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30 April 2012, Luhansk, Ukraine

AGROTON

AGROTON PUBLIC LIMITED 2011 FINANCIAL RESULTS: REVENUES UP 25.4%

Agroton Public Limited, one of the largest agricultural producers in Ukraine, announces its consolidated financial results for the year ended 31 December 2011.

In 2011 the Company's revenues increased by 25.4%, from USD 97.4 million to USD 122.1 million.

FINANCIAL RESULTS – REVIEW

Selected financial data (in USD thousands)

	2010	2011	Change
Total revenues[(1)]	**97,351**	**122,080**	**25.4%**
Sales revenues	**57,253**	**99,738**	**74.2%**
Crop production	*35,321*	*79,356*	*124.7%*
Livestock	*13,686*	*17,356*	*26.8%*
Food processing	*8,031*	*2,577*	*-67.9%*
Other	*215*	*449*	*108.8%*
Fair value change (IAS 41) [(2)]	**40,098**	**22,342**	**-44.3%**
Cost of sales	**(56,507)**	**(94,217)**	**66.7%**
Crop production	*(23,538)*	*(37,600)*	*59.7%*
Livestock	*(14,970)*	*(18,260)*	*22.0%*
Food processing	*(8,240)*	*(1,707)*	*-79.3%*
IAS 41 cost of sales [(3)]	*(9,759)*	*(36,650)*	*275.6%*
Gross profit	**40,844**	**27,863**	**-31.8%**
Gross margin	42.0%	22.8%	-45.7%
EBITDA[(4)]	**35,100**	**18,630**	**-46.9%**
EBITDA margin	36.1%	15.3%	-57.6%
Profit for the year[(5)]	**15,985**	**270**	**-98.3%**
Net Debt /EBITDA	**0.1**	**1.8**	**1700.0%**

Notes:

[(1)] Total revenue is the sum of Sales revenue and Fair value change (IAS 41) [(2)].

[(2)] Fair value change (IAS 41) is the gain from changes in fair value less cost to sell of biological assets and agricultural products, net.

[(3)] IAS 41 cost of sales is the effect on cost of sales from gain from changes in fair value less cost to sell of biological assets and agricultural products, net. The Group's cost of sales includes an increase (or decrease) in income from changes in fair value of biological assets and agricultural products as a result of an increase (or decrease) in costs due to revaluation of biological assets and agricultural products. It does not include revaluation of seeded winter crops as of 31/12/2011, which carried at cost.

[(4)] EBITDA is the sum of net profit, finance costs, income tax expense, depreciation and amortization and extraordinary or nonrecurring impairments.

[(5)] Profit for the year is the Profit for the year from continuing operations.

During the reporting period, the Group performed a revaluation of the fair value of its agricultural products at the date of harvesting. In accordance with paragraph 13 of IAS 41 "Agriculture", agricultural produce harvested from an entity's biological assets is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 "Inventories" or another applicable standard. The Group ascertained the weight of particular agricultural products at the harvesting date and applied to this quantity the market prices determined either by observation of the Ukrainian market or, in the cases where the Group concluded agreements for a substantial volume of these agricultural products for a higher price, the contractually agreed price.

The gain or loss arising from the variation in fair value of the agricultural products, after deduction of the cost of sales, is incorporated as a separate line item in the Consolidated Statement of Comprehensive Income for the period in which the change occurred. The extent of such fair value gains and losses on agricultural products in a given period is affected by various factors, including the product mix and price movement.

In accordance with IAS 41 "Agriculture", the Group's biological assets (comprising (i) current biological assets, being assets with a useful life of less than one year (such as crops under cultivation) and animals (such as cattle, pigs and poultry) in grow-out and (ii) non-current biological assets, being assets with a useful life of over one year (such as milk-producing cattle and pigs for breeding)) have been recognised on initial recognition and re-measured at each reporting date at their fair value after deducting the estimated cost of sale. Due to the lack of observable market prices for certain biological assets in their condition at the time of valuation, the fair value cannot always be estimated in a reliable manner. If the fair value of the biological asset cannot be ascertained at the moment of its initial recognition, the Group estimates the fair value by taking the costs and deducting the accumulated depreciation and impairment losses, and the biological assets are re-valued when a fair value can be ascertained. If the fair value of the biological asset cannot be ascertained at any other moment, the Group estimates the fair value of its asset by other means.

Link to independent auditor's report and consolidated financial statements for the year ended 31 December 2011, 2010:

http://agroton.com.ua/en/key.htm

For more information please contact:

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On Agroton Public Limited

The Agroton Group is one of the largest agricultural producers in Ukraine. The company is vertically integrated, and its core business is cultivation, processing, storage and sale of grain, chiefly sunflower and wheat. The Company also handles production and sale of livestock as well as food production.

The Company operates storage facilities with a capacity of about 285,000 metric tonnes, which allows it to store its products and sell during the periods of the most favourable prices. The current capacity of Agroton's grain elevators makes it the largest grain elevator operator in the Luhansk region.

Agroton has been listed on the Warsaw Stock Exchange since November 2010.

More information at www.agroton.com.ua

Agroton Public Limited

Report and consolidated financial statements
For the year ended 31 December 2011

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Board of Directors and Other Officers

Board of Directors:

Iurii Zhuravlov	(Chief Executive Officer)
Tamara Lapta	(Deputy Chief Executive Officer)
Nikolay Rozdymaha	(Executive Director)
Alex Lissitsa	(Non-Executive Director)
Borys Supikhanov	(Non-Executive Director)

Audit Committee:

Borys Supikhanov	(Head of the Committee)
Alex Lissitsa	

Remuneration Committee:

Borys Supikhanov	(Head of the Committee)
Alex Lissitsa	

Company Secretary:

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

Registered Office:

1 Lampousas Street
CY-1095 Nicosia
Cyprus

Board of Directors and Other Officers (continued)

Legal Advisors:

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

TOV Beiten Burkhardt Ukraine
vul. Turhenevska 38
01054 Kyiv
Ukraine

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

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

Financial Advisor:

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

Other advisors:

Jaspen Capital Partnes Limited
Cannon's Court, 22 Victoria Street, Hamilton HM 12
Bermuda

Independent Auditors:

Baker Tilly Klitou
Corner C.Hatzopoubu & 30 Grivas Digenis Avenue
CY-1066 Nicosia
Cyprus

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

We, the Members of the Board of Directors and the persons responsible for the consolidated financial statements of Agroton Public Limited for the year ended 31 December 2011, based on pur opinion which is the result of diligent and scrupulous work, declare that the elements written in the consolidated financial statements are true and complete.

Board of Directors Members:

Iurii Zhuravlov	
Tamara Lapta	
Nikolay Rozdymaha	
Alex Lissitsa	
Borys Supikhanov	

Person responsible for the preparation of the consolidated financial statements:

Iurii Zhuravlov	

30 April 2012

Report of the Board of Directors

The Board of Directors presents its report together with the audited consolidated financial statements of Agroton Public Limited (the "Company") and its subsidiaries ("together with the Company, the Group") for the year ended 31 December 2011.

Principal activities

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

During the year ended 31 December 2011 the Group has discontinued its operations of pig-breeding and production of cheese.

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

The Group's financial position as at 31 December 2011 as presented in the consolidated statement of financial position in the consolidated financial statements is considered satisfactory. The net asset position of the Group has decreased from USD 122 117 as at 31 December 2010 to USD 119 820 as at 31 December 2011.

The Group's financial performance for the year ended 31 December 2011 as presented in the consolidated statement of comprehensive income is not considered satisfactory. The Group recorded a loss of USD 2 105 thousands for the year ended 31 December 2011, compared to a profit of USD 15 736 thousands for the year ended 31 December 2010.

Principal risks and uncertainties

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

Future developments of Group

The Company intends to use its operating cash-flow to finance the expansion of its grain growing operations, including acquisitions of land lease rights, potential acquisition of land, acquisition of leased elevators storage facilities, expansion of elevators storage facilities, expansion of its livestock business, and perform selective acquisitions in the Ukrainian agriculture and livestock sectors, with the aim of increasing the profitability of the Group.

Results and dividends

The results of the Group for the year ended 31 December 2011 are set out on page 10. The Board of Directors does not recommend the payment of dividends and the profit for the year is retained.

Share capital

There are no changes in share capital of the Company during the year under review. On 8 November 2010 the shares of the Company were admitted on the regulated market of the Warsaw Stock Exchange.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2011 and at the date of this report are presented on page 3. All of them were members of the Board of Directors throughout the year ended 31 December 2011.

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

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

Report of the Board of Directors (Continued)

Audit Committee and Remuneration Committee

On 4 May 2010, the Company created the Audit Committee and Remuneration Committee, both of which were in force during year ended 31 December 2011 and continued in force at the date of this report.

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

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

Events after the end of the reporting period

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

Branches

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

Independent Auditors

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

By Order of the Board of Directors

Iurii Zhuravlov

Chief Executive Officer

Nicosia,

30 April 2012

BAKER TILLY

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Corner C Hatzopoulou &
30 Griva Digheni Avenue
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Email: info@bakertillyklitou.com
Website: www.bakertillyklitou.com

Independent auditor's 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 (together with the Company "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

Basis for qualified opinion

During the year the Group entered into a number of sales transactions totalling US$66.197 thousand for which there is no adequate documentary evidence. Out of these sales, there are gross receivables totalling US$44.868 thousand at 31 December 2011, of which US$41.056 thousand are outstanding at the date of this report. We have not been able to satisfy ourselves as to the completeness and validity of the sales transactions and as to the recoverability of the receivables, with consequent possible uncertainty as to the Group's ability to continue as a going concern.

Qualified opinion

In our opinion, except for the effects of any adjustments that could have been determined to be necessary had we been able to satisfy ourselves as to the matters described in the Basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit, except that the scope of our work was limited by the matters discussed in the basis for qualified opinion paragraph.

- In our opinion, proper books of account have been kept by the Group, except in the case of the matters discussed in the basis for qualified opinion paragraph.

- The Company's consolidated financial statements are in agreement with the books of account, except in the case of the matters discussed in the basis for qualified opinion paragraph.

- 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, except in the case of the matters discussed in the basis for qualified opinion paragraph.

- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

BAKER TILLY

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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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.

Andreas Philippou
Certified Public Accountant and Registered Auditor
For and in behalf of:

Baker Tilly Klitou
Certified Public Accountant and Registered Auditors

Nicosia, 30 April 2012

Agroton Public Limited

Consolidated statement of comprehensive income

for the year ended 31 December 2011

(in thousand USD, unless otherwise stated)

	Note	2011	2010
Continuing operations			
Sales revenue	6	99 738	57 253
Gain from changes in fair value less cost to sell of biological assets and agricultural products, net	7	22 342	40 098
Cost of sales	8	(94 217)	(56 507)
Gross profit		**27 863**	**40 844**
Administrative expenses	9	(6 121)	(5 915)
Distribution costs	10	(963)	(2 892)
Other expenses, net	11	(15 008)	(2 314)
Finance costs, net	12	(5 485)	(13 626)
Profit before income tax		**286**	**16 097**
Income tax expense	15	(16)	(112)
Profit for the year from continuing operations		**270**	**15 985**
Discontinued operations			
Loss for the year from discontinued operations	29	(2 375)	(249)
(Loss)/profit for the year		**(2 105)**	**15 736**
Other comprehensive income for the year:			
Effect from currency translation		(192)	(241)
Total comprehensive income for the year		**(2 297)**	**15 495**
(Loss)/profit for the year attributable to:			
Owners of the parent		(2 119)	15 719
Non-controlling interests		14	17
		(2 105)	**15 736**
Total comprehensive income attributable to:			
Owners of the parent		(2 309)	15 476
Non-controlling interests		12	19
		(2 297)	**15 495**
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations		74	15 744
Discontinued operations		(2 371)	(249)
		(2 297)	**15 495**
Earnings per share from continuing and discontinued operations attributable to the ordinary equity holders of the Company during the year (expressed in cents per share):			
From continuing operations		1	94
From discontinuing operations		(11)	(1)
Total basic and diluted earnings per share (USD cents)	16	**(10)**	**93**

The notes on pages 17 – 71 form an integral part of these consolidated financial statements.

