

Agroton Public Limited

Report and consolidated financial statements

for the years ended 31 December 2009, 2008 and 2007

AGROTON PUBLIC LIMITED

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

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AGROTON PUBLIC LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS:

Inter Jura Cy (Directors) Limited (appointed 21 September 2009)
Tamara Lapta (appointed 21 September 2009)
Iurii Zhuravlov (appointed 21 September 2009)
Alex Lissitsa (appointed 5 November 2009)
Borys Supikhanov (appointed 5 November 2009, resigned 2 February 2010,
re-appointed 30 March 2010)

COMPANY SECRETARY:

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

REGISTERED OFFICE:

1 Lampousas Street
CY-1095 Nicosia
Cyprus

AGROTON PUBLIC LIMITED

REPORT OF THE DIRECTORS

The Board of Directors presents its report together with the first audited consolidated financial statements of Agroton Public Limited (the “Company”) and its subsidiaries (the Group”) for the years ended 31 December 2009, 2008, and 2007.

Incorporation

The Company was incorporated on 21 September 2009 in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113.

The Company prepared consolidated financial statements that cover periods prior to its incorporation, because its subsidiary companies were under common control by the same person both before and after their acquisitions and the control was not transitory.

Principal activities

The principal activities of the Company 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

On October 29, 2009 Agroton Public Limited became the holding company of the Group. Until October 13, 2009, the holding company of the Group was PE Agricultural Production Firm “Agro”. Following a reorganization of the Group, the Group became controlled by “Living” LLC which in turn became controlled by Agroton Public Limited/ As of October 29, 2009 the Group’s assets and liabilities were transferred to Agroton Public Limited, which became the new parent company of the Group. As the ultimate owner of the Group was the same before and after the restructuring and his control was not transitory, the assets and liabilities were transferred to the new holding company at carrying values.

The Group’s financial position as at 31 December 2009 as presented in the consolidated balance sheet in the consolidated financial statements is considered satisfactory. The net asset position of the Company has been substantially increased in year 2009 following the issue of new share capital at a premium, which resulted to a capital injection of USD 38.915 thousands.

The Group’s financial performance for the period 1 January 2007 to 31 December 2009 as presented in the consolidated income statement of the consolidated financial statements is considered satisfactory. The Group recorded a profit of USD 5.051 thousands for the year ended 31 December 2009 compared to a loss of USD 18.890 thousands for the year ended 31 December 2008 and a profit of USD 14.570 thousands for the year ended 31 December 2007 primarily as a result of fluctuations of the cost of sales and financial expenses. The fluctuations in the cost of sales were primarily due to fluctuations of material costs and agriculture products used in production. The fluctuations in financial expenses in the years 2008 and 2009 were primarily attributable to the appreciation of the Hryvna against the USD, which resulted in a revaluation gain on the Group’s USD denominated indebtedness.

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 37, 38, 39 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 land lease rights acquisition, potential land acquisition, 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

The results of the Group for the years 2009, 2008, and 2007 are set out on page 8. The Board of Directors did not recommend the payment of dividends and the profits are retained.

Share capital

On 21 September 2009 (date of incorporation) the Company issued 12.000.000 ordinary shares of €0,021 each at nominal value.

On 4 November 2009 the Company issued 4.000.000 additional ordinary shares of €0,021 each at the price of USD 9,72875 each. This resulted to a share premium of USD 38.474 thousands.

AGROTON PUBLIC LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Board of Directors

The members of the Company's Board of Directors as at 31 December 2009 and at the date of this report are presented on page 2. Inter Jura Cy (Services) Limited, Ms Tamara Lapta, and Mr Iurii Zhuravlov were members of the Board throughout the period from 21 September 2009 (date of incorporation) to 31 December 2009. Mr Borys Supikhanov and Mr Alex Lissitsa were appointed as Directors on 5 November 2009. Mr Borys Supikhanov resigned from his position as Director of the Company on 2 February 2010 and was re-appointed as Director of the Company on March 30, 2010 in the place of Inter Jura Cy (Services) Limited, which resigned from its position as Director of the Company on the same date

There 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.

Events after the balance sheet date

The post balance sheet events, which have a bearing on the understanding of the consolidated financial statements are disclosed in note 40 of the consolidated financial statements.

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
Director

Nicosia,
9 April 2010

Independent Auditors' Report

To the Members of Agroton Public Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Agroton Public Limited (the "Company") and its subsidiaries (the "Group") on pages 7 to 61, which comprise the consolidated statements of financial position as at 31 December 2007, 2008, and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the years 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.

Auditors' 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 Auditors' Report

To the Members of Agroton Public Limited (Continued)

Audit Opinion In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group as at 31 December 2007, 2008, and 2009, and of its financial performance and its cash flows for the years 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 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 3 to 4 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 and Partners Limited

Nicosia, 9 April 2010

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009, 2008 AND 2007

(in thousand USD)

	Note	31 December 2009	31 December 2008	31 December 2007
ASSETS				
Non-current assets				
Property, plant and equipment	6	40 114	44 917	48 340
Intangible assets		10	9	10
Non-current biological assets	7	1 932	1 683	1 442
Long-term financial assets	8	154	152	180
Other non-current assets	9	63	619	1 137
		42 273	47 380	51 109
Current assets				
Current biological assets	10	8 700	9 831	6 602
Inventories	11	30 968	19 747	23 001
Trade receivables	12	7 482	3 869	6 413
Prepayments and other current assets	14	1 515	2 256	8 203
Cash and cash equivalents	15	35 106	820	1 385
		83 771	36 523	45 604
Total assets		126 044	83 903	96 713
EQUITY AND LIABILITIES				
Equity and reserves attributable to owners of the parent				
Share capital	16	494	156	156
Share premium		38 474	-	-
Retained earnings		26 800	24 998	42 576
Effect from foreign currency translation		(9 719)	(9 158)	-
		56 049	15 996	42 732
Minority interest		368	236	9 362
Total equity		56 417	16 232	52 094
Long-term liabilities				
Deferred income	17	125	553	1 274
Long-term bank loans	18	516	841	3 797
Long-term finance lease liabilities	19	5 744	6 945	4
		6 385	8 339	5 075
Short-term liabilities				
Short-term loans	20	48 145	48 168	33 482
Current portion of long-term liabilities		3 664	2 416	413
Trade accounts payable	21	2 001	4 043	2 064
Other short-term liabilities and accrued expenses	22	8 304	3 967	2 733
Short-term provisions	23	1 128	738	852
		63 242	59 332	39 544
Total liabilities		69 627	67 671	44 619
Total equity and liabilities		126 044	83 903	96 713

On 9 April 2010 the Board of Directors of Agrotion Public Limited authorized these consolidated financial statements for issue.

Mr Iurii Zhuravlov

Director

Ms Tamara Lapta

Director

Notes on pages 12-61 are the integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**
(in thousand USD)

	Note	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Sales revenue	24	55 288	75 749	51 626
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	25	20 807	17 683	16 123
Cost of sales	26	(56 223)	(78 492)	(43 963)
Gross profit		19 872	14 940	23 786
Administrative expenses	27	(5 332)	(7 727)	(6 339)
Distribution expenses	28	(1 638)	(2 579)	(1 866)
Other income, net	29	3 737	133	3 237
Financial expenses, net	30	(11 588)	(23 657)	(4 246)
Profit/(loss) before tax		5 051	(18 890)	14 572
Income tax expenses		-	-	(2)
Profit/(loss) for the year		5 051	(18 890)	14 570
Other comprehensive income/(loss) for the year:				
Effect of change in reporting entity		(572)	(9 656)	-
Total comprehensive income/(loss) for the year		4 479	(28 546)	14 570
Profit/(loss) attributable to:				
Owners of the parent		5 070	(18 418)	15 174
Minority interest		(19)	(472)	(604)
Earnings per share attributable to the equity holders of the Company during the year: (expressed in USD cents)				
Basic earnings per share	39	35	N/A	N/A
Diluted earnings per share	39	35	N/A	N/A
Total comprehensive income/(loss) attributable to:				
Owners of the parent		4 509	(27 576)	15 174
Minority interest		(30)	(970)	(604)

Notes on pages 12-61 are the integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**
(in thousand USD)

	Share capital	Share premium (1)	Retained earnings (2), (3)	Effect from currency translation	Total equity attributable to the owner of the parent company	Minority interest	Total
31 December 2006	150	-	27 402	-	27 552	9 966	37 518
Share capital increase	6	-	-	-	6	-	6
Comprehensive income for the year	-	-	15 174	-	15 174	(604)	14 570
31 December 2007	156	-	42 576	-	42 732	9 362	52 094
Comprehensive loss for the year	-	-	(18 418)	(9 158)	(27 576)	(970)	(28 546)
Acquisition of non-controlling share	-	-	3 364	-	3 364	(8 156)	(4 792)
Net assets distributions	-	-	(2 524)	-	(2 524)	-	(2 524)
31 December 2008	156	-	24 998	(9 158)	15 996	236	16 232
Comprehensive income for the year	-	-	5 070	(561)	4 509	(30)	4 479
Acquisition of subsidiary	-	-	-	-	-	160	160
Effect of change in reporting entity (Note 16)	214	-	97	-	311	2	313
Issue of additional share capital (Note 16)	124	38 791	-	-	38 915	-	38 915
Expenses in relation to the increase of share	-	(317)	-	-	(317)	-	(317)
Net asset distributions	-	-	(3 365)	-	(3 365)	-	(3 365)
31 December 2009	494	38 474	26 800	(9 719)	56 049	368	56 417

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

(2) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the 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.

