

Agroton Public Limited

**Report and consolidated financial statements
for the year ended 31 December 2010**

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BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS:

Iurii Zhuravlov (appointed as Chief Executive Officer on 6 May 2010)
Tamara Lapta (appointed as Deputy Chief Executive Officer on 6 May 2010)
Nikolay Rozdymaha (Executive Director appointed on 25 June 2010)
Alex Lissitsa (Non-Executive Director)
Borys Supikhanov (Non-Executive Director resigned on 2 February 2010, re-appointed on 30 March 2010)
Inter Jura CY (Directors) Limited (resigned on 30 March 2010)

AUDIT COMMITTEE :

Borys Supikhanov (appointed on 4 May 2010, Head of the Committee)
Alex Lissitsa (appointed on 4 May 2010)
Tamara Lapta (appointed on 4 May 2010, resigned on 19 August 2010)

REMUNERATION COMMITTEE :

Borys Supikhanov (appointed on 4 May 2010, Head of the Committee)
Alex Lissitsa (appointed on 4 May 2010)
Tamara Lapta (appointed on 4 May 2010, resigned on 19 August 2010)

COMPANY SECRETARY:

Inter Jura Cy (Services) Limited
1 Lampousas Street
CY-1095 Nicosia
Cyprus

REGISTERED OFFICE:

1 Lampousas Street
CY-1095 Nicosia
Cyprus

BOARD OF DIRECTORS AND OTHER OFFICERS (CONTINUED)

LEGAL ADVISORS:

Dr. K. Chrysostomides & Co LLC
1 Lampousas Street
CY-1095 Nicosia
Cyprus

TOV Beiten Burkhardt Ukraine
vul. Turhenevska 38
01054 Kyiv
Ukraine

White & Case, W. Daniłowicz, W. Jurcewicz i Wspólnicy - Kancelaria Prawna sp.k.
ul. Marszałkowska 142
Warszawa, 00-061
Poland

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

INDEPENDENT AUDITORS:

Baker Tilly Klitou
11 Bouboulinas Street
CY-1060 Nicosia
Cyprus

FINANCIAL ADVISOR:

Bank Zachodni BZWBK S.A.
ul. Rynek 9/11
50-950 Wrocław
Poland

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

We, the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of Agroton Public Limited for the year ended 31 December 2010, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the consolidated financial statements are true and complete.

Board of Directors members:

Iurii Zhuravlov	
Tamara Lapta	
Nikolai Rozdymaha	
Borys Supikhanov	
Alex Lissitsa	

Person responsible for the preparation of the consolidated financial statements for the year ended 31 December 2010:

Iurii Zhuravlov	
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31 March 2011

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited consolidated financial statements of Agroton Public Limited (the "Company") and its subsidiaries (the Group") for the year ended 31 December 2010.

Principal activities

The principal activities of the Group are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, pig-breeding, poultry farming), and milk processing.

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

The Group's financial position as at 31 December 2010 as presented in the consolidated balance sheet in the consolidated financial statements is considered satisfactory. The net asset position of the Group has been substantially increased in year 2010 following the issue of new share capital at a premium, which resulted to a capital injection of USD 54 390 thousands.

The Group's financial performance for the year ended 31 December 2010 as presented in the consolidated income statement of the consolidated financial statements is considered satisfactory. The Group recorded a profit of USD 15 495 thousands for the year ended 31 December 2010 compared to a profit of USD 4 479 thousands for the year ended 31 December 2009, primarily as a result of increased profitability and rises of domestic prices for sunflower and wheat.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group and the steps taken to manage these risks, are disclosed in Notes 3 and 4 of the consolidated financial statements.

Future developments of Group

The Company intends to use the net proceeds from the issue of share capital (refer to share capital section below) to finance the expansion of its grain growing operations, including acquisition of land lease rights, potential acquisition of land, acquisition of leased elevator storage facilities, expansion of elevator storage facilities, expansion of its livestock business, and perform selective acquisitions in the Ukrainian agricultural and livestock sectors.

Results and dividends

The results of the Group for the year ended 31 December 2010 are set out on page 10. The Board of Directors did not recommend the payment of dividends and the profit for the year is retained.

Share capital

On 28 April 2010 the Board of Directors of the Company resolved to proceed with the initial public offering of 5 670 000 new ordinary shares of the Company and the application for the admission of the entire issued share capital of the Company, including the Offer Shares, to trading on the regulated market of the Warsaw Stock Exchange. The members of the Company held an Extraordinary General Meeting on 25 June 2010 where they authorized and approved the increase of the issued share capital of the Company from EUR 336,000 to EUR 455,070 (divided into 21 670 000 shares of nominal value EUR 0.021), by the creation of 5 670 000 new shares of a nominal value of EUR 0.021 each ranking pari passu with the existing shares of a nominal value of EUR 0.021 each, in the share capital of the Company. In this respect the Company issued 5 670 000 ordinary shares of EUR 0.021 each at a premium of EUR 6.7805 each and received total gross proceeds of USD 54 390 thousands.

On 8 November 2010 the shares of the Company were admitted on the regulated market of the Warsaw Stock Exchange.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2010 and at the date of this report are presented on page 3. The Directors who were members of the Board of Directors throughout the year ended 31 December 2010 were Ms Tamara Lapta, Mr Alex Lissitsa, and Mr Iurii Zhuravlov. Mr Borys Supikhanov, who held office as at 1 January 2010, resigned from his position as Director of the Company on 2 February 2010 and was re-appointed on 30 March 2010. Mr Nikolay Rozdymaha was appointed as Director on 25 June 2010. Inter Jura Cy (Directors) Limited that was member of the Board of Directors from the date of incorporation, resigned on 30 March 2010. Mr Iurii Zhuravlov was appointed as Chief Executive Officer on 6 May 2010. Ms Tamara Lapta was appointed as Deputy Chief Executive Officer on 6 May 2010.

There have being no requirement in the Company's Articles of Association for the retirement of Directors by rotation, all Directors presently members of the Board continue in office.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

There were no significant changes in the remuneration of the Board of Directors.

The Company complies with the main provisions of the Corporate Governance Rules of the Warsaw Stock Exchange.

On 4 May 2010, the Company created the Audit Committee and Remuneration Committee.

The Audit Committee will assist the Company's Board of Directors in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing our annual financial statements, reviewing and monitoring the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of our internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual financial statements and the half yearly financial statements remains with the Board of Directors. The Audit Committee of the Company, comprising of Mr Borys Supikhanov and Mr Alex Lissitsa (both Non-Executive Directors) is chaired by Mr Borys Supikhanov.

The Remuneration Committee assists the Board of Directors in discharging its responsibilities in relation to remuneration, including making recommendations to the Board of Directors and/or the general meeting of the shareholders of the Company on our policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level. The Remuneration Committee of the Company, comprising of Mr Borys Supikhanov and Mr Alex Lissitsa (both Non-Executive Directors), is chaired by Mr Borys Supikhanov and sets and reviews the scale and structure of the Executive Directors' remuneration packages, including share options and the terms of their service contracts.

Events after the end of the reporting period

The events after the end of the reporting period, which have a bearing on the understanding of the consolidated financial statements are disclosed in Note 40 of the consolidated financial statements.

Branches

The Group did not operate through any branches during the year.

Independent Auditors

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

By Order of the Board of Directors

Iurii Zhuravlov
CEO
Nicosia,
31 March 2011



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Independent Auditor's Report To the Members of Agroton Public Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Agroton Public Limited (the "Company") and its subsidiaries (the "Group") on pages 10 to 64, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report To the Members of Agroton Public Limited (continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 6 to 7 is consistent with the consolidated financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Cyprus Companies Law, Cap. 113, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Baker Tilly Klitou

Baker Tilly Klitou
Nicosia, 31 March 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousand USD)

	Note	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Sales revenue	6	57 253	55 288
Gain from changes in fair value less cost to sell of biological assets and agricultural products, net	7	39 847	20 807
Cost of sales	8	<u>(56 504)</u>	<u>(56 223)</u>
Gross profit		40 596	19 872
Administrative expenses	9	(5 915)	(5 332)
Distribution expenses	10	(2 892)	(1 638)
Other (expenses)/income, net	11	(2 314)	3 737
Finance expenses, net	12	<u>(13 626)</u>	<u>(11 588)</u>
Profit before tax		15 849	5 051
Income tax expense	15	(113)	-
Profit for the year		15 736	5 051
Other comprehensive loss for the year:			
Effect from currency translation		(241)	(572)
Total comprehensive income for the year		<u>15 495</u>	<u>4 479</u>
Profit/(loss) attributable to:			
Owners of the parent		15 719	5 070
Non-controlling interest		17	(19)
		<u>15 736</u>	<u>5 051</u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		15 476	5 070
Non-controlling interest		19	(19)
		<u>15 495</u>	<u>5 051</u>
Earnings per share attributable to the equity holders of the Company during the year: (expressed in USD cents)			
Basic earnings per share	16 (a)	<u>93</u>	<u>35</u>
Diluted earnings per share	16 (b)	<u>93</u>	<u>35</u>

The Notes on pages 16-64 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

(in thousand USD)

	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	17	38 272	40 114
Intangible assets	18	29	10
Non-current biological assets	19	2 707	1 932
Non-current loans receivable	20	165	154
Other non-current assets	21	7 903	63
		49 076	42 273
Current assets			
Current biological assets	22	9 932	8 700
Inventories	23	62 667	30 968
Trade receivables	24, 26	7 826	7 482
Other receivables and prepayments	25, 26	1 169	1 515
Cash and cash equivalents	27	13 629	35 106
		95 223	83 771
Total assets		144 299	126 044
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	28	661	494
Share premium	28	88 532	38 474
Foreign currency translation reserve		(9 962)	(9 719)
Retained earnings		42 606	26 800
		121 837	56 049
Non-controlling interest		280	368
Total equity		122 117	56 417
Non-current liabilities			
Deferred income	29	-	125
Non-current bank loans	30	143	516
Non-current finance lease liabilities	31	2 657	5 744
		2 800	6 385
Current liabilities			
Current portion of non-current liabilities	32	2 262	3 664
Current bank loans, government loans and bonds	33	11 305	48 145
Trade payables	34	1 180	2 001
Other payables and accrued expenses	35	4 367	8 951
Other provisions	36	155	481
Current income tax liabilities		113	-
		19 382	63 242
Total liabilities		22 182	69 627
Total equity and liabilities		144 299	126 044

On 31 March 2011 the Board of Directors of Agroton Public Limited authorized these consolidated financial statements for issue.

Mr Iurii Zhuravlov
Director

Ms Tamara Lapta
Director

The Notes on pages 16-64 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousand USD)

	Share capital	Share premium (i)	Foreign currency translation reserve	Retained earnings (ii), (iii)	Total equity attributable to the owners of the parent company	Non-controlling interest	Total
Balance at 1 January 2009	156	-	(9 158)	24 998	15 996	236	16 232
Comprehensive income							
Profit for the year	-	-	-	5 070	5 070	(19)	5 051
Other comprehensive income							
Effect from currency translation	-	-	(561)	-	(561)	(11)	(572)
Total comprehensive income for the year	-	-	(561)	5 070	4 509	(30)	4 479
Transactions with Owners							
Acquisition of subsidiary	-	-	-	-	-	160	160
Share capital: effect of change in reporting entity	214	-	-	97	311	2	313
Issue of additional share capital (Note 28)	124	38 791	-	-	38 915	-	38 915
Expenses in relation to the increase of shares	-	(317)	-	-	(317)	-	(317)
Net asset distributions	-	-	-	(3 365)	(3 365)	-	(3 365)
Total transactions with Owners	338	38 474	-	(3 268)	35 544	162	35 706
Balance at 31 December 2009/1 January 2010	494	38 474	(9 719)	26 800	56 049	368	56 417
Comprehensive income							
Profit for the year	-	-	-	15 719	15 719	17	15 736
Other comprehensive income							
Effect from currency translation	-	-	(243)	-	(243)	2	(241)
Total comprehensive income for the year	-	-	(243)	15 719	15 476	19	15 495
Transactions with Owners							
Acquisition of non-controlling share (Note 38)	-	-	-	87	87	(107)	(20)
Issue of additional 5.670.000 shares of €0.021 (Note 28)	167	54 223	-	-	54 390	-	54 390
Expenses in relation to initial public offerings and issue of shares (Note 28)	-	(4 165)	-	-	(4 165)	-	(4 165)
Total transactions with Owners	167	50 058	-	87	50 312	(107)	50 205
Balance at 31 December 2010	661	88 532	(9 962)	42 606	121 837	280	122 117

The Notes on pages 16-64 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

(CONTINUED)

(in thousand USD)

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

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

(iii) In accordance with the Company's Articles of Association, par. 120, dividends can only be paid out of retained earnings.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousand USD)

