KPMG

AGROTON PUBLIC LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

AGROTON PUBLIC LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

CONTENTS

AGROTON PUBLIC LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors	Iurii Zhuravlov – Chief Executive Officer Tamara Lapta – Deputy Chief Executive Officer Larysa Orlova – Chief Financial Officer (appointed on 11 May 2012) Borys Supikhanov – Non-Executive Director Volodymyr Kudryavtsev – Non-Executive Director (appointed on 11 May 2012) Nikolay Rozdymaha – Executive Director (resigned on 11 May 2012) Alex Lissitsa – Non-Executive Director (resigned on 11 May 2012)
Audit Committee	Borys Supikhanov (Head of the Committee) Volodymyr Kudryavtsev
Remuneration Committee	Borys Supikhanov (Head of the Committee) Volodymyr Kudryavtsev
Secretary	Inter Jura Cy (Services) Limited
Independent Auditors	KPMG Limited
Legal Advisors	K. Chrysostomides & Co LLC
Registered Office	1 Lampousas Street 1095 Nicosia Cyprus

AGROTON PUBLIC LIMITED

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PERSON RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

We, the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of Agroton Public Limited (the "Company") for the year ended 31 December 2012, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the consolidated financial statements are true and complete.

Board of Directors members:

Iurii Zhuravlov	
Tamara Lapta	
Larysa Orlova	
Borys Supikhanov	
Volodymyr Kudryavtsev	

Person responsible for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2012:

Larysa Orlova	

Nicosia, 30 April 2013

AGROTON PUBLIC LIMITED

BOARD OF DIRECTORS' REPORT

The Board of Directors of Agroton Public Limited (the "Company") presents to the members its annual report together with the audited consolidated financial statements of the Company and of its subsidiaries (together referred to as the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group which remained the same as in the previous year, 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 production of cheese.

FINANCIAL RESULTS

The Group's financial results for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 8 of the consolidated financial statements.

The profit for the year attributable to the owners of the Company amounted to USD 6.760 thousand (2011: loss USD 2.119 thousand) which the Board of Directors recommends to be transferred to the retained earnings.

DEVIATION WITH THE INDICATIVE RESULTS ANNOUNCED

The final results of the Group for the year ended 31 December 2012 (profit of USD 6.787 thousand) show a deviation from the indication of results as announced on 28 February 2013 (profit of USD 20.710 thousand) of USD 13.670 thousand.

This deviation relates to the non inclusion of the updated fair value of the biological assets.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The Group's financial position at 31 December 2012 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 increased from USD 119.820 thousands at 31 December 2011 to USD 126.856 thousand at 31 December 2012.

The financial performance of the Group for the year as presented in the consolidated statement of comprehensive income of the consolidated financial statements is considered satisfactory.

DIVIDENDS

The Board of Directors does not recommend the payment of dividends and the profit for the year is retained (2011: USD Nil).

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

AGROTON PUBLIC LIMITED

BOARD OF DIRECTORS' REPORT (cont.)

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group and the steps taken to manage these risks are described in note 35 of the consolidated financial statements.

SHARE CAPITAL

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

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2012 and at the date of this report are shown on page 1.

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

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

The Directors are responsible for formulating, reviewing and approving the Company's and its subsidiary companies strategies, budgets, certain items of capital expenditures and senior personnel appointments. Being a company listed on the Warsaw Stock Exchange, the Directors have established audit and remuneration committees to improve corporate governance.

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

On 4 May 2010, the Company created the Audit Committee and Remuneraton Committee, both of which were in force during the 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 the 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 the 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. Volodymyr Kudryavstev 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 the 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. Volodymyr Kudryavtsev (both Non-Executive Directors), is chaired by Mr. Borys Supikhanov and sets and review the scale and structure of the Executive Directors' remuneration packages, including share options and the terms of their service contracts.

EVENTS AFTER THE REPORTING PERIOD

The events that occurred after the reporting period are described in note 36 of the consolidated financial statements.

BRANCHES

The Group did not operate through any registered branches during the year ended 31 December 2012.

RELATED PARTY BALANCES AND TRANSACTIONS

Disclosed in note 31 of the consolidated financial statements.

INDEPENDENT AUDITORS

During the year the independent auditors of the Company Baker Tilly Klitou, resigned and KPMG Limited was appointed on their place.

The independent auditors of the Company, KPMG Limited, 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 next Annual General Meeting of the Company.

By Order of the Board of Directors,

Larysa Orlova
Director

Nicosia, 30 April 2013

KPMG

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

AGROTON PUBLIC LIMITED

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Agroton Public Limited (the "Company") and its subsidiaries (the "Group") on pages 8 to 83, which comprise the consolidated statement of financial position as at 31 December 2012, 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.

Auditors' responsibility

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

Board Members:
N.G. Syrimis, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou
S.A. Loizides, M.A. Loizides, S.G. Sofocleous, M.M. Antoniades
C.V. Vasiliou, P.E. Antoniades, M.J. Halios, M.P. Michael, P.A. Peleties
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos
M.G. Gregoriades, H.A. Kakoullis, G.P. Savva, C.A. Kalias, C.N. Kallis
M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias
P.S. Theophanous, M.A. Karantoni, C.A. Markides

KPMG Limited, a private company limited by shares,registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street,1087, Nicosia, Cyprus.

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AGROTON PUBLIC LIMITED

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Agroton Public Limited and its subsidiaries as at 31 December 2012, and of their 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.
- In our opinion, proper books of account have been kept by the Company.
- The Company's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 and 4 is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 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.

Comparative figures

The consolidated financial statements of the Company for the year ended 31 December 2011 were audited by another auditor who expressed a qualified opinion on those financial statements on 30 April 2012 as they have not been able to satisfy themselves as to the completeness and validity of specific sales transactions and as to the recoverability of the trade receivables, with consequent possible uncertainty as to the Group's ability to continue as a going concern.

Maria A. Papacosta, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

14 Esperidon Street
1087 Nicosia
Cyprus

30 April 2013

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

(in USD thousands, unless otherwise stated)

	Note	2012	2011
Continuing operations			
Revenue	5	88.001	99.738
Cost of sales	6	(81.223)	(94.217)
Net change in fair value less cost to sell of biological assets and agricultural produce	7	12.120	22.342
Gross profit		**18.898**	**27.863**
Other operating income	8	14.700	11.734
Administrative expenses	9	(7.378)	(5.879)
Distribution expenses	10	(1.261)	(963)
Other operating expenses	11	(8.503)	(26.742)
Profit from operating activities	12	**16.456**	**6.013**
Finance income		162	110
Finance expenses		(8.420)	(5.837)
Net finance costs	13	**(8.258)**	(5.727)
Profit before taxation		**8.198**	**286**
Taxation		(4)	(16)
Profit from continuing operations		**8.194**	**270**
Discontinued operations			
Loss from discontinued operations	25	(1.407)	(2.375)
Profit/(loss) for the year		**6.787**	**(2.105)**
Other comprehensive income			
Effect of translation into presentation currency		(4)	(192)
Total comprehensive income/(expense) for the year		**6.783**	**(2.297)**
Profit/(loss) for the year attributable to:			
Owners of the Company		6.760	(2.119)
Non-controlling interests		27	14
Profit/(loss) for the year		**6.787**	**(2.105)**
Total comprehensive income/(expense) attributable to:			
Owners of the Company		6.756	(2.309)
Non-controlling interests		27	12
Total comprehensive income/(expense) for the year		**6.783**	**(2.297)**
Earnings per share			
Basic and fully diluted earnings/(loss) per share	30	31,20	(9,78)
Earnings per share			
Basic and fully diluted earnings per share – continuing operations (USD)	30	37,69	1,18

The notes on pages 12 to 83 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

(in USD thousands, unless otherwise stated)

	Note	2012	2011
Assets			
Property, plant and equipment	16	33.791	31.151
Intangible assets	17	33.099	10.017
Biological assets	18	2.606	1.772
Loans receivable	19	-	204
Other non-current assets	20	45.315	13.755
Non-current assets		**114.811**	**56.899**
Inventories	21	44.808	52.449
Biological assets	18	10.770	10.495
Trade and other receivables	22	3.273	40.996
Cash and cash equivalents	24	9.813	17.627
Loans receivable	19	3.340	-
Assets held for sale	25	291	1.536
Current assets		**72.295**	**123.103**
Total assets		**187.106**	**180.002**
Equity			
Share capital	26	661	661
Share premium	26	88.532	88.532
Retained earnings		47.247	40.487
Foreign currency translation reserve		(10.156)	(10.152)
Total equity attributable to owners of the Company		**126.284**	**119.528**
Non-controlling interests		**319**	**292**
Total equity		**126.603**	**119.820**
Liabilities			
Loans and borrowings	27	48.429	47.892
Non-current liabilities		**48.429**	**47.892**
Loans and borrowings	27	4.024	6.796
Trade and other payables	28	7.916	5.273
Income tax payable		114	116
Liabilities held for sale	25	20	105
Current liabilities		**12.074**	**12.290**
Total liabilities		**60.503**	**60.182**
Total equity and liabilities		**187.106**	**180.002**

On 30 April 2013 the Board of Directors of Agroton Public Limited authorised these consolidated financial statements for issue.