Agroton Public Limited

Consolidated statement of financial position

as at 31 December 2011

(in thousand USD, unless otherwise stated)

	Note	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	17	31 151	38 272
Intangible assets	18	10 017	29
Non-current biological assets	19	1 772	2 707
Non-current loans receivable	20	204	165
Other non-current assets	21	13 755	7 903
		56 899	**49 076**
Current assets			
Current biological assets	22	10 495	9 932
Inventories	23	52 449	62 667
Trade receivables	24	39 717	7 826
Other receivables and prepayments	25	1 279	1 169
Cash and cash equivalents	27	17 627	13 629
		121 567	**95 223**
Assets of disposal group classified as held for sale	29	1 431	-
Total assets		**179 897**	**144 299**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	28	661	661
Share premium	28	88 532	88 532
Retained earnings		40 487	42 606
Foreign currency translation reserve		(10 152)	(9 962)
		119 528	**121 837**
Non-controlling interest		292	280
Total equity		**119 820**	**122 117**
Non-current liabilities			
Non-current bonds	30	47 580	-
Non-current bank loans	30	-	143
Non-current finance lease liabilities	31	312	2 657
		47 892	**2 800**
Current liabilities			
Current portion of non-current liabilities	32	149	2 262
Current bank loans, government loans and bonds	33	3 624	11 305
Trade payables	34	1 935	1 180
Other payables and accrued expenses	35	6 159	4 367
Other provisions	36	202	155
Current income tax liabilities		116	113
		12 185	**19 382**
Total liabilities		**60 077**	**22 182**
Total equity and liabilities		**179 897**	**144 299**

On 30 April 2012 the Board of Directors of Agroton Public Limited authorized these consolidated financial statements for issue.

Mr Iurii Zhuravlov	Ms Tamara Lapta
Director	Director

The notes on pages 17 – 71 form an integral part of these consolidated financial statements.

Agroton Public Limited

Consolidated statement of changes in equity

for the year ended 31 December 2011

(in thousand USD, unless otherwise stated)

	Share capital (Note 28)	Share premium (i) (Note 28)	Retained earnings (ii), (iii)	Foreign currency translation reserve	Total equity attributable to owners of the parent company	Non-controlling interest	Total
Balance at 1 January 2010	**494**	**38 474**	**26 800**	**(9 719)**	**56 049**	**368**	**56 417**
Comprehensive income:							
Profit for the year			15 719		15 719	17	**15 736**
Other comprehensive income:							
Effect from currency translation	-	-	-	(243)	(243)	2	**(241)**
Total comprehensive income for the year	**-**	**-**	**15 719**	**(243)**	**15 476**	**19**	**15 495**
Transactions with Owners:							
Acquisition of non-controlling share	-	-	87	-	87	(107)	**(20)**
Issue of additional 5.670.000 shares of €0.021 (Note 28)	167	54 223			54 390		**54 390**
Expenses in relation to initial public offerings and issue of shares (Note 28)		(4 165)			(4 165)		**(4 165)**
Total transactions with Owners	**167**	**50 058**	**87**	**-**	**50 312**	**(107)**	**50 205**
Balance at 31 December 2010/ 1 January 2011	**661**	**88 532**	**42 606**	**(9 962)**	**121 837**	**280**	**122 117**
Comprehensive income:							
Loss for the year			(2 119)		(2 119)	14	**(2 105)**
Other comprehensive income:							
Effect from currency translation				(190)	(190)	(2)	**(192)**
Total comprehensive income for the year	**-**	**-**	**(2 119)**	**(190)**	**(2 309)**	**12**	**(2 297)**
Transactions with Owners	-	-	-	-	-	-	-
Balance at 31 December 2011	**661**	**88 532**	**40 487**	**(10 152)**	**119 528**	**292**	**119 820**

The notes on pages 17 – 71 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2011

(in thousand USD, unless otherwise stated)

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

(ii) Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

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

Agroton Public Limited

Consolidated statement of cash flows

for the year ended 31 December 2011

(in thousand USD, unless otherwise stated)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**285**	**16 098**
Profit before tax of discontinued operations	**(2 375)**	**(249)**
Adjustments for:		
Depreciation and amortization (Note 14, 18)	4 410	5 625
Gain from changes in fair value less cost to sell of biological assets and agricultural products, net (Note 7)	(22 342)	(39 847)
Interest income (Note 12)	(13)	(1 126)
Interest expense (Note 12)	5 595	9 937
Gain/(loss) on revaluation of non-current accounts receivable at amortised value (Note 12)	(20)	(24)
Provision for doubtful debts (Note 11)	9 366	530
Prepayments and other current assets written-off (Note 11)	379	457
Loss on impairment of non-current assets, net (Note 21)	3 072	-
Losses on disposal and write-off of non-current assets, net (Note 11)	366	300
Gain on write-off of trade payables (Note 11)	5	(97)
Recovery from provision for doubtful debts (Note 26)	118	-
(Gains)/losses from foreign exchange differences, net (Note 12)	(78)	4 597
Impairment of inventories and harvest failure (Note 11)	2 963	2 072
Written-off of inventories (Note 11)	2 520	-
Impairment of discontinued operation (Note 29)	1 080	-
Impairment of land lease rights (Note 18)	5 311	-
Loss on disposal on subsidiaries (Note 38 (b))	1 674	(126)
	12 316	**(1 853)**
Changes in working capital:		
Change in trade accounts receivable	(42 710)	(1 633)
Change in prepayments and other current assets	(156)	558
Change in inventories and biological assets	26 823	4 077
Change in trade accounts payable	1 104	(830)
Change in other short-term liabilities and accrued expenses	125	(1 127)
Change in other provisions accrued	47	(979)
Net cash (used in) / from operating activities	**(2 451)**	**(1 787)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2 932)	(3 593)
Proceeds from disposal property, plant and equipment	(8)	6
Purchase of intangible assets (Note 18)	(15 300)	(19)
Prepayment for investment agreement	(10 000)	-
Advances for land lease	-	(8 000)
Purchase of investments in subsidiaries	-	(120)
Issue of current and non-current loans to employees and related parties	(30)	(14)
Repayment of current and non-current loans to employees and related parties	14	24
Net inflow from sale of subsidiaries, net of cash disposed	2 713	-
Interests received	13	1 126
Net cash used in investing activities	**(25 530)**	**(10 590)**

The notes on pages 17 – 71 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

for the year ended 31 December 2011

(in thousand USD, unless otherwise stated)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Movements in credit lines, net	(2 542)	(14 168)
Receipts from current and non-current loans and borrowings	17 270	13 277
Repayment of current and non-current loans and borrowings	(22 711)	(33 555)
Repayment of bonds	-	(2 168)
Borrowing costs paid	(3 024)	(10 255)
Receipts from non-current bonds	47 223	-
Repayment of financial lease liabilities	(4 972)	(10 711)
Proceeds from issue of share capital	-	50 225
Net cash from / (used in) financing activities	**31 244**	**(7 355)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**3 263**	**(19 702)**
Effect from foreign currency translation	735	(1 775)
Cash and cash equivalents at the beginning of the year (Note 27)	**13 629**	**35 106**
Cash and cash equivalents at the end of the year (Note 27,29)	**17 627**	**13 629**

The notes on pages 17 – 71 form an integral part of these consolidated financial statements.

(in thousand USD, unless otherwise stated)

1. GENERAL INFORMATION

Country of incorporation

The Company was incorporated in Cyprus on 21 September 2009 as a public limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company is also domiciled in Cyprus and its registered office is at 1 Lampousas Street, CY-1095 Nicosia, Cyprus.

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

Principal activities

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

During the year ended 31 December 2011 the Group has discontinued its operations of pig-breeding and cheese production.

These consolidated financial statements were approved for issue on 30 April 2012.

Group structure

The Group structure as at 31 December 2011 and 31 December 2010 was as follows:

Name of company	Country of incorporation	Principal activity	Effective ownership ratio 31 December 2011	Effective ownership ratio 31 December 2010
Agroton Public Limited	Cyprus	Holding company	parent company	parent company
"Living" LLC	Ukraine	Holding investments	99,99%	99,99%
PE Agricultural Production Firm "Agro" (i)	Ukraine	Agricultural activity	99,99%	99,99%
"Agroton" PJSC (i)	Ukraine	Agricultural activity	99,99%	99,99%
OJSC "Belokurakinskiy Elevator" (ii)	Ukraine	Agricultural activity	84,68%	84,68%
OJSC "Breeding Poultry Farm "Mirnyi" (ii)	Ukraine	Agricultural activity	78,46%	78,46%
"Agro Meta" LLC	Ukraine	Agricultural activity	99,99%	99,99%
"Rosinka-Star" LLC	Ukraine	Agricultural activity	99,99%	99,99%
"Etalon-Agro" LLC (ii)	Ukraine	Agricultural activity	99,99%	99,99%
ALLC "Noviy Shlyah"	Ukraine	Agricultural activity	99,99%	99,99%
AF named by Shevchenko	Ukraine	Agricultural activity	99,99%	99,99%
ALLC "Shiykivske"	Ukraine	Agricultural activity	94,58%	94,58%
"Ago-Maslosyrorobnyi zavod" LLC (v),(i)	Ukraine	Milk processing	-	99,99%
"Agro-Chornukhinski Kurchata" LLC (i)	Ukraine	Poultry farming	99,99%	99,99%
"Agro-Svinprom" LLC (i), (vii)	Ukraine	Pig-breeding	99,99%	99,99%
"Aydar-Mlyn" SC (v),(i)	Ukraine	Grain processing	-	99,99%
"Makaronna fabryka" SC (v),(i)	Ukraine	Grain processing	-	99,99%
"Mlyn-Yevsug" SC (v),(i)	Ukraine	Grain processing	-	99,99%
"Khlibzavod" SC (v),(i)	Ukraine	Grain processing	-	99,99%
"Markivskii sirzavod" LLC (iii) , (vii)	Ukraine	Milk processing	100%	-
Agroton BVI Limited (iv)	British Virgin Islands	Trading	100%	-
"Gefest" LLC (vi)	Ukraine	Land lease rights owners	100%	-
"Tais-Abb" PE (vi)	Ukraine	Land lease rights owners	100%	-

1. GENERAL INFORMATION (CONTINUED)

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

(ii) OJSC "Breeding Poultry Farm "Mirnyi", OJSC "Belokurakinskiy Elevator", "Etalon-Agro" LLC are in a process of liquidation.

(iii) At the end of April 2011 a part of assets of milk processing were carved out from PE APF "Agro" to a newly established company of the Group. The assets and liabilities of the Group are the same immediately before and after the reorganization. Also, the owners of the parent have the same absolute and relative interests in the net assets of the Group immediately before and after the reorganization.

(iv) On 27 May 2011 Agroton BVI Limited, a company registered in British Virgin Islands, was incorporated to act as a trading company.