	Note	For the year ended 31 December 2010	For the year ended 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		15 849	5 051
Adjustments for:			
Depreciation and amortization	14	5 625	4 588
Gain from changes in fair value less cost to sell of biological assets and agricultural products, net	7	(39 847)	(20 807)
Interest income	12	(1 126)	(23)
Interest expense	12	9 937	9 910
Amortisation of non-current accounts receivable	12	(24)	(26)
Impairment of trade and other receivables	11,26	530	106
Prepayments and other current assets written-off, net	11	457	93
Losses on disposal and write-off of non-current assets, net	11	300	332
Gain on write-off of trade payables	11	(97)	(151)
Gain on acquisitions of subsidiaries	38	-	(189)
Losses from foreign exchange differences, net	12	4 597	1 671
Impairment of inventories and harvest failure	11	2 072	500
Deferred income recognised during the year	11, 29	(126)	(419)
		(1 853)	636
Changes in working capital:			
Increase in trade receivables		(1 633)	(3 937)
Decrease in other receivables and prepayments		558	699
Decrease in inventories and biological assets		4 077	9 222
Decrease in trade payables		(830)	(2 038)
(Decrease)/ increase in other payables and accrued expenses		(1 127)	1 685
(Decrease)/ increase in other provisions		(979)	421
Cash generated from operations		(1 787)	6 688
Income tax paid		-	-
Net cash (used in) /from operating activities		(1 787)	6 688
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(3 593)	(437)
Proceeds from disposal of property, plant and equipment		6	11
Purchase of non-current biological assets		-	(317)
Purchase of intangible assets	18	(19)	-
Advance for land lease	21	(8 000)	-
Purchase of investments into subsidiary and acquisition of non-controlling share		(120)	(72)
Current and non-current loans issued to employees and related parties		(14)	(14)
Repayment of current and non-current loans to employees and related parties		24	37
Interests received	12	1 126	23
Net cash used in investing activities		(10 590)	(769)

The Notes on pages 16-64 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(CONTINUED)

(in thousand USD)

		For the year ended 31 December 2010	For the year ended 31 December 2009
CASH FLOWS FROM FINANCING ACTIVITIES:			
Movements in credit lines, net		(14 168)	(5 526)
Receipts from current and non-current loans and borrowings		13 277	11 558
Repayment of current and non-current loans and borrowings		(33 555)	(1 230)
Repayment of bonds	33	(2 168)	(4 211)
Borrowing costs paid		(10 225)	(6 886)
Repayment of financial lease liabilities (including interest)		(10 711)	(929)
Proceeds from issue of share capital	28	50 225	38 968
Net assets distributions		-	(3 365)
Net cash (used in)/ from financing activities		(7 325)	28 379
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(19 702)	34 298
Effect from foreign currency translation on cash and cash equivalents		(1 775)	(15)
Cash and cash equivalents at the beginning of the year		35 106	823
Cash and cash equivalents at the end of the year	27	13 629	35 106

The Notes on pages 16-64 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

1. GENERAL INFORMATION

Country of incorporation

The Company was incorporated in Cyprus on 21 September 2009 as a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company is also domiciled in Cyprus and its registered office is at 1 Lampousas Street, CY-1095 Nicosia, Cyprus. On 8 November 2010 the shares of the Company were admitted on the regulated market of the Warsaw Stock Exchange.

Principal activities

The principal activities of the Group are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, pig-breeding, poultry farming) and milk processing.

Group structure

The Group structure as at 31 December 2010 was as follows:

Name of company	Country of incorporation	Principal activity	Effective ownership ratio	
			As at 31 December 2010	2009
Agroton Public Limited	Cyprus	Holding company	parent company	parent company
"Living" LLC	Ukraine	Holding investments	99,99%	99,99%
PE Agricultural Production Firm "Agro"	Ukraine	Agricultural activity	99,99%	99,99%
"Agroton" PJSC	Ukraine	Agricultural activity	99,99%	99,99%
OJSC "Belokurakinskiy Elevator"	Ukraine	Agricultural activity	84,68%	84,68%
OJSC "Breeding Poultry Farm "Mirnyi"(ii)	Ukraine	Agricultural activity	78,46%	78,46%
"Agro Meta" LLC	Ukraine	Agricultural activity	99,99%	99,99%
"Rosinka-Star" LLC	Ukraine	Agricultural activity	99,99%	99,99%
"Etalon-Agro" LLC	Ukraine	Agricultural activity	99,99%	99,99%
ALLC "Noviy Shlyah"	Ukraine	Agricultural activity	99,99%	99,99%
AF named by Shevchenko	Ukraine	Agricultural activity	99,99%	99,99%
ALLC "Shiykivske"	Ukraine	Agricultural activity	94,58%	80,99%
"Ago-Maslosyrorobnyi zavod" LLC (i)	Ukraine	Milk processing	99,99%	-
"Agro-Chornukhinski Kurchata" LLC (i)	Ukraine	Poultry farming	99,99%	-
"Agro-Svinprom" LLC (i)	Ukraine	Pig-breeding	99,99%	-
"Aydar-Mlyn" SC (i)	Ukraine	Grain processing	99,99%	-
"Makaronna fabryka" SC (i)	Ukraine	Grain processing	99,99%	-
"Mlyn-Yevsug" SC (i)	Ukraine	Grain processing	99,99%	-
"Khlibzavod" SC (i)	Ukraine	Grain processing	99,99%	-

(i) At the end of December 2010 a part of assets of poultry farming, pig-breeding, milk processing and grain processing were carved out from PE APF "Agro" and "Agroton" PJSC to seven newly established companies of the Group. The assets and liabilities of the Group are the same immediately before and after the reorganization. Also, the owners of the parent have the same absolute and relative interests in the net assets of the Group immediately before and after the reorganization.

(ii) OJSC "Breeding Poultry Farm "Mirnyi" is in a process of liquidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

These consolidated financial statements have also been prepared under the historical cost convention, except for biological assets and agricultural products at initial recognition, which were stated at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described in Note 4.

2.2 Adoption of new and revised IFRSs

During the current year the Group adopted all the new and revised IFRSs that are relevant to its operations and are effective for accounting periods beginning on 1 January 2010. This adoption did not have a material effect on the accounting policies of the Group.

At the date of authorization of these consolidated financial statements, the following Accounting Standards and Interpretations, as well as amendments to the Standards, were in issue but not yet effective:

(i) Adopted by the European Union

New standards

- IAS 24 (Revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).

Amendments

- Amendments to IAS 32 "Financial Instruments: Presentation: Classifications of Rights Issues" (effective for annual periods beginning on or after 1 February 2010).
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters" (effective for annual periods beginning on or after 1 July 2010).
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011).
- Annual Improvements 2010 (effective for annual periods beginning on or after 1 July 2010 and 1 January 2011).

New IFRICs

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).

(ii) Not adopted by the European Union

New standards

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2011).

Some of the amendments will likely affect the Group's financial position and results of operations. As of the adoption date of the consolidated financial statements, the Group has not yet completed the analysis of the expected impact of applying those amendments on its financial position and results of operations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.3 Consolidation****(a) Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (purchase method of accounting), unless they were ultimately controlled by the same party both and after the transfer of control to the Group and the control is not transitory, in which case they are accounted using merger accounting policies (otherwise known as "predecessor accounting").

Under the purchase method of accounting the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

The principles of predecessor accounting are:

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

Under both above methods of consolidation inter-company transactions, balances and unrealized gains and losses on transactions between the Group's companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are deconsolidated from the date that control ceases.

(b) Transactions with non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. Disposals to non-controlling interests result in differences for the Group that are recorded in the consolidated statement of changes in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary, is recorded in equity.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). For all the subsidiaries of the Company, which are operating in Ukraine, the Ukrainian Hryvna ("UAH") is the functional currency.

The consolidated financial statements are presented in United States Dollars ("USD") which is the Company's functional and the Group's presentation currency. The Management has utilized USD as the presentation currency for the Group's consolidated financial statement as USD is the major reference currency in Ukraine with respect to sources of finance, prices of sales contracts with customers, prices of significant contracts for purchases of goods and services from suppliers and also more recognizable at the foreign capital markets.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the statement of comprehensive income within "Finance expenses, net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised as a separate component of equity, within Other comprehensive income.

The principal UAH exchange rates used in the preparation of the consolidated financial statements are as follows:

Currency	31 December 2010	Average exchange rate for the year ended 31 December 2010	31 December 2009	Average exchange rate for the year ended 31 December 2009	31 December 2008
UAH/USD	7,962	7,935	7,985	7,790	7,700
UAH/EUR	10,573	-	11,532	-	-
EUR/USD	1,334	1,327	-	-	-

Foreign currency can be freely converted within Ukraine at a rate close to the rate of the National Bank of Ukraine. At present, the UAH is not a freely convertible currency outside Ukraine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Revenue recognition

The revenue from sales of goods is recognized when it is probable that future economic benefits will flow to the Group and the amount of revenue can be reliably measured. For the revenue recognition the following specific criteria must be obeyed:

(i) the revenue from sales of goods is recognized after: the Group has transferred to the customer considerable risks and rewards, concerned with products possession; the Group does not participate in products control, in extent, which usually associates possession right, and does not control sold products; amount of revenue can be reliably measured; economic benefits related to the transaction are possible; and incurred or expected cost relating to the transaction, can be reliably measured.

(ii) the revenue from rendering of services is recognized after: the amount of revenue can be reliably measured; economic benefits related to the transaction are probable; reliable measuring of stage of transaction completeness at the balance sheet is available; and there is a reliable measuring of cost, applied for transaction carrying out and cost, which are required for its completing.

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

2.7 Expenses recognition

Expenses are recognized by the Group when the following conditions are met: the amount of expenses can be reliably measured.

Expenses are recognized in the same reporting period, in which revenue are recognized, for receiving of which these expenses were incurred, or when it becomes obvious that these expenses will not lead to any gain receiving, irrespective of time of actual cash payment or other form of their payment, when economic benefits from their use decreased or were completely consumed.

Expenses which can not be connected directly with gain of a certain period, are shown as a part of expenses of the period they were incurred in.

If an asset provides economic benefits receiving during several reporting periods, expenses are calculated by allocating its value on a systematic basis over respective reporting periods.

Deferred expenses writing-off is made on a straight-line basis within periods, which they accordingly relate to, during which economic benefits receiving is expected.

Expenses which were incurred in the reporting period but relate to land preparation for sowings of future reporting periods, are accounted for in the balance sheet in the item "Work-in-progress", which, in its turn, forms a part of the item "Inventories" of consolidated financial statements.

2.8 Government grants

Government grants are represented by government aid in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group.

Government grants are not recognized until there is a reasonable confidence in the compliance with conditions related to grant and that grant will be received.

Government grants are recognized as revenue of the periods of corresponding costs which they are supposed to compensate on a systematic basis.

Government grants relating to income are presented in the consolidated statement of comprehensive income within the item "Other (expenses) / income, net".

Grants related to assets are government grants which the main condition of granting them is for the Group to buy, build or purchase non-current assets. It may be accompanied by additional conditions that restrict the type of assets, their location or terms of acquisition or possession.

Government grants related to assets are recorded in the consolidated statement of financial position as accrued income, which are recognized as income on a systematic and rational basis over the useful life of asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Government grants (continued)

In compliance with Ukrainian laws the Group is entitled to receive the following types of government grants:

- Grant for grown and sold cattle
- Grant for grown and sold pigs
- Grant for grown and sold poultry
- Compensations for interest rates for agricultural manufacturers
- Compensations for mineral fertilizers
- Compensations for sowing of winter /spring crops, value of elite seeds
- Compensations for post-effect of drought/losses in sowing
- Compensations for insurance premiums
- Compensations for creation of new jobsites

In connection with frequent changes in Ukrainian laws the list of grants, to which the Group's entities are entitled, is subject to change.

2.9 Net financial expenses

Interest expense and other costs on borrowings to finance construction or production of qualifying assets are capitalized, during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are expensed. Net financial expenses are recorded in the consolidated statement of comprehensive income as a separate line item "Finance expenses, net."

2.10 Value added tax

VAT is 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. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received. Within the reporting period preferential VAT taxation scheme was spread among the Group's entities in respect of transactions on production and sales of agricultural products, operations on processing of milk and meat.

The Group's companies are subject to special tax treatment for VAT. The Group's enterprises, which are agricultural producers and agricultural enterprises, use the benefit for VAT payment by agricultural operations. Under this treatment, VAT amounts payable are not transferred into the budget by the entities, but credited to the entity's separate special account to support the agriculture; the amount of tax credit is used as a reduction in tax liabilities of the next period.

2.11 Tax

The majority of Group's entities are registered as tax payers of fixed agricultural tax and therefore are not payers of corporate income tax. The parent company Agroton Public Limited is registered as tax payer of corporate income tax.

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Tax (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

2.12 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

2.13 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Historic cost includes expenditure that is directly attributable to this acquisition of the items.

Construction in progress includes costs directly attributable to the construction of property, plant and equipment, as well as relevant variables and fixed overhead costs associated with construction. Depreciation of assets begins when they are ready for operation.

Subsequent costs are included in the assets carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the statement of comprehensive income.

Depreciation of asset begins when it becomes available for use, i.e. when location and condition of asset provide its use in accordance with the intentions of the management. Depreciation of asset terminates with the termination of its recognition. Depreciation does not terminate when standing idle of asset arises or it is removed from active use and is intended for disposal, unless it is already fully depreciated.