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

Notes on pages 12-61 are the integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED
**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**
(in thousand USD)

	Note	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before tax		5 051	(18 890)	14 572
Adjustments for:				
Depreciation and amortization		4 578	5 710	3 504
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	25	(20 807)	(17 683)	(16 123)
Interest income	30	(23)	(24)	(433)
Interest expense	30	9 910	9 356	4 334
Gain on revaluation of long-term accounts receivable at amortised value	30	(26)	7	(17)
Provision for doubtful debts	29	106	83	620
Prepayments and other current assets written- off	29	93	1 403	130
Loss on write-off of non-current assets	29	161	71	160
Gain on write-off of accounts payable	29	(151)	(1)	(93)
Gain on acquisitions of subsidiaries	29	(186)	(1 925)	(644)
Impairment of goodwill	29	-	166	76
Gain/(losses) on disposal of non-current assets, net	29	171	5	(25)
Losses from foreign exchange differences, net	30	1 671	13 978	180
Impairment of inventories and harvest failure	29	500	4 110	-
Compensation for creation of new jobsites	29 (i)	(419)	(430)	-
		629	(4 064)	6 241
Changes in working capital:				
(Increase)/decrease in trade accounts receivable		(3 927)	417	(2 598)
Decrease/(increase) in prepayments and other current assets		699	128	(2 512)
Decrease in inventories and biological assets		9 222	3 202	1 083
(Decrease)/increase in trade accounts payable		(2 038)	3 172	672
Increase/(decrease) in other short-term liabilities and accrued expenses		1 685	2 361	(461)
Increase in other provisions accrued		421	264	320
Cash generated from operations		6 691	5 480	2 745
Income tax paid		-	-	(2)
Net cash from operating activities		6 691	5 480	2 743
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment		(437)	(8 626)	(11 271)
Proceeds from disposal of property, plant and equipment		11	12	682
Purchase of non-current biological assets		(317)	(832)	(258)
Proceeds from disposal of non-current biological assets		-	-	141
Purchase of intangible assets		-	-	(8)
Purchase of investments into subsidiary		(72)	(5 308)	(180)
Interests received		23	24	15
Short-term and long-term loans issued to employees and related parties		(14)	(94)	(84)
Repayment of short-term and long-term loans to employees and related parties		37	115	37
Net cash used in investing activities		(769)	(14 709)	(10 926)

AGROTON PUBLIC LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

(in thousand USD)

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Financing activities			
Movements in credit lines, net	(5 526)	14 075	22 504
Receipts from short-term and long-term loans and borrowings	11 558	2 676	11 767
Repayment of short-term and long-term loans and borrowings	(1 230)	(718)	(22 236)
Borrowing costs paid	(6 886)	(8 904)	(4 055)
Receipts from government grants as deferred income	-	18	1 274
Net assets distributions	(3 365)	(2 524)	-
Receipts from short-term bonds	-	9 489	-
Repayment of short-term bonds	(4 211)	-	-
Repayment of financial lease liabilities	(929)	(5 561)	-
Proceeds from issue of share capital	38 968	-	-
Net cash provided with financing activities	28 379	8 551	9 254
NET INCREASE IN CASH	34 301	(678)	1 071
Effect from foreign currency translation	(15)	293	-
Cash at the beginning of the year	820	1 205	134
Cash at the end of the year (Note 15)	35 106	820	1 205

Notes on pages 12-61 are the integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

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. Its registered office is at 1 Lampousas Street, CY-1095 Nicosia, Cyprus.

Principal activities

The principal activities of the Company 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 2009, 2008 and 2007 was as follows:

Name of company	Country of incorporation	Principal activity	Effective ownership ratio		
			As at 31 December		
			2009	2008	2007
Agroton Public Limited	Cyprus	Holding company	parent company	N/A	N/A
"Living" LLC	Ukraine	Holding investments	99,99%	100,00%	100,00%
PE Agricultural Production Firm "Agro" (i)	Ukraine	Holding company	99,99%	parent company	parent company
"Agroton" PJSC	Ukraine	Agricultural activity	99,99%	100,00%	56,20%
OJSC "Belokurakinskiy Elevator"	Ukraine	Agricultural activity	84,66%	84,67%	84,67%
OJSC "Breeding Poultry Farm "Mirnyi"	Ukraine	Agricultural activity	78,46%	78,47%	78,47%
"Agro Meta" LLC	Ukraine	Agricultural activity	99,99%	100,00%	100,00%
"Rosinka-Star" LLC	Ukraine	Agricultural activity	99,99%	100,00%	100,00%
"Etalon-Agro" LLC	Ukraine	Agricultural activity	99,99%	100,00%	100,00%
ALLC "Noviy Shlyah"	Ukraine	Agricultural activity	99,99%	100,00%	N/A
AF named by Shevchenko	Ukraine	Agricultural activity	99,99%	100,00%	N/A
"Zolotaya Guildia" LLC	Ukraine	Agricultural activity	liquidated	liquidated	100,00%
ALLC "Shiykivske"	Ukraine	Agricultural activity	80,99%	N/A	N/A

(i) On October 29, 2009, Agroton Public Limited (Cyprus) became the holding company of the Group. Until October 13, 2009, the holding company of the Group was PE Agricultural Production Firm "Agro" (Ukraine). Following a reorganization of the Group, the Group became controlled by "Living" LLC (Ukraine) which in turn became controlled by Agroton Public Limited. As of October 29, 2009 the Group's assets and liabilities were transferred to Agroton Public Limited which became the new parent company of the Group.

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.

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 Corporate 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described in Note 4.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new and revised IFRSs

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

Standards and Interpretations adopted by the EU

- IAS 27 (amendments) "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IAS39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items" (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IFRS 1 and International Accounting Standard (IAS) 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective for annual periods beginning on or after 1 July 2009).
- Revisions to IFRS 3, "Business Combinations" and Amendments to IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009).
- Amendment to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008 (EU: 30 March 2009)).
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods on or after 1 October 2008 (EU: 30 June 2009)).
- IFRIC 17 "Distributions of Non Cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after 1 July 2009).

Standards and Interpretations not adopted by the EU

- IAS 24 (revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).
- IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IFRS1 Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010).
- Amendments to IFRS2 Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013).
- IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods on or after 1 January 2010).
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective from 1 July 2010).

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

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 establishments are included in the consolidated financial information from the date that 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").

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Consolidation (continued)

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, plus costs directly attributable to the acquisition. 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 minority 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 income statement.

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 acquire) 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 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 minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated statement of changes in equity. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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.

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 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency transactions (continued)

(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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within "Finance income and 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each income statement 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.

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

Currency	31 December 2009	Average exchange rate for the year 2009	31 December 2008	Average exchange rate for the year 2008	31 December 2007	Average exchange rate for the year 2007	31 December 2006
UAH/USD	7,99	7,79	7,70	5,27	5,05	5,05	5,05

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.

2.6 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 "Short-term loans".

2.7 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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 4.

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.

2.9 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 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 in the consolidated income statement within item "Other income, net".

2.10 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.

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:

- 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;
- market prices for similar assets;
- sector benchmarks.

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 YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Biological assets (continued)

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.

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

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.

The Group identifies the following types of biological assets:

a) current (with useful life less than 1 year), including:

- sowing of crops (sowing of winter crops, spring crops and industrial crops);
- animals in growing and fattening (cattle, pigs, poultry, etc.);

b) non-current (useful life over 1 year):

- working and productive cattle (cattle, pigs, etc.)

2.11 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 income statement.

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.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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. Useful life for the group of intangible assets "Rights to use software programs" is 4-5 years. 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.

2.13 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.

2.14 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:

- the revenue from sales of goods is recognized after: the Group has transferred to the customer considerable risks and remuneration, 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.
- the revenue from rendering of services is recognized after: the amount of revenue can be reliably measured; economic benefits related to the transaction are possible; a possibility for reliable measuring of stage of transaction completeness at the balance sheet is available; and there is a possibility for 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Expenses recognition

Expenses are recognized by the Group when the following conditions are met: the amount of expenses can be reliably measured, it is probable that future economic benefits, relating to asset increase or liability lessening,

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 period in the item "Work-in-progress", which, in its turn, forms a part of the item "Inventories" of special purpose consolidated financial information.

2.16 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 operating income / expenses, net".

Grants related to assets are government grants which the main condition of granting them is for the Group to buy, build or purchase long-term 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.

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.

2.17 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. All other borrowing costs are expensed. Net financial expenses are recorded in the consolidated statement of comprehensive income as a separate line item "Financial expenses net."

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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.

2.19 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.

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.

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.

2.20 Lease

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

(a) Group as a lessee

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

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

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

(b) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Impairment of non-current assets

In relation to all assets, except for inventories, assets resulting from fees to employees, 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 analyzed 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.

2.22 Provisions

Provision are recognized in the special purpose consolidated financial information of 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 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.

2.23 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 special purpose financial information. The Group discloses information on the contingent liabilities in the Notes to the financial statements, with the exception of cases, when fulfillment of a contingent liability is unlikely due to remoteness of the event (possible repayment term is more than 12 months).

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 special purpose consolidated financial information, but disclosed in the Notes in case, when the amount of future economic benefits can be measured with sufficient reliability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Financial instruments

Financial assets

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

Loans and accounts receivable

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

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 ("experience 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 canceled.

Financial liabilities

Loans and borrowings

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

Initial recognition

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

Subsequent measurement

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Financial instruments (continued)

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 canceled.

Trade and other accounts payable

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.

2.25 Related parties

For the purposes of this 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.

2.26 Dividends

Dividend distribution is recognized in consolidated financial statements in the year in which they are approved.

3. GROUP REORGANIZATION

Agroton Public Limited was incorporated in Cyprus on September 21, 2009 as a public limited liability company. On October 29, 2009, Agroton Public Limited became the holding company of the Group. Until October 13, 2009, the holding company of the Group was PE Agricultural Production Firm "Agro". Following a reorganization of the Group, the Group became controlled by "Living" LLC which in turn became controlled by Agroton Public Limited. As of October 29, 2009 the Group's assets and liabilities were transferred to Agroton Public Limited which became the new parent company of the Group. The assets and liabilities of the new Group and the original Group are the same immediately before and after the reorganization. Also, the owner of the original parent before the reorganization have the same absolute and relative interests in the net assets of the original Group and the new Group immediately before and after the reorganization.

The effect of retrospective application of this change was assessed by management as insignificant and thus no restatement of comparative information was presented.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group'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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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 Provisions for doubtful debts

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

4.6 Contingent liabilities

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

4.7. Biological assets

Animals in growing and fattening and working and productive cattle are measured at fair value less costs to sell at the date of initial recognition and at every reporting date. Fair value is determined using prices of the active markets in Ukraine less costs to sell for one kilogram of meat applied by net marketable weight of appropriate group of assets.