(v) On 5 May 2011 the Group sold "Ago-Maslosyrorobnyi zavod" LLC, "Aydar-Mlyn" SC, "Makaronna fabryka" SC, "Mlyn-Yevsug" SC and "Khlibzavod" SC, (Note 38(b)).

(vi) On 22 December 2011 the Group bought two new subsidiaries - "Gefest" LLC and "Tais-Abb" PE PE for the amount of USD 7 300 000 and USD 8 000 000 receptively, (Note 38 (a)).

(vii) On 1 July 2011 the management of "Living" LLC resolved to dispose two subsidiaries of the Group, namely "Agro-Svinprom" LLC and "Markivskii sirzavod" LLC, engaged in the pig-breeding and cheese production respectively. The Companies are reflected as discontinued operation in Note 29 of the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

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

These consolidated financial statements have also been prepared under the historical cost convention, except for biological assets and agricultural products at initial recognition, which were stated at fair value, and intangible assets (land lease rights) and prepayments made for the property of elevator which are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Adoption of new and revised IFRSs

During the current year the Group adopted all the new and revised IFRSs that are relevant to its operations and are effective for accounting periods beginning on 1 January 2011. This adoption did not have a material effect on the accounting policies of the Group.

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

(i) Adopted by the European Union

Amendments

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

(ii) Not adopted by the European Union

New standards

IFRS 9 "Financial Instruments" (and subsequently amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015)

IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013)

IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013")

IFRS 12 "Disclosures of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013)

IAS 27 "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013)

IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013)

Amendments

Amendments to IAS 12 "Income Taxes" on the "Deferred Tax: Recovery of Underlying Assets" (effective for annual periods beginning on or after 1 January 2012)

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards" on the "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" (effective for annual periods beginning on or after 1 July 2011)

Amendments to IAS 1 "Presentation of Financial Statements" on the "Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012)

Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013)

Amendments to IFRS 7 "Financial Instruments: Disclosures" on the "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)

Amendments to IAS 32 "Financial Instruments: Presentation" on the "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New IFRICs

IFRIC Interpretation 20: "Shipping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013)

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

2.3. Consolidation

(a) Subsidiaries

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

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

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

The principles of predecessor accounting are:
• The Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonization of accounting policies.
• No goodwill arises in predecessor accounting. Predecessor accounting may lead to differences in consolidation, for example the consideration given may differ from the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. Such differences are included in equity in retained earnings.
• The consolidated financial statements incorporate the acquired entity's results as if both entities (acquirer and 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 and losses on transactions between the Group's companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are deconsolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Transactions with non-controlling interest

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

2.4. Segment reporting

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

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 newly incorporated company Agroton BVI Limited has set its functional currency as the United State Dollars (“USD”).

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

(b) Transactions and balances

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

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

(c) Group companies

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

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(in thousand USD, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) All resulting exchange differences are recognised as a separate component of equity, within Other comprehensive income.

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

Currency	31 December 2011	Average exchange rate for the year ended 31 December 2011	31 December 2010	Average exchange rate for the year ended 31 December 2010	31 December 2009
UAH/USD	7,990	7,968	7,962	7,935	7,985
UAH/EURO	10,298	11,075	10,573	10,554	11.532

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. Revenue recognition

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

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

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

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

2.7. Expenses recognition

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 item "Work-in-progress", which, in its turn, forms a part of the item "Inventories" of the consolidated financial statements.

2.8. Government grants

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

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

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

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

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9. Net financial expenses

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

2.10. Value added tax

VAT is levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine.

VAT output equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in the reporting period. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received. Within the reporting period preferential VAT taxation scheme was spread among the Group's entities in respect of transactions on production and sales of agricultural products, operations on processing of milk and meat.

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

2.11. Tax

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

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12. Dividend distribution

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

2.13. Property, plant and equipment

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14. Intangible assets

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

Rights to use software programs	4-5 years

(b) 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.

(c) Business combinations are accounted by applying the acquisition method, (note 2.3 (a)).

The definition of business specifies that a business consists of inputs and processes applied to those inputs that have the ability to create outputs. The three elements of business are defined as follows: (a) Input: any economic resource that creates, or has the ability to create, outputs when one or more processes are applied to it; (b) Process: any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs; (c) Output: The result of inputs and processes applied to those inputs that provide or have the ability to provide a return in the form of dividends.

The Group does not recognize the acquisition of assets or a group of assets that does not constitute a business as a business combination. The Group measures identifiable asset at its acquisition date at fair value. Any difference between the aggregate amount of consideration and the fair value of the assets is not recognized as goodwill and is transferred to the statement of consolidated comprehensive income. On the acquisition of subsidiaries of the Group, that are not considered as business unit, the group measures the identifiable assets based on an a valuer's report and are recognized as an asset to the Group.

(d) For the land lease rights, refer to 2.15 below.

2.15. Valuation of land lease rights

The land lease rights are valued at fair value as at the year end. The valuation methodology which was adopted in valuing the land lease rights is the comparative market approach. The valuation was based on similar land lease rights (i.e by type, size and duration).

2.16. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group identifies the following types of biological assets:

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

(i) sowing of crops (sowing of winter crops, spring crops and industrial crops);

(ii) animals in growing and fattening (cattle, poultry, etc.);

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

(iii) working and productive cattle (cattle, etc.)

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

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

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

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

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

(i) the most recent transaction price, provided that in the period between the date of the transaction and reporting date there were no material changes in economic circumstances;

(ii) market prices for similar assets;

(iii) sector benchmarks.

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.17. Inventories

The Group identifies the following types of inventories:

● raw and other materials (including main and auxiliary operating supply and materials; materials for agricultural purposes);

● work in progress (including semi-finished goods);

● agricultural products;

● finished goods;

● other inventories (including fuel, packaging, building materials, spare parts, other materials, goods of little value and high wear goods).

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

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

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

2.18. Advances issued and other accounts receivable which are not financial assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19. Impairment of non-current assets

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

● at each balance sheet date the condition of these assets is tested for impairment.

● in case any impairment indicators exist, the amount of expected recovery of such asset is calculated to determine the amount of losses from impairment, if any. If it is impossible to determine the amount of losses from impairment of a separate asset, the Group determines the amount of estimated impairment of the cash-generating unit, to which the asset belongs.

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

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

2.20. Trade receivables

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

2.21. Taxes for reimbursement and prepayments for taxes

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

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

2.22. Cash and cash equivalents

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

2.23. 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.

2.24. Leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group as a lessee

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

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

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

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

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.25. Provisions

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

The Group recognizes provisions only when:

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

2.26. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.27. Financial instruments

(a) Financial assets

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

Loans and receivables

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

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

Accounts receivables are recognised net of costs of realisation.

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

Impairment of financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

De-recognition

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

(b) Financial liabilities

Loans and borrowings

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

Initial recognition

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

Subsequent measurement

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

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

De-recognition

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

Trade and other payables

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

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

2.28. Related parties

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

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

The Group divides the related parties according to existing criteria into the following categories:
a) Companies in which Group's companies have an interest in equity;
b) Companies in which key management personnel has an interest in equity;
c) Forms a part of key management personnel of the entity or its parent;
d) Companies and individuals having an interest in equity of Group's companies.

(in thousand USD, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29. Comparative information

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

3. FINANCIAL RISK MANAGEMENT

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

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

3.1. Credit risk

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 2011 was:

	Note	Book value 2011	2010
Non-current loans granted to related parties	20	178	156
Non-current loans granted to employees (including current portion)	20	31	17
Trade receivables, net	24,26	39 717	7 826
Current loans given to employees	25	-	1
Other accounts receivable and other current assets (excluding assets which are not financial ones)	25	63	13
Cash and cash equivalents	27	17 627	13 629
Total		**57 616**	**21 642**

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

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 trade receivables as at 31 December 2011 mainly relate to trade receivables from sales made to 2 parties.

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.

(in thousand USD, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The majority of Group's clients are standing clients. The Group made provisions relating to trade accounts receivable, amounting to USD 9 366 (2010: USD 530), (Note 11).

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

● as at 31 December 2011 USD 38 188 thousand or 96% from the total amount of trade accounts receivable is accounted for the share of the most significant debtors;

● as at 31 December 2010 USD 4 834 thousand or 56% from the total amount of trade accounts receivable is accounted for the share of the most significant debtor.

● in 2011 no more than 60% from the Group's revenue was related to sales transactions which were carried out with two of the clients.

● in 2010 no more than 30% from the Group's revenue was related to sales transactions which were carried out with one of the clients.

Credit quality of financial assets

The credit quality of financial assets that neither part due not improved i.e. fully performing, are assessed by reference to historical information about counter party default rates:

Trade receivables: refer to Note 24 for details.

Cash at bank and short-term deposits:	**2011**	**2010**
B1	4 141	10 291
A1	1	38
Ba1	-	5
B3	-	51
Bank without external rating	13 484	3 244
	17 626	13 629

3.2. 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.

(in thousand USD, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2011 current assets of the Group exceeded its current liabilities by USD 109 382 thousand. As at 31 December 2010 the current assets of the Group exceeded its current liabilities by USD 75 841 thousand.

The following tables provide an analysis of monetary liabilities grouped on the basis of the remaining period from 31 December 2011 to the contractual maturity date.

	On demand	Less than 3 months	3-6 months	6 months to 1 year	More than 1 year	Total
Non-current bank loans and bonds	-	-	-	-	47 580	**47 580**
Finance lease liabilities (including financial costs of future periods)	-	37	37	75	312	**461**
Current bank loans, government loans and bonds	376	-	3 248	-	-	**3 624**
Trade payables	1 110	429	201	195	-	**1 935**
Other payables and accrued expenses (excluding prepayments and other non-financial liabilities)	**87**	**5** 948	**-**	**-**	**-**	**6 035**
	1 573	**6 414**	**3 486**	**270**	**47 892**	**59 635**

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

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

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

3.3. Market risk

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

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.1. Currency risk

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

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

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

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

Exposure to currency risk

The Group's exposure to currency risk as at 31 December 2011 based on book values was as follows:

	2011	
	USD	**Euro**
(in translation to USD thousand)		
For Ukrainian entities (functional currency - UAH):		
Financial lease liabilities	(461)	-
Trade and other accounts payable	-	-
Total book value exposed to currency risk	**(461)**	**-**
Net exposure to currency risk	**(461)**	**-**
	Euro	
For the Company (functional currency - USD):		
Cash in bank (EUR)	2	
Total book value exposed to currency risk	**2**	
Net exposure to currency risk	**2**	

	2010	
	USD	**Euro**
(in translation to USD thousand)		
For Ukrainian entities (functional currency - UAH):		
Financial lease liabilities	(4 726)	-
Trade and other accounts payable	-	(13)
Total book value exposed to currency risk	**(4 726)**	**(13)**
Net exposure to currency risk	**(4 726)**	**(13)**
	Euro	
For the Company (functional currency - USD):		
Cash in bank (EUR)	7 716	
Total book value exposed to currency risk	**7 716**	
Net exposure to currency risk	**7 716**	

3. 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.