Depreciation of property, plant and equipment is calculated using the straight-line method for each individual useful life. Useful lives of assets are reviewed and adjusted as appropriate at each reporting date. Terms of useful lives by groups of property, plant and equipment are listed below:

Buildings	10-75 years
Equipment	2-30 years
Vehicles	2-15 years
Computers and office equipment	1-10 years
Instruments, tools and other equipment	1-10 years
Construction in progress	no depreciation

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (expenses)/income, net" in the statement of comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Intangible assets

Intangible assets are accounted at historical cost less accumulated amortization and accumulated impairment losses. The Group assesses whether the useful life of an intangible asset is definite or indefinite. Amortization of intangible asset with definite useful life is calculated using the straight-line method based on the useful life for each asset. Terms of useful lives by groups of intangible assets are listed below:

Rights to use software programs	4-5 years
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At every balance sheet date the Group tests intangible assets for possible impairment.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is not amortized but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that it may be impaired. At the acquisition date, any goodwill is allocated to each of the cash-generating units (groups of cash-generating units), expected to benefit from business combination. The Group allocates goodwill to each company which has been acquired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (groups of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (groups of cash-generating units) is less than the book value, an impairment loss is recognized.

2.15 Biological assets

A biological asset is a living animal or a plant which in the process of biological transformation may lead to agricultural production or to the creation of additional biological assets, as well as other economic benefits.

The Group identifies the following types of biological assets:

- a) current (with useful life less than 1 year), including:
 - (i) sowing of crops (sowing of winter crops, spring crops and industrial crops);
 - (ii) animals in growing and fattening (cattle, pigs, poultry, etc.);
- b) non-current (useful life over 1 year):
 - (iii) working and productive cattle (cattle, pigs, etc.)

When at the moment of initial recognition of the biological assets information on market prices is not available, and alternative estimates of its fair value are not reliable, biological assets are valued at cost less accumulated depreciation and impairment losses. Once the fair value of biological assets can be measured reliably, it is revalued at fair value less expected cost of sales.

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell.

If there is an active market for a biological asset or agricultural products, the quoted price in the active market is the appropriate basis for determining the fair value of that asset.

The Group considers the most relevant market where the quoted prices are the highest comparatively to other prices.

If an active market does not exist, one or several of the following indicators are used to determine the fair value of biological assets:

- (i) the most recent transaction price, provided that in the period between the date of the transaction and reporting date there were no material changes in economic circumstances;
- (ii) market prices for similar assets;
- (iii) sector benchmarks.

The Group adopts (i) above in the case of evaluating of fair value of the non-current and current biological assets. Especially for livestock.

In case when there are no market prices or other values relating to biological assets, in order to determine the fair value, the use of the discounted value of net cash flows expected from the asset, herein the discount rate is applied, calculated on the basis of the current market conditions for cash flow before taxes, can be applied.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Biological assets (continued)

The Group can not apply this approach to crops under cultivation as at the financial year end, as the cultivation/production cycle is at its initial stage, and hence adopts the cost approach as described below:

(i) the fair value of winter crop is based on cost of these assets as at the balance sheet date including unimportant biological transformation beginning from the date of charging expenses.

(ii) Due to the lack of observable market prices for biological assets of crops under cultivation in their condition at the mid-year reporting dates, the fair value of such biological assets is estimated by present valuing the net cash flows expected to be generated from the assets discounted at a current market-determined pre-tax rate 22%. Such fair values of biological assets are based on the following key assumptions:

- a) expected crop yield is based on the past crop yield adjusted on weather conditions;
- b) prices for grains are obtained from external verifiable sources;
- c) cultivation and production costs are projected based on actual historical information;
- d) the discount rate calculated as average interest rate of loans in foreign currency.

A gain or loss arising from the initial recognition of a biological asset measured at fair value less costs to sell, and from a change in the fair value is reflected in the item "Income from changes in value of biological assets and agricultural production, net" of consolidated statement of comprehensive income.

2.16 Inventories

The Group identifies the following types of inventories:

- raw and other materials (including main and auxiliary operating supply and materials; materials for agricultural purposes);
- work in progress (including semi-finished goods);
- agricultural products;
- finished goods;
- other inventories (including fuel, packaging, building materials, spare parts, other materials, goods of little value and high wear goods).

The item "Work in progress" includes among others the costs incurred during the reporting period, but relating to the preparation of crop areas under sowing for future reporting periods.

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. The writing-off of inventories is reflected on a First In First Out (FIFO) basis. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

At each reporting date the Group analyses inventories to determine whether they are damaged, obsolete or slow-moving or whether their net realizable value has declined. If such situation occurred, the sum lessening the cost of inventories is reflected within "Other (expenses)/income, net".

2.17 Advances issued and other accounts receivable which are not financial assets

Advances issued are recorded at nominal value less value added tax and any accumulated impairment losses, other current assets are recorded at nominal cost less accumulated impairment losses.

Impairment of advances issued is recognized if there is objective evidence that repayment of the full amount of the debt does not occur within the contract terms, including the incoming information about substantial financial difficulties of the debtor, the possibility of recognition a debtor as a bankrupt, or probability of debtor's reorganization, in case of refusal from delivery, etc. Impairment of advances issued and other non-financial current assets is reflected according to order described in subparagraph "Impairment of Assets" of Note 2.18.

Advances issued under the contracts for the purchase of property, plant and equipment are recorded in section "Other non-current assets" of consolidated statement of financial position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.18 Impairment of non-current assets**

In relation to all assets, except for inventories, financial assets held for trading, as well as biological assets at fair value, the Group conducts the following procedures ensuring accounting for these assets at the amount, not exceeding their recoverable amount:

- at each balance sheet date the condition of these assets is tested for impairment.
- in case any impairment indicators exist, the amount of expected recovery of such asset is calculated to determine the amount of losses from impairment, if any. If it is impossible to determine the amount of losses from impairment of a separate asset, the Group determines the amount of estimated impairment of the cash-generating unit, to which the asset belongs.

The amount of expected recovery is higher of two estimates: net selling price and value in use of asset. In estimating value in use of asset, estimated future cash flows are discounted to their current value using a pre-tax discount rate that reflects current market estimates of time value of money and risks related to the asset.

If according to estimates the amount of expected recovery of assets (or a cash-generating unit) is less than its book value, the book value of asset (or a cash-generating unit) is reduced to the amount of expected recovery. Losses from impairment are recognized as expenses directly in the statement of comprehensive income.

2.19 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected within one year (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.20 Taxes for reimbursement and prepayments for taxes

In case the Group has a right for compensation of the amount of tax by the transfer of cash to the current account and is planning to use this right, such amount of tax is evaluated according to the rules provided for the relevant financial assets (i.e., is initially recognized at fair value and subsequently recorded at amortized cost, obtained by applying the effective interest rate method, less appropriate doubtful debt provision).

All other taxes for reimbursement and prepayments for taxes are measured according to the rules provided for other accounts receivable, which do not apply to financial assets.

2.21 Cash and cash equivalents

Cash and cash equivalents include cash at bank, cash in hand, deposits held at call with financial institutions and overdrafts. In the consolidated balance sheet overdrafts are shown within "Current loans", as they occur.

2.22 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and the nominal value of the share capital being issued is taken to the share premium account. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.23 Leases

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

Group as a lessee

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

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

(ii) Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases.

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

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits 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.

2.24 Provisions

Provisions are recognized in the consolidated financial statements of the Group in case it has a present or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. If such influence is significant, provisions are determined by discounting the expected cash flows at the rate before tax that reflects the time value of money taking into account current market conditions and, if applicable, the risks inherent to this obligation.

The Group recognizes provisions only when:

- there is a current liability resulting from past events;
- there is a probability, that outflow of resources embodying economic benefits may be required for liabilities settlement;
- reliable measurement of liability amount is probable.

2.25 Contingent liabilities and assets

The Group accounts for contingent liabilities using the following classification:

- Contingent liabilities on contracts of sale / rendering of services;
- Contingent liabilities on contracts of purchase;
- Contingent liabilities on court claims;
- Contingent liabilities on operating lease;
- Other contingent liabilities;
- Amount of guarantees made/received.

Contingent liabilities are not recognized in consolidated financial statements. The Group discloses information on the contingent liabilities in the Notes to the financial statements, with the exception of cases, when fulfilment of a contingent liability is unlikely due to remoteness of the event.

The Group performs continuous analysis of the contingent liabilities to define the probability of repayment of the contingent liabilities. If the repayment of a liability, which has been previously classified as a contingent one, becomes possible, then the Company, in its financial reporting, shall record a provision for the period, in which the repayment of such liability has become possible.

Contingent assets are not recognized in consolidated financial statements, but disclosed in the Notes in case, when the amount of future economic benefits can be measured with sufficient reliability.

2.26 Financial instruments

(a) Financial assets

The Group classifies its financial assets in the category of loans and receivables. The classification depends on purposes for which these assets were acquired. Management takes decision concerning the classification of its financial assets at initial recognition and reviews such classification for reliability at each reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.26 Financial instruments (continued)*****Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed payments or payments that are to be determined, and which are not listed in the active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables comprise trade and other receivables, and cash and cash equivalents in the statement of financial position.

Loans issued by the Group are financial assets resulted from delivering cash to the borrower. Loans issued are accounted for at amortised cost less losses from diminishing utility.

Accounts receivables are recognised net of costs of realisation.

Loans and accounts receivable are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest method. Premium and discount, including initial transaction costs, are included to the carrying amount of the corresponding instrument and amortised using the effective interest method.

Impairment of financial assets

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

De-recognition

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

(b) Financial liabilities***Loans and borrowings***

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

Initial recognition

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

Subsequent measurement

After initial recognition all financial liabilities accounted for at fair value through profit or loss are measured at fair value except for any instruments which have no fixed prices on active market, and which fair value can not be measured reliably; such instruments are measured at cost plus transaction costs.

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

De-recognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Financial instruments (continued)

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.27 Related parties

For the purposes of these consolidated financial statements according to IFRS, the companies are considered to be related ones if one of the parties has any possibility to control or considerably influence the operational and financial decisions of other company, which is defined in IAS 24 "Related Party Disclosures".

While considering any relation which can be defined as related party transactions it is necessary to take into consideration the substance of the operation not only their legal form.

The Group divides the related parties according to existing criteria into the following categories:

- a) Companies in which Group's companies have an interest in equity;
- b) Companies in which key management personnel has an interest in equity;
- c) Forms a part of key management personnel of the entity or its parent;
- d) Companies and individuals having an interest in equity of Group's companies.

2.28 Changes in accounting policies and estimates

Earlier in year 2009 the Group accounted compensation for unused vocations as current provision. In year 2010 the Group revised its accounting policy and decided to reflect these compensations as current payroll liabilities. The Group applied this changes retrospectively for the year ended 31 December 2009.

2.29 Comparative information

Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

3. FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk, liquidity risk, market risk (including currency risk and interest rate risk) and capital risk management arising from the financial instruments it holds. This explanation contains information relating to the Group's exposure to each of the risk types mentioned above, Group's objectives, its policy and procedures of these risks measurement and management.

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

- information on financial income and expenses is disclosed in Note 12 (all financial income and expenses are recognized as a part of income (expenses) for the period);
- information on cash is disclosed in Note 27;
- information on trade and other accounts receivable is disclosed in Notes 24, 25, 26;
- information on non-current loans receivable is disclosed in Note 20;
- information on trade and other payables is disclosed in Notes 34, 35, 36;
- information on significant terms of borrowings is disclosed in Notes 30 and 33;
- information on timing and terms of effective contracts for finance lease is disclosed in Note 31.

3.1 Credit risk

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

Exposure to credit risk

Book value of financial assets is a maximum value exposed to credit risk. Maximum level of credit risk as at 31 December 2010 was:

		Book value	
	Note	<u>31 December 2010</u>	<u>31 December 2009</u>
Non-current loans granted to related parties	20	156	137
Non-current loans granted to employees (including current portion)	20	17	24
Trade receivables, net	24,26	7 826	7 482
Current loans given to employees	25	1	4
Other accounts receivable and other current assets (excluding assets which are not financial ones)	25	13	35
Cash and cash equivalents	27	13 629	35 106
Total		<u>21 642</u>	<u>42 788</u>

Cash balances are held with high credit quality financial institutions and the Group's management has policies to limit the amount of credit exposure to any financial institution.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's credit risk is mainly related to trade accounts receivable of the clients (buyers of products) of the Group's entities. The Group's exposure to credit risk is primarily dependent on specific particularities of each client. Demographic measure of the Group's client base, including non-payment risk, that is inherent to the market or region in which clients carry out their activity, has less influence on the credit risk level of the Group.

The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment.

The Group's credit risk exposure is monitored and analysed on a case-by-case basis, and the Group's management believes that credit risk is appropriately reflected in impairment, which directly reduces the carrying amount of the accounts receivable.

The majority of Group's clients are standing clients. The Group does not require any provisions relating to trade accounts receivable.

Concentration of credit risk on trade accounts receivable is characterized by the following indicators:

- as at 31 December 2010 USD 4834 thousand or 56% from the total amount of trade accounts receivable is accounted for the share of the most significant debtor;
- as at 31 December 2009 USD 4 138 thousand or 53% from the total amount of trade accounts receivable is accounted for the share of the most significant debtor.
- in 2010 no more than 30% from the Group's revenue was related to the sales transactions which were carried out with one of the clients. Settlements with the above mentioned client in 2010 were carried out on terms of a partial prepayment.
- in 2009 no more than 33% from the Group's revenue was related to the sales transactions which were carried out with one of the clients.

3.2 Liquidity risk

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

The aim of the Group is the maintenance of balance between continuous financing and flexibility in usage of bank loans and settlements with suppliers. The majority of the Group's expenses are variable and depend on level of sold finished goods. This therefore results in most expenses directly generating revenue to settle the Group's liabilities in the ordinary course of business.