4.8 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.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

4.8 Impact of the ongoing global financial and economic crisis.

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

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

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. Main agricultural products which are sold in this business segment are wheat, rye, barley, sunflowers, rape, etc.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. SEGMENT INFORMATION (CONTINUED)

	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Year ended 31 December 2009						
Total revenue	16 768	42 892	9 067	703	-	69 430
Inter-segment sales	(1 288)	(11 583)	(773)	(498)	14 142	-
Sales to external customers	15 480	31 309	8 294	205	-	55 288
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	(2 017)	22 824	-	-	-	20 807
Segment results	(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						
Capital expenses	344	447	51	234	-	1 076
Operating assets	23 449	53 054	10 519	3 728	35 294	126 044
Operating liabilities	614	10 963	635	469	56 946	69 627

Assets of segments do not include long-term financial investments (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 long-term 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 payables for investments (110 thousand USD), short-term provisions (1 128 thousand USD), long-term borrowings (516 thousand USD), current portion of long-term borrowings (308 thousand USD), short-term 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

	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Year ended 31 December 2008						
Total revenue	22 340	53 934	15 204	460	-	91 938
Inter-segment sales	(2 730)	(12 479)	(768)	(212)	16 189	-
Sales to external customers	19 610	41 455	14 436	248	-	75 749
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	(1 153)	18 835	-	-	-	17 683
Segment results	4 416	10 818	(154)	(140)	-	14 941
Depreciation and amortization	971	3 465	795	479	-	5 710
Segment profit	4 416	10 818	(154)	(140)	(33 829)	(18 889)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. SEGMENT INFORMATION (CONTINUED)

	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
As at 31 December 2008						
Capital expenses	6 331	14 153	1 412	679	-	22 575
Operating assets	23 542	41 857	12 127	4 050	2 327	83 903
Operating liabilities	2 355	11 097	776	593	52 850	67 671

Assets of segments do not include long-term financial investments (152 thousand USD), prepayments for investments (468 thousand USD), cash and cash equivalents (820 thousand USD), VAT for reimbursement and prepayments for VAT (693 thousand USD), current loans to employees (2 thousand USD), current portion of long-term loans to employees (11 thousand USD), current loans issued to related parties (172 thousand USD), prepayments for other taxes (9 thousand USD).

Liabilities of segments do not include payroll and related tax liabilities (2 112 thousand USD), dividends to be paid (141 thousand USD), liabilities for other taxes and mandatory payments (41 thousand USD), liabilities for value-added tax (22 thousand USD), liabilities for interest (312 thousand USD), accounts payables for investments (160 thousand USD), short-term provisions (738 thousand USD), long-term borrowings (841 thousand USD), current portion of long-term borrowings (315 thousand USD), short-term borrowings (48 168 thousand USD).

Business segment income stated at each operating segment does not include administrative expenses (7 727 thousand USD), selling and distribution expenses (2 579 thousand USD), other income (expenses), net (133 thousand USD), financial income (expenses), net (23 657 thousand USD).

	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Year ended 31 December 2007						
Total revenue	7 660	35 949	16 974	2 618	-	63 201
Inter-segment sales	(1 607)	(8 747)	(696)	(525)	11 575	-
Sales to external customers	6 053	27 202	16 278	2 093	-	51 626
Income from changes in fair value less cost to sell of biological assets and agricultural products, net	674	15 449	-	-	-	16 123
Segment results	(992)	21 618	2 932	228	-	23 786
Depreciation and amortization	422	1 597	1 134	351	-	3 504
Segment profit	(992)	21 618	2 932	228	(9 216)	14 570

	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
As at 31 December 2007						
Capital expenses	3 077	6 999	266	523	-	10 865
Operating assets	39 696	25 138	17 403	10 874	3 602	96 713
Operating liabilities	1 260	2 753	320	525	39 761	44 619

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5. SEGMENT INFORMATION (CONTINUED)

Assets of segments do not include long-term financial investments (180 thousand USD), prepayments for investments (192 thousand USD), cash and cash equivalents (1 385 thousand USD), VAT for reimbursement and prepayments for VAT (1 787 thousand USD), current loans to employees (16 thousand USD), current portion of long-term loans to employees (9 thousand USD), prepayments for other taxes (33 thousand USD).

Liabilities of segments do not include payroll and related tax liabilities (964 thousand USD), dividends to be paid (215 thousand USD), liabilities for other taxes and mandatory payments (20 thousand USD), liabilities for value-added tax (32 thousand USD), liabilities for interest (4 thousand USD), short-term provisions (852 thousand USD), long-term borrowings (3 797 thousand USD), current portion of long-term borrowings (395 thousand USD), short-term borrowings (33 482 thousand USD).

Business segment income stated at each operating segment does not include administrative expenses (6 339 thousand USD), selling and distribution expenses (1 866 thousand USD), other income (expenses), net (3 237 thousand USD), financial income (expenses), net (4 246 thousand USD), income tax expenses (2 thousand USD).

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.

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Construction in progress	Total
Cost							
As at 31 December 2006	27 862	15 358	3 987	306	212	9 817	57 542
Additions	89	3 567	1 975	52	22	5 160	10 865
Acquisition of subsidiaries	484	325	72	-	14	-	895
Transfers	5 898	1 106	26	-	3	(7 033)	-
Disposals	(120)	(703)	(1)	(70)	(17)	-	(911)
As at 31 December 2007	34 213	19 653	6 059	288	234	7 944	68 391
Additions	1 053	14 138	2 395	55	134	4 800	22 575
Acquisition of subsidiaries	11 763	3 193	7 004	10	177	-	22 147
Transfers	228	146	28	-	-	(402)	-
Disposals	(7)	(339)	(564)	(4)	(6)	-	(920)
Effect from foreign currency translation	(15 889)	(12 174)	10 039	(118)	(176)	(4 124)	(22 442)
As at 31 December 2008	31 361	24 617	10 039	231	363	8 218	74 829
Additions	73	420	272	7	32	272	1 076
Acquisition of subsidiaries	2 346	215	9	2	-	-	2 572
Transfers	2 740	409	56	1	3	(3 209)	-
Disposals	(463)	(252)	(247)	(10)	(10)	-	(982)
Effect from foreign currency translation	(1 235)	(899)	(360)	(9)	(14)	(237)	(2 754)
As at 31 December 2009	34 822	24 510	9 769	222	374	5 044	74 741

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Construc- tion in progress	Total
Depreciation							
As at 31 December 2006	(10 369)	(4 678)	(1 275)	(85)	(56)	-	(16 463)
Charged depreciation	(1 139)	(1 784)	(516)	(43)	(33)	-	(3 515)
Acquisition of subsidiaries	(5)	(149)	(4)	-	(8)	-	(166)
Disposals	39	39	-	2	13	-	93
As at 31 December 2007	(11 474)	(6 572)	(1 795)	(126)	(84)	-	(20 051)
Charged depreciation	(1 755)	(3 008)	(865)	(47)	(39)	-	(5 714)
Acquisition of subsidiaries	(9 823)	(2 813)	(6 865)	(7)	(95)	-	(19 603)
Disposals	1	258	549	1	5	-	814
Effect from foreign currency translation	7 603	4 018	(6 092)	60	77	-	5 666
As at 31 December 2008	(15 448)	(8 117)	(6 092)	(119)	(136)	-	(29 912)
Charged depreciation	(1 186)	(2 641)	(677)	(34)	(50)	-	(4 588)
Acquisition of subsidiaries	(1 611)	(167)	(7)	(1)	-	-	(1 786)
Disposals	185	199	56	8	2	-	450
Effect from foreign currency translation	610	354	233	5	7	-	1 209
As at 31 December 2009	(17 450)	(10 372)	(6 487)	(141)	(177)	-	(34 627)
Net book value:							
As at 31 December 2009	17 372	14 138	3 282	81	197	5 044	40 114
As at 31 December 2008	15 913	16 500	3 947	112	227	8 218	44 917
As at 31 December 2007	22 739	13 081	4 264	162	150	7 944	48 340

As at 31 December 2009 the Group tested its property, plant and equipment for impairment using the discounted cash flow method using discount rate of 25,44%. Calculations shows that net present value is higher than book value of fixed assets.

As at 31 December 2009, 2008 and 2007 loans were secured by property plant and equipment book value (except finance lease assets) of which is as follows:

	31 December 2009	31 December 2008	31 December 2007
Buildings	9 918	11 984	14 715
Equipment	3 114	2 697	2 742
Vehicles	467	1 404	2 122
Computers and office equipment	10	20	-
Instruments, tools and other equipment	16	13	-
Construction in progress	587	839	2 494
Total	14 112	16 957	22 073

As at 31 December 2009 and 2008 the Group has removed from service fixed assets of book value 343 thousand USD and 102 thousand USD respectively.

As at 31 December 2009, 2008 and 2007 the book value of property, plant and equipment subjected to finance lease agreements was amounting to:

	31 December 2009	31 December 2008	31 December 2007
Equipment	6 476	7 801	52
Vehicles	1 128	1 079	-
Total	7 604	8 880	52

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. NON-CURRENT BIOLOGICAL ASSETS

As at 31 December 2009, 2008 and 2007 non-current biological assets are as follows:

	31 December 2009		31 December 2008		31 December 2007	
	number, of heads	Fair value	number, of heads	Fair value	number, of heads	Fair value
Cattle	3 669	1 578	3 907	1 359	3 431	1 255
Pigs	1 210	341	2 732	316	1 008	175
Other	14	13	26	8	39	12
Total	4 893	1 932	6 665	1 683	4 478	1 442

Reconciliation of book value of non-current biological assets for the years ended 31 December 2009, 2008 and 2007 was as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
At beginning of year	1 683	1 442	1 233
Additions resulting from purchase of assets	5	184	258
Additions resulting from business combinations	-	528	32
Expenses capitalized in biological assets	7 185	5 974	3 378
Loss from changes in fair value less costs to sell of biological assets and agricultural products	(1 877)	(943)	(158)
Decrease in value due to harvesting agricultural products	(5 100)	(4 528)	(3 353)
Transfer between groups of assets	109	(136)	-
Decrease in value due to sale of assets	(1)	-	(141)
Other changes	-	-	193
Effect from foreign currency translation	(72)	(838)	-
At end of year	1 932	1 683	1 442

As at 31 December 2009, 2008, 2007 loans were secured by non-current biological assets book value of which is as follows:

	31 December 2009	31 December 2008	31 December 2007
Cattle	1 370	1 359	1 255
Pigs	341	316	175
Total	1 711	1 675	1 430

8. LONG-TERM FINANCIAL ASSETS

As at 31 December 2009, 2008 and 2007 long-term financial investments were as follows:

	31 December 2009	31 December 2008	31 December 2007
Long-term loans to employees	24	38	22
Long-term loans to related parties	137	125	167
Total long-term financial investments	161	163	189
Current portion of long-term loans to employees	(7)	(11)	(9)
Total	154	152	180

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. LONG-TERM FINANCIAL ASSETS (CONTINUED)

	Nominal value		
	31 December 2009	31 December 2008	31 December 2007
Within 1 year	8	13	11
From 1 year to 5	280	50	17
More than 5 years	-	260	396
	288	323	424
	Amortized cost		
	31 December 2009	31 December 2008	31 December 2007
Within 1 year	7	11	9
From 1 year to 5	154	27	13
More than 5 years	-	125	167
	161	163	189

The long-term loans mentioned are interest-free, UAH-denominated and unsecured.