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

Effect in USD thousand:
31 December 2011

For Ukrainian entities (functional currency - UAH):	Increase in currency rate against UAH	Effect on income before tax
USD	15%	(69)
Euro	10%	-

For the Company (functional currency - USD):	Increase in currency rate against USD	Effect on income before tax
Euro	10%	0

Effect in USD thousand:
31 December 2010

For Ukrainian entities (functional currency - UAH):	Increase in currency rate against UAH	Effect on income before tax
USD	15%	(709)
Euro	10%	(1)

For the Company (functional currency - USD):	Increase in currency rate against USD	Effect on income before tax
Euro	10%	772

3.3.1. 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 2011 the structure of interest financial instruments of the Group, grouped according to the types of interest rates, was as follows:

Instruments with fixed interest rate

	2011	2010
Financial assets	209	173
Financial liabilities	(51 665)	(16 367)
	(51 456)	(16 194)

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3. Financial markets volatility

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

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

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

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

3.5. Financial risk management strategies relating to agricultural activity

Crop production sales to external customers, the principal business segment of the Group, accounted for 79,6 % of revenue from sales to external customers for the year ended 31 December 2011 (2010: 61,7%). The Group's ability to produce agricultural commodities in a timely manner and in sufficient quantities may be affected by adverse or unexpected growing conditions and deviations from the typical weather patterns, including among others, drought, flood, unexpected or heavy frost and hurricanes, and major climate-related disasters in the areas of Ukraine where the Group sources or grows its agricultural commodities. Climate directly impacts crop yield and its cost of harvesting.

The availability and price of agricultural commodities can also be affected by factors such as crop disease, which can result in crop failures and reduced yields from harvests. Diminished supply of agricultural commodities due to weather-related factors or crop disease could adversely affect the Group's profitability by increasing the cost of raw materials and limit its ability to procure, transport, store, process, and sell agricultural commodities in an efficient manner, which could materially and adversely affect the Group's business, results of operations and financial condition.

However, unlike many of its competitors in the region, the Group maintains its own processing and storage facilities. As at 31 December 2011, the Group controlled total elevator storage capacity of 285,000 tonnes, which enabled it to store all of its current crop production and thereby achieve better pricing terms.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

3.6. Capital management

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

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

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

Financial leverage is calculated as a ratio between net debt and total amount of capital. Net debt is calculated as cumulative borrowing costs net of cash and cash equivalents. Total amount of capital is calculated as own capital reflected in the consolidation statement of financial position.

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

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

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

(in thousand USD, unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial leverage ratio

As at 31 December 2011 the Group's financial leverage ratio made up 22,1% and 2,2% respectively:

	Book value	
	2011	**2010**
Current loans and bonds (Note 33)	3 624	11 305
Non-current loans (Note 30)	47 580	143
Non-current liabilities for finance lease (Note 31)	312	2 657
Current portion of non-current liabilities (Note 32)	149	2 262
Total amount of borrowing costs	**51 665**	**16 367**
Cash and cash equivalents (Note 27)	(17 627)	(13 629)
Net debt	**34 038**	**2 738**
Share capital (Note 28)	661	661
Share premium (Note 28)	88 532	88 532
Retained earnings	40 487	42 606
Effect from foreign currency translation	(10 152)	(9 962)
Share of the non-controlling owners	292	280
Total equity	**119 820**	**122 117**
Total amount of own capital and net debt	**153 858**	**124 855**
Financial leverage ratio	22,1%	2,2%

The financial leverage ratio from the year 2010 to year 2011.

(b) Net debt to EBITDA

For the years ended 31 December 2011 and 2010, ratio of net debt to EBITDA constituted 1,8 at EBITDA USD 18 630 thousand and 0,1 at EBITDA USD 35 349 thousand respectively:

	2011	**2010**
Profit for the year	(2 105)	15 736
Income tax expense (Note 15)	16	113
Finance expenses, net (Note 12)	5 485	13 626
One-off impairment of intangible assets (Note 11)	5 311	-
One-off impairment of other non-current assets (Note 11)	3 072	-
Loss on write-off and impairment of non-current assets, net (Note 11)	67	-
Discontinued operations (Note 29)	2 375	249
EBIT (earnings before financial income (expenses), net and income tax)	**14 221**	**29 724**
Depreciation and amortization (Note 14)	4 409	5 625
EBITDA (earnings before financial income (expenses), net, income tax, depreciation and amortization)	**18 630**	**35 349**
Net debt at the year end (Note 3.6 (a))	34 038	2 738
Net debt at the year end / EBITDA	1,8	0,1

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

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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

4.1. Basis of consolidation (transactions under common control)

Control over certain subsidiaries by Parent company has always existed because there was an ability to manage its financial and operating policies with the aim to receive benefits from its activities and this control over subsidiaries and Parent company belongs to the ultimate beneficial owner. These transactions are considered to be as combinations of business under common control, which are outside the scope of IFRS 3 "Business combinations".

4.2. Useful lives of property, plant and equipment

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

4.3. Impairment of non-financial assets

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

4.4. Impairment of trade receivables

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

4.5. Legal proceedings

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

4.6. Contingent liabilities

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

4.7. Inventories

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

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

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

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

5. SEGMENT INFORMATION

The Group is involved in 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 identified the following business segments that include products and services which have different risk levels and conditions of revenue earning:

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

5. SEGMENT INFORMATION (CONTINUED)

(ii) Livestock segment raises and sells biological assets and agricultural products of cattle breeding. The main biological assets and agricultural products which are sold in this business segment are poultry, cattle, pigs and milk.

(iii) Agricultural products segment processes agricultural products and produces finished products. The 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 statement. 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.

For the year ended 31 December 2011:

	Livestock	Plant breeding	Agricultural products processing	Other	Adjustments and eliminations	Total
Total revenue	19 249	86 182	3 238	449	-	**109 118**
Inter-segment sales	(1 893)	(6 826)	(661)	-	-	**(9 380)**
Revenue from external customer	17 356	79 356	2 577	449	-	**99 738**
Gain from changes in fair value less cost to sell of biological assets and agricultural products, net	(1 904)	24 246	-	-	-	**22 342**
Gross profit	**(2 440)**	**29 210**	**870**	**222**	**-**	**27 862**
Depreciation and amortization	1 152	2 947	80	231	-	**4 410**
Segment profit /(loss)	**(2 440)**	**29 210**	**870**	**222**	**(29 952)**	**(2 090)**
Total assets include:						
Capital expenses	2 089	1 512	-	209	-	3 810
Total assets	**22 668**	**136 094**	**365**	**2 504**	**18 266**	**179 897**
Total liabilities	**841**	**49 976**	**28**	**680**	**8 552**	**60 077**

Business segment profit /(loss) stated at each operating segment does not include administrative expenses (USD 6 121 thousand), distribution expenses (USD 963 thousand), other expenses, net (USD 15 008 thousand), financial expenses, net (USD 5 485 thousand), loss from discontinued operations (USD 2 375 thousand).

Assets of segments do not include non-current loans to related parties (USD 178 thousand), non-current loans to employees (USD 26 thousand), cash and cash equivalents (USD 17 627 thousand), taxes prepaid (USD 358 thousand), current portion of non-current loans to employees (USD 5 thousand), other receivables (USD 72 thousand), (USD thousand) since management of these assets is carried out at the Group's level.

Liabilities of segments do not include payroll and related tax liabilities (USD 1 473 thousand), liabilities for other taxes and mandatory payments (USD 27 thousand), liabilities for interest (USD 3 023 thousand), other provisions (USD 202 thousand), current bank loans, government loans and bonds (USD 3 624 thousand), current income tax liabilities (USD 116 thousand), other payables (USD 87 thousand) since management of these liabilities is carried out at the Group's level.

During the year ended 31 December 2011 the revenue from segment plant breeding, that was derived from two contractors amounted to USD 66 197 thousand.

Depreciation and amortization expenses of plant breeding segment for the year ended 31 December includes amortization of the advance for land lease (Note 21) amounting to USD 800 thousand .

(in thousand USD, unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2010:

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

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

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

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

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

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

6. SALES REVENUE

The components of sales revenue were presented as follows:

	2011	2010
Sales of finished goods (i)	98 073	54 568
Sales of services (ii)	1 665	2 685
Total	**99 738**	**57 253**

The Group's total revenue is from external customers in Ukraine.

(in thousand USD, unless otherwise stated)

6. SALES REVENUE (CONTINUED)

(i) The revenue generated from the main agricultural products for the year ended 31 December 2011 and 31 December 2010 was as follows:

	2011	2010
Winter wheat	17 070	12 233
Sunflower	48 813	18 884
Corn in grain	8 382	719
Other agricultural crops	5 091	3 485
Total (Note 5)	**79 356**	**35 321**

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

Sales volume for main agricultural products in tones for the year ended 31 December 2011 and 31 December 2010 was as follows:

	2011, tonnes	2010, tonnes
Winter wheat	88 849	92 675
Sunflower	109 518	43 070
Corn in grain	53 112	4 300
Total	**251 479**	**140 045**

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

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

For the year ended 31 December 2011 and 31 December 2010 the components of gain from changes in fair value of biological assets and agricultural products were presented as follows:

	2011	2010
Non-current biological assets (Note 19)	(793)	(587)
Current biological assets (Note 22 (a), (b) and 29)	23 135	40 685
Total	**22 342**	**40 098**

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

8. COST OF SALES

The components of cost of sales were presented as follows:

	2011	2010
Livestock and related operations	17 891	13 188
Plant breeding and related operations	74 392	34 949
Agricultural products processing and related operations	1 707	8 240
Other activity and related operations	227	130
Total	**94 217**	**56 507**

(in thousand USD, unless otherwise stated)

9. ADMINISTRATIVE EXPENSES

The components of administrative expenses were presented as follows:

	2011	2010
Payroll of administrative personnel and related tax expenses (Note 13) (i)	3 388	3 631
Depreciation charge (Note 14)	114	211
Transport costs	636	594
Other material costs	206	151
Insurance	77	117
Bank services	242	202
Professional and information services (ii)	1 198	484
Communication services	32	74
Other administrative expenses	228	451
Total	**6 121**	**5 915**

(i) The aggregate amount of Directors' emoluments for the years ended 31 December 2011 and 31 December 2010 amounted to USD 336 thousand and USD 214 thousand respectively (Note 37).

(ii) The auditors' remuneration and all amount spent in connection with their work for years ended 31 December 2011 and 31 December 2010 amounted to USD 190 thousand and USD 266 thousand respectively.

10. DISTRIBUTION COSTS

The components of distribution expenses were presented as follows:

	2011	2010
Payroll of distribution personnel and related expenses (Note 13)	341	830
Depreciation charge (Note 14)	30	50
Marketing and advertising expenses	37	75
Transport costs and expenses for maintaining of vehicles for distribution purposes (i)	406	1 373
Utilities	45	95
Charges for using of warehouses and sales outlets	33	362
Other distribution expenses	71	107
Total	**963**	**2 892**

The decrease of distribution costs is associated with the disposal in May 2011 of a number of Group companies involved in selling of products - Aydar-Mlyn SC, Makaronna fabryka SC, Khlibzavod SC, Markivskii sirzavod LLC, Ago-Maslosyrorobnyi zavod LLC, “Mlyn-Yevsug” SC.

These companies were separated from PE Agricultural Production Firm "Agro" and Agroton PJSC at the end of year 2010.