Tamara Lapta
Deputy Chief Executive Officer

Larysa Orlova
Chief Financial Officer

The notes on pages 12 to 83 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(in USD thousands, unless otherwise stated)

	Attributable to Owners of the Company						
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2011	661	88.532	42.606	(9.962)	121.837	280	122.117
Total comprehensive income for the year							
Loss for the year	-	-	(2.119)	-	(2.119)	14	(2.105)
Total other comprehensive income	-	-	-	(190)	(190)	(2)	(192)
Total comprehensive income for the year	-	-	(2.119)	(190)	(2.309)	12	(2.297)
Balance at 31 December 2011	**661**	**88.532**	**40.487**	**(10.152)**	**119.528**	**292**	**119.820**
Balance at 1 January 2012	661	88.532	40.487	(10.152)	119.528	292	119.820
Total comprehensive income for the year							
Profit for the year	-	-	6.760	-	6.760	27	6.787
Total other comprehensive income	-	-	-	(4)	(4)	-	(4)
Total comprehensive income for the year	-	-	6.760	(4)	6.756	27	6.783
Balance at 31 December 2012	**661**	**88.532**	**47.247**	**(10.156)**	**126.284**	**319**	**126.603**

The notes on pages 12 to 83 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

- 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.

- Companies incorporated in Cyprus which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (on 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

  The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

(in USD thousands, unless otherwise stated)

	Note	2012	2011
Cash flow from operating activities:			
Profit/(loss) for the year		6.787	(2.105)
Adjustments for:			
Depreciation		207	201
Amortisation	15	3.790	801
Impairment of intangible assets	11	-	5.311
Impairment of other non-current assets	11	-	3.139
Impairment of assets held for sale	25	1.203	1.080
Impairment of inventories	11	1.986	5.429
Net change in fair value less cost to sell of biological assets and agricultural produce	7	(12.120)	(22.342)
Impairment of harvest failure	11	1.765	54
Impairment of trade and other receivables	23	432	9.484
Bad debts written-off	11	-	379
Reversal of provision for bad debts	23	(7.320)	(118)
Interest income	13	(136)	(13)
Interest expense	13	7.902	5.595
Trade payable written-off	8	(152)	(5)
Loss on disposal of property, plant and equipment	11	420	300
Loss on disposal of subsidiary	29	-	1.674
Foreign exchange loss/(gain)	13	159	(77)
Income tax expenses		4	16
Operating profit before working capital changes		4.927	8.803
Decrease in inventories		5.655	4.402
Decrease in other non-current assets		27	209
Decrease in biological assets		12.844	26.029
Decrease/(increase) in trade and other receivables		44.242	(42.468)
Increase in trade and other payables		2.616	730
Cash generated from/(used in) operations		70.311	(2.295)
Income taxes paid		(6)	-
Net cash from/(used in) operating activities		70.305	(2.295)
Cash flow from investing activities			
Acquisition of property, plant and equipment	16	(7.018)	(3.810)
Proceeds from disposals of property, plant and equipment		124	118
Loans granted		(3.000)	(30)
Loans repayments received		-	14
Interest received		136	13
Prepayment for acquisition of investment in subsidiaries	20	(33.080)	-
Prepayment made for property elevator	20	-	(10.000)
Acquisition of subsidiaries, net of cash acquired	29	(25.200)	(15.300)
Disposals of subsidiaries, net of cash disposed	29	-	2.714
Net cash used in investing activities		(68.038)	(26.281)
Cash flows from financing activities			
Proceeds from borrowings		1.000	17.270
Proceeds from issue of bonds		-	50.000
Payment of transaction costs related to issue of bonds		-	(2.777)
Repayment of loans and borrowings		(11.137)	(32.221)
Net cash (used in)/from financing activities		(10.137)	32.272
Net (decrease)/increase in cash and cash equivalents		(7.870)	3.696
Cash and cash equivalents at the beginning of the year		17.627	13.629
Effect of translation into presentation currency		56	302
Cash and cash equivalents at the end of the year	24	9.813	17.627

The notes on pages 12 to 83 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

(in USD thousands, unless otherwise stated)

1. GENERAL INFORMATION

Country of incorporation

Agroton Public Limited (the "Company") was incorporated in Cyprus on 21 September 2009 as a public company with limited liability under the Cyprus Companies Law, Cap. 113. The Company was listed at Warsaw Stock Exchange on 8 November 2010.

The Company's registered office is at 1 Lampousas Street, 1095 Nicosia, Cyprus.

The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group").

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-bredding and cheese production.

The Group's subsidiaries, country of incorporation, and effective ownership percentages are disclosed below:

Company name	Country of incorporation	Ownership Interest 31.12.2012	Ownership Interest 31.12.2011
Living LLC	Ukraine	99,99%	99,99%
PE Agricultural Production Firm Agro (ii)	Ukraine	99,99%	99,99%
Agroton PJSC	Ukraine	99,99%	99,99%
OJSC Belokurakinskiy Elevator (i)	Ukraine	84,68%	84,68%
OJSC Breeding Poultry Farm Mirnyi (i)	Ukraine	78,46%	78,46%
Agro Meta LLC	Ukraine	99,99%	99,99%
Rosinka-Star LLC	Ukraine	99,99%	99,99%
Etalon-Agro LLC (i)	Ukraine	99,99%	99,99%
ALLC Noviy Shlyah	Ukraine	99,99%	99,99%
AF named by Shevchenko	Ukraine	99,99%	99,99%
ALLC Shiykivske	Ukraine	94,58%	94,58%
Agro-Chornukhinski Kurchata LLC	Ukraine	99,99%	99,99%
Agro-Svynprom LLC (vi)	Ukraine	99,99%	99,99%
Markivskii sirzavod LLC (ii) , (vi)	Ukraine	100%	100%
Agroton BVI Limited (iii)	British Virgin Islands	100%	100%
Gefest LLC (v)	Ukraine	100%	100%
Tais-Abb PE (v)	Ukraine	100%	100%
PE Alinko (vii)	Ukraine	100%	-
LLC Lugastan (vii)	Ukraine	100%	-

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

(in USD thousands, unless otherwise stated)

1. GENERAL INFORMATION (cont.)

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

(ii) 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.

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

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

(v) On 22 December 2011 the Group acquired two new subsidiaries - “Gefest” LLC and “Tais-Abb” PE for the amount of USD 7 300 000 and USD 8 000 000 respectively.

(vi) 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.

(vii) On 27 June 2012 and 29 June 2012 the Group acquired 100% ownership of PE Alinko for USD 10.100.000 and LLC Lugastan for USD 15.100.000 respectively.

The parent company of the Group is Agroton Public Limited with an issued share capital of 21.670.000 ordinary shares with nominal value € 0,021 per share.

The shares at 31 December 2012 and five (5) days prior to the signing of these consolidated financial statements were distributed as follows:

	31 December 2012	
Owner	**Number of Shares**	**Ownership interest, %**
IFG Directors Limited	11.059.994	51,04
BNY (Nominees) Limited	4.000.000	18,46
Templeton Asset Management Limited	2.735.200	12,62
BPH Towarzystwo Funduszy Inwestycyjnych S.A.	1.130.950	5,22
Generali Otwarty Fundusz Emerytalny	1.089.839	5,03
Others	1.654.017	7,63
	21.670.000	**100,00**

At 31 December 2012 the beneficial interest of Mr. Yurii Zhuravlov in IFG Directors Limited was as follows:

	Ownership interest as at 31 December 2012, %
IFG Directors Limited	100

(in USD thousands, unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Statement of compliance

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 and are for the year ended 31 December 2012.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- biological assets and agricultural produce, which are stated at fair value less costs to sell
- debt securities which are stated at amortised cost
- intangible assets (land lease rights) and prepayments made for the elevator which are stated at fair value.

2.3 Functional and presentation currency

The functional currencies of the companies of the Group are the Ukrainian Hryvnia ("UAH"), and United Stated Dollar ("USD"). The currency of Cyprus is Euro, but the principle exposure of the parent undertaking is through its Ukrainian subsidiaries, and therefore the functional currency of the Company is also considered to be UAH. Transactions in currencies other than the functional currency of the Group's companies are treated as transactions in foreign currencies. The Group's management decided to use US dollar ("USD") as the presentation currency for financial and management reporting purposes. Exchange differences arising are classified as equity and transferred to the foreign currency translation reserve.