Long-term loans to employees and long-term 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 2009, 2008 and 2007 equals to 21,28%, 17,87% and 13,52% respectively.

9. OTHER NON-CURRENT ASSETS

As at 31 December 2009, 2008 and 2007 other non-current assets were as follows:

	31 December 2009	31 December 2008	31 December 2007
Prepayments for property, plant and equipment	63	151	945
Prepayments for investments	-	468	192
	63	619	1 137

As at 31 December 2008 prepayments for investments consisted of 81% of corporate rights of ALLC "Shiykivske" amounted to USD 468 thousand. As at 31 December 2008 the transfer of ownership right for the above mentioned corporate rights was at the stage of state registration. As at 31 December 2007 prepayments for investments amounted to USD 192 thousand paid for 46,1% of corporate rights of ALLC "Ukraine". In 2008 documents for the transfer of ownership right were executed.

10. CURRENT BIOLOGICAL ASSETS

As at 31 December 2009, 2008 and 2007 current biological assets were as follows:

	31 December 2009	31 December 2008	31 December 2007
Animals in growing and fattening	4 082	3 815	3 323
Crops under cultivation	4 618	6 016	3 279
	8 700	9 831	6 602

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. CURRENT BIOLOGICAL ASSETS (CONTINUED)

As at 31 December 2009, 2008 and 2007 the crops under cultivation were as follows:

	31 December 2009		31 December 2008		31 December 2007	
	Area, thousand of hectares	Amount, USD thousand	Area, thousand of hectares	Amount, USD thousand	Area, thousand of hectares	Amount, USD thousand
Winter wheat sowing	44	3 850	49	4 968	26	2 296
Winter rye sowing	1	47	1	65	1	79
Winter triticale sowing	-	-	0	13	1	56
Winter rape sowing	9	623	17	888	15	732
Winter barley sowing	2	95	1	56	1	91
Other sowing	0	3	1	26	1	25
Total	56	4 618	69	6 016	45	3 279

Reconciliation of book value of the crops plantings for the years ended 31 December 2009, 2008 and 2007 was as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
At beginning of year	6 016	3 279	1 124
Additions resulting from purchase of assets	-	386	263
Additions resulting from business combinations	79	80	-
Expenses capitalized in biological assets	42 056	43 985	20 280
Income from changes in fair value less costs to sell of biological assets and agricultural products	22 824	18 835	15 600
Decrease in value due to harvesting of agricultural products	(65 469)	(57 576)	(33 390)
Other changes	(703)	(61)	(598)
Effect from foreign currency translation	(185)	(2 912)	-
At end of year	4 618	6 016	3 279

As at 31 December 2009, 2008 and 2007 animals in growing and fattening were as follows:

	31 December 2009		31 December 2008		31 December 2007	
	number, of heads	Fair value	number, of heads	Fair value	number, of heads	Fair value
Cattle	4 420	1 732	5 084	1 855	4 936	1 769
Pigs	15 940	1 832	12 466	1 419	11 779	1 033
Poultry	503 110	505	484 681	530	404 304	511
Other	5	13	93	11	37	10
Total	523 475	4 082	502 324	3 815	421 056	3 323

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10. CURRENT BIOLOGICAL ASSETS (CONTINUED)

Reconciliation of book value of animals in growing and fattening for the years ended 31 December 2009, 2008 and 2007 was as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
At beginning of year	3 815	3 323	2 004
Additions resulting from purchase of assets	1 715	1 446	584
Additions resulting from business combinations	3	573	187
Expenses capitalized in biological assets	16 579	19 144	7 444
Income /(loss) from changes in fair value less costs to sell of biological assets and agricultural products	(140)	(209)	681
Decrease in value due to harvesting agricultural products	(9 783)	(13 495)	(4 516)
Decrease in value due to selling of assets	(5 401)	(4 956)	(2 706)
Transfer between groups of assets	(1 230)	136	-
Other changes	(1 331)	(248)	(355)
Effect from foreign currency translation	(145)	(1 899)	-
At end of year	4 082	3 815	3 323

As at 31 December 2009, 2008 and 2007 loans were secured by current biological assets book value of which is as follows:

	31 December 2009	31 December 2008	31 December 2007
Cattle	1 046	928	1 769
Pigs	1 011	1 367	1 033
Total	2 057	2 295	2 802

11. INVENTORIES

As at 31 December 2009, 2008 and 2007 inventories were presented as follows:

	31 December 2009	31 December 2008	31 December 2007
Raw materials	2 089	2 036	4 703
Work-in-progress	2 159	1 289	1 788
Agricultural products	24 516	13 035	13 148
Finished goods	820	1 569	1 400
Other	1 384	1 818	1 962
Total	30 968	19 747	23 001

As at 31 December 2009, 2008, 2007 loans were secured by inventories, the book value of which is as follows:

	31 December 2009	31 December 2008	31 December 2007
Agricultural products	19 626	6 000	9 100
	19 626	6 000	9 100

As at 31 December 2009 and 2008 the impairment of inventories and harvest failure was USD 500 thousand and USD 4 110 thousand respectively. Expenses from such operations are disclosed in Note 29.

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12. TRADE RECEIVABLES

As at 31 December 2009, 2008 and 2007 trade receivables were as follows:

	31 December 2009	31 December 2008	31 December 2007
Trade accounts receivables	7 849	4 269	7 048
Less: Provision for impairment of trade receivables	(367)	(400)	(635)
Total	7 482	3 869	6 413

Ageing of trade receivables as of 31 December 2009, 2008 and 2007 is as follows:

	31 December 2009	31 December 2008	31 December 2007
0-3 months	4 696	3 332	1 717
3-6 months	1 609	53	1 049
6 months to 1 year	910	179	871
Over 1 year	634	705	3 411
Total	7 849	4 269	7 048

As at 31 December 2009 trade receivables of USD 267 thousand ageing over one year is not bad debt as Group has evidences that it will be repaid in year 2010.

Trade receivable with a maturity more than 1 year include a liability with the counterparty "State Committee of Ukraine for State Material Reserve", which as at 31 December 2008 and 2007 amounted to USD 297 thousand and USD 431 thousand, respectively. Since there is a court decision for this debt in favor of the Company, the Group's management believes that these trade receivables will be repaid in full in 2009 and the provision for impairment for this debt is not required.

The principal amount of trade receivables with a maturity more than 1 year includes a liability with the counterparty Small Private Enterprise "Absolute", which as at 31 December 2007 amounted to USD 2 094 thousand. Since these trade receivables were fully repaid on 4 January 2008, a provision for impairment for these trade receivables was not provided.

13. PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
At beginning of year	(466)	(773)	(593)
Accruals	(105)	(83)	(620)
Acquisition of subsidiaries	-	-	(83)
Reversion from provision	33	56	-
Using of provision	55	120	523
Effect from foreign currency translation	8	214	-
At end of year	(475)	(466)	(773)

	31 December 2009	31 December 2008	31 December 2007
Provision for impairment of trade receivables	(367)	(400)	(635)
Provision for impairment of other receivables	(108)	(66)	(138)
Total	(475)	(466)	(773)

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14. PREPAYMENTS AND OTHER CURRENT ASSETS

As at 31 December 2009, 2008 and 2007 other current assets were as follows:

	31 December 2009	31 December 2008	31 December 2007
Prepayments to suppliers	1 458	1 296	2 833
Commodity loans issued	-	-	3 366
VAT for reimbursement and prepayments for VAT	22	693	1 787
Other accounts receivable and current assets	143	333	355
Provision for impairment of other receivables	(108)	(66)	(138)
Total	1 515	2 256	8 203

15. CASH AND CASH EQUIVALENTS

As at 31 December 2009, 2008 and 2007 cash and cash equivalents balances were as follows:

	31 December 2009	31 December 2008	31 December 2007
Cash at bank in UAH	95	786	1 177
Cash at bank in Euro	16	-	180
Cash at bank in USD	4 895	-	-
Cash with brokers in USD (i)	30 087	-	-
Cash in hand	13	34	28
Total	35 106	820	1 385
Less restricted cash:			
Letter of credit in foreign currency	-	-	(180)
Cash to be represented in the statement of cash flows	35 106	820	1 205

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

16. SHARE CAPITAL

	Number of shares	Nominal value, Euro
Authorised		
Ordinary shares of Euro 0,021 each	47 619	1 000
Issued and fully paid		
Issue of share capital	12 000	370
Issue of additional share capital	4 000	124
Balance at 31 December 2009	16 000	494

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. On 4 November 2009 the Company issued 4 000 000 additional ordinary shares of nominal value €0,021 each. Global Depositary Receipts "GDRs" were issued against the new shares by The Bank of New York Mellon for USD 9 728 750 per each new share.

For the years 2008 and 2007 the parent company of the Group was PE Agricultural Firm "Agro". Its share capital was USD 156 thousand (UAH 786 thousand). Following the change of the Group's parent to Agroton Public Limited in year 2009, the share capital was adjusted to USD 370 thousand which represents the nominal value of Agroton Public Limited as at date of changes of the Group parent.

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17. DEFERRED INCOME

	31 December 2009	31 December 2008	31 December 2007
Deferred income	125	553	1 274

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 jobsites. Income in 2009 and 2008 was USD 419 thousand and USD 430 thousand respectively.