(in thousand USD, unless otherwise stated)

11. OTHER EXPENSES, NET

The other expenses/(income) were presented as follows:

	2011	2010
Government grants (i)	-	(312)
Grant VAT	(11 485)	(3 267)
Impairment trade and other receivables (Note 26)	9 366	530
Bad debts, written-off	379	457
Gain on write off of trade payables	5	(97)
Loss on impairment of non-current assets, net (Note 21)	3 072	-
Loss on write-off and impairment of other non-current assets, net	67	296
Loss on disposal of non-current assets, net	300	4
Loss from sales of current assets, net	9	35
Loss on disposals of subsidiaries (Note 38(b))	1 674	-
Fines, penalties, net	84	1 357
Donations	21	210
Payroll of personnel related to other expenses of operating activities (Note 13)	1	162
Depreciation charge (Note 14)	56	86
Amortisation for land lease advance (Note 14, 21)	800	400
Write-off of inventories (Note 23)	2 520	-
Impairment of inventories (Note 23)	2 909	303
Impairment of harvest failure (Note 22 (a))	54	1 769
Amortisation charge of intangible assets (Note 18)	1	-
Impairment of intangible assets (Note 18)	5 311	-
Other operating (income)/expenses	(136)	381
Total	**15 008**	**2 314**

(i) Government grants recognized as income in the year ended 31 December 2011 and 31 December 2010 were presented as follows:

	2011	2010
Grant for grown and sold cattle	-	22
Grant for grown and sold pigs	-	129
Compensations for mineral fertilizers	-	1
Grant for grown and sold milk	-	28
Compensations for creation of new job sites	-	132
Total	**-**	**312**

12. FINANCE COSTS, NET

The finance costs, net, were presented as follows:

	2011	2010
Interest income	(13)	(1 126)
Interest expense on bank loans (Note 33)	1 849	8 175
Finance lease expenses	485	1 234
Bond interest and other expenses (Note 30)	3 261	528
Other expenses for loans and borrowings	-	114
Reflection of non-current accounts receivable at amortised value	(20)	(24)
(Gains)/losses from foreign exchange differences, net	(8)	4 597
(Gains)/losses from purchase/exchange of foreign currency (compulsory payments, commission), net	(69)	128
Total	**5 485**	**13 626**

(in thousand USD, unless otherwise stated)

13. PAYROLL AND RELATED EXPENSES

The payroll and related expenses were presented as follows:

	2011	2010
Wages and salaries	9 873	9 976
Other employee benefits	585	692
Contributions to Social Fund	3 342	3 832
Total	**13 800**	**14 500**

The average number of employees are presented as follows:

	2011	2010
Number of employees on payroll	2 655	4 240

During the year ended 31 December 2011 the Group's employees were reduced by 732 as a result of the following:

- On 5 May 2011 the Group sold "Ago-Maslosyrorobnyi zavod" LLC, "Aydar-Mlyn" SC, "Makaronna fabryka" SC, "Mlyn-Yevsug" SC and "Khlibzavod" SC (Note 1) that were employing 485 employees.

- On 1 July 2011 the Group's management were approved the discontinuance of the Group's pig breeding and cheese production operations (Note 1(vii)) which were employing 247 employees.

The employee benefit expense is charged to the consolidated income statement as follows:

	2011	2010
Payroll of operating personnel and related expenses (i)	10 070	9 877
Payroll of administrative personnel and related expenses (Note 9)	3 388	3 631
Payroll of distribution personnel and related expenses (Note 10)	341	830
Payroll of personnel related to other expenses of operating activities (Note 11)	1	162
Total	**13 800**	**14 500**

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

For the year ended 31 December 2011 cost of sales includes payroll cost of USD 10 070 (2010: USD 9 877).

14. DEPRECIATION AND AMORTISATION

The depreciation charge incurred in the year is charged to the consolidated income statement, presented as follows:

	2011	2010
Depreciation of production property, plant and equipment (i)	3 409	4 878
Administrative expenses (Note 9)	114	211
Distribution costs (Note 10)	30	50
Other expenses (Note 11)	56	86
Total depreciation charge	**3 609**	**5 225**
Amortisation of the advance for land lease (Note 11, 21)	800	400
Total	**4 409**	**5 625**

(i) The depreciation charge for agricultural products processing are included in the cost of sales and the depreciation for livestock and plant breeding are included in the movement of biological assets during the year, and thereafter they are transferred to the value of stock and/or cost of sales. For the year ended 31 December 2011, cost of sales includes a depreciation charge of USD 3 409 (2010: 4 878).

15. INCOME TAX EXPENSE

The income tax expense for the year ended 31 December 2011 and 31 December 2010 is presented as follows:

	2011	2010
Defence contribution tax	16	112

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

	2011	2010
(Loss)/profit before tax	(2 089)	15 849
Applicable tax rates:		
Ukraine	23%	25%
Cyprus	10%	10%
Tax calculated at the applicable tax rates:		
Ukraine	(3 505)	4 150
Cyprus	(1 293)	(75)
Tax effect of allowances and income not subject to tax (i)	4 814	(3 963)
Income tax charge	**16**	**112**

Under certain conditions interest may be exempt from income and only by subject to defense contribution at the rate of 10%, increase to 15% as from 31 August 2011. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013.

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

16. EARNINGS PER SHARE

a) Basic

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

	2011	2010
Profit from continuing operations attributable to equity holders of the Company	256	15 968
Loss from discontinued operations attributable to equity holders of the Company	(2 375)	(249)
Total	**(2 119)**	**15 719**
Weighted average number of ordinary shares in issue (thousands)	21 670	16 979
Basic earnings per share (USD cents)	**(10)**	**94**

b) Diluted

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

(in thousand USD, unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Constru-ction in progress	Total
As at 1 January 2010							
Cost	34 822	24 510	9 769	222	374	5 044	**74 741**
Accumulated depreciation	(17 450)	(10 372)	(6 487)	(141)	(177)	-	**(34 627)**
Net book amount	**17 372**	**14 138**	**3 282**	**81**	**197**	**5 044**	**40 114**
Additions	850	1 705	205	21	13	794	3 588
Disposals							
Cost	(171)	(438)	(20)	(3)	(41)	-	(673)
Depreciation	77	231	13	2	24	-	347
Transfers	2 031	18	-	-		(2 049)	-
Depreciation charge (Note 14)	(1 421)	(3 023)	(695)	(45)	(41)	-	(5 225)
Effect from foreign currency translation	46	46	11	-	(1)	19	121
Closing net book amount	**18 784**	**12 677**	**2 796**	**56**	**151**	**3 808**	**38 272**
As at 31 December 2010							
Cost	37 625	25 862	9 982	241	346	3 808	77 864
Accumulated depreciation	(18 841)	(13 185)	(7 186)	(185)	(195)	-	(39 592)
Net book amount	**18 784**	**12 677**	**2 796**	**56**	**151**	**3 808**	**38 272**

(in thousand USD, unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Constru-ction in progress	Total
Year ended 31 December 2011							
Opening net book amount	**18 784**	**12 677**	**2 796**	**56**	**151**	**3 808**	**38 272**
Additions	164	2 076	43	12	15	1 500	3 810
Disposals							
Cost	(343)	(168)	(47)	(4)	(12)	-	(574)
Depreciation	35	77	31	3	10	-	156
Disposals of subsidiaries (i)							
Cost	(4 884)	(1 534)	(310)	(8)	(57)	(7)	(6 800)
Depreciation	973	1 200	278	4	34	-	2 489
Transfers	4 600	1	(848)	-	8	(3 761)	-
Depreciation charge (Note 14)	(1 336)	(2 011)	(225)	(14)	(24)	-	(3 610)
Discontinued operations (ii)							
Cost	(3 853)	(877)	(27)	(14)	(15)	(415)	(5 201)
Depreciation	2 137	557	24	13	10	-	2 741
Effect from foreign currency translation	(73)	(45)	(6)	-	(1)	(7)	(132)
Closing net book amount	**16 204**	**11 953**	**1 709**	**48**	**119**	**1 118**	**31 151**
As at 31 December 2011							
Cost	33 209	26 320	7 672	202	302	1 118	68 823
Accumulated depreciation	(17 005)	(14 367)	(5 963)	(154)	(183)	-	(37 672)
Net book amount	**16 204**	**11 953**	**1 709**	**48**	**119**	**1 118**	**31 151**

(i) During the year ended 31 December 2011, the Group sold "Agromaslosyrorobnyi zavod" LLC, "AydarMlyn" LLC, "Makaronnaya fabrika" LLC, "MlynEvsug" LLC and "Khlibozavod" LLC, reflected to Note 38(b).

(ii) During the year there were discontinued operations, reflected to Note 29.

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

Lease rentals amounting to USD 272 thousand (2010: USD 973 thousand) relating to the lease of equipment and USD 213 thousand (2010: USD 261 thousand) relating to the lease of vehicles are included in the consolidated statement of comprehensive income (Note 12).

(in thousand USD, unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2011 and 31 December 2010 non-current and current loans were secured by property, plant and equipment book value (except finance lease assets) of which is as follows:

	2011 (iii)	2010
Buildings	-	3 685
Equipment	-	772
Vehicles	-	419
Computers and office equipment	-	6
Instruments, tools and other equipment	-	5
Construction in progress	-	15
Total	**-**	**4 902**
Analysed as:		
Security for non-current loans (Note 30)	-	419
Security for current loans (Note 33)	-	4 483
	-	**4 902**

(iii) During the year ended 31 December 2011 all loans secured by property, plant and equipment have been fully repaid.

As at 31 December 2011 and 31 December 2010 the Group has removed from service fixed assets of book value USD 270 thousand and USD 295 thousand respectively.

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

As at 31 December 2011 and 31 December 2010 the book value of property, plant and equipment subjected to finance lease agreements was as follows:

	2011	2010
Equipment		
Cost	695	8 487
Accumulated depreciation	(82)	(3 263)
Net book value	613	5 224
Vehicles		
Cost	100	1 348
Accumulated depreciation	(23)	(337)
Net book value	77	1 011
Total net book value	**690**	**6 235**

(in thousand USD, unless otherwise stated)

18. INTANGIBLE ASSETS

	Land lease rights	Other	Total
Cost			
As at 1 January 2011	-	31	31
Additions (i)	15 300	-	15 300
As at 31 December 2011	**15 300**	**31**	**15 331**
Amortisation			
As at 1 January 2011	-	(2)	(2)
Amortisation charge (Note 11)	-	(1)	(1)
Impairment charge (Note 11)	(5 311)	-	(5 311)
As at 31 December 2011	**(5 311)**	**(3)**	**(5 314)**
Net book value:			
As at 31 December 2011	**9 989**	**28**	**10 017**
As at 31 December 2010	**-**	**29**	**29**

(i) In December 2011 Agroton Public Limited acquired 100% interest in two companies, namely "Gefest" LLC and "Tais-Avb" PE for a purchase consideration of USD 15 300 thousand (Note 38 (a)). The companies owned land lease rights for 20 055 hectares of agricultural land in the Lugansk region. The acquisition of these new agricultural companies increased the agricultural land available for cultivation of the Group from 151 000 hectares to 171 055 hectares. The fair value of the land leases as at 31 December 2011 was USD 9 989 thousands and as a result an impairment charge of USD 5 311 thousand is reflected in "Other expenses, net" (Note 11).