2.4 Going concern basis

These consolidated financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The consolidated financial statements do not comprise any adjustments in case of the Group's inability to continue as a going concern.

2.5 Standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations
As from 1 January 2012, the Group adopted all changes to the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS), which are relevant to its operations. This adoption of dit not have a material effect on the consolidated financial statements of the Company.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

(in USD thousands, unless otherwise stated)

2. BASIS OF PRESENTATION (cont.)

2.5 Standards and interpretations (cont.)

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2012. Those which may be elevant to the Group are set out below. The Group does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- IFRS 7 (Amendments) "Financial Instruments" Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- 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 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendments) "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013)
- IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2013)
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014)

(ii) Standards and Interpretations not adopted by the EU

- Improvement to IFRS’s 2009-2011 (effective for annual periods beginning on or after 1 January 2013).
- IFRS 1 (Amendments): Government Loans' (effective for annual periods beginning on or after 1 January 2013)
- IFRS 7 (Amendments) "Financial Instruments" Disclosures – "Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).
- Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013)
- Investment Entities amendments to IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).

(in USD thousands, unless otherwise stated)

2. BASIS OF PRESENTATION (cont.)

2.5 Standards and interpretations (cont.)

The Board of Directors expects that the adoption of the above financial reporting standards in future periods will not have a significant effect on the consolidated financial statements of the Company except for:

- *The adoption of IFRS 9 could change the classification and measurement of financial assets. The extent of the impact has not been determined.*

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently to Group entities.

Accounting policies of subsidiaries have been changed were necessary to achieve consistent application of the accounting policies applied by the Group.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company Agroton Public Limitted and the financial statements of the companies controlled by the Company as at the year end.

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

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies of an organisation in order to receive benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of any potential voting rights currently or potentially exercisable or arising from potential conversion are taken into account when assessing control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Basis of consolidation (cont.)

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

If necessary, adjustments are entered into the financial statements of subsidiaries to bring the accounting policies used into compliance with the accounting policies used by other companies of the Group.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Non-controlling interests (NCI)
Non-controlling interests in subsidiaries as at reporting period is the proportion of fair value of the relevant subsidiaries' identified assets and liabilities attributable to those non-controlling interests as at the date of acquisition, together with their share of changes in its equity after the date of acquisition. Equity attributable to owners of non-controlling interest is reported as a separate item in the consolidated statement of financial position.

Transactions with non-controlling interests
The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. Disposals to non-controlling interest result in differences for the Group that are recorder in the consolidated statement of changes in equity. For purchases from non-controlling interest, 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.

Business combinations and goodwill
Business combinations (other than those of businesses under common control) are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Basis of consolidation (cont.)

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the excess of the cost of acquisition over the net amount of the identifiable assets acquired and liabilities assumed. If the cost of acquisition is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying value of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Foreign currency translation

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

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

The exchange rates used in preparation of these consolidated financial statements, are presented as follows:

Currency	**31 December 2012**	**Weighted average for the year 2012**	**31 December 2011**	**Weighted average for the year 2011**	**31 December 2010**
UAH - US dollar	7,9930	7,9910	7,9898	7,9676	7,9617
EUR – US dollar	0,7579	0,7780	0,7730	0,7234	0,7540

The foreign currencies may be freely convertible on the territory of Ukraine at the exchange rate which is close to the exchange rate established by the National Bank of Ukraine. At the moment, the Ukrainian Hryvnia is not a freely convertible currency outside the Ukraine.

(b) Presentation currency

The financial results and position of each subsidiary are translated into the presentation currency as follows:

- At each reporting period of the consolidated financial statements all the assets and liabilities are translated at the exchange rate of the National Bank of Ukraine at that date;

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

- All exchange differences are recognised in other comprehensive income.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.3 Property, plant and equipment

Initial recognition of property, plant and equipment ("PPE")
Property plant and equipment is recognised by the Group as an asset only in a case, when:

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

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

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

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

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

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

Construction in progress	Not depreciated
Buildings	10-75 years
Plant and equipment	2-30 years
Vehicles	2-15 years
Computer and office equipment	1-10 years
Instruments, tools and other equipment	1-10 years

Residual value and useful lives of assets are reviewed at each reporting period and adjusted if appropriate.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.3 Property, plant and equipment (cont.)

Subsequent measurement of property, plant and equipment (cont.)
An asset is not depreciated during the first year of placing into operation. The acquired asset is depreciated starting from the following year from the date of placing into operation and depreciation is fully accumulated when useful life terminates. Full year depreciation is calculated in the year of disposal.

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

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

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

3.4 Intangible assets

For the purpose of preparation of the consolidated financial statements the Group defines the following groups of the intangible assets: goodwill, computer software and land lease rights.

The Group recognizes the object as an intangible asset, if such an object meets the following criteria of recognition:

- it is likely that the Group will receive related to this asset future economic benefits; and
- the cost of this asset can be reliably measured.

Intangible assets are initially valued at acquisition cost.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.4 Intangible assets (cont.)

After initial recognition, intangible assets are reflected at acquisition cost less accumulated depreciation and accumulated impairment losses.

An intangible asset is derecognised upon its disposal or when the Group's company no longer expects to receive any economic benefits from this asset. Financial result, arising upon write-off or disposal, is calculated as the difference between net income from sale and the carrying amount of intangible assets. If an intangible asset is exchanged for a similar asset, the value of acquired asset amounts to the carrying amount of the disposed asset.

Computer Software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, usually 5 years. Amortisation starts from the following year from the date of placing into operation, is fully accumulated when useful life terminates and is included within administrative expenses.

Land lease rights

Land lease rights acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Land lease rights acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, land lease rights acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as land lease rights acquired separately.

Amortization of land lease rights is recognised on a straight line basis over their estimated useful lives. For land lease rights, the amortization period is 10 years.

The amortization period and the aortisation method for land lease rights are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.4 Intangible assets (cont.)

Goodwill
Goodwill represents the excess of the cost of an acquisition over the Group’s share in fair value of identifiable assets, commitments and contingencies of the subsidiary company at the date of acquisition. Goodwill arising on acquisition of subsidiaries is reflected in intangible assets. After initial recognition goodwill is reflected at initial cost less accumulated impairment losses.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that there is a possibility of diminishing of its carrying amount. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Subject to an operating segment ceiling test CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Impairment of goodwill is determined by valuation of the recoverable amount of the cash-generating asset (groups of cash-generating assets), to which the goodwill relates. In case that the recoverable amount of the cash-generating asset (groups of cash-generating assets) is less than the carrying amount, an impairment loss is recognised. If goodwill comprises the cash-generating assets (or the groups of the cash-generating assets), and a part of such subdivision is disposed, goodwill related to the disposed part is included into the carrying amount of this part when determining income or expenses from disposal. In this case disposed goodwill is estimated based on the relative value of disposed part and the share of cash-generating assets left in the Group.

Impairment loss recognised in respect of goodwill is not subject to recovery in subsequent periods.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill is recognised in profit or loss as incurred.

Useful life and amortisation
The Group determines whether the useful life of intangible assets is final or undetermined, and in the first case evaluates its duration or quantity of products or similar units which compose this period. Useful life of object of intangible assets is undetermined if the Group basing on all relevant factors believes that the period, during which it is expected that the object of intangible assets will generate net cash flows to the company, has no foreseeable limit.

Amortisation is based on the cost of an asset less its residual value.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.4 Intangible assets (cont.)

Useful life and amortisation (cont.)
Amortisation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

Intangible assets with indefinite useful lives are not amortized but reviewed annually for impairment either individually or at the level of cash flow generating units. The Group carries out an annual review of the useful life of objects of intangible assets with indefinite useful lives to identify the events and circumstances that confirm the assessment of an indefinite useful life. If the confirmation of an indefinite useful life is absent the Group changes the assessment of useful life from indefinite to final and such change is subject to perspective recognition.

3.5 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management takes decision concerning the classification of securities at initial recognition and reviews such classification for reliability at each reporting period.

(a) Loans and receivables
Loans and receivable are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Such assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise of cash and cash equivalents and trade and other accounts receivable.

Loans issued by the Group are financial assets resulting from delivering cash to the borrower. Loans issued are accounted for at amortised cost using the effective interest method, less any impairment losses.

Initial recognition
Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. The best confirmation of fair value at initial recognition is selling price. Gains or losses at initial recognition are reflected only if the difference between fair value and selling price is confirmed by other actual and regular market transactions carried out with the same instruments or with such estimation, which technique is based on open market data.

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

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

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.5 Financial assets (cont.)