18. LONG-TERM BANK LOANS

As at 31 December 2009, 2008 and 2007 long-term bank loans were as follows:

	31 December 2009	31 December 2008	31 December 2007
Long-term bank loans	824	1 156	4 192
Less:			
Current portion of bank loans	(308)	(315)	(395)
Total	516	841	3 797

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

Creditor	Type of loan	Interest rate	Maturity date	Currency	31 December 2009	
					Amount	Current portion
JSCB "FORUM"	credit line	26%	06.09.2012	UAH	343	(125)
CB "Privatbank"	credit	13%	10.06.2012	USD	325	(130)
OJSC "Raiffeizen bank Aval"	credit line	17%	25.11.2012	UAH	156	(53)
Total					824	(308)

As at 31 December 2008 the principle terms of long-term bank loans were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	31 December 2008	
					Amount	Current position
JSCB "FORUM"	credit line	26%	06.09.2012	UAH	485	(129)
OJSC "Raiffeizen bank Aval"	credit line	17%	25.11.2012	UAH	217	(130)
CB "Privatbank"	credit	11%	10.06.2012	USD	454	(56)
Total					1 156	(315)

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18. LONG-TERM BANK LOANS (CONTINUED)

As at 31 December 2007 the essential terms of long-term bank loans were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	31 December 2007	
					Amount	Current portion
JSCB "FORUM"	credit line	16%	06.09.2012	UAH	482	(181)
JSB "Ukrkommunbank"	credit line	17%	25.12.2009	UAH	892	-
OJSC "Raiffeizen bank Aval"	credit line	16%	25.11.2012	UAH	234	(84)
CB "Privatbank"	credit	11%	10.06.2012	USD	584	(130)
JSB "Ukrkommunbank"	credit	14%	19.02.2009	USD	2 000	-
Total					4 192	(395)

Loan amounting to USD 343 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 26%. 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 356 thousand. As at 31 December 2008 and 2007 liabilities under this contract were equal to USD 485 thousand and USD 482 thousand respectively.

Loan amounting to USD 156 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 193 thousand. As at 31 December 2008 and 2007 liabilities under this contract were equal to USD 217 thousand and USD 234 thousand respectively.

Loan amounting to USD 325 thousand received by PE APF "Agro" in USD relates to a contract of credit concluded with CB "Privatbank". The annual interest rate is 13%. Maturity date is 10 June 2012. Obligations under credit contract are guaranteed by property plant and equipment of PE APF "Agro" at a book value amounting to USD 276 thousand. As at 31 December 2008 and 2007 liabilities under this contract were equal to USD 454 thousand and USD 584 thousand respectively.

As at 31 December 2009, 2008 and 2007 fair value of long-term bank loans approximates its current value.

As at 31 December 2009, 2008 and 2007 long-term bank loans were secured by:

	31 December 2009	31 December 2008	31 December 2007
Property, plant and equipment	824	888	1 183
including:			
equipment	357	270	430
vehicles	467	618	753
Inventories	-	-	3 921
Total	824	888	5 104

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19. LONG-TERM FINANCE LEASE LIABILITIES

As at 31 December 2009 long-term finance lease liabilities were as follows:

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

As at 31 December 2008 long-term finance lease liabilities were as follows:

	Minimum lease payments as at 31 December 2008	Present value of minimum lease payments as at 31 December 2008
Amounts payable under finance lease:		
Within 1 year	3 760	2 102
From 1 to 5 years	9 304	6 945
	<u>13 064</u>	<u>9 047</u>
Less: financial costs of future periods	<u>(4 018)</u>	
Present value of lease liabilities	9 046	9 047
Less: amount payable within one year		<u>(2 102)</u>
Amount payable later than one year		<u><u>6 945</u></u>

As at 31 December 2007 long-term finance lease liabilities were as follows:

	Minimum lease payments as at 31 December 2007	Present value of minimum lease payments as at 31 December 2007
Amounts payable under finance lease:		
Within 1 year	19	18
From 1 to 5 years	5	4
	<u>24</u>	<u>22</u>
Less: financial costs of future periods	<u>(1)</u>	
Present value of lease liabilities	23	22
Less: amount payable within one year		<u>(18)</u>
Amount payable later than one year		<u><u>4</u></u>

Financial expenses according to the agreements signed in 2008 were accrued 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 2009, 2008 and 2007 a net book value of property, plant and equipment which is subject to financial lease agreement is represented in Note 6.

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20. SHORT-TERM LOANS

As at 31 December 2009, 2008 and 31 December 2007 short-term loans were as follows:

	31 December 2009	31 December 2008	31 December 2007
Short-term bank loans in UAH	14 659	17 708	15 654
Short-term bank loans in USD	20 037	23 200	15 553
Short-term bonds issued	2 154	6 494	-
Government loans	11 295	383	605
Other short-term loans	-	383	1 670
Total	48 145	48 168	33 482

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

Creditor	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
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

As at 31 December 2008 the details of short-term bank loans in national and foreign currency were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	Principle amount
JSCB «FORUM»	multicurrency credit line	12%	05.03.2009	USD	5 660
JSCB «FORUM»	multicurrency credit line	13%	22.04.2009	USD	8 548
JSCB «FORUM»	multicurrency credit line	13%	12.05.2009	USD	2 360
JSCB «FORUM»	multicurrency credit line	13%	10.06.2009	USD	929
JSCB «FORUM»	multicurrency credit line	17%	12.05.2009	UAH	2 164
JSCB «FORUM»	multicurrency credit line	21%	22.04.2009	UAH	2 054

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20. SHORT-TERM LOANS (CONTINUED)

Creditor	Type of loan	Interest rate	Maturity date	Currency	Principle amount
JSCB «FORUM»	multicurrency credit line	21%	10.06.2009	UAH	1 780
JSCB «FORUM»	multicurrency credit line	21%	02.04.2009	UAH	1 286
JSCB «FORUM»	multicurrency credit line	27%	02.04.2009	UAH	26
JSCB «FORUM»	credit	12%	27.02.2009	USD	1 295
JSCB «FORUM»	credit	21%	27.02.2009	UAH	75
JSCB «FORUM»	credit	22%	20.02.2009	UAH	603
JSCB «FORUM»	credit	21%	19.03.2009	UAH	485
JSCB «FORUM»	credit	27%	19.03.2009	UAH	105
Alpha Bank	multicurrency credit line	18%	06.03.2009	USD	1 200
Alpha Bank	multicurrency credit line	19%	12.02.2009	USD	1 000
Alpha Bank	multicurrency credit line	18%	13.02.2009	USD	500
OJSC «Oschadbank»	credit line	18%	13.04.2009	UAH	649
OJSC «Raiffaisen Bank Aval»	credit line	18%	15.02.2009	UAH	3 247
OJSC «Raiffaisen Bank Aval»	credit line	18%	10.03.2009	UAH	3 247
OJSC "Ukrkommunbank"	credit line	24%	25.12.2009	UAH	649
OJSC "Ukrkommunbank"	credit	17%	19.02.2009	USD	1 708
«Vostochno-promyshlennyi bank» LLC	credit line	21%	05.08.2009	UAH	1 338
Total					40 908

As at 31 December 2007 the details of short-term bank loans in national and foreign currency were as follows:

Creditor	Type of loan	Interest rate	Maturity date	Currency	Principle amount
JSCB «FORUM»	multicurrency credit line	16%	29.02.2008	UAH	114
JSCB «FORUM»	credit line	16%	20.03.2008	UAH	653
JSCB «FORUM»	multicurrency credit line	16%	30.04.2008	UAH	1 483
JSCB «FORUM»	multicurrency credit line	16%	23.04.2008	UAH	2 347
JSCB «FORUM»	multicurrency credit line	16%	13.05.2008	UAH	3 496
JSCB «FORUM»	multicurrency credit line	16%	11.06.2008	UAH	2 714
JSCB «FORUM»	credit line	16%	31.10.2008	UAH	1 840
OJSC «Oschadbank»	credit line	16%	28.04.2008	UAH	990
«Vostochno-promyshlennyi bank» LLC	credit line	17%	07.08.2008	UAH	1 652
JSB «Brokbusinessbank»	credit line	18%	25.01.2008	UAH	68
JSB «Brokbusinessbank»	credit line	18%	03.04.2008	UAH	297
JSCB «FORUM»	multicurrency credit line	12%	29.02.2008	USD	1 345
JSCB «FORUM»	multicurrency credit line	13%	06.03.2008	USD	5 660
JSCB «FORUM»	multicurrency credit line	12%	23.04.2008	USD	8 548
Total					31 207

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20. SHORT-TERM LOANS (CONTINUED)

As at 31 December 2009, 2008 and 31 December 2007 short-term bank loans were secured as follows:

	31 December 2009	31 December 2008	31 December 2007
Property, plant and equipment	13 288	16 069	20 890
Consisting of :			
buildings	9 918	11 984	14 715
equipment	2 757	2 427	2 312
vehicles	-	786	1 369
computers and office equipment	10	20	-
instruments, tools and other equipment	16	13	-
construction in progress	587	839	2 494
Inventories	19 626	6 000	5 179
Biological assets	3 768	3 970	4 232
Total	36 682	26 039	30 301

State loans comprise loans of the companies OJSC Breeding Poultry Farm «Mirnyi» and OJSC «Belokurakinskiy elevator» and are interest-free budgetary loans for the purchase of agricultural products under government contracts received in 1995-1997. These loans are according to Ukrainian laws equal to compulsory payments made to the State Budget of Ukraine.

The commodity loan related to 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 is 12,86% for PE APF "Agro" and 14,83% for PJSC "Agroton". Maturity date is 1 May 2010. Obligations under contract are guaranteed by agricultural products (winter wheat and winter rye) with book value of USD 14 013 thousand.

A loan of USD 1 368 thousand was received by PE APF "Agro" in UAH and USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 1 370 thousand. The annual interest rates are equal to 12% in USD and 21% in UAH. Maturity date is 1 August 2010. Obligations under credit contract are guaranteed by property, plant and equipment and inventories of PE APF "Agro" with book value of USD 676 thousand. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 1 370 thousand and USD 1 459 thousand respectively.

A loan of USD 5 660 thousand was received by PE APF "Agro" in USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 5 660 thousand. The annual interest rate is equal to 12% in USD. Maturity date is 1 August 2010. Obligations under credit contract are guaranteed by property, plant and equipment of OJSC "Belokurakinskiy elevator" and inventories of PE APF "Agro" with book value of USD 2 526 thousand. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 5 660 thousand and USD 5 659 thousand respectively.

A loan of USD 6 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 569 thousand. The annual interest rate is equal to 22% for UAH. Maturity date is 1 August 2010. Obligations under credit contract are guaranteed by property, plant and equipment of PE APF "Agro" with book value of USD 536 thousand. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 590 thousand and USD 653 thousand respectively.