19. NON-CURRENT BIOLOGICAL ASSETS

The non-current biological assets were as follows:

	2011		2010	
	number, of heads	Fair value	number, of heads	Fair value
Cattle	2 746	1 769	2 771	2 282
Pigs (Note 29)	-	-	1 154	407
Other	7	3	17	18
Total	**2 753**	**1 772**	**3 942**	**2 707**

Reconciliation of book value of non-current biological assets for the years ended 31 December 2011 and 31 December 2010 was as follows:

	2011	2010
As at beginning of year	**2 707**	**1 932**
Decrease in value due to sale of assets	(202)	(3)
Expenses capitalized in biological assets	3 834	4 313
Loss from changes in fair value less costs to sell of biological assets and agricultural products (Note 7)	(793)	(587)
Decrease in value due to harvesting agricultural products	(3 515)	(2 388)
Transfer between groups of assets	(253)	(565)
Effect from foreign currency translation	(6)	5
As at end of year	**1 772**	**2 707**

As at 31 December 2011 and 31 December 2010 loans were secured by non-current biological assets book value of which is as follows:

	2011	2010
Cattle	-	2 282
Total (Note 33)	**-**	**2 282**

(in thousand USD, unless otherwise stated)

20. OTHER NON-CURRENT LOANS RECEIVABLE

The non-current loans receivable were as follows:

	2011	2010
Loans to employees	31	17
Loan to related party (Note 37)	178	156
Total loans receivable	**209**	**173**
Current portion of loans to employees	(5)	(8)
Total non-current loans receivable	**204**	**165**

	Nominal value 2011	2010
Within 1 year	5	8
From 1 year to 5	288	269
More than 5 years	-	-
	293	**277**

	Amortized cost 2011	2010
Within 1 year	5	8
From 1 year to 5	204	165
More than 5 years	-	-
	209	**173**

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

The non-current loans to employees and non-current loans issued to related parties are measured at amortized cost using the effective interest rate method. Discount rate used for calculation of amortized cost of loans issued in 2011 and 2010 equals 14,48%.

21. OTHER NON-CURRENT ASSETS

The other non-current assets were as follows:

	2011	2010
Advances:		
Advance for land lease (i)	8 000	8 000
Less: amortisation (ii) , (Note 11,14)	(1 200)	(400)
Advance for land lease - net	**6 800**	**7 600**
Prepayments:		
Prepayments made for the property of elevator - gross (iii)	10 000	-
Less: Provisions for impairment (iii),(Note 11)	(3 073)	-
Prepayments made for the immediate right to use the elevator - net	6 928	-
Other prepayments for equipment (iv)	27	303
Total	**13 755**	**7 903**

(in thousand USD, unless otherwise stated)

21. OTHER NON-CURRENT ASSETS (CONTINUED)

- Advances:

(i) During the year ended 31 December 2010 the Group made payments of USD 8 000 thousand for the purchase of land leasing rights for 16 300 hectares of agricultural land in the Luhansk region, Ukraine, from a third party that originally owned these land lease rights. In order for the above mentioned transaction to be completed, the lease agreements must be executed between the ultimate owners of the land plots from whom the seller originally acquired the underlying lease rights and the Company or its affiliate, and these lease agreements should be duly registered with the Ukraine Land Agency in compliance with the requirements of Ukrainian laws. Each of the above agreements has been concluded on the basis of the standard form lease agreement for the term of 10 years.

In order for the transfer of lease rights with respect to the aforementioned land plots to be completed, the agreements must be duly registered in accordance with applicable laws, which is not yet the case in view of delays by the State Land Agency. It is however a common practice in Ukraine that, pending such registration, the lessee starts operating the land plots underlying the lease agreements.

During 2011 the land lease owners have transferred to the Group land lease rights specifically to PJSC Agroton and PE APF Agro.

(ii) The amortisation is calculated using the straight-line method to allocate the cost of the advance over its estimated useful life term of duration (10 years).

(iii) On 20 July 2011 PE Agricultural Production Firm “Agro” entered into an investment agreement with Subsidiary Enterprise SJSC Khlib Ukraine Novoaydarskyy Elevator, in respect of the Novoaydarskyy Elevator. Based on the agreement PE APF “Agro” undertakes to invest USD 1 155 thousand for the upgrading of the elevator until 20 July 2021 and upon completion of the project , “Agro” will become the 54% owner of the elevator while the remaining 46% will continue to be owned by the existing owner. In case “Agro” invests additional amounts in the upgrading of the elevator, its participation in the ownership rights will increase. The grain elevator with a total storage capacity of 130 000 tons was previously rented by the Group as part of its operations.

During the year 2011 Agroton Public Ltd made a prepayment of USD 10 000 thousand in relation to this investment agreement specifically for its rights to secure use of this elevator. The fair value of this rights was evaluated at USD 6 928 thousand, hence an impairment loss of USD 3 072 thousand was accounted for in the consolidated income statement of the year 2011 (Note 11).

22. CURRENT BIOLOGICAL ASSETS

The current biological assets were as follows:

	2011	2010
Crops under cultivation (a)	7 602	5 632
Animals in growing and fattening (b)	2 893	4 300
Total	**10 495**	**9 932**

22. CURRENT BIOLOGICAL ASSETS (CONTINUED)

(a) Crops under cultivation:

The crops under cultivation were as follows:

	2011		2010	
	Area, thousand of hectares	**Amount, USD thousand**	**Area, thousand of hectares**	**Amount, USD thousand**
Winter wheat sowing	43	7 218	45	5 270
Winter rape sowing	2	186	2	153
Winter barley sowing	1	161	2	114
Winter rye sowing	-	24	1	74
Other sowing	-	13	-	21
Total	**46**	**7 602**	**50**	**5 632**

Reconciliation of book value of the crops plantings for the year ended 31 December 2011 and 31 December 2010 was as follows:

	2011	2010
As at beginning of year	**5 632**	**4 618**
Expenses capitalized in biological assets (i)	44 441	39 454
Income from changes in fair value less costs to sell of biological assets and agricultural products (Note 7)	24 247	41 576
Decrease in value due to harvesting of agricultural products	(66 629)	(78 212)
Other changes (including harvest failure) (ii)	(64)	(1 815)
Effect from foreign currency translation	(25)	11
As at end of year	**7 602**	**5 632**

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

(ii) As at 31 December 2011 and 31 December 2010 impairment of harvest failure amounted to USD 54 thousand and USD 1 769 thousand respectively and is included in "Other expenses/(income), net"(Note 11). The impairment identified was the result of bad weather conditions.

(b) Animals in growing and fattening:

The animals in growing and fattening were as follows:

	2011		2010	
	number, of heads	**Fair value**	**number, of heads**	**Fair value**
Cattle	3 018	1 369	3 554	2 377
Pigs (Note 29)	-	-	11 570	1 400
Poultry	695 336	1 508	324 352	507
Other	25	16	22	16
Total	**698 379**	**2 893**	**339 498**	**4 300**

(in thousand USD, unless otherwise stated)

22. CURRENT BIOLOGICAL ASSETS (CONTINUED)

Reconciliation of book value of animals in growing and fattening for the year ended 31 December 2011 and 31 December 2010 was as follows:

	2011	2010
As at beginning of year	**4 300**	**4 082**
Additions resulting from purchase of assets	1 186	243
Expenses capitalized in biological assets (i)	14 766	14 245
Loss from changes in fair value less costs to sell of biological assets and agricultural products (Note 7)	(1 112)	(1 142)
Decrease in value due to harvesting agricultural products	(14 427)	(8 491)
Decrease in value due to selling of assets	(2 051)	(5 148)
Transfer between groups of assets	253	565
Other changes	(13)	(64)
Effect from foreign currency translation	(9)	10
As at end of year	**2 893**	**4 300**

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

The loans are secured by current biological assets book value of which is as follows:

	2011	2010
Cattle	-	2 377
Total (Note 33)	**-**	**2 377**

23. INVENTORIES

The inventories were presented as follows:

	2011	2010
Raw materials	3 554	1 708
Work-in-progress	8 460	2 831
Agricultural products (i)	38 771	55 698
Finished goods	145	933
Other	1 519	1 497
Total	**52 449**	**62 667**

As at 31 December 2011 and 31 December 2010 the impairment of inventories identified amounted to USD 2 909 thousand and USD 303 thousand respectively and is included in "Other expenses, net", (Note 11).

As at 31 December 2011, as part of the physical stock take performed by the Group, it was identified that the physical stock quantity was understated as compared to the Group's accounting records by 11 874 tonnes. As a result, the Group has written-off this quantity amounting to USD 2 520 thousand to the consolidated income statement of the year (Note 11).

Agricultural products:

The main agricultural products at storage were presented as follows:

	2011	2010
Winter wheat	18 541	13 456
Sunflower	15 432	36 562
Corn	1 692	3 665
Other agricultural crops	3 106	2 015
Total	**38 771**	**55 698**

(in thousand USD, unless otherwise stated)

23. INVENTORIES (CONTINUED)

The main agricultural products volume in tones at storage were presented as follows:

	2011, tonnes	2010, tonnes
Winter wheat	94 874	80 098
Sunflower	41 078	81 235
Corn	11 292	23 099
Total	**147 244**	**184 432**

The current loans are secured by inventories with book value as follows:

	2011	2010
Agricultural products (Note 33)	4 193	5 766

24. TRADE RECEIVABLES

The trade receivables were as follows:

	2011	2010
Trade receivables-gross	49 329	8 682
Less: provision for impairment of trade receivables (Note 26)	(9 612)	(856)
Trade receivables-net	**39 717**	**7 826**

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

As at 31 December 2011, gross trade receivables of USD 1 588 thousand (2010: 7 552 thousand) were fully performing.

From gross trade receivables amounting to USD 44 868 thousand, arising from 2 customers, the Group has received an amount of USD 3 812 thousand in the year 2012.

As at 31 December 2011, trade receivables of USD 0 thousand (2010: USD 274 thousand) were past due but not impaired.

The ageing of the trade receivables was as follows:

	2011	2010
0-3 months	2 800	6 572
3-6 months	36 822	857
6 months to 1 year	95	123
Between 1 and 2 years	-	1 130
Total	**39 717**	**8 682**

As at 31 December 2011 trade receivables ageing over one year amounting to USD 0 thousand (2010: USD 1 130 thousand) include an amount of USD 0 thousand (2010: USD 274 thousand) which has not been considered as a bad debt as the Group has evidences that it will be repaid during the year 2012. An amount of USD 9 612 thousand (2010: USD 857 thousand) is fully provided for.

25. OTHER RECEIVABLES AND PREPAYMENTS

The other receivables and prepayments were as follows:

	2011	2010
Other receivables and current assets-gross	190	180
Less: provision for impairment of other receivables	(118)	(149)
Other receivables and current assets-net	72	31
Prepayments to suppliers	845	1 138
VAT for reimbursement and prepayments for VAT	362	-
Total	**1 279**	**1 169**

(in thousand USD, unless otherwise stated)

26. PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

	2011	2010
Provision for impairment of trade receivables (Note 24)	(9 612)	(856)
Provision for impairment of other receivables (Note 25)	(118)	(149)
Total	**(9 730)**	**(1 005)**

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

	2011	2010
At the beginning of year	**(1 005)**	**(475)**
Provision for impairment	(9 484)	(689)
Unused amounts from provision reversed	118	159
Using of provision	613	-
Effect from foreign currency translation	28	-
At the end of year	**(9 730)**	**(1 005)**

The increase in the provision for impairment of trade and other receivables of USD 9 366 thousand (2010: USD 530 thousand) has been included in "Other expenses, net" (Note 11).

27. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balances were as follows:

	2011	2010
Cash at bank in UAH	84	367
Cash at bank in Euro	2	7 716
Cash at bank in USD	4 139	2 575
Cash with brokers in USD (i)	13 172	2 929
Cash in hand	230	42
Cash to be represented in the statement of cash flows	**17 627**	**13 629**

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

During the year 2011 Agroton Public Limited has changed its investment manager.