As at 31 December 2010 current assets of the Group exceeded its current liabilities by USD 75 841 thousand. As at 31 December 2009 the current assets of the Group exceeded its current liabilities by USD 20 529 thousand.

The following tables provide an analysis of monetary liabilities grouped on the basis of the remaining period from 31 December 2010 to the contractual maturity date.

	On demand	Less than 3 months	3-6 months	6 months to 1 year	More than 1 year	Total
Non-current bank loans	-	-	-	-	143	143
Current portion of non-current bank loans	-	45	45	89	-	179
Finance lease liabilities (including financial costs of future periods)		763	729	1 389	3 042	5 923
Current borrowings	378	1 080	9 755	92	-	11 305
Trade payables	202	693	111	174	-	1 180
Other payables and accrued expenses (excluding prepayments and other non-financial liabilities)	352	3 450	-	455	-	4 257
	932	6 031	10 640	2 199	3 185	22 987

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Liquidity risk (continued)

The following tables provide an analysis of monetary liabilities grouped on the basis of the remaining period from 31 December 2009 to the contractual maturity date.

	On demand	Less than 3 months	3-6 months	6 months to 1 year	More than 1 year	Total
Non-current bank loans	-	-	-	-	516	516
Current portion of non-current bank loans	-	45	109	154	-	308
Finance lease liabilities (including financial costs of future periods)	1 000	1 192	1 160	2 239	5 910	11 501
Current borrowings	-	664	13 175	34 306	-	48 145
Trade payables	909	1 061	-	-	31	2 001
Other payables and accrued expenses (excluding prepayments and other non-financial liabilities)	1 057	6 358	803	48	-	8 266
	2 966	9 320	15 247	36 747	6 457	70 737

According to the Group's plans, its working capital requirements are met both at the expense of cash inflow from operating activities and credit funds, when additions from operating activities are insufficient for the timely repayment of liabilities.

3.3 Market risk

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

The objective of market risk management provides control over the Group's exposure to market risk, as well as keeping its level within reasonable limits.

Description of the Group's exposure to such market components as currency risk and interest risk, is given below.

3.3.1 Currency risk

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

Ukrainian entities of the Group are exposed to currency risk as a result of borrowings denominated in currencies which differ from functional currency, and namely, in USD and Euro. Currency risk relating to purchases is less significant, since the main portion of purchases in currencies different from functional currency is made on terms of partial or full prepayment.

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

The Company is exposed to currency risk in connection with potential changes in value of cash in bank denominated in currency which differ from its functional currency, namely, the USD. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.1 Currency risk (continued)

Exposure to currency risk

The Group's exposure to currency risk as at 31 December 2010 based on book values was as follows:

(in translation to USD thousand)	31 December 2010	
	USD	Euro
For Ukrainian entities (functional currency - UAH):		
Financial lease liabilities	(4 726)	-
Trade and other accounts payable	-	(13)
Total book value exposed to currency risk	(4 726)	(13)
Net exposure to currency risk	(4 726)	(13)
	Euro	
For the Company (functional currency - USD):		
Cash in bank (EUR)	7 716	
Total book value exposed to currency risk	7 716	
Net exposure to currency risk	7 716	
	31 December 2009	
(in translation to USD thousand)	USD	Euro
Cash in bank	34 982	16
Financial lease liabilities	(1 347)	-
Bank and other loans	(20 361)	-
Trade and other accounts payable	(939)	(21 688)
Total book value exposed to currency risk	12 335	(21 672)
Net exposure to currency risk	12 335	(21 672)

Sensitivity analysis (currency risk)

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

Strengthening of UAH and EUR rate against currencies mentioned below would have influence on the above mentioned indicators, which is equal in magnitude but opposite in sign to, based on the assumption that all other variables remain unchanged.

Effect in USD thousand:	Increase in currency rate against UAH	Effect on income before tax
31 December 2010		
For Ukrainian entities (functional currency - UAH):		
USD	15%	(709)
Euro	10%	(1)
For the Company (functional currency - USD):	Increase in currency rate against EUR	Effect on income before tax
Euro	10%	772

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.1 Currency risk (continued)

Effect in USD thousand: 31 December 2009	Increase in currency rate against UAH	Effect on income before tax
USD	15%	1 850
Euro	10%	(2 167)

3.3.2 Interest rate risk

Interest rate risk is connected with a possibility of changes in value of financial instruments resulting from changes in interest rates. At present, the Group's approach to limitation of interest rate risk consists in borrowings at fixed interest rates.

Structure of interest rate risk

As at 31 December 2010 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was as follows:

Instruments with fixed interest rate

	<u>31 December 2010</u>	<u>31 December 2009</u>
Financial assets	173	161
Financial liabilities	(16 367)	(53 660)
	<u>(16 194)</u>	<u>(53 499)</u>

Such financial instruments as cash, current accounts receivable and payable, interest-free current loans are not included in the table given below, since possible effect of changes in interest rate risk (discount rates) under these financial instruments is not material.

3.3.3 Financial markets volatility

The situation of reduced liquidity may have a negative impact on Group's creditors, which, in its turn, will influence their solvency. Deteriorating conditions on construction market may affect the forecasts of cash flows made by management, as well as possible impairment of financial and other assets of the Group. In terms of all currently available information, management has used the most reliable assumptions to assess the financial risks. It is quite difficult to estimate with sufficient reliability the influence on the financial position of the Group resulting from further possible deterioration in liquidity and stability on financial markets.

3.4 RISKS RELATED TO THE GROUP'S OPERATING ENVIRONMENT IN UKRAINE

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

Conditions for the Ukrainian economy have been extremely unstable during the course of 2009 and 2010 and this instability has continued into the first quarter of 2011. Despite signs of stabilisation, major concerns remain over the performance of the Ukrainian economy at a macro level. The economy has remained very energy intensive and is still insufficiently diversified, with exports remaining centred on metallurgical products. Consequently, the economy remains vulnerable to fluctuations in steel prices and to shocks resulting from Russia's control over the supply of gas. In terms of business environment, high taxes, legal uncertainties and bureaucratic impediments have conspired to create a difficult business environment in which to operate. In addition, the lack of an enduring political consensus on reforms has created uncertainty over the modernisation of the economy.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)**3.5 FINANCIAL RISK MANAGEMENT STRATEGIES RELATING TO AGRICULTURAL ACTIVITY**

Crop production sales to external customers, the principal business segment of the Group, accounted for 61.7 % of revenue from sales to external customers for the year ended 31 December 2010 (2009: 56,6%). The Group's ability to produce agricultural commodities in a timely manner and in sufficient quantities may be affected by adverse or unexpected growing conditions and deviations from the typical weather patterns, including among others, drought, flood, unexpected or heavy frost and hurricanes, and major climate-related disasters in the areas of Ukraine where the Group sources or grows its agricultural commodities. Climate directly impacts crop yield and its cost of harvesting. The availability and price of agricultural commodities can also be affected by factors such as crop disease, which can result in crop failures and reduced yields from harvests. Diminished supply of agricultural commodities due to weather-related factors or crop disease could adversely affect the Group's profitability by increasing the cost of raw materials and limit its ability to procure, transport, store, process, and sell agricultural commodities in an efficient manner, which could materially and adversely affect the Group's business, results of operations and financial condition.

However, unlike many of its competitors in the region, the Group maintains its own processing and storage facilities. As at 31 December 2010, the Group controlled total elevator storage capacity of 235,000 tonnes, which enabled it to store all of its current crop production and thereby achieve better pricing terms.

Crop prices fluctuate with weather conditions, and tend to be at their lowest during the harvest when farms without access to storage facilities must sell all their crops, producing a surplus on the domestic market. The Group enjoys premium on grain sales due to self-efficiency in its storage capacity which enables the Group to store some of its products and sell them later at high season prices compared to the prices during or immediately after the harvest.

All of the Group's elevator storage facilities lie in close proximity to its land plots and have direct access to railway networks. In addition, vertical integration reduces the Group's dependence on suppliers, ensuring the availability of good quality raw materials such as feed for its livestock operations. Vertical integration also reduces the Group's exposure to increases in raw material prices because the Group produces crops that are used as inputs by its livestock and food segments. Management believes that vertical integration also creates synergies in a number of other areas, reducing per unit costs. In addition to cost efficiency, vertical integration also allows the Group to control the quality of its inputs and the resulting quality and consistency of its products through to the point of sale.

3.6 CAPITAL MANAGEMENT

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

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

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

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

This indicator measures net debt as a share in total amount of capital of the Group, i.e. it correlates the debt with total amount of capital and shows whether the Group is able to pay the amount of outstanding debts. The increase in this ratio testifies to increase in borrowing costs in the total amount of the Group's capital. Monitoring this indicator is necessary to keep the optimal correlation between own funds and borrowing costs of the Group in order to avoid problems resulting from debt which is too heavy, and not because of operating or strategic difficulties.

For the ratio of net debt to EBITDA, the calculation of net debt is carried out in the same way as for financial leverage ratio. EBITDA is an indicator of income without taxes, accrued interest depreciation and amortization. It is useful for the Group's financial analysis, since the Group's activity is connected with non-current investments, the effectiveness of which is referred for the future. EBITDA indicator does not account for depreciation, according to the Group's opinion, it reflects the Group's income in a more reliable way.

The indicator of correlation between net debt and EBITDA gives understanding whether income obtained from principal activity without depreciation and amortization is enough to cover the Group's liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.6 CAPITAL MANAGEMENT (CONTINUED)

(a) Financial leverage ratio

As at 31 December 2010 the Group's financial leverage ratio made up 2,2% and 28,9% respectively:

	Book value	
	31 December 2010	31 December 2009
Current loans (Note 33)	11 305	48 145
Non-current loans (Note 30)	143	516
Non-current liabilities for finance lease (Note 31)	2 657	5 744
Current portion of non-current liabilities (Note 32)	2 262	3 664
Total amount of borrowing costs	16 367	58 069
Cash and cash equivalents (Note 27)	(13 629)	(35 106)
Net debt	2 738	22 963
Share capital (Note 28)	661	494
Share premium (Note 28)	88 532	38 474
Retained earnings	42 606	26 800
Effect from foreign currency translation	(9 962)	(9 719)
Share of the non-controlling owners	280	368
Total equity	122 117	56 417
Total amount of own capital and net debt	124 855	79 380
Financial leverage ratio	2,2%	28,9%

The decrease in the financial leverage ratio resulted primarily from the issue of share capital and the repayment of borrowings.

(b) Net debt to EBITDA

For the years ended 31 December 2010 and 2009, ratio of net debt to EBITDA constituted 0,1 at EBITDA USD 35 100 thousand and 1,1 at EBITDA USD 21 217 thousand respectively:

	31 December 2010	31 December 2009
Profit for the year	15 736	5 051
Income tax expense (Note 15)	113	-
Finance expenses, net (Note 12)	13 626	11 588
EBIT (earnings before financial income (expenses), net and income tax)	29 475	16 639
Depreciation and amortization (Note 14)	5 625	4 578
EBITDA (earnings before financial income (expenses), net, income tax, depreciation and amortization)	35 100	21 217
Net debt at the year end (Note 3.6 (a))	2 738	22 963
Net debt at the year end / EBITDA	0,1	1,1

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

4.1 Basis of consolidation (transactions under common control)

Control over certain subsidiaries by Parent company has always existed because there was an ability to manage its financial and operating policies with the aim to receive benefits from its activities and this control over subsidiaries and Parent company belongs to the ultimate beneficial owner. These transactions are considered to be as combinations of business under common control, which are outside the scope of IFRS3 "Business combinations".

4.2 Useful lives of property, plant and equipment

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

4.3 Impairment of non-financial assets

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

4.4 Impairment of trade receivables

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

4.5 Legal proceedings

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**4.6 Contingent liabilities**

Contingent liabilities are determined by the likelihood of occurrence or non-occurrence of one or more uncertain future events. Assessment of contingent liabilities is tightly connected with development of significant judgments and estimates relating to the consequences of such future events.

4.7 Inventories

Agricultural products are initially recognized at fair value less costs to sell at the date of harvest. Fair value is determined using the average price of the three largest markets or buyers in Ukraine as these products are sold within the Ukrainian market at the date of harvesting less costs to sell. As at the year end any agricultural products that have been harvested and no sold are reported within inventories at the lower of cost (fair value at date of harvest) and net realisable value at the consolidated balance sheet date.

4.8 Impact of the on-going global financial and economic crisis.

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

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

5. SEGMENT INFORMATION

The Group conducts operation of grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, pig-breeding, poultry farming), milk processing and foodstuff manufacture.

The Group identifies a business segment as "a component of entity", that is engaged in business activity such as production of separate product or service, which brings profit and is exposed to risks. Profit and risks of each segment are different.

The Group identifies following business segments that include products and services which have different risk levels and conditions of revenue earning.

Plant breeding segment raises and sells of agricultural products and renders accompanying services. Main agricultural products which are sold in this business segment are wheat, rye, barley, sunflowers, rape, etc. Main services which are sold in this business segment are ploughing, handling and grain storage services.

Livestock segment raises and sells biological assets and agricultural products of cattle breeding. Main biological assets and agricultural products which are sold in this business segment are poultry, cattle, pigs, milk.

Agricultural products segment processes agricultural products and produces finished products. Main type of products which is produced and sold in this business segment is food stuff - baked and macaroni goods, hard cheese, milk, sunflower-seed oil.