A loan of USD 1 077 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 1 265 thousand. The annual interest rates are equal to 22% for loans in UAH and 12% for loans in USD. Maturity date is 1 August 2010. Obligations under credit contract are guaranteed by property, plant and equipment and inventories of PE APF "Agro" with book value of USD 1 480 thousand. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 1 311 thousand and USD 1 482 thousand respectively.

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20. SHORT-TERM LOANS (CONTINUED)

A loan of USD 10 528 thousand was received by PE APF "Agro" in UAH and USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 11 680 thousand. The annual interest rates are equal to 12,5% for loans in USD, 12% for loans in euro and 21% for loans in UAH. Maturity date is 1 August 2010. Obligations under credit contract are guaranteed by property, plant and equipment of PE APF "Agro" with book value of USD 3 890 thousand. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 10 602 thousand and USD 10 894 thousand respectively.

A loan of USD 4 447 thousand was received by PE APF "Agro" in UAH and USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 4 832 thousand. The annual interest rates are equal to 13% for loans in USD and 17% for loans in UAH. Maturity date is 1 August 2010. Obligations under credit contract are guaranteed by property plant and equipment and biological assets of PE APF "Agro" with book value of USD 3 832 thousand. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 4 525 thousand and USD 3 496 thousand respectively.

A loan of USD 2 645 thousand was received by PE APF "Agro" in UAH and USD according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 3 760 thousand. The annual interest rates are equal to 13% for loans in USD and 21% for loans in UAH. Maturity date is 1 August 2010. Obligations under credit contract are guaranteed by property plant and equipment and biological assets of PE APF "Agro" with book value of USD 2 594 thousand. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 2 709 thousand and USD 2 714 thousand respectively.

A loan of USD 582 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 582 thousand. The annual interest rate is equal to 22% for loans in UAH. Maturity date is 1 August 2010. Obligations under credit contract are guaranteed by property, plant and equipment of PE APF "Agro" with book value of USD 1 399 thousand. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 603 thousand and USD 1 840 thousand respectively.

A loan of USD 1 576 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with OJSC «Raiffaisen Bank Aval» with credit limit equal to USD 1 576 thousand. The annual interest rate is equal to 18,25% for loans in UAH. Maturity date is 15 February 2009. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 3 431 thousand. As at 31 December 2008 liabilities under this contract were equal to USD 1 948 thousand.

A loan of USD 2 129 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with OJSC «Raiffaisen Bank Aval» with credit limit equal to USD 2 129 thousand. The annual interest rate is equal to 18,25% for loans in UAH. Maturity date is 10 March 2009. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 74 thousand. As at 31 December 2008 liabilities under this contract were equal to USD 2 208 thousand.

A loan of USD 1 142 thousand was received by PJSC "Agroton" in UAH according to the contract of credit line concluded with OJSC «Raiffaisen Bank Aval» with credit limit equal to USD 1 142 thousand. The annual interest rate is equal to 18,25% for loans UAH. Maturity date is 15 February 2009. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 1 716 thousand. As at 31 December 2008 liabilities under this contract were equal to USD 1 299 thousand.

A loan of USD 1 002 thousand was received by PJSC "Agroton" in UAH according to the contract of credit line concluded with OJSC «Raiffaisen Bank Aval» with credit limit equal to USD 1 002 thousand. The annual interest rate is equal to 18,25% for loans UAH. Maturity date is 10 March 2009. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 148 thousand. As at 31 December 2008 liabilities under this contract were equal to USD 1 039 thousand.

At the date of signature of consolidated financial statements the Group concluded an agreement with OJSC «Raiffaisen Bank Aval» on refinancing of overdue credit. Refinancing starts on the 1 May 2010. Maturity date is 1 November 2010. Annual interest rate is 24%.

A loan of USD 1 244 thousand was received by PE APF "Agro" in USD according to the contract of credit concluded with OJSC "Ukrkommunbank". The annual interest rate is equal to 17%. Maturity date is 29 December 2010. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 1 708 thousand and USD 2 000 thousand respectively.

A loan of USD 626 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with OJSC "Ukrkommunbank" with credit limit equal to USD 626 thousand. The annual interest rate is equal to 24% for loans UAH. Maturity date is 15 May 2010. Obligations under credit contract are guaranteed by property plant and equipment of PE APF "Agro" with book value of USD 239 thousand. As at 31 December 2008 and 31 December 2007 liabilities under this contract were equal to USD 649 thousand and USD 890 thousand respectively.

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20. SHORT-TERM LOANS (CONTINUED)

A loan of USD 664 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with «Vostochno-promyshlennyi bank» LLC with credit limit equal to USD 1 290 thousand. The annual interest rate is equal to 24%. Maturity date is 1 December 2010. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value of USD 112 thousand.

As at 31 December 2009 and 31 December 2008 short-term liabilities under secured bonds include obligations under bonds of series A at nominal value of USD 2 154 thousand and USD 6 494 thousand (equivalent in currency of issue comprises UAH 17 200 thousand and UAH 50 000 thousand respectively).

The issue of bond series A was unsecured.

The bonds of series A have been issued in the non-documentary form amounting to 50 000 units. Repayment of interest income is performed during 12 periods, each of them except the first makes 91 days. The first period makes 61 days. Annual interest rate equals to 15% from first till fifth period. For period from sixth till twelfth interest rate is set by issuer according to market condition but no lower than 5%. Circulation period of the series A is from 8 May 2008 to 28 October 2010. According to issue terms opportunity to submit bonds for buyout exist during the period from 1 January 2009 to 15 January 2009 and from 31 December 2009 to 14 January 2010.

21. TRADE ACCOUNTS PAYABLE

	31 December 2009	31 December 2008	31 December 2007
Trade accounts payable	1 936	3 736	2 024
Short-term notes issued	65	307	40
Total	2 001	4 043	2 064

The average credit period for the Group's purchases during years ended 31 December 2009, 2008 and 2007 was 19 days, 19 days and 14 days respectively.

22. OTHER SHORT-TERM LIABILITIES AND ACCRUED EXPENSES

As at 31 December 2009, 2008 and 2007 other short-term liabilities and accrued expenses were presented as follows:

	31 December 2009	31 December 2008	31 December 2007
Payroll and related taxes liabilities	3 401	2 112	964
Accounts payable for property, plant and equipment	154	301	840
Advances from customers	38	40	321
Dividends to be paid	48	141	215
Liabilities for other taxes and mandatory payments	35	41	20
Liabilities for value-added tax	3	22	32
Liabilities for interest	3 251	312	4
Accounts payable for investments	110	160	-
Accounts payable for land share	998	518	189
Other short-term liabilities	266	320	148
Total	8 304	3 967	2 733

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23. SHORT-TERM PROVISIONS

	Provision for future employees benefits	Other provisions	Total
As at 31 December 2006	532	-	532
Additional provision	713	127	840
Used during the year	(520)	-	(520)
As at 31 December 2007	725	127	852
Additional provision	745	97	842
Used during the year	(508)	(6)	(514)
Effect from foreign currency translation	(324)	(118)	(442)
As at 31 December 2008	638	100	738
Additional provision	362	437	799
Used during the year	(329)	(91)	(420)
Effect from foreign currency translation	(24)	35	11
As at 31 December 2009	647	481	1 128

24. SALES REVENUE

For the years ended 31 December 2009, 2008 and 2007, the components of sales revenue were presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Sales of finished goods	52 697	73 831	49 564
Sales of services	2 591	1 918	2 062
Total	55 288	75 749	51 626

25. INCOME FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCTS, NET

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Non-current biological assets	(1 877)	(943)	(158)
Current biological assets	22 684	18 626	16 281
Total	20 807	17 683	16 123

26. COSTS OF SALES

For the years ended 31 December 2009, 2008 and 2007, the components of cost of sales were presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Livestock and related operations	(17 283)	(14 042)	(7 719)
Plant breeding and related operations	(30 271)	(49 472)	(21 033)
Agricultural products processing and related operations	(8 557)	(14 590)	(13 346)
Other activity and related operations	(112)	(388)	(1 865)
Total	(56 223)	(78 492)	(43 963)

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27. ADMINISTRATIVE EXPENSES

For the years ended 31 December 2009, 2008 and 2007, the components of administrative expenses were presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Payroll of administrative personnel and related tax expenses (i)	(3 024)	(4 729)	(2 978)
Depreciation and amortization	(390)	(368)	(329)
Transport costs	(339)	(980)	(918)
Other material costs	(289)	(157)	(647)
Insurance	(75)	(233)	(393)
Bank services	(167)	(148)	(146)
Professional and information services (ii)	(530)	(412)	(243)
Communication services	(55)	(118)	(157)
Other administrative expenses	(463)	(582)	(528)
Total	(5 332)	(7 727)	(6 339)

(i) The aggregate amount of Directors' emoluments for the years ended 31 December 2009, 2008 and 2007 was USD 121 thousand, USD 179 thousand and USD 165 thousand respectively.

(ii) The auditors' remuneration and all amount spent in connection with their work for years ended 31 December 2009, 2008 and 2007 was USD 201 thousand, USD 87 thousand and USD 95 thousand.