Principles of fair value measurement (cont.)
When using a discounted cash flow model, the determination of future cash flows is based on the best estimates of Management, and the discount rate is represented by the market interest rate for similar instruments prevailing at the reporting period. When using pricing models, the inputs are based on average market data prevailing at the reporting period.

Subsequent measurement
Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the Effective Interes Rate (“EIR”). The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs. Premium and discount, including initial transaction costs, are included in the carrying value of the corresponding instrument and amortised using the effective interest method.

Impairment for financial assets
At each reporting period the Group measures whether there is any objective evidence of impairment of financial assets or group of financial assets. A financial asset or group of financial assets is considered to be impaired if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Impairment evidence may comprise indicators that a debtor or group of debtors is in significant financial difficulties, is unable to repay the debt or makes part payments of interest or principal amount of debt, also the probability of bankruptcy or any other financial reorganisation, or the disappearance of an active market for a security. In addition, such evidence includes other observable data indicating a decrease in expected cash flows from the financial asset which is subject to reliable measurement, for example, an overdue debt. For an investment in an equity security, a significant prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment for financial assets measured at amortised cost
The Group considers evidence of impairment for a financial asset measured at amortised cost at both a specific asset and collective level. All individually significant assets are measured for specific impairment. Those found not to be specifically impairment are then collective assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risks characteristics.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.5 Financial assets (cont.)

Impairment for financial assets measured at amortised cost (cont.)
In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of financial assets at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted using the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

De-recognition
The financial assets are derecognised 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.

3.6 Financial liabilities

Financial liabilities comprise debts securities issued, loans and borrowings, bank overdrafts and trade and other payables.

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

Bank overdrafts that are repayable on demand and form an integral part of the Groups cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Initial recognition
Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly related transaction costs.

Debt securities issued are recognised on the date they are originated at fair value less any direct attributable transaction costs using the Effective Interest Rate ("EIR") method.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.6 Financial liabilities (cont.)

Subsequent measurement
Loans and borrowings 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.

Trade and other payables initially recognised at fair value are subsequently accounted for at amortised cost using the effective interest method.

De-recognition
Financial liabilities are de-recognised when its contractual obligations are discharged, cancelled, expired or fulfilled.

3.7 Inventories

The Group identifies the following types of inventories:

- raw and other materials (including principal and auxiliary industrial raw and other materials; agricultural purpose materials)
- work in progress (including semi-finished products);
- agricultural products
- finished products;
- goods in stock;
- other inventories (including fuel, packaging, construction materials, spare parts, low value items, other materials and consumable supplies).

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

Agricultural products derived from biological assets are measured at fair value less costs to sell at the point of harvest. Profit or loss arising upon initial recognition of agricultural products at fair value less estimated costs to sell is recorded in the consolidated statement of comprehensive income in income (expenses) from changes in value of biological assets and agricultural products.

Inventories are measured at the lower of cost and net realisable value.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.7 Inventories (cont.)

The cost of inventories is based on the first-in first-out (FIFO) principle and includes all expenses for acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and preliminary estimated distribution and selling costs.

The Group regularly reviews inventories to determine whether there are any indicators of damage, obsolescence, slow movement, or a decrease in net realisable price. When such events take place, the amount by which inventories are impaired, is reported in profit or loss.

Impairment of inventories
Cost of inventories may be irrecoverable if the realisable value for such inventories has decreased due to their damage, whole or partial obsolescence or resulting from changes in market prices. Cost of inventories may be irrecoverable if possible costs for completion or sale have increased.

Raw and other materials in inventories are not written-off below cost, if finished goods, in which they will be included, will be sold at cost or above. However, when decrease in price for raw materials indicates that cost of finished goods will exceeds the net realisable value, raw materials are written off to net realisation value.

At each reporting period 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 amount by which inventories are impaired is reflected within "Other operating (expenses)/income".

3.8 Biological assets

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

(a) current - with useful life of 1 year, including:
- agricultural crops (winter crops, spring crops and industrial crops);
- animals in growing and fattening (cattle, poultry, etc.);

(b) non-current – with useful life over 1 year:
- work and productive livestock (cattle, etc.).

Biological asset is an animal or plant which in the process of biological transformations can create agricultural products or additional biological assets, as well as bring economic benefits in other ways.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.8 Biological assets (cont.)

Biological assets are stated at initial recognition and at each reporting period at fair value less estimated costs to sell, except in cases where fair value cannot be determined reliably. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

If there is an active market for a biological asset or agricultural products, the Group determines the fair value of assets based on their quoted price in the market. If the Group has access to several markets, the definition of fair value is based on the market, which may be used by the Group with the highest probability.

In the absence of an active market, the Group uses one or more of the following indicators to determine the fair value of biological assets:

- price of the most recent transaction in the market, provided that in the period between the date of the transaction and the reporting date there were no significant changes of economic conditions;
- market prices for similar goods
- sectorial indices.

In case where there are no market prices or other value indicators to determine the fair value in respect of the biological asset at a particular time, the Group uses the discounted value of the asset's expected net cash flows, while applying a discount coefficient, calculated on the basis of current market conditions for cash flow before tax.

Where there is no information about market prices upon the initial recognition of biological asset, and alternative estimates of fair value are clearly unreliable, such biological asset is valued at cost less accumulated depreciation and impairment losses. Once there is the possibility to determine the fair value of biological assets with reasonable reliability, the biological asset is revalued at fair value less estimated costs to sell (this principle applies only at initial recognition of the biological asset). If the Group has previously valued the biological asset at fair value less estimated costs to sell, this biological asset is recorded at fair value less estimated costs to sell up to the moment of its disposal.

The difference between the fair value less estimated costs to sell and production cost of biological assets is recorded in the consolidated statement of comprehensive income in income (expense) from changes in value of biological assets and agricultural products.

Biological assets and future harvest costs
Cost of crops for future harvest consists of actual costs incurred in growing harvest (including lease expenses, costs of land preparation, planting, fertilizing, processing, collection, storage). The fair value of winter crops at the end of the year is approximate to its cost due to a minor biological transformation of seeds at the end of the year, significant impact of cultivation quality, weather conditions and precipitation on future harvest, variations in market demand for future harvest. Crops for future harvest are measured at cost.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.9 Cash and cash equivalents

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

3.10 Impairment of non-current assets

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

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

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

3.11 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 recognised 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 20.

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.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.12 Value added tax (VAT)

In Ukraine VAT standard rate is 20% on imports and sale of goods and services in the territory of Ukrain and 0% rate for all exports and services rendered outside Ukraine.

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

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

The Group's agricultural entities apply the special VAT taxation treatment prescribed by the Tax Code of Ukraine, which entered into force on 1 January 2011, regarding the agricultural activities, which provides preferential VAT treatment to support agricultural producers. The Ukrainian government allows qualified agricultural producers which choose to apply the special VAT regime for the agricultural industry to retain the difference between the VAT that they charge on their agricultural products or services and the VAT that they pay on qualified items purchased for their operations, rather than remitting such amounts to the state budget. Agricultural producers qualify for this special VAT regime provided that the revenue received from the sales of agricultural goods produced during the preceding twelve months accounted for more than 75% of their gross revenue. The amounts retained by the Group can be used only for agricultural purposes.

For goods and services supplied at the 20% tax rate, revenue, expenses and assets are recognised net of VAT amount, unless:

- the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables are stated including the value added tax.

For the Cyprus Company VAT of 17% (15% up to 29 February 2012) applies on expenses.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.13 Income tax

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

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.13 Income tax (cont.)

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

The majority of Groups entities are registered as tax payers of fixed agricultural tax and therefore are not payers of corporate tax.

3.14 Revenue recognition

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

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

Revenue is recognised when persuasive evidence exists that the significant risks and rewards have been transferred to the customer, recovery of the consideration is probable, associated cost and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Work executed
Work executed is recognised in the accounting period in which the work is carried out by reference to completion of the specific transaction assessed on the basis of the actual work executed provided as a proportion of the total work to be carried out.

Services
Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting period.

When the services are rendered in different reporting periods, the consideration is allocated on a relative fair value basis between the services.

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

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.15 Expenses recognition

Expenses are recognised by the Group when the amount of expenses can be reliably measured.

Expenses are recognised in the same reporting period, in which revenue are recognised, 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 cannot be connected directly with gain of a certain period, are shown as a part of expenses of the period they were incurred in.

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

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

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

3.16 Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.17 Leases

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

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

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

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

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

3.18 Non controlling interest (NCI)

NCI is represented by interest in the subsidiaries not owned by the Group. It is determined at the reporting period as interest in the fair value of identified assets and liabilities of the subsidiary at the date of acquisition or creation of a new subsidiary, as well as interest in change in net assets of a subsidiary after the acquisition or creation of a new subsidiary.

The Group provides information on NCI in net assets of subsidiaries and companies not connected with formal structure and not having a common parent company separately from items of equity attributable to the owners of the parent company.