No operating segments have been aggregated to form the above reportable operating segments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

5. SEGMENT INFORMATION (CONTINUED)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The year ended 31 December 2010	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Total revenue	15 313	46 100	8 911	613	-	70 937
Inter-segment sales	(1 627)	(10 779)	(880)	(398)		(13 684)
Revenue from external customers	13 686	35 321	8 031	215	-	57 253
Gain from changes in fair value less cost to sell of biological assets and agricultural products, net	(1 730)	41 577	-	-	-	39 847
Gross profit	(1 229)	41 949	(209)	85	-	40 596
Depreciation and amortization	1 154	3 522	652	297		5 625
Segment profit	(1 229)	41 949	(209)	85	(24 860)	15 736
As at 31 December 2010						
Total assets include:						
Capital expenses	1 327	2 117	139	5	-	3 588
Total assets	24 382	93 155	10 061	2 877	13 824	144 299
Total liabilities	738	5 517	536	7	15 384	22 182

Assets of segments do not include non-current loans receivable (165 thousand USD), cash and cash equivalents (13 629 thousand USD), taxes prepaid (8 thousand USD), current loans to employees (1 thousand USD), current portion of non-current loans to employees (8 thousand USD), other receivables (13 thousand USD).

Liabilities of segments do not include non-current borrowings (143 thousand USD), current portion of non-current borrowings (179 thousand USD), current borrowings (11 305 thousand USD), liabilities for interest (454 thousand USD), payroll and related tax liabilities (2 636 thousand USD), liabilities for taxes and mandatory payments (30 thousand USD), accounts payable for investments (10 thousand USD), other payables (359 thousand USD), current provisions (155 thousand USD), income tax liabilities (113 thousand USD).

Business segment income stated at each operating segment does not include administrative expenses (5 915 thousand USD), selling and distribution expenses (2 892 thousand USD), other expenses, net (2 314 thousand USD), financial expenses, net (13 626 thousand USD), income tax expenses (113 thousand USD).

During the year ended 31 December 2010 revenue from segment plant breeding was derived from one contractor amounting to USD 16 936 thousands.

Depreciation and amortization expenses of plant breeding segment for the year ended 31 December includes amortization of the advance for land lease (Note 21) amounting to USD 400 thousand .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

5. SEGMENT INFORMATION (CONTINUED)

The year ended 31 December 2009	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Total revenue	16 768	42 892	9 067	703	-	69 430
Inter-segment sales	(1 288)	(11 583)	(773)	(498)	-	(14 142)
Revenue from external customers	15 480	31 309	8 294	205	-	55 288
Gain from changes in fair value less cost to sell of biological assets and agricultural products, net	(2 017)	22 824	-	-	-	20 807
Gross profit	(3 820)	23 862	(263)	93	-	19 872
Depreciation and amortization	902	2 732	655	289	-	4 578
Segment profit	(3 820)	23 862	(263)	93	(14 821)	5 051
As at 31 December 2009						
Total assets include:						
Capital expenses	344	447	51	234	-	1 076
Total assets	23 449	53 054	10 519	3 728	35 294	126 044
Total liabilities	614	10 963	635	469	56 946	69 627

Assets of segments do not include non-current loans receivable (154 thousand USD), cash and cash equivalents (35 105 thousand USD), VAT for reimbursement and prepayments for VAT (22 thousand USD), current loans to employees (4 thousand USD), current portion of non-current loans to employees (7 thousand USD), prepayments for other taxes (2 thousand USD).

Liabilities of segments do not include payroll and related tax liabilities (3 401 thousand USD), dividends to be paid (48 thousand USD), liabilities for other taxes and mandatory payments (35 thousand USD), liabilities for value-added tax (3 thousand USD), liabilities for interest (3 251 thousand USD), accounts payable for investments (110 thousand USD), current provisions (1 128 thousand USD), non-current borrowings (516 thousand USD), current portion of non-current borrowings (308 thousand USD), current borrowings (48 146 thousand USD).

Business segment income stated at each operating segment does not include administrative expenses (5 332 thousand USD), selling and distribution expenses (1 638 thousand USD), other income (expenses), net (3 737 thousand USD), financial income (expenses), net (11 588 thousand USD).

In 2009 revenue from segment plant breeding was derived from one contractor amounting to USD 18 245 thousands.

Geographic information

The Group's activity of plant breeding, stock breeding, producing finished goods and all raw-material markets and marketing outlets are allocated within Ukraine.

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6. SALES REVENUE

For the year ended 31 December 2010 the components of sales revenue were presented as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2009
Sales of finished goods (i)	54 568	52 697
Sales of services (ii)	2 685	2 591
Total	57 253	55 288

(i) The revenue generated from the main agricultural products for the year ended 31 December 2010 was as follows (thousand USD):

	For the year ended 31 December 2010	For the year ended 31 December 2009
Winter wheat	12 233	5 248
Sunflower	18 884	18 550
Total	31 117	23 798

The revenue generated from the other business segments is analysed in Note 5.

Sales volume for main agricultural products in tonnes for the year ended 31 December 2010 was as follows:

	For the year ended 31 December 2010, tonnes	For the year ended 31 December 2009 tonnes
Winter wheat	92 675	42 208
Sunflower	43 070	74 626
	135 745	116 834

(ii) The revenue generated from sales of services mainly relates to storage and handling services granted to third parties which is reflected within the revenue of plant-breeding segment in Note 5.

7. GAIN FROM CHANGES IN FAIR VALUE LESS COST TO SELL OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCTS, NET

For the year ended 31 December 2010 the components of gain from changes in fair value of biological assets and agricultural products were presented as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2009
Non-current biological assets (Note 19)	(587)	(1 877)
Current biological assets (Note 22 (a) and 22 (b))	40 434	22 684
Total	39 847	20 807

The Company does not revalue cultivated winter crops as of 31 December and carries winter crops at cost, because the Company believes that a necessary level of biological transformation has not taken place as of 31 December and it is impossible to predict the projected yield and harvest as at that date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. COSTS OF SALES

For the year ended 31 December 2010 the components of cost of sales was presented as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Livestock and related operations	(13 185)	(17 283)
Plant breeding and related operations	(34 949)	(30 271)
Agricultural products processing and related operations	(8 240)	(8 557)
Other activity and related operations	(130)	(112)
Total	<u>(56 504)</u>	<u>(56 223)</u>

9. ADMINISTRATIVE EXPENSES

For the year ended 31 December 2010 the components of administrative expenses were presented as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Payroll of administrative personnel and related tax expenses (Note 13) (i)	(3 631)	(3 024)
Depreciation (Note 14)	(211)	(390)
Transport costs	(594)	(339)
Other material costs	(151)	(289)
Insurance	(117)	(75)
Bank services	(202)	(167)
Professional and information services (ii)	(484)	(530)
Communication services	(74)	(55)
Other administrative expenses	(451)	(463)
Total	<u>(5 915)</u>	<u>(5 332)</u>

(i) The aggregate amount of Directors' emoluments for the years ended 31 December 2010 and 2009 was USD 214 thousand and USD 121 thousand respectively (Note 37).

(ii) The auditors' remuneration and all amount spent in connection with their work for years ended 31 December 2010 and 2009 was USD 266 thousand and USD 201 thousand respectively.

10. DISTRIBUTION EXPENSES

For the year ended 31 December 2010 the components of distribution expenses were presented as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Payroll of distribution personnel and related expenses (Note 13)	(830)	(697)
Depreciation (Note 14)	(50)	(47)
Marketing and advertising expenses	(75)	(98)
Transport costs and expenses for maintaining of vehicles for distribution purposes (i)	(1 373)	(599)
Utilities	(95)	(89)
Charges for using of warehouses and sales outlets	(362)	(20)
Other distribution expenses	(107)	(88)
Total	<u>(2 892)</u>	<u>(1 638)</u>

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10. DISTRIBUTION EXPENSES (CONTINUED)

(i) The increase in transportation expenses is mainly due to increased petrol prices experienced in year 2010 as well as delivery costs related to the transportation and shipment expenses of sunflower seed to third parties.

11. OTHER (EXPENSES)/INCOME, NET

For the year ended 31 December 2010 other (expenses)/income were presented as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Government grants (i)	312	891
Grant VAT	3 267	3 650
Agricultural materials got free of charge	-	224
Impairment trade and other receivables (Note 26)	(530)	(106)
Bad debts, written-off	(457)	(93)
Gain on write off of trade payables	97	151
Loss on write-off and impairment of non-current assets, net	(296)	(161)
Gain/(loss) on disposal of non-current assets, net	(4)	(171)
Loss from sales of current assets, net	(35)	(69)
Gain on acquisitions of subsidiaries	-	186
Fines, penalties, net (ii)	(1 357)	(294)
Donations	(210)	(48)
Payroll of personnel related to other expenses of operating activities (Note 13)	(162)	(127)
Depreciation and amortisation (Note 14)	(486)	(53)
Impairment of inventories (Note 23)	(303)	(120)
Impairment of harvest failure (Note 22 (a))	(1 769)	(380)
Other operating income/(expenses)	(381)	257
Total	<u>(2 314)</u>	<u>3 737</u>

(i) Government grants recognized as income in the year ended 31 December 2010 were presented as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Grant for grown and sold cattle	22	126
Grant for grown and sold pigs	129	49
Grant for grown and sold poultry	-	78
	-	217
Compensations for interest rates for agricultural manufacturers		-
Compensations for mineral fertilizers	1	-
Grant for grown and sold milk	28	2
Compensations for creation of new job sites	132	419
Total	<u>312</u>	<u>891</u>

(ii) The increase in fines and penalties is mainly in respect of fines imposed to the Group by the Pension fund for the late payments of the state pension insurance liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

12. FINANCE EXPENSES, NET

For the year ended 31 December 2010 financial expenses, net were presented as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2009
Interest income	1 126	23
Interest expense on bank and government loans	(8 175)	(7 432)
Finance lease expenses	(1 234)	(1 727)
Bond and other interest expenses	(528)	(751)
Other expenses for loans and borrowings	(114)	(39)
Reflection of non-current accounts receivable at amortised value	24	26
Losses from foreign exchange differences, net	(4 597)	(1 671)
Losses from purchase/exchange of foreign currency (compulsory payments, commission), net	(128)	(17)
Total	(13 626)	(11 588)

13. EXPENSES FOR PAYROLL AND RELATED EXPENSES

For the year ended 31 December 2010 expenses for payroll and related expenses were presented as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2009
Payroll	(9 976)	(9 469)
Other income	(692)	(410)
Contributions to Pension Fund	(3 503)	(2 615)
Other contributions	(329)	(311)
Total	(14 500)	(12 805)

Average number of employees for the year ended 31 December 2010 was presented as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2009
Average number of employees, persons	4 240	4 280

The structure of expenses for payroll by types of expenses for the year ended 31 December 2010 was presented as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2009
Payroll of operating personnel and related expenses (i)	(9 877)	(8 922)
Payroll of administrative personnel and related expenses (Note 9)	(3 631)	(3 024)
Payroll of distribution personnel and related expenses (Note 10)	(830)	(697)
Payroll of personnel related to other expenses of operating activities (Note 11)	(162)	(127)
Capitalized payroll of operating personnel and related expenses	-	(35)
Total	(14 500)	(12 805)

(i) The payroll cost for agricultural products processing are included in the cost of sales and the payroll cost for livestock and plant breeding are originally included in the movement of biological assets during the year, and thereafter they are transferred to the value of stock and /or cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. DEPRECIATION AND AMORTISATION

The depreciation for the year ended 31 December 2010 were presented as follows::

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Depreciation of production property, plant and equipment (i)	(4 878)	(4 088)
Administrative expenses (Note 9)	(211)	(390)
Distribution expenses (Note 10)	(50)	(47)
Depreciation of other property, plant and equipment (Note 11)	(86)	(53)
Depreciation of items of property, plant and equipment used in capital construction	-	(10)
Total depreciation	<u>(5 225)</u>	<u>(4 588)</u>
Amortisation of the advance for land lease (Note 11, 21)	(400)	-
Total	<u>(5 625)</u>	<u>(4 588)</u>

(i) The depreciation for agricultural products processing are included in the cost of sales and the depreciation for livestock and plant breeding are included in the movement of biological assets during the year, and thereafter they are transferred to the value of stock and/or cost of sales.