28. DISTRIBUTION EXPENSES

For the years ended 31 December 2009, 2008 and 2007, the components of distribution expenses were presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Payroll of distribution personnel and related expenses	(697)	(1 055)	(793)
Depreciation and amortization	(47)	(65)	(19)
Marketing and advertising expenses	(98)	(101)	(136)
Transport costs and expenses for maintaining of vehicles for distribution purposes	(599)	(881)	(728)
Utilities	(89)	(131)	(73)
Storage	(20)	(175)	(47)
Other distribution expenses	(88)	(171)	(70)
Total	(1 638)	(2 579)	(1 866)

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29. OTHER INCOME, NET

For the years ended 31 December 2009, 2008 and 2007, other operating income/(expenses) were presented as follows:

	Note	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Government grants	(i)	891	4 069	1 804
Grant VAT		3 650	402	1 873
Provision for doubtful debts		(106)	(83)	(620)
Prepayments and other current assets written-off		(93)	(1 403)	(130)
Loss on write-off of non-current assets		(161)	(71)	(160)
Gain on acquisitions of subsidiaries		186	1 925	644
Impairment of goodwill		-	(166)	(76)
Gain on write off of accounts payable		151	1	93
Fines, penalties, net		(294)	(8)	(44)
Donations		(48)	(195)	(56)
Payroll of non-operating personnel and related tax expenses		(127)	(149)	(37)
Income/(expenses) from sales of current assets, net		(69)	(43)	28
Gain/(loss) on disposal of non-current assets, net		(171)	(5)	25
Depreciation and amortization		(53)	(29)	(122)
Impairment of inventories and harvest failure		(500)	(4 110)	-
Agricultural materials got free of charge		224	-	-
Other operating income/(expenses)		257	(2)	15
Total		3 737	133	3 237

(i) Government grants recognized as income in the years ended 31 December 2009, 2008 and 2007 were presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Grant for grown and sold cattle	126	899	179
Grant for grown and sold pigs	49	397	86
Grant for grown and sold poultry	78	1 012	322
Compensations for interest rates for agricultural manufacturers	217	646	452
Compensations for mineral fertilizers	-	-	232
Compensations for sowing of winter /spring crops, value of elite seeds	-	644	283
Compensations for post-effect of drought/losses in sowing	-	-	89
Compensations for insurance premiums	-	-	161
Grant for grown and sold milk	2	41	-
Compensations for creation of new job sites	419	430	-
Total	891	4 069	1 804

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30. FINANCIAL EXPENSES, NET

For the years ended 31 December 2009, 2008 and 2007, financial income/(expenses) were presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Interest income	23	24	433
Interest expense	(9 910)	(9 356)	(4 334)
Other expenses for loans and borrowings	(39)	(75)	(87)
Reflection of long-term accounts receivable at amortised value	26	(7)	17
Expenses for purchase of foreign currency (compulsory payments, commission)	(8)	(28)	(95)
Losses from foreign exchange differences, net	(1 671)	(13 978)	(180)
Income/(losses) from sales currency	(9)	(237)	-
Total	(11 588)	(23 657)	(4 246)

31. EXPENSES FOR PAYROLL AND RELATED EXPENSES

For the years ended 31 December 2009, 2008 and 2007, expenses for payroll and related expenses were presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Payroll	(9 469)	(13 297)	(9 076)
Other income	(410)	(835)	(893)
Contributions to Pension Fund	(2 615)	(2 820)	(1 324)
Other contributions	(311)	(409)	(290)
Total	(12 805)	(17 361)	(11 583)

Average number of employees for the years ended 31 December 2009, 2008 and 2007 was presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Average number of employees, persons	4 280	4 702	4 411

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31. EXPENSES FOR PAYROLL AND RELATED EXPENSES (CONTINUED)

The structure of expenses for payroll by types of expenses for the years ended 31 December 2009, 2008 and 2007 was presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Payroll of operating personnel and related expenses	(8 922)	(11 159)	(7 499)
Payroll of administrative personnel and related expenses	(3 024)	(4 729)	(2 978)
Payroll of distribution personnel and related expenses	(697)	(1 055)	(793)
Payroll of personnel related to other expenses of operating activities	(127)	(149)	(37)
Capitalized payroll of operating personnel and related expenses	(35)	(269)	(276)
Total	(12 805)	(17 361)	(11 583)

32. DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the years ended 31 December 2009, 2008 and 2007 were presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Cost of sales	(4 088)	(5 248)	(3 034)
Administrative expenses	(390)	(368)	(329)
Distribution expenses	(47)	(65)	(19)
Depreciation of other property, plant and equipment	(53)	(29)	(122)
Depreciation of items of property, plant and equipment used in capital construction	(10)	(4)	(11)
Total	(4 588)	(5 714)	(3 515)

33. TRANSACTIONS WITH RELATED PARTIES

The Company is controlled by Mr. Iurii Shuravlov, who holds 75% of the Company's share capital. The remaining 25% of the share capital is 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.

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33. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

During the years 2007, 2008, and 2009 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;
- a. 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 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Income from sales			
a) Companies in which Group's companies have an interest in equity;	1	47	1
b) Companies in which key management personnel has an interest in equity;	40	74	21
Total	41	121	22
Financial income net:			
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	17	22	18
	17	22	18
Purchases from related parties			
a) Companies in which Group's companies have an interest in equity;	-	(28)	(1)
b) Companies in which key management personnel has an interest in equity;	1	(5)	(3)
	1	(33)	(4)
Net assets distributions			
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	3 365	2 524	-
	3 365	2 524	-

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33. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	31 December 2009	31 December 2008	31 December 2007
Trade accounts receivable			
a) Companies in which Group's companies have an interest in equity;	-	38	-
b) Companies in which key management personnel has an interest in equity;	1	1	-
Total	1	39	-
Prepayments and other current assets, net			
b) Companies in which key management personnel has an interest in equity;	2	5	7
	2	5	7
Provision for prepayments and other current assets			
b) Companies in which key management personnel has an interest in equity;	(2)	(5)	(5)
	(2)	(5)	(5)
Long-term financial investments			
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	137	125	167
	137	125	167
Trade accounts payable			
a) Companies in which Group's companies have an interest in equity;	-	(9)	-
b) Companies in which key management personnel has an interest in equity;	(4)	(5)	(6)
	(4)	(14)	(6)
Short-term loans			
c) Forms a part of key management personnel of the entity or its parent;	-	(383)	(1 572)
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	-	-	(25)
	-	(383)	(1 597)
Other short-term liabilities and accrued expenses			
a) Companies in which Group's companies have an interest in equity;	(1)	(1)	(2)
b) Companies in which key management personnel has an interest in equity;	-	(4)	(4)
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	(1)	(157)	(215)
	(2)	(162)	(221)

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33. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

For the years ended 31 December 2009, 2008 and 2007, compensations for key management personnel and related expenses were presented as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Payroll	90	136	137
Vacation allowance	10	10	5
Contributions to Pension Fund	17	27	19
Other contributions	4	6	4
Total	121	179	165

Number of key management personnel for the years ended 31 December 2009, 2008 and 2007 was 9, 14 and 9 employees respectively.

The structure of expenses for key management personnel compensation for the years ended 31 December 2009, 2008 and 2007 was as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Expenses for remuneration to key management personnel responsible for operating activity	76	117	95
responsible for financing activity	37	53	20
responsible for investment activity	8	9	25
responsible for other activity	-	-	25
Total	121	179	165

34. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2009, the Group acquired shareholding in such subsidiaries as 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%
			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
Current assets				
Prepayments and other current assets, net			-	-
Inventories			333	333
Trade accounts receivable, net			23	23
Cash and cash equivalents			6	6
Current biological assets			6	6
BalanceCurrent forward			1.168	626

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34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	Fair value of net assets	Current value of net assets
Balance brought forward	1.168	626
Short-term liabilities		
Other short-term liabilities and accrued expenses	(221)	(221)
Trade accounts payable	(95)	(95)
Total net assets	852	310
Company's share in net assets	690	-
Cost of acquisition	501	-
	(189)	-
Excess of acquired net assets over cost of their acquisition		

For the year ended 31 December 2008, the Group acquired corporate rights in such subsidiaries as AF named by Shevchenko , ALLC "Noviy Shlyah", ALLC "Ukraina". 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		
AF named by Shevchenko	Ukraine	Agriculture	17.07.2008	100%		
ALLC "Noviy Shlyah"	Ukraine	Agriculture	09.06.2008	100%		
ALLC "Ukraina"	Ukraine	Agriculture	20.03.2008	100%		
				Fair value of net assets		Current value of net assets
				AF named by Shevchenko	ALLC "Noviy Shlyah"	ALLC "Ukraina"
Non-current assets						
Property, plant and equipment	-	1 613	1 151	-	348	280
Non-current biological assets	-	267	155	-	267	155
Current assets						
Prepayments and other current assets, net	143	147	125	143	147	125
Inventories	166	121	353	166	121	353
Trade accounts receivable, net	-	9	24	-	9	24
Cash and cash equivalents	1	9	50	1	9	50
Current biological assets	-	1 062	472	-	1 062	472
Short-term liabilities						
Short-term loans	-	-	(40)	-	-	(40)
Other short-term liabilities and accrued expenses	(249)	(267)	(85)	(249)	(267)	(85)
Trade accounts payable	-	(880)	(251)	-	(880)	(251)
Total net assets	61	2 081	1 954	61	816	1 083
Company's share in net assets	61	2 081	1 954	-	-	-
Cost of acquisition	227	606	1 337	-	-	-
Excess of acquired net assets over cost of their acquisition	166	(1 475)	(617)	-	-	-

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34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

In year 2008 PE APF "Agro" acquired non-controlling share in subsidiary company CJSC "Agroton" (44%) and as at December 31, 2008 PE APF "Agro" held 100% of corporate rights in this subsidiary. Cost of investments is USD 4 792 thousand.

For the year ended 31 December 2007, the parent company PE Agricultural Production Firm "Agro" acquired corporate rights in such subsidiaries as "Etalon-Agro" LLC, "Rosinka-Star" LLC, "Agro Meta" LLC. 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		
"Etalon-Agro" LLC	Ukraine	Agriculture	30.11.2007	100%		
"Rosinka-Star" LLC	Ukraine	Agriculture	04.12.2007	100%		
"Agro Meta" LLC	Ukraine	Agriculture	27.09.2007	100%		

	Fair value of net assets			Current value of net assets		
	"Etalon-Agro" LLC	"Rosinka-Star" LLC	"Agro Meta" LLC	"Etalon-Agro" LLC	"Rosinka-Star" LLC	"Agro Meta" LLC
Non-current assets						
Property, plant and equipment	15	17	697	15	17	512
Non-current biological assets	-	-	32	-	-	32
Current assets						
Prepayments and other current assets, net	5	-	146	5	-	146
Inventories	7	73	32	7	73	32
Trade accounts receivable, net	32	-	112	32	-	112
Cash and cash equivalents	-	-	25	-	-	25
Current biological assets	-	-	187	-	-	187
Long-term liabilities						
Long-term liabilities for finance lease	-	-	(4)	-	-	(4)
Short-term liabilities						
Short-term loans	-	-	(396)	-	-	(396)
Other short-term liabilities and accrued expenses	(13)	(81)	(146)	(13)	(81)	(146)
Trade accounts payable	(121)	-	(21)	(121)	-	(21)
Current portion of long-term liabilities	-	-	(19)	-	-	(19)
Total net assets	(75)	9	647	(75)	9	460
Company's share in net assets	(75)	9	647	-	-	-
Cost of acquisition	1	9	3	-	-	-
Excess of acquired net assets over cost of their acquisition	76	-	(644)	-	-	-

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35. 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 unfavorable 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.