3.19 Distribution of dividends

The amount payable to the Owners of the Company in the form of dividends is recognised in the financial statements of the Group in the period the dividends were approved by the owners of the Company.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.20 Borrowing costs

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

3.21 Government Grants

Recognition of government grants
The Group recognises government grants when received in the consolidated statement of comprehensive income as Government grants received in the same periods as the corresponding expenses, which they compensate, on a systematic basis:

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

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

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

Accounting for government grants for agricultural activities
The Group recognises unconditional state grants related to agricultural activities as income only in cases when such government grants are receivable. A contingent government grant is recognised by the Group as income only after the fulfilment of respective conditions.

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

3.22 Contingent assets and liabilities

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

Contingent assets are disclosed when an inflow of economic benefits is considered more likely than not to ocair.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.23 Provisions

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

3.24 Operating Segments

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

The Group is organized by reportable segments and this is the primary format for segmental reporting. Each reportable segment provides products or services which are subject to risks and rewards that are different than those of other reportable segments.

The Group presents its geographical analysis for segmental revenue by customers' location and for assets based on the assets' location. The Group operates mainly in Ukraine.

3.25 Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale (see note 3.6), if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(in USD thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.26 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and the nominal value of share capital issued is taken to share premium. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.27 Events after the reporting period

The Group adjusts the consolidated financial statements amounts if events after the reporting period demand adjustments. Events after the reporting period requiring adjustments of the consolidated financial statements amounts relate to the confirmation or contradiction of the circumstances prevailing at the reporting period, as well as estimates and judgments of management, which are made under conditions of uncertainty and incompleteness of information at the reporting date.

If non-adjusting events that occurred after the reporting period are significant, non-disclosure of information about them may affect the economic decisions of users which are made on the basis of these consolidated financial statements. Accordingly, the Group discloses the nature of such events and estimates of their financial effect or states the impossibility of such estimate for each material category of non-adjusting events that occurred after the reporting period

3.28 Restatement of comparatives

The Group changed the presentation of some disclosures for comparative period, but those changes will not have significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of income and expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting periods. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

(in USD thousands, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

The preparation of the Group’s consolidated financial statements in conformity with IFRS requires Managemet to make judegements estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Actual results may differ from these estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described below:

4.1 Biological assets

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

Due to the lack of observable market prices for biological assets of crops under cultivation in their condition at the reporting dates, the fair value of such biological assets was 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 %.

Fair values of biological assets were based on the following key assumptions:

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

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.

4.2 Inventories

Agricultural products are initially recognised 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 not sold are reported within inventories at the lower of cost (fair value at date of harvest) and net realizable value at the consolidated statement of financial position.

(in USD thousands, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.3 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.

4.4 Impairment of non-financial assets

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

4.5 Impairment of receivables

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position.

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

Additionally a general provision for doubtful debts is provided on all receivables due for more than 365 days.

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

The Group does not accrue provisions for doubtful debts on balances with related parties regardless of the origin date of current debt.

(in USD thousands, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.6 Legal proceedings

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

4.7 Impairment of obsolete and surplus inventory

Inventories are measured at the lower of cost and net realisable value. 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. Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and preliminary estimated distribution and selling costs. The writing-off of inventories is reflected on a first-in first-out (FIFO) basis.

At each reporting period the Group assesses the necessity to impair obsolete and surplus inventory and supplies. The Group analyses inventories to determine whether they are damaged, obsolete or slow-moving or whether their net realisable value has declined.

4.8 Deferred tax assets

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

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

(in USD thousands, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.8 Deferred tax assets (cont.)

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

4.9 Contingent liabilities

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

4.10 Impact of the global financial and economic crisis

The ongoing global financial and economic liquidity crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets.

The uncertainties in the global financial markets have also led to bank failures of banks and other corporations, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against. The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Debtors and clients of the Group may be adversely affected by the financial and economic environment, lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating economic conditions for clients may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

(in USD thousands, unless otherwise stated)

5. REVENUE

	2012	2011
Sale of goods	85.286	98.073
Rendering of services	2.715	1.665
Total	**88.001**	**99.738**

Revenue generated from sale of goods was as follows:

	2012	2011
Livestock and related revenue	19.525	17.251
Winter wheat	29.019	17.070
Sunflower	28.265	48.813
Corn in grain	5.312	8.382
Other agricultural crops	3.029	5.091
Other	136	1.466
Total	**85.286**	**98.073**

Sales volume for main agricultural products in tones was as follows:

	2012 tonnes	2011 tonnes
Winter wheat	143.932	88.849
Sunflower	65.378	109.518
Corn in grain	28.327	53.112
Total	**237.637**	**251.479**

Sales volume for milk yield for the year ended 31 December 2012 was 10.985 thousand tonnes (2011: 7.100 thousand tonnes).

Revenue generated from rendering of services relates to storage and handling services granted to third parties.

Livestock and related revenue includes revenue from poultry and other livestock related products.

6. COST OF SALES

	2012	2011
Livestock and related operations	19.059	17.891
Plant breeding and related operations	61.783	74.392
Agricultural products processing and related operations	-	1.707
Other activities	381	227
Total	**81.223**	**94.217**

(in USD thousands, unless otherwise stated)

7. NET CHANGE IN FAIR VALUE LESS COST TO SELL OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

	2012	2011
Non-current biological assets	(618)	(793)
Current biological assets	12.738	23.135
Total	**12.120**	**22.342**

The net change in fair value less cost to sell per type of biological asset was:

	2012	2011
Animals in growing and fattening	(1.662)	(1.905)
Crops under cultivation	13.782	24.247
Total	**12.120**	**22.342**

8. OTHER OPERATING INCOME

	Note	2012	2011
Government grants		19	-
VAT grant		7.049	11.485
Reserval of provision for bad debts	23	7.320	118
Trade payables written-off		152	-
Other income		160	131
Total		**14.700**	**11.734**

9. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Personnel expenses	14	2.970	3.388
Depreciation charge	15	123	114
Transportation expenses		601	636
Materials		155	206
Insurance		1.235	77
Professional fees		2.036	1.198
Communication services		53	32
Other expenses		205	228
Total		**7.378**	**5.879**

In the year 2012 the Company insured the crops (USD 502 thousand), property (USD 374 thousand), vehicles (USD 125 thousand) and inventory (USD 234 thousand).

(in USD thousands, unless otherwise stated)

10. DISTRIBUTION EXPENSES

	Note	2012	2011
Personnel expenses	14	272	341
Depreciation charge	15	27	30
Transportation expenses		833	406
Marketing and advertising expenses		25	37
Utilities		54	45
Charges for using of warehouses and sales outlets		6	33
Other expenses		44	71
Total		**1.261**	**963**

11. OTHER OPERATING EXPENSES

	Note	2012	2011
Personell expenses	14	3	1
Depreciation charge	15	57	56
Amortisation of land lease rights	15	3.091	800
Amortisation of the prepayments for the immediate right to use the elevator	15	693	-
Amortisation of intangible assets	15	6	1
Impairment of trade and other receivables	23	432	9.484
Impairment of intangible assets	17	-	5.311
Impairment of other non-current assets	20	-	3.139
Loss on disposal of property, plant and equipment		420	300
Loss on disposal of current assets		-	9
Loss on disposal of sibsidiaries		-	1.674
Impairment of inventories		1.986	5.429
Impairment of harvest failure		1.765	54
Fines and penalties		5	84
Donations		16	21
Bad debts written-off		-	379
Other expenses		29	-
Total		**8.503**	**26.742**

(in USD thousands, unless otherwise stated)

12. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is stated after charging the following items:

	Note	2012	2011
Depreciation of property, plant and equipment	15	3.833	3.610
Amortisation of intangible assets	15	3.790	801
Loss on disposal of property, plant and equipment	11	420	300
Personnel expenses	14	13.262	13.800
Independent auditors' remuneration for the statutory audit of annual accounts		151	202
Independent auditors remuneration – prior years		80	154
Independent auditors' remuneration for other assurance services		84	61

13. NET FINANCE EXPENSE

	2012	2011
Interest income	136	13
Interest income on financial assets measured at amortised cost	26	20
Profit on foreign exchange differences	-	77
Finance income	**162**	**110**
Interest on bank loans	(618)	(1.849)
Interest on non-bank loans	(84)	-
Interest on finance lease	(118)	(485)
Interest on bonds	(7.082)	(3.261)
Bank charges	(359)	(242)
Loss on foreign exchange differences	(159)	-
Finance expenses	**(8.420)**	**(5.837)**
Net finance expense	**(8.258)**	**(5.727)**

14. PERSONNEL EXPENSES

	2012	2011
Wages and salaries	9.673	9.873
Other employee benefits	15	585
Contributions to pension fund	3.574	3.342
Total	**13.262**	**13.800**