15. INCOME TAX EXPENSE

The income tax expenses for the year ended 31 December 2010 were presented as follows::

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Defence tax expenses	<u>113</u>	<u>-</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Profit before tax	15 849	5 051
Applicable tax rates:		
Ukraine	25%	25%
Cyprus	10%	10%
Tax calculated at the applicable tax rates:		
Ukraine	4 150	1 310
Cyprus	(75)	(19)
Tax effect of allowances and income not subject to tax (i)	(3 962)	(1 291)
Tax charge	<u>113</u>	<u>-</u>

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

(i) Tax effect of allowances concerning profit of Ukrainian entities appears because the majority of them are registered as tax payers of fixed agricultural tax and therefore are not payers of corporate income tax. Tax effect of allowances concerning Company's profit appears because under certain conditions interest income may be subject to defence contribution at the rate of 10%. In such cases this interest will be exempt from corporation tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

16. EARNINGS PER SHARE

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Profit attributable to equity holders of the Company	15 719	5 070
Weighted average number of ordinary shares in issue (thousands)	16 979	14 468
Basic earnings per share (USD cents)	<u>93</u>	<u>35</u>

b) Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive potential ordinary shares, such as convertible debt and share options, and as a result the diluted earnings per share equals to the Basic earnings per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Vehicles	Computers and office equipment	Instru- ments, tools and other equipment	Construc- tion in progress	Total
As at 1 January 2009							
Cost	31 361	24 617	10 039	231	363	8 218	74 829
Accumulated depreciation	(15 448)	(8 117)	(6 092)	(119)	(136)	-	(29 912)
Net book amount	15 913	16 500	3 947	112	227	8 218	44 917
Year ended 31 December 2009							
Opening net book amount	15 913	16 500	3 947	112	227	8 218	44 917
Additions	73	420	272	7	32	272	1 076
Acquisition of subsidiaries							
Cost	2 346	215	9	2	-	-	2 572
Depreciation	(1 611)	(167)	(7)	(1)	-	-	(1 786)
Disposals							
Cost	(463)	(252)	(247)	(10)	(10)	-	(982)
Depreciation	185	199	56	8	2	-	450
Transfers	2 740	409	56	1	3	(3 209)	-
Depreciation charge	(1 186)	(2 641)	(677)	(34)	(50)	-	(4 588)
Effect from foreign currency translation	(625)	(545)	(127)	(4)	(7)	(237)	(1 545)
Closing net book amount	17 372	14 138	3 282	81	197	5 044	40 114
As at 31 December 2009							
Cost	34 822	24 510	9 769	222	374	5 044	74 741
Accumulated depreciation	(17 450)	(10 372)	(6 487)	(141)	(177)	-	(34 627)
Net book amount	17 372	14 138	3 282	81	197	5 044	40 114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Construction in progress	Total
Year ended 31 December 2010							
Opening net book amount	17 372	14 138	3 282	81	197	5 044	40 114
Additions	850	1 705	205	21	13	794	3 588
Disposals							
Cost	(171)	(438)	(20)	(3)	(41)	-	(673)
Depreciation	77	231	13	2	24	-	347
Transfers	2 031	18	-	-	-	(2 049)	-
Depreciation charge	(1 421)	(3 023)	(695)	(45)	(41)	-	(5 225)
Effect from foreign currency translation	46	46	11	-	(1)	19	121
Closing net book amount	18 784	12 677	2 796	56	151	3 808	38 272
As at 31 December 2010							
Cost	37 625	25 862	9 982	241	346	3 808	77 864
Accumulated depreciation	(18 841)	(13 185)	(7 186)	(185)	(195)	-	(39 592)
Net book amount	18 784	12 677	2 796	56	151	3 808	38 272

The depreciation expense is allocated to the statement of comprehensive income line items as indicated in Note 14.

Lease rentals amounting to USD 973 Thousand (2009: USD 1 378 thousand) relating to the lease of equipment and USD 261 thousand (2009: USD 349 thousand) relating to the lease of vehicles are included in the statement of comprehensive income (Note 12).

As at 31 December 2010 non-current and current loans were secured by property plant and equipment book value (except finance lease assets) of which is as follows:

	31 December 2010	31 December 2009
Buildings	3 685	9 918
Equipment	772	3 114
Vehicles	419	467
Computers and office equipment	6	10
Instruments, tools and other equipment	5	16
Construction in progress	15	587
Total	4 902	14 112
Analysed as:		
Security for non-current loans (Note 30)	419	824
Security for current loans (Note 33)	4 483	13 288
	4 902	14 112

As at 31 December 2010 and 2009 the Group has removed from service fixed assets of book value USD 295 thousand and USD 343 thousand respectively.

The Group leases various equipment and vehicles under finance lease agreements. The lease terms are between 3 and 5 years and ownership of the assets lies within the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2010 the book value of property, plant and equipment subjected to finance lease agreements was as follows:

	31 December 2010	31 December 2009
Equipment		
Cost	8 487	8 604
Accumulated depreciation	<u>(3 263)</u>	<u>(2 128)</u>
Net book value	<u>5 224</u>	<u>6 476</u>
Vehicles		
Cost	1 348	1 313
Accumulated depreciation	<u>(337)</u>	<u>(185)</u>
Net book value	<u>1 011</u>	<u>1 128</u>
Total net book value	<u>6 235</u>	<u>7 604</u>

18. INTANGIBLE ASSETS

	Other	Total
Cost		
As at 1 January 2010	<u>12</u>	<u>12</u>
Additions	19	19
As at 31 December 2010	<u>31</u>	<u>31</u>
Amortisation		
As at 1 January 2010	(2)	(2)
Charged amortisation	-	-
As at 31 December 2010	<u>(2)</u>	<u>(2)</u>
Net book value:		
As at 31 December 2010	<u>29</u>	<u>29</u>
As at 31 December 2009	<u>10</u>	<u>10</u>

19. NON-CURRENT BIOLOGICAL ASSETS

As at 31 December 2010 non-current biological assets are as follows:

	31 December 2010		31 December 2009	
	number, of heads	Fair value	number, of heads	Fair value
Cattle	2 771	2 282	3 669	1 578
Pigs	1 154	407	1 210	341
Other	17	18	14	13
Total	<u>3 942</u>	<u>2 707</u>	<u>4 893</u>	<u>1 932</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. NON-CURRENT BIOLOGICAL ASSETS (CONTINUED)

Reconciliation of book value of non-current biological assets for the years ended 31 December 2010 was as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
As at beginning of year	1 932	1 683
Additions resulting from purchase of assets	-	5
Decrease in value due to sale of assets	(3)	(1)
Expenses capitalized in biological assets	4 313	7 185
Loss from changes in fair value less costs to sell of biological assets and agricultural products (Note 7)	(587)	(1 877)
Decrease in value due to harvesting agricultural products	(2 388)	(5 100)
Transfer between groups of assets	(565)	109
Effect from foreign currency translation	5	(72)
As at end of year	<u>2 707</u>	<u>1 932</u>

As at 31 December 2010 loans were secured by non-current biological assets book value of which is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Cattle	2 282	1 370
Pigs	-	341
Total (Note 33)	<u>2 282</u>	<u>1 711</u>

20. NON-CURRENT LOANS RECEIVABLE

As at 31 December 2010 non-current loans receivable were as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Loans to employees	17	24
Loan to related party (Note 37)	156	137
Total loans receivable	<u>173</u>	<u>161</u>
Current portion of loans to employees	(8)	(7)
Total non-current loans receivable	<u>165</u>	<u>154</u>

Nominal value

	<u>31 December 2010</u>	<u>31 December 2009</u>
Within 1 year	8	8
From 1 year to 5	269	280
More than 5 years	-	-
	<u>277</u>	<u>288</u>

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20. NON-CURRENT LOANS RECEIVABLE (CONTINUED)

	Amortized cost	
	31 December 2010	31 December 2009
Within 1 year	8	7
From 1 year to 5	165	154
More than 5 years	-	-
	<u>173</u>	<u>161</u>

The loans receivable are interest-free, UAH-denominated and unsecured.

The non-current loans to employees and non-current loans issued to related parties are measured at amortized cost using the effective interest rate method. Discount rate used for calculation of amortized cost of loans issued in 2010 and 2009 equals to 14,48% and 21,28% respectively.

21. OTHER NON-CURRENT ASSETS

As at 31 December 2010 other non-current assets were as follows:

	31 December 2010	31 December 2009
Advance for land lease (i)	8 000	-
Less: amortisation (ii)	(400)	-
Advance for land lease - net	<u>7 600</u>	-
Prepayments for equipment (iii)	303	63
Total	<u>7 903</u>	<u>63</u>

(i) During the year ended 31 December 2010 the Company made payments amounting to USD 8 000 thousand for the purchase of land leasing rights for 16 300 hectares of agricultural land in the Luhansk region, Ukraine, from a third party who originally owned these land lease rights. In order for the above mentioned transaction to be completed, the lease agreements must be executed between the ultimate owners of the land plots from whom the seller originally acquired the underlying lease rights and the Company or its affiliate, and these lease agreements should be duly registered with the Ukraine Land Agency in compliance with the requirements of Ukrainian laws. Each of the above agreements has been concluded on the basis of the standard form lease agreement for the term of 10 years. In order for the transfer of lease rights with respect to the aforementioned land plots to be completed, the agreements must be duly registered in accordance with applicable laws, which is not yet the case in view of delays by the State Land Agency. It is however a common practice in Ukraine that, pending such registration, the lessee starts operating the land plots underlying the lease agreements.

(ii) The amortisation is calculated using the straight-line method to allocate the cost of the advance over its estimated useful life term of duration (10 years) and is reflected within "Other (expenses)/income, net" (Notes 11, 14).

(iii) On 14 January 2009 the Company has entered into a contract with "Porcelakinvest" CJSC to purchase equipment amounting to USD 443 thousands. The equipment is planned to be used at grain elevator. A 62% of the total amount of the contract, equivalent to USD 273 thousands was prepaid in 2010. The equipment have to be delivered within 2011. The Company also has entered into various contracts for the purchase of equipment amounting to USD 30 thousands. The equipment is planned to be used at poultry farms and other areas of activity.

22. CURRENT BIOLOGICAL ASSETS

As at 31 December 2010 current biological assets were as follows:

	31 December 2010	31 December 2009
Crops under cultivation (a)	5 632	4 618
Animals in growing and fattening (b)	4 300	4 082
Total	<u>9 932</u>	<u>8 700</u>

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22. CURRENT BIOLOGICAL ASSETS (CONTINUED)

(a) Crops under cultivation:

As at 31 December 2010 the crops under cultivation were as follows:

	31 December 2010		31 December 2009	
	Area, thousand of hectares	Amount, USD thousand	Area, thousand of hectares	Amount, USD thousand
Winter wheat sowing	45	5 270	44	3 850
Winter rape sowing	2	153	9	623
Winter barley sowing	2	114	2	95
Winter rye sowing	1	74	1	47
Other sowing	-	21	-	3
Total	50	5 632	56	4 618

Reconciliation of book value of the crops plantings for the year ended 31 December 2010 was as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2009
At beginning of year	4 618	6 016
Additions resulting from business combinations	-	79
Expenses capitalized in biological assets (i)	39 454	42 056
Income from changes in fair value less costs to sell of biological assets and agricultural products (Note 7)	41 576	22 824
Decrease in value due to harvesting of agricultural products	(78 212)	(65 469)
Other changes (including harvest failure) (ii)	(1 815)	(703)
Effect from foreign currency translation	11	(185)
At end of year	5 632	4 618

(i) Expenses capitalised in biological assets mainly include fertilizers, fuel, seeds, labour and the operating lease rentals (Note 39).

(ii) As at 31 December 2010 and 2009 impairment of harvest failure amounted to USD 1 769 thousand and USD 380 thousand respectively and is included in "Other (expenses)/income ,net" (Note 11). The impairment identified was the result of bad weather conditions.

(b) Animals in growing and fattening:

As at 31 December 2010 animals in growing and fattening were as follows:

	31 December 2010		31 December 2009	
	number, of heads	Fair value	number, of heads	Fair value
Cattle	3 554	2 377	4 420	1 732
Pigs	11 570	1 400	15 940	1 832
Poultry	324 352	507	503 110	505
Other	22	16	5	13
Total	339 498	4 300	523 475	4 082

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22. CURRENT BIOLOGICAL ASSETS (CONTINUED)

Reconciliation of book value of animals in growing and fattening for the year ended 31 December 2010 was as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
At beginning of year	4 082	3 815
Additions resulting from purchase of assets	243	1 715
Additions resulting from business combinations	-	3
Expenses capitalized in biological assets (i)	14 245	16 579
Loss from changes in fair value less costs to sell of biological assets and agricultural products (Note 7)	(1 142)	(140)
Decrease in value due to harvesting agricultural products	(8 491)	(9 783)
Decrease in value due to selling of assets	(5 148)	(5 401)
Transfer between groups of assets	565	(1 230)
Other changes	(64)	(1 331)
Effect from foreign currency translation	10	(145)
At end of year	4 300	4 082

(i) Expenses capitalized in biological assets of animals mainly include: mixed fodder, electricity, labour, depreciation and other.

As at 31 December 2010 loans were secured by current biological assets book value of which is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Cattle	2 377	1 046
Pigs	-	1 011
Total (Note 33)	2 377	2 057

23. INVENTORIES

As at 31 December 2010 inventories were presented as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Raw materials	1 708	2 089
Work-in-progress	2 831	2 159
Agricultural products (i)	55 698	24 516
Finished goods	933	820
Other	1 497	1 384
Total	62 667	30 968

(i) Agricultural products :

As at 31 December 2010 the main agricultural products at storage in thousand USD were presented as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Winter wheat	13 456	14 130
Sunflower	36 562	8 073
Corn	3 665	1 452
Total	53 683	23 655

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. INVENTORIES (CONTINUED)

As at 31 December 2010 the main agricultural products volume in tones at storage were presented as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Winter wheat	80 098	103 190
Sunflower	81 235	30 851
Corn	23 099	12 281
Total	<u>184 432</u>	<u>146 322</u>

As at 31 December 2010 current loans (Note 33) were secured by inventories, book value as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Agricultural products	5 766	19 626

As at 31 December 2010 and 2009 impairment of inventories amounted to USD 303 thousand and USD 120 thousand respectively and is included in "Other (expenses)/ income ,net" (Note 11).