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 2009, 2008 and 2007 the Group's entities had no liabilities for supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees. 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. As at 31 December 2009 and 2008 inventories of book value USD 17 thousand USD 41 thousand respectively were used as security of bank loan of third party.

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 2009, 2008 and 2007:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Within 1 year	1 968	1 923	1 879
From 1 to 5 years	7 411	7 192	6 482
More than 5 years	6 320	7 634	6 559
Total	15 699	16 749	14 920

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

36. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks resulting from the use of financial instruments: credit risk, liquidity risk and market risk (including currency risk and fair value risk). 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 financial statements, including:

- information on financial income and expenses is disclosed in Note 28 (all financial income and expenses are recognized as a part of income / (expenses) for the period);
- information on cash is disclosed in Note 16;
- information on trade and other accounts receivable is disclosed in Notes 13,15;
- information on long-term financial investments is disclosed in Note 9;
- information on trade and other accounts payable is disclosed in Notes 21,22;
- information on significant terms of borrowings and loans granting is disclosed in Notes 18 and 20;
- information on timing and terms of effective contracts for finance lease is disclosed in Note 19.

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36. FINANCIAL RISK MANAGEMENT (CONTINUED)
a) Credit risk

Credit risk is the risk of financial loss for the Group in case of non-fulfillment of liabilities by a client or counterparty under the respective agreement. In the reporting period the Group's financial assets which are exposed to credit risk are represented as follows: cash and balances on bank accounts, trade and other accounts receivable (except for receivables that are not represented by financial assets), 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 2009, 2008 and 2007 was:

	Book value		
	31 December 2009	31 December 2008	31 December 2007
Long-term loans granted to related parties	137	125	167
Long-term loans granted to employees (including current portion)	24	38	22
Trade accounts receivable, net	7 482	3 869	6 413
Current loans given to related parties	-	172	74
Current loans given to employees	4	2	16
Other accounts receivable and other current assets (excluding assets which are not financial ones)	35	267	85
Cash and cash equivalents	35 106	820	1 385
Total	42 788	5 293	8 162

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 majority of Group's clients are standing clients, there were no significant losses during 2009, 2008 and 2007 resulting from non-fulfillment of obligations by 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:

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;

in 2008 no more than 1% from the Group's revenue was related to the sales transactions which were carried out with one of the clients;

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;

as at 31 December 2008 USD 205 thousand or 5% from the total amount of trade accounts receivable is accounted for the share of the most significant debtor.

Based on its previous experience, the Group considers that there is no necessity to form doubtful debt provision regarding the undue trade accounts receivable.

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36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill 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 fulfill 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 2009 short-term assets of the Group exceeded its short-term liabilities by USD 20 529 thousand. As at 31 December 2008 the short-term liabilities of the Group exceeded its short-term assets by USD 22 809 thousand, as at 31 December 2007 short-term assets of the Group exceeded its short-term liabilities by USD 6 060 thousand respectively.

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
Long-term bank loans	-	-	-	-	824	824
Current portion of long-term bank loans	-	(45)	(109)	(154)	-	(308)
Short-term borrowings	-	(664)	(13 175)	(34 306)	-	(48 145)
Trade accounts payable	(909)	(1 061)	-	-	(31)	(2 001)
Long-term finance lease liabilities	(1 000)	(1 192)	(1 160)	(2 239)	(5 910)	(11 501)
Other short-term liabilities and accrued expenses	(1 057)	(6 358)	(803)	(48)	-	(8 266)
	(2 966)	(9 320)	(15 247)	(36 747)	(5 117)	(69 397)

The following tables provide an analysis of monetary liabilities grouped on the basis of the remaining period from 31 December 2008 to the contractual maturity date.

	On demand	Less than 3 months	3-6 months	6 months to 1 year	More than 1 year	Total
Long-term bank loans	-	-	-	-	(516)	(516)
Current portion of long-term bank loans	-	(46)	(111)	(158)	-	(315)
Short-term borrowings	(383)	(25 618)	(20 179)	(1 988)	-	(48 168)
Trade accounts payable	(1 452)	(2 422)	(27)	(142)	-	(4 043)
Long-term finance lease liabilities	(248)	(980)	(956)	(1 825)	(9 055)	(13 064)
Other short-term liabilities and accrued expenses	(1 317)	(2 277)	(237)	(58)	(38)	(3 927)
	(3 400)	(31 343)	(21 510)	(4 171)	(9 609)	(70 033)

The following tables provide an analysis of monetary liabilities grouped on the basis of the remaining period from 31 December 2007 to the contractual maturity date.

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36. FINANCIAL RISK MANAGEMENT (CONTINUED)

	On demand	Less than 3 months	3-6 months	6 months to 1 year	More than 1 year	Total
Long-term bank loans	-	-	-	-	(3 797)	(3 797)
Current portion of long-term bank loans	-	(54)	(147)	(194)	-	(395)
Short-term borrowings	(584)	(9 531)	(19 875)	(3 492)	-	(33 482)
Trade accounts payable	(1 224)	(840)	-	-	-	(2 064)
Long-term finance lease liabilities	-	-	-	(18)	(6)	(24)
Other short-term liabilities and accrued expenses	(388)	(2 024)	-	-	-	(2 412)
	(2 196)	(12 449)	(20 022)	(3 704)	(3 803)	(42 174)

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.

c) Market risk

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

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

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

d) 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.

The Group is 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 favorable for the Group during the expected period till maturity.

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36. FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to currency risk

The Group's exposure to currency risk as at 31 December 2009, 2008 and 2007 based on book values was as follows:

	31 December 2009		
	USD	Euro	RUB
(in conversion to USD thousand)			
Cash in bank and cash with brokers	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)	-
Forward currency contracts	-	-	-
Net exposure to currency risk	12 335	(21 672)	-
	31 December 2008		
	USD	Euro	RUB
(in conversion to USD thousand)			
Cash in bank	-	-	-
Financial lease liabilities	(1 139)	-	-
Bank and other loans	(23 654)	-	-
Trade and other accounts payable	(70)	(149)	-
Total book value exposed to currency risk	(24 863)	(149)	-
Forward currency contracts	-	-	-
Net exposure to currency risk	(24 863)	(149)	-
	31 December 2007		
	USD	Euro	RUB
(in conversion to USD thousand)			
Cash in bank	-	180	-
Bank and other loans	(18 137)	-	-
Trade and other accounts payable	(4)	-	(36)
Total book value exposed to currency risk	(18 141)	180	(36)
Forward currency contracts	-	-	-
Net exposure to currency risk	(18 141)	180	(36)

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36. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

Effect in USD thousand:

	Increase in currency rate against UAH	Effect on income before tax
31 December 2009		
USD	15%	1 850
Euro	10%	(2 167)
31 December 2008		
USD	15%	(3 729)
Euro	10%	(15)
31 December 2007		
USD	15%	(2 721)
Euro	10%	18
RUB	10%	(4)

Strengthening of Hryvnia 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.

(e) 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 2009, 2008 and 2007 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was as follows:

	31 December 2009	31 December 2008	31 December 2007
Instruments with fixed interest rate			
Financial assets	161	163	189
Financial liabilities	(57 682)	(57 605)	(36 026)

Such financial instruments as cash, short-term accounts receivable and payable, interest-free short-term 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.

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.

Risk management in agricultural business

Biological assets are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular field and farm inspections and industry pest and disease surveys. The Group also insures itself against natural disasters.

37. RISKS RELATED TO THE GROUP'S OPERATING ENVIRONMENT IN UKRAINE

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

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37. RISKS RELATED TO THE GROUP'S OPERATING ENVIRONMENT IN UKRAINE (CONTINUED)

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

38. 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 long-term 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.

As at 31 December 2009, 2008 and 2007 the Group's financial leverage ratio made up 28,9%, 78% and 41,1% respectively:

	Book value		
	31 December 2009	31 December 2008	31 December 2007
Short-term loans	48 145	48 168	33 482
Long-term loans	516	841	3 797
Long-term liabilities for finance lease	5 744	6 945	4
Current portion of long-term liabilities	3 664	2 417	413
Total amount of borrowing costs	58 069	58 371	37 696
Cash and cash equivalents	(35 106)	(820)	(1 385)
Net debt	22 963	57 551	36 311
Share capital	494	156	156
Share premium	38 474	-	-
Retained earnings	26 800	24 998	42 576
Effect from foreign currency translation	(9 719)	(9 158)	-
Share of the non-controlling owners	368	236	9 362
Total equity	56 417	16 232	52 094
Total amount of own capital and net debt	79 380	73 783	88 405
Financial leverage ratio	28,9%	78,0%	41,1%

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38. CAPITAL MANAGEMENT (CONTINUED)

For the years ended 31 December 2009, 2008 and 2007, ratio of net debt to EBITDA constituted 1,1 at EBITDA - USD 21217, 5,5 at EBITDA - USD 10477 thousand and 1,6 at EBITDA - USD 22 322 thousand respectively:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Net income	5 051	(18 890)	14 570
Expenses on income tax	-	-	2
Financial income /(expenses), net	11 588	23 657	4 246
EBIT (earnings before financial income net and income tax)	16 639	4 767	18 818
Depreciation and amortization	4 578	5 710	3 504
EBITDA (earnings before financial income, net, income tax, depreciation and amortization)	21 217	10 477	22 322
Net debt at the year end	22 963	57 551	36 311
Net debt at the year end / EBITDA	1,1	5,5	1,6

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

39. 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.

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
Profit/(loss) attributable to equity holders of the Company	5 070	(18 418)	15 174
Weighted average number of ordinary shares in issue (thousands)	(i) 14 468	N/A	N/A

(i) The basic earnings per share for the year 2008 and 2007 was not calculated, because the Company was incorporated on 21 September 2009 and therefore there were no shares in issue prior to the incorporation date (Note 16).

(b) 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.

40. SUBSEQUENT EVENTS

In year 2010 PE APF "Agro" made a loan in UAH amounting to USD 6 888 thousand according to agreement of non-renewable credit line with PJSC "Alpha-Bank". Credit limit is equal to USD 6 888 thousand. Annual interest rate is 24%. Maturity date is 4 February 2011. The object is repayment of liabilities under financial lease contract with PJSC "Alpha-Bank".