(in USD thousands, unless otherwise stated)

14. PERSONNEL EXPENSES (cont.)

Payroll and related taxes for the year ended 31 December 2012 was presented as follows:

	Note	2012	2011
Production personnel		10.017	10.070
Administrative personnel	9	2.970	3.388
Distribution personnel	10	272	341
Personnel related to other expenses of operating activities	11	3	1
Total		**13.262**	**13.800**

The number of employees at 31 December 2012 was as follows:

	2012	2011
Average number of employees, persons	2.637	2.644
Key management personnel	14	11
Total	**2.651**	**2.655**

15. DEPRECIATION AND AMORTISATION

	Note	2012	2011
Depreciation charge:			
Depreciation of production property, plant and equipment		3.626	3.410
Administrative expenses	9	123	114
Distribution expenses	10	27	30
Other expenses	11	57	56
Total		**3.833**	**3.610**
Amortisation charge:			
Amortisation of land lease rights	11	2.291	-
Amortisation of land lease rights prepayments	11	800	800
Amortisation of the prepayment for the immediate right to use the elevator	11	693	-
Amortisation of intangible assets	11	6	1
Total		**3.790**	**801**
Total depreciation and amortisation		**7.623**	**4.411**

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16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments tools and other equipments	Total
Cost							
Balance at 1 January 2011	3.808	37.625	25.862	9.982	241	346	77.864
Additions	1.500	164	2.076	43	12	15	3.810
Disposals	-	(343)	(168)	(47)	(4)	(12)	(574)
Transfers	(3.761)	4.644	1.061	(1.939)	(24)	19	-
Reclassification to assets held for sale	(415)	(3.853)	(877)	(27)	(14)	(15)	(5.201)
Disposal of subsidiary	(7)	(4.884)	(1.534)	(310)	(8)	(57)	(6.800)
Effect from translation into presentation currency	(7)	(144)	(100)	(30)	(1)	6	(276)
Balance at 31 December 2011	**1.118**	**33.209**	**26.320**	**7.672**	**202**	**302**	**68.823**
Balance at 1 January 2012	1.118	33.209	26.320	7.672	202	302	68.823
Additions	1.873	1.220	3.501	392	15	17	7.018
Disposals	-	(387)	(264)	(432)	(1)	(2)	(1.086)
Transfers	(1.570)	1.377	190	(1)	-	4	-
Effect from translation into presentation currency	(1)	(1)	(1)	(1)	-	-	(4)
Balance at 31 December 2012	**1.420**	**35.418**	**29.746**	**7.630**	**216**	**321**	**74.751**

(in USD thousands, unless otherwise stated)

16. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Construction in progress	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments tools and other equipments	Total
Depreciation							
Balance at 1 January 2011	-	18.841	13.185	7.186	185	195	39.592
Charge for the year	-	1.336	2.011	225	14	24	3.610
On disposals	-	(35)	(77)	(31)	(3)	(10)	(156)
Transfers	-	44	1.060	(1.091)	(24)	11	-
Disposals of subsidiaries	-	(973)	(1.200)	(278)	(4)	(34)	(2.489)
Reclassification to assets held for sale	-	(2.137)	(557)	(24)	(13)	(10)	(2.741)
Effect from translation into presentation currency	-	(71)	(55)	(24)	(1)	7	(144)
Balance at 31 December 2011	**-**	**17.005**	**14.367**	**5.963**	**154**	**183**	**37.672**
Balance at 1 January 2012	-	17.005	14.367	5.963	154	183	37.672
Charge for the year	-	1.383	2.124	277	20	29	3.833
On disposals	-	(276)	(109)	(155)	(1)	(1)	(542)
Transfers	-	(80)	74	(3)	-	9	-
Effect from translation into presentation currency	-	(1)	(1)	(1)	-	-	(3)
Balance at 31 December 2012	**-**	**18.031**	**16.455**	**6.081**	**173**	**220**	**40.960**
Carrying amounts							
Balance at 1 January 2011	**3.808**	**18.784**	**12.677**	**2.796**	**56**	**151**	**38.272**
Balance at 31 December 2011	**1.118**	**16.204**	**11.953**	**1.709**	**48**	**119**	**31.151**
Balance at 31 December 2012	**1.420**	**17.387**	**13.291**	**1.549**	**43**	**101**	**33.791**

At 31 December 2012 Private Enterprise Agricultural Production Firm Agro made payments of USD 683 thousand for the upgrading of SJSC Khlib Ukraine Novoaydarskyy Elevator. This amount is included in construction in progress (Note 20).

(in USD thousands, unless otherwise stated)

17. INTANGIBLE ASSETS

	Computer software	Land lease rights	Total
Cost			
Balance at 1 January 2011	31	-	31
Additions	-	15.300	15.300
Impairment charge	-	(5.311)	(5.311)
Balance at 31 December 2011	**31**	**9.989**	**10.020**
Additions	-	25.379	25.379
Balance at 31 December 2012	**31**	**35.368**	**35.399**
Amortisation			
Balance at 1 January 2011	2	-	2
Amortisation charge	1	-	1
Balance at 31 December 2011	**3**	**-**	**3**
Amortisation charge	6	2.291	2.297
Balance at 31 December 2012	**9**	**2.291**	**2.300**
Net book value			
Balance at 1 January 2011	**29**	**-**	**29**
Balance at 31 December 2011	**28**	**9.989**	**10.017**
Balance at 31 December 2012	**22**	**33.077**	**33.099**

In June 2012 Agroton Public Limited acquired 100% interest in two companies, namely “Alinco” PE and “Lugastan” LLC PE for a purchase consideration of USD 25.379 thousand. The acquisition of these subsidiaries does not constitute a business therefore the cost was recognised as an asset (land lease rights) and agreed to the fair value as at date of acquisition. The acquisition agreement clearly states that the useful economic life for the land lease rights is 10 years.

18. BIOLOGICAL ASSETS

Biological assets at 31 December 2012 were presented as follows:

	2012	2011
Crops under cultivation	6.502	7.602
Animals in growing and fattening	4.268	2.893
Total current biological assets	**10.770**	**10.495**
Cattle	2.598	1.769
Other	8	3
Total non-current biological assets	**2.606**	**1.772**
Total	**13.376**	**12.267**

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18. BIOLOGICAL ASSETS (cont.)

18.1. Crops under cultivation

Crops under cultivation at 31 December 2012 were presented as follows:

	2012		**2011**	
	Thousand of hectares	**Carrying values**	**Thousand of hectares**	**Carrying value**
Winter wheat plantings	35	6.393	43	7.218
Winter rape plantings	-	-	2	186
Winter barley plantings	-	-	1	161
Winter rye planting	-	100	-	24
Other plantings	-	9	-	13
Total	**35**	**6.502**	**46**	**7.602**

The decrease of balances of crops under cultivation during the year ended 31 December 2012 is attributable to the spring sowing.

The reconciliation of plants and plantation carrying value at 31 December 2012 is presented as follows:

	2012	**2011**
At 1 January	**7.602**	**5.632**
Increase in value as a result of capitalisation of cost	59.946	44.441
Decrease in value as a result of harvesting	(73.039)	(66.629)
Income from presentation of biological assets at fair value	13.782	24.247
Other changes (includes impairment of harvest failure)	(1.765)	(64)
Effect from translation into presentation currency	(24)	(25)
At 31 December	**6.502**	**7.602**

The main crops harvested and the fair value at the time of harvesting in the year ended 31 December 2012 was as follows:

	2012		**2011**	
	Volume, tonnes	**Amount, USD thousand**	**Volume, tonnes**	**Amount, USD thousand**
Winter wheat	140.967	30.418	120.452	23.540
Sunflower	67.568	36.586	73.008	27.427
Corn	26.701	6.035	44.749	6.705
Total	**235.236**	**73.039**	**238.209**	**57.672**

(in USD thousands, unless otherwise stated)

18. BIOLOGICAL ASSETS (cont.)

18.1. Crops under cultivation (cont.)

At 31 December 2012 impairment of harvest failure amounted to USD 1.765 thousand (2011: USD 54 thousand) is included in Other Expenses (Note 11). The impairment identified was the result of bad weather conditions.

Expenses capitalised in biological assets mainly include fertilizers, fuel, seeds, labor and operating lease rentals.