28. SHARE CAPITAL AND SHARE PREMIUM

	2011		2010	
	Number of shares	**Nominal value, Euro**	**Number of shares**	**Nominal value, Euro**
Authorised				
Ordinary shares of Euro €0,021 each	47 619 048	1 000 000	47 619 048	1 000 000
Issued and fully paid	**Number of shares**	**Nominal value, USD**	**Share premium, USD**	**Total**
On 1 January 2010	**16 000 000**	**494 306**	**38 474 131**	**38 968 437**
Issue of shares on 29 October 2010	5 670 000	166 822	54 222 634	**54 389 456**
Share issue expenses	-	-	(4 165 101)	**(4 165 101)**
Balance at 31 December 2010/1 January 2011	**21 670 000**	**661 128**	**88 531 664**	**89 192 792**
Balance at 31 December 2011	**21 670 000**	**661 128**	**88 531 664**	**89 192 792**

28. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Authorised capital

On 31 December 2011 the 60uthorized share capital of the Company was 47 619 048 ordinary shares of nominal value €0,021 each.

Issued capital

On 21 September 2009 (date of incorporation) the Company issued to the subscribers of its Memorandum of Association12 000 000 ordinary shares of nominal value €0,021 each.

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

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

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

The members of the Company held an Extraordinary General Meeting on 25 June 2010 where they 60uthorized and approved the increase of the issued share capital of the Company from 16 000 000 ordinary shares of €0,021 each amounting to € 336 000 (USD equivalent of USD 494 306) to 21 670 000 ordinary shares of nominal value of €0,021 each amounting to € 455 070 (USD equivalent of USD 661 128), ranking pari pasu with the existing shares of the Company.

On 29 October 2010 the Company issued 5 670 000 ordinary shares of nominal value €0,021 each, amounting to €119 070 (USD equivalent of USD 166 822), at a premium of €6,7595 per share amounting to a total share premium of €38 326 365 (USD equivalent of USD 54 222 634). The issue price for shares in the Company's public offering was set at PLN 27 per share. The Company raised total gross proceeds of PLN 153 090 000 (USD equivalent of USD 54 389 456) from the public offering. Share issue expenses of USD 4 165 101 were deducted from the share premium reserve.

There were no changes in the share capital of the Company during the year 2011.

29. DISCONTINUED OPERATIONS

The assets and liabilities related to the Group companies Agro-Svinprom LLC and Markivskii sirzavod LLC, operating in pig-breeding and cheese production sectors respectively, have been presented as held for sale following the approval of the Group's Management during the year 2011 to sell both Companies.

In this respect the management of the Group has advertised their intention for the sale of the two subsidiaries to the public media, for the attraction of prospective new investors.

(in thousand USD, unless otherwise stated)

29. DISCONTINUED OPERATIONS (CONTINUED)

a) The analysis of the results of the discontinued operations, and the result recognized on the re-measurement of the group of assets to be disposed, is as follows:

For the year ended 31 December 2011

	Agro-Svinprom LLC	Markivskii sirzavod LLC	Total discontinued operations
Sales revenue	631	-	631
Gain from changes in fair value less cost to sell of biological assets and agricultural products, net	-	-	-
Cost of sales	(1 802)	-	(1 802)
Gross loss	**(1 171)**	**-**	**(1 171)**
Administrative expenses	(115)	(1)	(116)
Distribution costs	-	-	-
Other expenses, net	(8)	-	(8)
Finance expenses, net	-	-	-
Loss before tax of discontinued operations	**(1 294)**	**(1)**	**(1 295)**
Income tax expense	-	-	-
Loss for the year of discontinued operations	**(1 294)**	**(1)**	**(1 295)**
Total comprehensive income for the year	**(1 294)**	**(1)**	**(1 295)**
Pre-tax loss recognised on the re-measurement of assets of disposal group	(773)	(307)	(1 080)
Tax	-	-	-
After tax loss recognised on the re-measurement of assets of disposal group	(773)	(307)	(1 080)
Loss for the year of discontinued operation	**(2 067)**	**(308)**	**(2 375)**

For the year ended 31 December 2010

	Agro-Svinprom LLC	Markivskii sirzavod LLC	Total discontinued operations
Sales revenue	-	-	-
Loss from changes in fair value less cost to sell of biological assets and agricultural products, net	(251)	-	(251)
Cost of sales	3	-	3
Gross loss	**(248)**	**-**	**(248)**
Administrative expenses	-	-	-
Distribution costs	-	-	-
Other expenses, net	-	-	-
Finance expenses, net	-	-	-
Loss before tax	**(248)**	**-**	**(248)**
Income tax expense	(1)	-	(1)
Loss for the year	**(249)**	**-**	**(249)**
Total comprehensive income for the year	**(249)**	**-**	**(249)**

b) Cumulative income or expense recognized in other comprehensive income relating to disposal group classified as held for sale:

	2011	**2010**
Effect from currency translation	4	-

(in thousand USD, unless otherwise stated)

29. DISCONTINUED OPERATIONS (CONTINUED)

c) Assets and liabilities of the disposal group classified as held for sale:

At the 31 December 2011

	Agro-Svinprom LLC	Markivskii sirzavod LLC	Total discontinued operations
ASSETS			
Non-current assets			
Property, plant and equipment	1 194	190	1 384
	1 194	**190**	**1 384**
Current assets			
Inventories	36	110	146
Trade receivables	-	-	-
Other receivables and prepayments	1	-	1
Cash and cash equivalents	5	-	5
	42	**110**	**152**
Total assets	**1 236**	**300**	**1 536**
LIABILITIES			
Current liabilities			
Trade payables	12	-	12
Other payables and accrued expenses	92	-	92
Current income tax liabilities	1	-	1
	105	**-**	**105**
Total liabilities	**105**	**-**	**105**
Net assets	**1 131**	**300**	**1 431**

d) The cash flows of the disposal group classified as held for sale are as follows:

	2011
Operating cash flow	(14)
Investing cash flow	-
Financing cash flow	-
Total cash flows	(14)

30. NON-CURRENT BANK LOANS AND BONDS

The non-current bank loans and bonds were as follows:

	2011	2010
Bonds (i)	47 580	-
Bank loans (ii)	-	322
Less:		
Current portion of bank loans or bonds (Note 32)	-	(179)
Non-current bank loans and bonds	**47 580**	**143**

(i) On the 14 July 2011, the Company's issued USD 50 000 000 12,50%, Notes due on 14 July 2014 have been admitted to the official list of the UK Listing authority and to the London Stock Exchange Plc and trading on the London Stock Exchange's regulated market.

The Notes bear interest from as of 14 July 2011 at a rate of 12.50% per annum payable semi-annually in arrears on 14 January and 14 July in each year, commencing on 14 January 2012

(in thousand USD, unless otherwise stated)

30. NON-CURRENT BANK LOANS AND BONDS (CONTINUED)

The Notes are recognised initially at fair value USD 50 000 000 net of issue costs equal to USD 2 777 014. The difference between the proceeds (net of issue costs) and the redemption value as at 14 July 2014, is recognised in the consolidated income statement over the period of the issue as reflected in Note 12.

The net proceeds from the issue of the Notes (after deducting issue expenses) were on-lent by the Issuer to each of the Sureties to finance: (i) the repayment of loans from DRGN Limited, JSCB "Forum" and OJSC "Raiffeizen bank Aval", in an amount of up to USD 19 million; and (ii) the repayment of outstanding financial leasing indebtedness of PE APC Agro and PJSC Agroton, in an amount of USD 2 million. The remaining balance of such net proceeds was used for the expansion of the Group's existing land bank, acquisition and construction of elevator storage facilities and acquisition of additional agricultural machinery as well as for general corporate purposes.

The following of the Issuer's significant subsidiaries act as Sureties: (i) LLC Living, (ii) PE APC Agro (iii) PJSC Agroton (iv) LLC Agro Meta (v) LLC Novyy Shlyakh (vi) LLC Shyykivske (vii) LLC Agro Svinprom (viii) LLC Agro Chernuhinsky Kurchata (ix) LLC Rosinka-Star (x) PE Agrofirm im. Shevchenko.

The bond recognized in the consolidated financial position is calculated as follows:

	2011
Balance on 1 January 2011	-
Face value of bond issued during the year	50 000
Issue costs in relation to bond	(2 777)
Interest expense (Note 12)	3 261
Interest payable (Note 35)	(2 904)
Balance at 31 December 2011	**47 580**

(ii) As at 31 December 2011 the Group had not liabilities for non-current bank loans. The Company on 17 July 2011 and 05 May 2012 repaid the loans to JSCB "FORUM" and OJSC "Raiffeizen bank Aval" respectively.

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

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

As at 31 December 2011 and 31 December 2010 non-current bank loans were secured by:

Property, plant and equipment including (Note 17):	**2011**	**2010**
- vehicles	-	419
Total	**-**	**419**

31. NON-CURRENT FINANCE LEASE LIABILITIES

As at 31 December 2011 non-current finance lease liabilities were as follows:

	Minimum lease payments as at 31 December 2011	Future finance charges	Present value of minimum lease payments as at 31 December 2011
Amounts payable under finance lease:			
Within 1 year (Note 32)	228	(79)	149
From 1 to 5 years	380	(68)	312
	608	(147)	
Less: financial costs of future periods	(147)		
Present value of lease liabilities	**461**		461
Less: amount payable within one year (Note 32)			(149)
Amount payable after one year			**312**

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

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

Since lessor attracted bank loan for purchasing of fixed assets in foreign currency terms of financial lease agreement stipulates exchange differences. Exchange differences are accrued and paid as part of interests and fees of the lessor and do not adjust the value of fixed assets. In 2010 the Group accrued and paid exchange differences amounting to USD 2 975 thousand. In 2011 the Group accrued and paid exchange differences amounting to 594 USD thousand.

As at 31 December 2010 and 31 December 2011 the net book value of property, plant and equipment which is subject to finance lease agreement is represented in Note 17.

32. CURRENT PORTION OF NON-CURRENT LIABILITIES

The current portion of non-current liabilities were as follows:

	2011	2010
Current portion of non-current bank loans (Note 30)	-	179
Current portion of non-current finance lease liabilities (Note 31)	149	2 083
Total	**149**	**2 262**

(in thousand USD, unless otherwise stated)

33. CURRENT BANK LOANS, GOVERNMENT LOANS AND BONDS

The current loans were as follows:

	2011	2010
Current bank loans:		
Bank loans in UAH (a)	3 248	10 835
	3 248	10 835
Bonds and government loans:		
Government loans	376	470
	376	470
Total	**3 624**	**11 305**

(a) Current bank loans:

As at 31 December 2011 the details of the current bank loans in national and foreign currency were as follows:

Lender	Interest rate	Maturity date	Currency	Principle amount
OJSC "Ukrkommunbank" (i)	18%	01.06.2012	UAH	1 412
OJSC "Vostochno-promishlennyi bank" (ii)	18%	18.04.2012	UAH	1 836
Total				3 248

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

Lender	Interest rate	Maturity date	Currency	Principle amount
JSCB «FORUM» (iii)	17%	02.06.2011	UAH	4 438
JSCB «FORUM» (iv)	22%	15.02.2011	UAH	1 080
JSCB «FORUM» (v)	23%	02.06.2011	UAH	5 317
Total				10 835

(i)Loan amounting to USD 1 412 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 1 752 thousand. The annual interest rates are equal to 18% in UAH. Maturity date was prolong from 1 August 2011 to 1 June 2012. Obligations under credit contract are guaranteed by inventories of PE APF "Agro" with book value amounting to USD 2 103 thousand (Note 23).

(ii) Loan amounting to USD 1 836 thousand was received by PJSC "Agroton" in UAH according to the contract of credit line concluded with OJSC "Vostochno-promishlennyi bank" with credit limit equal to USD 2 090 thousand. The annual interest rate is equal to 18% in UAH. Maturity date was prolonged from 18 October 2011 to 18 April 2012. Obligations under credit contract are guaranteed by inventories of PJSC "Agroton" with book value of USD 2 090 thousand (Note 23).