24. TRADE RECEIVABLES

As at 31 December 2010 trade receivables were as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Trade receivables-gross	8 682	7 849
Less: provision for impairment of trade receivables	(856)	(367)
Trade receivables-net	<u>7 826</u>	<u>7 482</u>

The fair values of the trade receivables approximate to their carrying amounts.

As at 31 December 2010, trade receivables of USD 7 552 thousand (2009: 7 215 thousand) were fully performing.

As at 31 December 2010, trade receivables of USD 274 thousand (2009: 276 thousand) were past due but not impaired.

Ageing of trade receivables as of 31 December 2010 is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
0-3 months	6 572	4 696
3-6 months	857	1 609
6 months to 1 year	123	910
Between 1 and 2 years	1 130	634
Total	<u>8 682</u>	<u>7 849</u>

As at 31 December 2010 trade receivables ageing over one year amounting to USD 1130 thousand (2009: USD 634 thousand) include an amount of USD 274 thousand (2009: USD 267 thousand) which has not been considered as a bad debt as the Group has evidences that it will be repaid during the year 2011. The remaining USD 856 thousand (2009: USD 367 thousand) is fully provided for.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

25. OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2010 other receivables and prepayments were as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Other receivables and current assets-gross	180	143
Provision for impairment of other receivables	(149)	(108)
Other receivables and current assets-net	31	35
Prepayments to suppliers	1 138	1 458
VAT for reimbursement and prepayments for VAT	-	22
Total	<u>1 169</u>	<u>1 515</u>

26. PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

	<u>31 December 2010</u>	<u>31 December 2009</u>
Provision for impairment of trade receivables (Note 24)	(856)	(367)
Provision for impairment of other receivables (Note 25)	(149)	(108)
Total	<u>(1 005)</u>	<u>(475)</u>

The movement in the Group's provision for trade and other receivables is set out below:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
At the beginning of year	(475)	(466)
Provision for impairment	(689)	(105)
Unused amounts from provision reversed	110	33
Using of provision	50	55
Effect from foreign currency translation	(1)	8
At the end of year	<u>(1 005)</u>	<u>(475)</u>

The increase in the provision for impairment of trade and other receivables of USD 530 thousand (2009: USD 106 thousand) has been included in "Other (expenses)/ income, net" (Note 11).

27. CASH AND CASH EQUIVALENTS

As at 31 December 2010 cash and cash equivalents balances were as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Cash at bank in UAH	367	95
Cash at bank in Euro	7 716	16
Cash at bank in USD	2 575	4 895
Cash with brokers in USD (i)	2 929	30 087
Cash in hand	42	13
Cash to be represented in the statement of cash flows	<u>13 629</u>	<u>35 106</u>

(i) Cash with brokers related to cash held for investment by the Company's investment banker. In accordance with the agreement between the Company and the investment banker, the Company has access to this cash within three working business days from the day the Group makes a request.

Most of the cash as at 31 December 2009 was granted during the year 2010 by the Company to PE APF "Agro", a Group subsidiary, which has mainly used these funds to repay its bank loan obligations (Note 33).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28. SHARE CAPITAL AND SHARE PREMIUM

	31 December 2010		31 December 2009	
	Number of shares, thousand	Nominal value, thousand Euro	Number of shares, thousand	Nominal value, thousand Euro
Authorised				
Ordinary shares of Euro €0,021 each	47 619	1 000	47 619	1 000

	31 December 2010			31 December 2009		
	Number of shares, thousand	Nominal value, thousand USD	Share premium, thousand USD	Number of shares, thousand	Nominal value, thousand USD	Share premium, thousand USD
Issued and fully paid						
On 1 January 2010 / 21 September 2009 (i)	16 000	494	38 474	12 000	371	-
Issue of shares on 4 November 2009 (ii)	-	-	-	4 000	123	38 791
Issue of shares on 29 October 2010 (iii)	5 670	167	54 223	-	-	-
Share issue expenses	-	-	(4 165)	-	-	(317)
Balance at 31 December 2010	21 670	661	88 532	16 000	494	38 474

(i) On 21 September 2009 (date of incorporation) the Company issued to the subscribers of its Memorandum of Association 12 000 000 ordinary shares of nominal value €0,021 each.

(ii) On 4 November 2009 the Company issued 4 000 000 additional shares of nominal value €0,021 each.

Global Depositary Receipts "GDRs" were issued against the new shares by "The Bank of New York Mellon". In accordance with share subscription agreement, Phoenix Capital Limited paid to the Company USD 9.72875 per each new share.

The total consideration of the share capital issued was USD 38 915 thousand, out of which USD 123 thousand were credited to the share capital account and USD 38 791 thousand were credited to the share premium reserve. Share issue expenses of USD 317 thousand were deducted from the share premium reserve, as shown above.

(iii) On 28 April 2010 the Board of Directors of the Company resolved to proceed with the initial public offering of 5 670 000 new ordinary shares of the Company and the application for the admission of the entire issued share capital of the Company, including the Offer Shares to trading on the regulated market of the Warsaw Stock Exchange.

The members of the Company held an Extraordinary General Meeting on 25 June 2010 where they authorised and approved the increase of the issued share capital of the Company from € 336.000 to € 455.070 by the creation of 5 670 000 new shares of a nominal value of € 0,021 each.

On 29 October 2010 the Company issued 5 670 000 ordinary shares of nominal value €0,021 each and at a share premium of €6.7805 each, as a result of a public stock floatation at the Warsaw Stock Exchange. The issue price per share was set at PLN 27 and the Company raised gross proceeds of PLN 153 million in this respect (USD equivalent: USD 54 390 thousands).

On 8 November 2010 the shares of the Company were admitted on the regulated market of the Warsaw Stock Exchange.

29. DEFERRED INCOME

	31 December 2010	31 December 2009
Deferred income	-	125

The deferred income is in relation to a government grant and is recognized according to an agreement for the creation of new jobsites for unemployed people in mine manufacturing regions of Lyhansk. Income is recognized proportionally to work time spent by employees for periods of 2 years since creation of new job. The income in 2010 and 2009 was 126 thousand USD and 419 thousand USD respectively (Note 11).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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30. NON-CURRENT BANK LOANS

As at 31 December 2010 non-current bank loans were as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Total bank loans	322	824
Less:		
Current portion of bank loans (Note 32)	(179)	(308)
Non-current bank loans	<u>143</u>	<u>516</u>

As at 31 December 2010 the principle terms of the non-current bank loans were as follows:

Lender	Type of loan	Interest rate	Maturity date	Currency	Total amount	31 December 2010	
						Analysed as:	
						Current portion	Non-current portion
JSCB "FORUM" (i)	credit line	21%	06.09.2012	UAH	219	125	94
OJSC "Raiffeizen bank Aval" (ii)	credit line	17%	25.11.2012	UAH	103	54	49
Total					<u>322</u>	<u>179</u>	<u>143</u>

As at 31 December 2009 the principle terms of the non-current bank loans were as follows:

Lender	Type of loan	Interest rate	Maturity date	Currency	Total amount	31 December 2009	
						Analysed as:	
						Current portion	Non-current portion
JSCB "FORUM" (i)	credit line	26%	06.09.2012	UAH	343	125	218
OJSC "Raiffeizen bank Aval" (ii)	credit line	17%	25.11.2012	UAH	156	53	103
CB "Privatbank" (iii)	credit	13%	10.06.2012	USD	325	130	195
Total					<u>824</u>	<u>308</u>	<u>516</u>

(i) Loan amounting to USD 219 thousand received by PE APF "Agro" in UAH relates to a contract of rolling credit line concluded with JSCB "FORUM" at a credit limit of to USD 468 thousand. The annual interest rate is 21%. Maturity date is 6 September 2012. Obligations under this credit contract are guaranteed by property plant and equipment of PE APF "Agro" at a book value amounting to USD 295 thousand. As at 31 December 2009 liabilities under this contract were equal to USD 343 thousand.

(ii) Loan amounting to USD 103 thousand received by PE APF "Agro" in UAH relates to a contract of rolling credit line concluded with OJSC "Raiffeizen bank Aval" at a credit limit of USD 267 thousand. The annual interest rate is 17%. Maturity date is 25 November 2012. Obligations under credit contract are guaranteed by property plant and equipment of PE APF "Agro" at a book value amounting to USD 124 thousand. As at 31 December 2009 liabilities under this contract were equal to USD 156 thousand.

(iii) As at 31 December 2009 liabilities under a contract of credit concluded by PE APF "Agro" with CB "Privatbank" were equal to USD 325 thousand. The annual interest rate was 13%. As at 31 December 2009 obligations under the credit contract were guaranteed by property plant and equipment of PE APF "Agro" at a book value amounting to USD 276 thousand. The liabilities were repaid in full amount in 2010.

As at 31 December 2010 fair value of non-current bank loans approximates its current value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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30. NON-CURRENT BANK LOANS (CONTINUED)

As at 31 December 2010 non-current bank loans were secured by:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Property, plant and equipment including (Note 17):		
-equipment	-	357
-vehicles	419	467
Total	<u>419</u>	<u>824</u>

31. NON-CURRENT FINANCE LEASE LIABILITIES

As at 31 December 2010 non-current finance lease liabilities were as follows:

	Minimum lease payments as at 31 December 2010	Future finance charges	Present value of minimum lease payments as at 31 December 2010
Amounts payable under finance lease:			
Within 1 year	2 881	(798)	2 083
From 1 to 5 years	3 042	(385)	2 657
	<u>5 923</u>	<u>(1 183)</u>	
Less: financial costs of future periods	<u>(1 183)</u>		
Present value of lease liabilities	<u>4 740</u>		<u>4 740</u>
Less: amount payable within one year (Note 32)			<u>(2 083)</u>
Amount payable after one year			<u>2 657</u>

As at 31 December 2009 non-current finance lease liabilities were as follows:

	Minimum lease payments as at 31 December 2009	Future finance charges	Present value of minimum lease payments as at 31 December 2009
Amounts payable under finance lease:			
Within 1 year	4 579	(1 223)	3 356
From 1 to 5 years	6 922	(1 178)	5 744
	<u>11 501</u>	<u>(2 401)</u>	
Less: financial costs of future periods	<u>(2 401)</u>		
Present value of lease liabilities	<u>9 100</u>		<u>9 100</u>
Less: amount payable within one year (Note 32)			<u>(3 356)</u>
Amount payable after one year			<u>5 744</u>

Since lessor attracted bank loan for purchasing of fixed assets in foreign currency terms of financial lease agreement stipulates exchange differences. Exchange differences are accrued and paid as part of interests and fees of the lessor and do not adjust the value of fixed assets. In 2010 the Group accrued and paid exchange differences amounting to 2 975 USD thousand.

Financial expenses according to the agreements signed in 2008 were distributed using effective annual interest of 17,41-63,51%. Following the payment of all lease payments the Group's company-lessee receives property rights for the leased assets.

As at 31 December 2010 the net book value of property, plant and equipment which is subject to finance lease agreement is represented in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32. CURRENT PORTION OF NON-CURRENT LIABILITIES

As at 31 December 2010 current portion of non-current liabilities were as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Current portion of non-current bank loans (Note 30)	179	308
Current portion of non-current finance lease liabilities (Note 31)	2 083	3 356
Total	<u>2 262</u>	<u>3 664</u>

33. CURRENT BANK LOANS, GOVERNMENT LOANS AND BONDS

As at 31 December 2010 current loans were as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Current bank loans:		
Bank loans in UAH	10 835	14 659
Bank loans in USD	-	20 037
	<u>10 835</u>	<u>34 696</u>
Bonds and government loans:		
Current bonds issued (iv)	-	2 154
Government loans (v)	470	11 295
	<u>470</u>	<u>13 449</u>
Total	<u>11 305</u>	<u>48 145</u>

As at 31 December 2010 the details of the current bank loans in national and foreign currency were as follows:

Lender	Type of loan	Interest rate	Maturity date	Currency	Principle amount
JSCB «FORUM» (i)	multicurrency credit line	17%	02.06.2011	UAH	4 438
JSCB «FORUM» (ii)	multicurrency credit line	22%	15.02.2011	UAH	1 080
JSCB «FORUM» (iii)	multicurrency credit line	23%	02.06.2011	UAH	5 317
Total					<u>10 835</u>

As at 31 December 2009 the details of the current bank loans in national and foreign currency were as follows:

Lender	Type of loan	Interest rate	Maturity date	Currency	Principle amount
JSCB «FORUM»	credit line	12%	01.08.2010	USD	1 295
JSCB «FORUM»	credit line	22%	01.08.2010	UAH	73
JSCB «FORUM»	multicurrency credit line	12%	01.08.2010	USD	5 660
JSCB «FORUM»	credit line	22%	01.08.2010	UAH	6
JSCB «FORUM»	multicurrency credit line	22%	01.08.2010	UAH	1 077
JSCB «FORUM»	multicurrency credit line	21%	01.08.2010	UAH	1 981
JSCB «FORUM»	multicurrency credit line	13%	01.08.2010	USD	8 548
JSCB «FORUM»	multicurrency credit line	13%	01.08.2010	USD	2 360
JSCB «FORUM»	multicurrency credit line	17%	01.08.2010	UAH	2 087
JSCB «FORUM»	multicurrency credit line	13%	01.08.2010	USD	929
JSCB «FORUM»	multicurrency credit line	21%	01.08.2010	UAH	1 716
JSCB «FORUM»	credit line	22%	01.08.2010	UAH	582

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33. CURRENT BANK LOANS, GOVERNMENT LOANS AND BONDS (CONTINUED)

Lender	Type of loan	Interest rate	Maturity date	Currency	Principle amount
OJSC «Raiffaisen Bank Aval»	credit line	18%	15.02.2009	UAH	2 718
OJSC «Raiffaisen Bank Aval»	credit line	18%	10.03.2009	UAH	3 131
OJSC "Ukrkommunbank"	credit line	24%	15.05.2010	UAH	626
OJSC "Ukrkommunbank"	credit	17%	29.12.2010	USD	1 244
«Vostochno-promyshlennyi bank» LLC	credit	24%	01.12.2010	UAH	663
Total					34 696

(i) Loan amounting to USD 4 438 thousand was received by PE APF "Agro" in UAH according to the contract of multicurrency credit line concluded with JSCB "FORUM" with credit limit equal to USD 4 832 thousand. The annual interest rates are equal to 13% in USD and 17% in UAH. Maturity date was prolonged from 15 February 2011 to 2 June 2011 (Note 40). Obligations under credit contract are guaranteed by property plant and equipment and biological assets of PE APF "Agro" with book value amounting to USD 6151 thousand. As at 31 December 2009 liabilities under this contract were equal to USD 4447 thousand.