18.2. Non-current biological assets and animals in growing and fattening

Biological assets:

	Number, heads	Carrying value	Number, heads	Carrying value
Cattle	2.661	2.598	2.746	1.769
Horses	13	8	7	3
Total		**2.606**		**1.772**
Animals in growing and fattening:				
Cattle	3.016	2.955	3.018	1.369
Poultry	703.089	1.282	695.336	1.508
Horses	15	31	25	16
Total		**4.268**		**2.893**
Grand Total		**6.874**		**4.665**

Reconciliation of non-current biological assets carrying value at 31 December 2012 was presented as follows:

	2012	2011
At 1 January	**1.772**	**2.707**
Decrease in value as a result of sale of assets	(6)	(202)
Inrease in value as a result of capitalisation of cost	5.473	3.834
Decrease in value as a result of harvesting agricultural products	(4.051)	(3.515)
Loss from presentation of biological assets at fair value	(618)	(793)
Transfer between group of assets	36	(253)
Effect from translation into presentation currency	-	(6)
At 31 December	**2.606**	**1.772**

Expenses capitalalised in biological assets of animals mainly include mixed folder, electricity, labor, depreciation and other.

(in USD thousands, unless otherwise stated)

18. BIOLOGICAL ASSETS (cont.)

18.2. Non-current biological assets and animals in growing and fattening (cont.)

Reconciliation of animals in growing and fattening carrying value at 31 December 2012 was presented as follows:

	2012	2011
At 1 January	**2.893**	**4.300**
Increase in value as a result of assets acquisition	268	1.186
Increase in value as a result of capitalisation of cost	22.340	14.766
Decrease in value as a result of harvesting agricultural produce	(19.458)	(14.427)
Decrease in value as a result of sale of assets	(692)	(2.051)
Transfer between group of assets	(36)	253
Other changes	-	(13)
Loss from presentation of biological assets at fair value	(1.044)	(1.112)
Effect from translation into presentation currency	(3)	(9)
At 31 December	**4.268**	**2.893**

19. LOANS RECEIVABLE

	2012	2011
Non-current assets		
Loans to related parties (Note 31)	-	178
Loans to employees	-	26
	-	**204**
Current assets		
Loans to related parties (Note 31)	1.252	-
Loans to third parties	2.088	-
	3.340	**-**
Total	**3.340**	**204**

On 29 June 2012 Agroton Public Limited entered into a loan agreement with Stimi Agri Limited amounting to USD 2.000 thousand. The loan bears interest of 20% per annum and is repayable on 29 June 2013.

(in USD thousands, unless otherwise stated)

20. OTHER NON-CURRENT ASSETS

	2012	2011
Advances:		
Advance for land lease	8.000	8.000
Less: amortisation	(2.000)	(1.200)
	6.000	**6.800**
Prepayments:		
Prepayments for the immediate right to use the elevator	10.000	10.000
Less: provision for impairment	(3.072)	(3.072)
Less: amortisation	(693)	-
Prepayments for the immediate right to use elevator	**6.235**	**6.928**
Prepayments made for ownership of PE Peredilske	23.080	-
Prepayments made for ownership of LLC Shid-Potecial Resurs	10.000	-
Other prepayments for equipment	-	27
Total	**45.315**	**13.755**

On 20 July 2011 Private Enterprise Agricultural Production Firm Agro (“PE APF Agro”) entered into an investment agreement with 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, PE APF Agro will become the 54% owner of the elevator while the remaining 46% will continue to be owned by the existing owner. In case PE APF Agro invests additional amounts in the upgrading of the elevator, its participation in the ownership rights will increase. The grain elevator with a storage capacity of 130.000 tons was previously rented by the Group as part of its operations.

During the year 2011 Agroton Public Limited 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 these rights was evaluated at USD 6.928 thousand hence an impairment loss of USD 3.072 thousand was accounted for in the consolidated statement of comprehensive income.

At 31 December 2012 PE APF Agro made payments of USD 683 thousand for the upgrading of the elevator (Note 16).

On 29 June 2012, Agroton Public Limited entered into a preliminary agreement with Stiomi Agri Limited ("Seller") for the acquisition of 100% of the issued share capital of Private Enterprises "Peredilske". The parties agreed that the price for transfer of the company's shares shall amount to USD 23.080.000. The ownership of the company's shares shall be deemed transferred to the Company within 9 months after the effective date (29 June 2012).

On 26 December 2012, Agroton Public Limited entered into a preliminary agreement with Stiomi Agri Limited ("Seller") for the purchase of 100% of the issued share capital of Limited Liability Company "Shid Potecial - Resurs". The parties agreed that the price for transfer of the company's shares shall amount to USD 10.000.000. The ownership of the company's shares shall be deemed transferred to the Company within 6 months after the effective date (26 December 2012).

(in USD thousands, unless otherwise stated)

21. INVENTORIES

	2012	2011
Raw materials	2.235	3.554
Work-in-progress	6.930	8.460
Agricultural produce	33.769	38.771
Finished goods	201	145
Other	1.673	1.519
Total	**44.808**	**52.449**

Work-in-progress:
Work in progress includes expenditure capitalised in respect of 86 thousand hectares (2011: 82 thousand hectares) of plough land prepared for sowing in the current or following year.

At 31 December 2012 the main agricultural produce was as follows:

	2012	2011
Winter wheat	11.091	18.541
Sunflower	18.787	15.432
Corn	1.692	1.692
Other agricultural crops	2.199	3.106
Total	**33.769**	**38.771**

At 31 December 2012 the main agricultural produce volume in tonnes was as follows:

	2012	2011
Winter wheat	53.693	94.874
Sunflower	34.581	41.078
Corn	7.397	11.292
Total	**95.671**	**147.244**

At 31 December 2012 there were no loans secured by inventories (2011: USD 4.193 thousand).

(in USD thousands, unless otherwise stated)

22. TRADE AND OTHER RECEIVABLES

	Note	2012	2011
Trade receivables		3.330	49.329
Provision for impairment of receivables	23	(2.429)	(9.612)
Trade receivables, net		901	39.717
Prepayments to suppliers		1.655	845
Other receivables		906	190
Provision for impairment of prepayments and other receivables	23	(321)	(118)
VAT recoverable		132	362
Total		**3.273**	**40.996**

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 35 to the consolidated financial statements.

23. MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS

The movement in the provision for doubtful debts in respect of trade and other receivables was as follows:

	Note	2012	2011
As at 1 January		**9.730**	**1.005**
Provision for the year	11	432	9.484
Reversal of provision for bad debts	8	(7.320)	(118)
Write-off of provision for bad debts		(61)	(613)
Effect of translation into presentation currency		(31)	(28)
As at 31 December		**2.750**	**9.730**

24. CASH AND CASH EQUIVALENTS

	2012	2011
Cash with brokers	872	13.172
Cash at bank - USD	8.470	4.139
Cash at bank - UAH	311	84
Cash at bank - Euro	10	2
Cash in hand	150	230
Total	**9.813**	**17.627**

Cash with brokers relates 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 (3) working days from the day of demand.

The exposure of the Group to credit risk in relation to cash and cash equivalents is reported in note 35 to the consolidated financial statements.

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25. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

Discontinued operations
The assets and liabilities of Group companies Agro-Svinprom LLC and Markivskii Sirzavod LLC, operating in pig breeding and cheese production respectively, have been presented as held for sale following the Managements decision in July 2011 to dispose 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.

2012

	Agro-Svinprom LLC	**Markivskii Sirzavod LLC**	**Total**
Results of discontinued operations			
Revenue	1	-	1
Cost of sales	(3)	-	(3)
Gross loss	**(2)**	**-**	**(2)**
Administrative expenses	(291)	-	(291)
Impairment loss on property, plant and equipment	(1.013)	(190)	(1.203)
Other income	87	-	87
Total comprehensive loss for the year	**(1.217)**	**(190)**	**(1.407)**
Basic and diluted loss per share from discontinued operations	**(5,62)**	**(0,87)**	**(6,49)**

2011

	Agro-Svinprom LLC	**Markivskii Sirzavod LLC**	**Total**
Results of discontinued operations			
Revenue	631	-	631
Cost of sales	(1.802)	-	(1.802)
Gross loss	**(1.171)**	**-**	**(1.171)**
Administrative expenses	(115)	(1)	(116)
Other expenses	(8)	-	(8)
Fair value loss on assets of disposal group	(773)	(307)	(1.080)
Total comprehensive loss for the year	**(2.067)**	**(308)**	**(2.375)**
Basic and diluted loss per share from discontinued operations	**(9,54)**	**(1,42)**	**(10,96)**

(in USD thousands, unless otherwise stated)

25. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE (cont.)

