

At 30 September 2012 the largest single shareholders interest in the Company were as follows:

	As at 30 September 2012
Prime One Capital Ltd.	75.00%
Generali Otworthy Fundusz Emerytalny	12.15%
AVIVA Otworthy Fundusz Emerytalny Aviva BZ WBK	5.02%

### Foreign currency translation reserve

According to section 373, Book 2 of the Dutch Civil Code, the Company's share capital has been converted at the exchange rate prevailing at reporting date. The EUR 60 000 has been converted into USD 77 130. The result arising of exchange rate differences has been recorded in the "Foreign currency translation reserve".

The foreign currency translation reserve is used also to record exchange differences arising from the translation of the financial statements of foreign subsidiary.

### Share premium

As has been mentioned previously, in June 2011 the Group's shares have been placed on WSE. As a result of the transaction, USD 33 048 thousand was raised while the IPO costs amounted to USD 2 115 thousand. In these financial statements funds raised as a result of IPO are reflected in share premium as at 30 June 2011.

## Dividends payable of the Company

During the 9 months ended 30 September 2012 and 2011, no dividends have been declared and paid.

## 21. Trade and other payables

	As at 30 September 2012 (unaudited)	As at 31 December 2011 (audited)	As at 30 September 2011 (unaudited)
Trade payables	3 576	3 800	3 331
Employee benefit liability	349	325	318
Taxes payable	207	188	24
Liability for unused vacation	142	188	22
VAT liabilities	498	106	285
Interest payable	1	-	30
Other payables	712	332	527
<b>Total trade and other payables</b>	<b>5 485</b>	<b>4 939</b>	<b>4 537</b>

## 22. Related party disclosures

For the purposes of these consolidated financial statements, the parties are considered to be related, if one of the parties has the ability to exercise control over the other party or influence significantly the other party in making financial and operating decisions. In considering the transactions with each possible related party, the particular attention is paid to the essence of relationships, not merely their legal form.

Related parties may enter into transactions, which may not always be available to unrelated parties, and they may be subject to such conditions and such amounts that are impossible in transactions with unrelated parties.

The following companies and individuals are considered to be the Group's related parties as at 30 September 2012, 31 December 2011 and 30 September 2011:

### Individuals (shareholders)

Borys Bielikov  
Vitalii Veresenko

### Key management personnel

Natalia Malyovana  
Natalia Vlasniuk  
Vitalii Voron  
Yuriy Doroshev  
Yuriy Gusar  
Valentina Vovk  
Vitalii Sapozhnik

### Parties under the significant influence of the Beneficial Owners

Agrofirma Boryspilsky Hutir LLC  
Aleksa LTD LLC  
Anglo-Brit Management Limited\*  
Ovostar LTD LLC\*

*\* At the end of 2010 as a result of restructuring operations of the Group, Beneficial Owners withdrew from the shareholders of companies indicated above.*

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As at 30 September 2012, 31 December 2011 and 30 September 2011, trade accounts receivable from related parties, advances issued to related parties and trade and other accounts payable to related parties were presented as follows:

	As at 30 September 2012 (unaudited)	As at 31 December 2011 (audited)	As at 30 September 2011 (unaudited)
<b>Long-term loan issued to the Beneficial Owners</b>			
<i>Borys Bielikov</i>	1 342	1 324	1 434
	<b>1 342</b>	<b>1 324</b>	<b>1 434</b>
<b>Current loans issued to related parties</b>			
<i>Borys Bielikov</i>	-	-	17
<i>Key management personnel</i>	-	-	267
	<b>-</b>	<b>-</b>	<b>284</b>
<b>Prepayments to related parties</b>			
<i>Agrofirma Boryspilsky Hutir LLC</i>	7	6	9
<i>Aleksa LTD LLC</i>	195	142	162
	<b>202</b>	<b>148</b>	<b>171</b>
<b>Other accounts receivables from related parties</b>			
<i>Ovostar LTD LLC</i>	13	13	-
<i>Key management personnel</i>	-	-	1
	<b>13</b>	<b>13</b>	<b>1</b>
<b>Other payables to related parties</b>			
<i>Agrofirma Boryspilsky Hutir LLC</i>	(11)	-	(1)
<i>Anglo-Brit Management Limited</i>	-	(103)	-
<i>Borys Bielikov</i>	(4)	(2)	(4)
	<b>(15)</b>	<b>(105)</b>	<b>(5)</b>

For the 9 months ended 30 September 2012 and 2011 revenues and expenses from the related parties were presented as follows:

	For the 9 months ended 30 September 2012 (unaudited)	For the 9 months ended 30 September 2011 (unaudited)
<b>Administrative expenses</b>		
<i>Aleksa LTD LLC</i>	(5)	(5)
<i>Agrofirma Boryspilsky Hutir LLC</i>	(1)	(1)
	<b>(6)</b>	<b>(6)</b>
<b>Purchases from related parties</b>		
<i>Agrofirma Boryspilsky Hutir LLC</i>	-	5
	<b>-</b>	<b>5</b>

## **23. Commitments and contingencies**

### **Contingent liabilities**

**Operating environment.** The principal business activities of the Group are within Ukraine. Emerging markets such as Ukraine are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Ukraine and the Ukraine's economy in general. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes and the Group's assets and operations could be at risk if there are any adverse changes in the political and business environment.

**Taxation.** Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

In December 2010, the Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions take effect later (such as, Section III dealing with corporate income tax, came into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 and planned abandonment of VAT refunds for agricultural industry from 1 January 2018, as discussed in Note 12, the Tax Code also changes various other taxation rules.

As of the date these financial statements were authorized for issue, additional clarifications and guidance on application of the new tax rules were not published and certain revisions were proposed for consideration of the Ukrainian Parliament.

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

**Legal issues.** The Group is involved in litigations and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its financial position or operating results.

**Capital liabilities.** As at 30 September 2012 and 2011 the Group had no contract liabilities, (31 December 2011: USD 203 thousand).

**Liabilities for property, plant and equipment operating lease contracts.** As at 30 September 2012 the Group had Liabilities for property, plant and equipment equal to USD 511 thousand, while as at 31 December 2011 and 30 September 2011 the Group had no significant contractual liabilities.

## **24.Subsequent events**

There were no material events after the reporting period, which have a bearing on the understanding of the consolidated condensed Interim financial statements.