(ii) Loan amounting to USD 1 080 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 1 080 thousand. The annual interest rate is equal to 22% in UAH. Maturity date is 15 February 2011. Obligations under credit contract are guaranteed by property, plant and equipment and inventories of PE APF "Agro" with book value of USD 1 489 thousand. As at 31 December 2009 liabilities under this contract were equal to USD 1 077 thousands.

(iii) Loan amounting to USD 5 317 thousand was received by PE APF "Agro" in UAH according to the contract of multicurrency credit line concluded with JSCB "FORUM" with credit limit equal to USD 5 660 thousand. The annual interest rate is equal to 23% for UAH and 12% for USD. Maturity date was prolonged from 15 February 2011 to 2 June 2011 (Note 40). Obligations under credit contract are guaranteed by property, plant and equipment of OJSC "Belakurakinskiy elevator" and inventories of PE APF "Agro" with book value amounting to USD 7 268 thousand. As at 31 December 2009 liabilities under this contract were equal to USD 5 660 thousand.

As at 31 December 2010 current bank loans were secured as follows:

	31 December 2010	31 December 2009
Property, plant and equipment (Note 17) consisting of:		
buildings	3 685	9 918
equipment	772	2 757
computers and office equipment	6	10
instruments, tools and other equipment	5	16
construction in progress	15	587
	4 483	13 288
Inventories (Note 23)	5 766	19 626
Biological assets (Non-current - Note 19, Current - Note 22)	4 659	3 768
Total	14 908	36 682

(iv) Current liabilities under bonds was fully paid during 2010. Current liabilities under bonds as at 31 December 2009 included obligations under unsecured bonds of series A at nominal value of USD 2 154 thousand (equivalent in currency of issue comprises UAH 17 200 thousand). Circulation period of the series A bonds was completed by 28 October 2010.

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33. CURRENT BANK LOANS, GOVERNMENT LOANS AND BONDS (CONTINUED)

(v) As at 31 December 2010 government loans comprises of:

(a) liabilities amounting to USD 378 thousand of the companies OJSC Breeding Poultry Farm «Mirny» and OJSC «Belokurakinskiy elevator» for interest-free budgetary loans for the purchase of agricultural products under government contracts received in 1995-1997. These loans are expected to be repaid and according to Ukrainian laws are equal to compulsory payments made to the State Budget of Ukraine using the sanctions provided by the law regarding taxes paid not in time and non-tax payments.

(b) interest-free government loans amounting to USD 92 thousand received in UAH by PE APF "Agro" and "Agroton" PJSC for financing autumn field work of 2010. Maturity date is 01 November 2011. Obligations under loan contracts are guaranteed by bank assurance agreements.

As at 31 December 2009 government loans included a loan of USD 10 908 thousand received by PJSC "Agroton" and PE APF "Agro" in UAH according to the contract of commodity governmental loan with Agricultural Fund. The effective interest rate was 12,86% for PE APF "Agro" and 14,83% for PJSC "Agroton". Obligations under contract were guaranteed by agricultural products (winter wheat and winter rye) with book value of USD 14 013 thousand. The liabilities were repaid in full amount in 2010.

34. TRADE PAYABLES

As at 31 December 2010 trade payables were presented as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Trade payables	1 180	1 936
Current notes issued	-	65
Total	<u>1 180</u>	<u>2 001</u>

35. OTHER PAYABLES AND ACCRUED EXPENSES

As at 31 December 2010 other payables and accrued expenses were presented as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Payroll and related taxes liabilities	2 636	4 048
Accounts payable for property, plant and equipment	325	154
Advances from customers	110	38
Liabilities for other taxes and mandatory payments	24	35
Liabilities for value-added tax	7	3
Liabilities for interest	454	3 251
Accounts payable for investments	10	110
Accounts payable for land share	443	998
Other current liabilities	358	314
Total	<u>4 367</u>	<u>8 951</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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36. OTHER PROVISIONS

As at 31 December 2010 estimated liabilities were presented as follows:

	Provision for audit services	Other provisions	Total
As at 1 January 2009	78	22	100
Additional provision	204	233	437
Used during the year	(69)	(22)	(91)
Effect from foreign currency translation	41	(6)	35
As at 31 December 2009 / 1 January 2010	254	227	481
Additional provision	155	-	155
Used during the year	(254)	(229)	(483)
Effect from foreign currency translation	-	2	2
As at 31 December 2010	155	-	155

37. TRANSACTIONS WITH RELATED PARTIES

As at 31 December 2010 and the date of signing these consolidated financial statements, the Company is controlled by Mr. Iurii Zhuravlov, who holds 55,4% of the Company's share capital. 18,5% of the share capital is held by The Bank of New York Mellon and the remaining 26,1% of the shares is widely held.

As at 31 December 2009 the Company was controlled by Mr. Iurii Zhuravlov, who held 75% of the Company's share capital. The remaining 25% of the share capital was held by "The Bank of New York Mellon".

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

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

During the year 2010 a number of transactions were entered into with related parties in the normal course of business. Certain of these transactions, particularly in instances where a broad market does not exist, were consummated at terms agreed to between the parties.

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

- a) Companies in which Group's companies have an interest in equity;
- b) Companies in which key management personnel has an interest in equity;
- c) Forms a part of key management personnel of the entity or its parent;
- d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.

The following transactions with related parties were carried out according to categories of related parties:

	For the year ended 31 December 2010	For the year ended 31 December 2009
Income from sales		
a) Companies in which Group's companies have an interest in equity;	-	1
b) Companies in which key management personnel has an interest in equity;	50	40
Total	50	41

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37. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Finance income/ expenses, net:	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	10	17
	<u>10</u>	<u>17</u>
Purchases from related parties		
b) Companies in which key management personnel has an interest in equity;	-	1
c) Forms a part of key management personnel of the entity or its parent;	5	-
	<u>5</u>	<u>1</u>
Net assets distributions		
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	-	3 365
	<u>-</u>	<u>3 365</u>

Prepayments and liabilities which arose as a result of sales/purchases of goods and services are as follows:

Trade receivables	<u>31 December 2010</u>	<u>31 December 2009</u>
b) Companies in which key management personnel has an interest in equity;	2	1
Total	<u>2</u>	<u>1</u>
Other receivables and prepayments, net		
b) Companies in which key management personnel has an interest in equity;	-	2
	<u>-</u>	<u>2</u>
Provision for prepayments and other current assets		
b) Companies in which key management personnel has an interest in equity;	-	(2)
	<u>-</u>	<u>(2)</u>
Non-current loans receivable		
d) Loans advanced to key management significantly influencing the Group and having an interest in equity of Group's companies: Mr Jurii Zhuravlov (CEO) (Note 20)	156	137
	<u>156</u>	<u>137</u>
Trade payables		
b) Companies in which key management personnel has an interest in equity;	(4)	(4)
	<u>(4)</u>	<u>(4)</u>
Other current liabilities and accrued expenses		
a) Companies in which Group's companies have an interest in equity;	(1)	(1)
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	(1)	(1)
	<u>(2)</u>	<u>(2)</u>

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37. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Key management personnel compensation:

For the year ended 31 December 2010 compensations for key management personnel and related expenses were presented as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Payroll	150	90
Vacation allowance and other expenses	16	10
Contributions to Pension Fund	44	17
Other contributions	4	4
Total	<u>214</u>	<u>121</u>

The number of key management personnel for the years ended 31 December 2010 and 2009 was 9 and 9 employees respectively.

Key management includes Directors (Executive and Non-Executive), the Chief Financial Officer, Chief Agronomist, the Head of the Food Production Division and the Head of the Livestock Division.

The structure of expenses for key management personnel compensation for the year ended 31 December 2010 was as follows:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Expenses for remuneration to key management personnel		
responsible for operating activity	169	76
responsible for financing activity	45	37
responsible for investment activity	-	8
responsible for other activity	-	-
Total	<u>214</u>	<u>121</u>

The Non-executive Directors did not receive any remuneration during 2010 and 2009.

38. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2009, the Group acquired shareholding in ALLC "Shiykivske". Information about this transaction is presented below:

Company's name	Country of incorporation	Type of Company's activity	Date of acquisition	Effective interest in equity
ALLC "Shiykivske"	Ukraine	Agriculture	20.03.2009	80,99%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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38. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	Fair value of net assets	Current value of net assets
Non-current assets		
Property, plant and equipment	795	253
Non-current biological assets	5	5
	800	258
Current assets		
Current biological assets	6	6
Inventories	333	333
Trade receivables, net	23	23
Cash and cash equivalents	6	6
	368	368
Current liabilities		
Current loans		
Trade payables	(95)	(95)
Other current liabilities and accrued expenses	(221)	(221)
	(316)	(316)
Total net assets	852	310
Company's share in net assets	(690)	
Cost of acquisition	501	
Excess of acquired net assets over cost of their acquisition	(189)	

At the beginning of the year 2010 the Group acquired additional share - 13,51% in ALLC "Shiykivske" for USD 20 thousand. As at 31 December 2010 Group's share in net assets in ALLC "Shiykivske" is 94,59%.

39. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Economic environment - The Group performs most of its operations in Ukraine. Laws and other regulatory acts affecting the activities of Ukrainian enterprises may be subject to changes and amendments within a short period of time. As a result, assets and operating activity of the Group may be exposed to the risk in case if any unfavourable changes take place in political and economic environment.

Taxation - As a result of instable economic situation in Ukraine, tax authorities pay increasing attention to business circles. In connection with that, Ukrainian tax laws are constantly changing. Except this, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to serious fines and accruals of material penalty.

The Group's management believes, that it operates in accordance with tax laws of Ukraine. During 2009, the Group carried out transactions with related parties which may be interpreted by tax authorities in other way than by the Group, and as a result, additional tax liabilities and fines may be accrued for the Group. Notwithstanding the fact, that as a result of recent reviews, no such matters were discovered, tax returns of the Group remain open for future tax reviews. According to current laws in force, tax returns remain open and are subject to review during three years from the date of their filing.

Retirement and other liabilities - Most employees of the Group receive pension benefits from the Pension Fund, a Ukrainian Government organization in accordance with the applicable laws and regulations of Ukraine. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions from salaries. As at 31 December 2010 and 2009 the Group's entities had no liabilities for supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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39. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

Legal proceedings – In the course of carrying out its activities, the Group's entities take part in legal proceedings and various claims are advanced to them.

Management believes that legal proceedings will have no significant effect on the Group's financial position.

Liabilities under land and fixed assets operating lease agreements - the Group has the following liabilities under land and fixed assets operating lease agreements as at 31 December 2010:

	<u>For the year ended 31 December 2010</u>	<u>For the year ended 31 December 2009</u>
Within 1 year	1 845	1 968
From 1 to 5 years	6 959	7 411
More than 5 years	4 716	6 320
Total	<u>13 520</u>	<u>15 699</u>

Plough-land is leased by the Group from individuals. The total size of leased plough-land as at 31 December 2010 is 112 thousand hectares (2009 : 119 thousand hectares). The average rental payment for leased plough-land in 2010 was 2 % (2009 : 2%).

The land lease rentals for the year 2010 amount to USD 4 673 thousand (2009 : USD 4 495 thousand) and they have been charged to the expenses capitalised in biological assets (Note 22 a).

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

In year 2011 the Company made a loan in USD amounting to USD 10 000 thousand according to a loan agreement with "DRGN limited". Annual interest rate is 12%. Maturity date is 15 December 2011. The loan is secured by surety agreements with PE APF "Agro" and "Agroton" PJSC, and Mr.Iurii Zhuravlov.

As at 31 December 2010 the Group has obligations under bank loan agreements with JSCB «FORUM» amounting to USD 4 438 thousand and USD 5 317 thousand with maturity date on 15 February 2011. As at 4 March 2011 a decision was made by JSCB «FORUM» to prolongate the term of maturity date to 2 June 2011 (Note 33).

As at 31 December 2010 the Group has obligations under bank loan agreements with JSCB «FORUM» amounting to USD 1080 thousand with maturity date on 15 February 2011. The liabilities were repaid in full amount in 2011.

Independent Auditor's Report on pages 8 and 9.