(iii) Loan amounting to USD 4 438 thousand was received by PE APF "Agro" in UAH according to the contract of multicurrency credit line concluded with JSCB "FORUM" with credit limit equal to USD 4 832 thousand. The annual interest rates are equal to 13% in USD and 17% in UAH. Maturity date was prolongated from 15 February 2011 to 2 June 2011. Obligations under credit contract are guaranteed by property plant and equipment and biological assets of PE APF "Agro" with book value amounting to USD 6151 thousand. The loan was fully repaid during year 2011.

(iv) Loan amounting to USD 1 080 thousand was received by PE APF "Agro" in UAH according to the contract of credit line concluded with JSCB "FORUM" with credit limit equal to USD 1 080 thousand. The annual interest rate is equal to 22% in UAH. Maturity date is 15 February 2011. Obligations under credit contract are guaranteed by property, plant and equipment and inventories of PE APF "Agro" with book value of USD 1 489 thousand. The loan was fully repaid during year 2011.

(in thousand USD, unless otherwise stated)

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

(v) Loan amounting to USD 5 317 thousand was received by PE APF "Agro" in UAH according to the contract of multicurrency credit line concluded with JSCB "FORUM" with credit limit equal to USD 5 660 thousand. The annual interest rate is equal to 23% for UAH and 12% for USD. Maturity date was prolongated from 15 February 2011 to 2 June 2011. Obligations under credit contract are guaranteed by property, plant and equipment of OJSC "Belakurakinskiy elevator" and inventories of PE APF "Agro" with book value amounting to USD 7 268 thousand. The loan was fully repaid during the year 2011.

As at 31 December 2011 and 31 December 2010 current bank loans were secured as follows:

	2011	2010
Property, plant and equipment (Note 17) consisting of :		
buildings	-	3 685
equipment	-	772
computers and office equipment	-	6
instruments, tools and other equipment	-	5
construction in progress	-	15
	-	4 483
Inventories (Note 23)	4 193	5 766
Biological assets (Non-current - Note 19, Current - Note 22)	-	4 659
Total	4 193	14 908

(b) New loans obtained during the year 2011:

On 28 February 2011 Agroton Public Limited received a loan from DRGN Limited for the amount of USD 10 000 000. The loan was granted for at interest of 12% with a repayment date 15 December 2011 the loan was fully repaid on 15 July 2011.

(c) Government loans:

The Group government loans are as follows:

(i) Liabilities amounting to USD 376 thousand of the companies OJSC Breeding Poultry Farm «Mirnyi», OJSC «Belokurakinskiyelevator» for interest free budgetary loans for the purchase of agricultural products under government contracts received in 1995-1997. These loans are expected to be repaid and according to Ukrainian laws are equal to compulsory payments made to the State Budget of Ukraine using the sanctions provided by the law regarding taxes paid not in time and non-tax payments.

(ii) Interest-free government loans amounting to USD 92 thousand received in UAH by PE APF "Agro" and "Agroton" PJSC has been fully repaid, during the year 2011.

34. TRADE PAYABLES

Trade payables were presented as follows:

	2011	2010
Trade payables	1 935	1 180
Total	**1 935**	**1 180**

(in thousand USD, unless otherwise stated)

35. OTHER PAYABLES AND ACCRUED EXPENSES

The other payables and accrued expenses were presented as follows:

	2011	2010
Payroll and related taxes liabilities	1 473	2 636
Accounts payable for property, plant and equipment	159	325
Advances from customers	5	110
Liabilities for other taxes and mandatory payments	27	24
Liabilities for value-added tax	-	7
Bond held interests payable (Note 30)	2 904	-
Liabilities for interest	119	454
Accounts payable for investments	-	10
Accounts payable for land share	1 385	443
Other current liabilities	87	358
Total	**6 159**	**4 367**

36. OTHER PROVISIONS

The estimated liabilities were presented as follows:

	Provision for audit services	Other provisions	Total
As at 1 January 2010	**254**	**227**	**481**
Additional provision	155	-	155
Used during the year	(254)	(229)	(483)
Effect from foreign currency translation	-	2	2
As at 31 December 2010 / 1 January 2011	**155**	**-**	**155**
Additional provision	202	-	202
Used during the year	(155)	-	(155)
Effect from foreign currency translation	-	-	-
As at 31 December 2011	**202**	**-**	**202**

37. TRANSACTIONS WITH RELATED PARTIES

As at 31 December 2011 and the date of signing these consolidated financial statements, the Company is controlled by Mr. Iurii Zhuravlov, who holds 51,04% of the Company's share capital. During the year Mr. Iurii Zhuravlov has transferred 940 000 of his owned shares to Group employees as part of an incentive scheme. As a result, his ownership was reduced by 4.36%, from 55.7% to 51.4%. The remaining 48.96% of the shares is widely held.

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 in to if the parties had not been related, or whether such transactions would have been effected on the same terms, conditions and amounts if the parties had not been related.

During the year 2011 a number of transactions were entered in to 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.

(in thousand USD, unless otherwise stated)

37. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

a) Companies in which Group's companies have an interest in equity;

b) Companies in which key management personnel has an interest in equity;

c) Forms a part of key management personnel of the entity or its parent;

d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.

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

	2011	2010
Income from sales		
b) Companies in which key management personnel have an interest in equity.	-	50
Total	**-**	**50**
Finance income/ expenses, net:		
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	23	10
Total	**23**	**10**
Purchases from related parties		
c) Forms a part of key management personnel of the entity or its parent;	-	5
Total	**-**	**5**

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

	2011	2010
Trade receivables		
b) Companies in which key management personnel have an interest in equity.	-	2
Total	**-**	**2**
Non-current loans receivable		
d) Loans advanced to key management significantly influencing the Group and having an interest in equity of Group's companies: Mr Jurii Zhuravlov (CEO) (Note 20).	178	156
Total	**178**	**156**
Trade payables		
b) Companies in which key management personnel have an interest in equity.	-	(4)
Total	-	(4)
Other current liabilities and accrued expenses		
a) Companies in which Group's companies have an interest in equity.	-	(1)
d) Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.	-	(1)
Total	-	(2)

(in thousand USD, unless otherwise stated)

37. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

For the years ended 31 December 2011 and 31 December 2010 compensations for key management personnel and related expenses were presented as follows:

	2011	2010
Payroll	215	150
Vacation allowance and other expenses	31	16
Contributions to social funds	89	48
Total	**335**	**214**

The number of key management personnel for the years ended 31 December 2011 and 31 December 2010 was 11 and 9 employees respectively.

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

The structure of expenses for key management personnel compensation for the year ended 31 December 2011 and 31 December 2010 was as follows:

	2011	2010
Expenses for remuneration to key management personnel:		
- responsible for operating activity	259	169
- responsible for financing activity	76	45
Total	**335**	**214**

The Non-executive Directors did not receive any remuneration during 2011 and 2010.

38. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

For the year ended 31 December 2011, the Group acquired shareholding in Ltd "Gefest" and PE “Tais-Avb”. 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
Ltd "Gefest"	Ukraine	Land lease rights owner	22.12.2011	100%
PE “Tais-Avb”	Ukraine	Land lease rights owner	22.12.2011	100%

	"Gefest" LLC		PE “Tais-Avb”	
	Fair value of net assets	**Current value of net assets**	**Fair value of net assets**	**Current value of net assets**
Intangiable assets (Note 18)	4 799	7 300	5 190	8 000
Net assets	**4 799**	**7 300**	**5 190**	**8 000**
Company's share in net assets	4 799		5 190	
Cost of acquisition	7 300		8 000	
Excess of acquired net assets over cost of their acquisition	**(2 501)**		**(2 810)**	

As the acquiring of the two subsidiaries does not constitute a business, thereunder the cost of USD 15 300 000 was recognized as an asset and was impaired to the fair value as at 31 December 2011. The substance of the agreement clearly reflects that the acquisition of this business reflects the land lease rights acquired, with expiration life of 10 years.

(b) Disposal of subsidiaries

On 5 May 2011 the Group sold “Ago-Maslosyrorobnyi zavod" LLC, “Aydar-Mlyn” SC, “Makaronna fabryka“ SC, “Mlyn-Yevsug” SC and “Khlibzavod“ SC.

(in thousand USD, unless otherwise stated)

38. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Information about this transaction is presented below:

	Ago-Maslosyrorobnyi zavod LLC	Aydar-Mlyn SC	Makaronna fabryka SC	Mlyn-Yevsug SC	Khlibzavod SC	Total
ASSETS						
Non-current assets						
Property, plant and equipment	3 363	673	27	64	184	**4 311**
Current assets						
Inventories	-	1	92	6	142	**241**
Trade receivables	-	-	49	2	377	**428**
Other receivables and prepayments	-	-	4	15	-	**19**
Cash and cash equivalents	1	-	4	-	30	**35**
Total assets	**3 364**	**674**	**176**	**87**	**733**	**5 034**
LIABILITIES						
Current liabilities						
Trade payables	-	-	(108)	(16)	(189)	**(313)**
Other payables and accrued expenses	-	(51)	(43)	(5)	(184)	**(283)**
Current income tax liabilities	-	-	(7)	-	(8)	**(15)**
Total liabilities	**-**	**(51)**	**(158)**	**(21)**	**(381)**	**(611)**
Net assets	**3 364**	**623**	**18**	**66**	**352**	**4 423**
Net proceeds from disposals	**2 134**	**301**	**63**	**63**	**188**	**2 749**
Excess of disposed net assets over proceed of their disposing (Note 11)	**1 230**	**322**	**(45)**	**3**	**164**	**1 674**

39. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Retirement and other liabilities - Most employees of the Group receive pension benefits from the Pension Fund, an 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 2011 and 31 December 2010 the Group's entities had no liabilities for supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees.

b) 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.

c) 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 2011 and 31 December 2010:

	2011	**2010**
Within 1 year	14 893	5 904
From 1 to 5 years	56 095	22 269
More than 5 years	29 270	19 807
Total	**100 258**	**47 980**

39. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

Plough-land is leased by the Group from individuals. The total size of leased plough-land as at 31 December 2011 is 171 thousand hectares (31 December 2010: 112 thousand hectares). The average rental payment for leased plough-land in the half-year ended 31 December 2011 is 2 % (year ended 31 December 2010 : 2%).

Each lease payment is determined by normative land evaluation and current year indexation coefficient. Due to changes in legislation, normative land evaluation to be indexed by a coefficient of 3,2 as at 01,01.2011. As at 01.01.2012 also the coefficient of 1,756 should be applied.

40. EVENTS OCCURING AFTER THE REPORTING PERIOD

The following events occured after the reporting period:

(a) Loans received from the bank OJSC "Vostochno-promishlennyi bank" have been repaid until the maturity date of the loans, being 18 April 2012.

(b) On 13 January 2012 Agroton Public Limited has fully paid the 1st coupon interest on the Notes. The total interest payment amounted to USD 3 125 000, paying agent being BNY Mellon.

(c) After 1 January 2012 Ukraine has eliminated fees on the export on wheat and corn. Fees on the export on barley of 14% or at least 23 EUR per tone are still in force.

(d) During 2012 the Group has received an amount of USD 3 812 thousand from the trade receivables arising from 2 customers, whose balances as at 31 December 2011 amounted to USD 44 868 thousand.

Other than as disclosed above, there were no other circumstances or events after the consolidated statement of financial position date, which require adjustments or disclosures in the consolidated financial statements or in the notes thereto.

Independent Auditor's report on pages 8, 9 and 10.