Disposal Group Held for Sale

At 31 December 2012 the disposal group comprised the following assets and liabilities

	Agro-Svinprom LLC	Markivskii Sirzavod LLC	Total
Assets classified as held for sale			
Property, plant and equipment	181	-	181
Inventories	-	110	110
	181	**110**	**291**
Liabilities classified as held for sale			
Trade and other payables	20	-	20
	20	**-**	**20**
Net assets	**161**	**110**	**271**

At 31 December 2011 the disposal group comprised the following assets and liabilities

	Agro-Svinprom LLC	Markivskii Sirzavod LLC	Total
Assets classified as held for sale			
Property, plant and equipment	1.194	190	1.384
Inventories	36	110	146
Trade and other receivables	1	-	1
Cash and cash equivalents	5	-	5
	1.236	**300**	**1.536**
Liabilities classified as held for sale			
Trade and other payables	104	-	104
Income tax payable	1	-	1
	105	**-**	**105**
Net assets	**1.131**	**300**	**1.431**

26. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value, USD	Share premium, USD	Total
Issued and fully paid:				
At 1 January 2011	21.670.000	661.128	88.531.664	89.192.792
At 31 December 2011	21.670.000	661.128	88.531.664	89.192.792
At 31 December 2012	21.670.000	661.128	88.531.664	89.192.792

Authorised share capital

At 31 December 2012 the authorised share capital of the Company was 47.619.048 shares of nominal value €0,021 each.

(in USD thousands, unless otherwise stated)

27. LOANS AND BORROWINGS

	2012	2011
Non-current liabilities		
Bonds	48.429	47.580
Finance lease obligation	-	312
	48.429	**47.892**
Current liabilities		
Bank loans	-	3.248
Non-bank loans	1.084	-
Government loans	-	376
Finance lease obligation	53	268
Accrued bond interest payable	2.887	2.904
	4.024	**6.796**
Total loans and borrowings	**52.453**	**54.688**

Bonds

On 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 at a rate of 12,50% per annum payable semi-annually in arrears on 14 January and 14 July each year, commencing on 14 January 2012.

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 at 14 July 2014 is recognised in the consolidated profit or loss over the period of the issue.

The following subsidiaries are acting as surety providers:

- Living LLC
- PE Agricultural Production Firm Agro
- Agroton PJSC
- Agro Meta LLC
- ALLC Noviy Shlyah
- ALLC Shiykivske
- Agro Svynprom LLC
- Agro Chornukhinski Kurchata LLC
- Rosinka-Star LLC
- AF named by Shevchenko

(in USD thousands, unless otherwise stated)

27. LOANS AND BORROWINGS (cont.)

The bank loans are analysed as follows:

	Currency	Nominal interest rate	Maturity	2012 Carrying amount	2011 Carrying amount
OJSC Ukrommunbank	UAH	18%	01/06/2012	-	1.412
OJSC Vostochno promishlennyi bank	UAH	18%	18/04/2012	-	1.836
Total				**-**	**3.248**

The secured bank loans were secured as follows:

- By inventories of the subsidiary company Private Enterprise Agricultural Production Firm Agro pledged as collateral with carrying value of USD 2.103 thousand.
- By inventories of the subsidiary company PJSC "Agroton" pledged as collateral with carrying value of USD 2.090 thousand.

Finance lease obligation

	Future minimum lease payments 2012	Present value of minimum lease payments 2012	Future minimum lease payments 2011	Present value of minimum lease payments 2011
Within one year	-	-	228	149
Between one to five years	-	-	380	312
	-	**-**	**608**	**461**

Finance lease liabilities relates to the acquisition of equipment and motor vehicles.

The exposure of the Group to interest rate risk and liquidity risk in relation to loans and borrowings is reported in note 35 of the consolidated financial statements.

(in USD thousands, unless otherwise stated)

28. TRADE AND OTHER PAYABLES

	2012	2011
Trade payables	1.890	1.935
Payroll and related expenses	1.303	1.473
Payable for property, plant and equipment	-	159
Advances received	3.953	5
Liabilities for other taxes and mandatory payments	40	27
VAT payable	46	-
Payable for operating lease of land	360	1.385
Accrued expenses	45	202
Other provisions	13	-
Other liabilities	266	87
Total	**7.916**	**5.273**

The exposure of the Group to liquidity risk in relation to trade accounts payable is reported in note 35 to the consolidated financial statements.

29. ACQUISITION/DISPOSAL OF SUBSIDIARIES

Acquisition of subsidiaries

During 2012, the Group obtained control of “Alinco” PE and “Lugastan” LLC. The transactions were accounted for under the purchase method of accounting. Information about these subsidiaries is presented below:

Company name	Country of incorporation	Main activity	Date of acquisition	Ownership interest
Alinco PE	Ukraine	Land lease rights owner	27/06/2012	100%
Lugastan LLC	Ukraine	Land lease rights owner	29/06/2012	100%

(in USD thousands, unless otherwise stated)

29. ACQUISITION/DISPOSAL OF SUBSIDIARIES (cont.)

Acquisition of subsidiaries (cont.)

At 27 June 2012 and 29 June 2012 the fair value of the net assets for Alinco PE and Lugastan LLC respectively were as follows:

	Alinco PE		Lugastan LLC	
	Fair value	**Book value**	**Fair value**	**Book value**
Assets				
Land lease rights	10.148	10.148	15.231	15.231
Non-current assets	**10.148**	**10.148**	**15.231**	**15.231**
Liabilities				
Land lease rent accrued	48	48	131	131
Current liabilities	**48**	**48**	**131**	**131**
Fair value of acquired net assets	**10.100**		**15.100**	
Total cash considerations due and payable	**10.100**		**15.100**	
Less: acquired cash	**-**		**-**	
Net cash outflow from acquisition of subsidiaries	**10.100**		**15.100**	

During 2011, the Group obtained control of Gefest Limited and Tais-Abb PE. The transactions were accounted for under the purchase method of accounting. Information about these subsidiaries is presented below:

Company name	Country of incorporation	Main activity	Date of acquisition	Ownership interest
Gefest Limited	Ukraine	Land lease rights owner	22/12/2011	100%
Tais-Abb PE	Ukraine	Land lease rights owner	22/12/2011	100%

(in USD thousands, unless otherwise stated)

29. ACQUISITION/DISPOSAL OF SUBSIDIARIES (cont.)

Acquisition of subsidiaries (cont.)

At 22 December 2011 the fair value of the net assets for Gefest Limited and Tais-Abb PE respectively were as follows:

	Gefest Limited		**Tais-Abb PE**	
	Fair value	**Book value**	**Fair value**	**Book value**
Assets				
Land lease rights	4.799	7.300	5.190	8.000
Non-current assets	**4.799**	**7.300**	**5.190**	**8.000**
Fair value of acquired net assets	**4.799**		**5.190**	
Goodwill	**2.501**		**2.810**	
Total cash considerations due and payable	**7.300**		**8.000**	
Less: acquired cash	**-**		**-**	
Net cash outflow from acquisition of subsidiaries	**7.300**		**8.000**	

Disposal of subsidiaries

During 2011, the Group sold to third parties the following subsidiaries:

Company name	**Country of incorporation**	**Main activity**	**Date of control transfer**	**Ownership interest disposed**
Ago-Masloryrorobnyi zavod LLC	Ukraine	Milk processing	22/12/2011	99,99%
Aydar-Mlyn SC	Ukraine	Grain processing	22/12/2011	99,99%
Makaronna fabryka SC	Ukraine	Grain processing	22/12/2011	99,99%
Mlyn-Yevsug SC	Ukraine	Grain processing	22/12/2011	99,99%
Khlibzavod SC	Ukraine	Grain processing	22/12/2011	99,99%

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29. ACQUISITION/DISPOSAL OF SUBSIDIARIES (cont.)

Disposal of subsidiaries (cont.)
The fair value of net assets disposed was:

	Ago-Masloryrorobnyi zavod LLC	**Aydar-Mlyn SC**	**Makaronna fabryka SC**	**Mlyn-Yevsug SC**	**Khlibzavod SC**	**Total**
Assets						
Property, plant and equipment	3.363	673	27	64	184	4.311
Non-current assets	3.363	673	27	64	184	4.311
Inventories	-	1	92	6	142	241
Trade and other receivables	-	-	53	17	377	447
Cash and cash equivalents	1	-	4	-	30	35
Current assets	1	1	149	23	549	723
Total assets	**3.364**	**674**	**176**	**87**	**733**	**5.034**
Liabilities						
Trade and other payables	-	51	151	21	373	596
Taxation	-	-	7	-	8	15
Current liabilities	**-**	**51**	**158**	**21**	**381**	**611**
Total liabilities	**-**	**51**	**158**	**21**	**381**	**611**
Net assets disposed	**3.364**	**623**	**18**	**66**	**352**	**4.423**
Consideration received	2.134	301	70	63	196	2.764
Cash and cash equivalents disposed of	-	-	(7)	-	(8)	(15)
Consideration received, net of cash and disposed	**2.134**	**301**	**63**	**63**	**188**	**2.749**
Net assets disposed	(3.364)	(623)	(18)	(66)	(352)	(4.423)
Consideration received, net of cash and disposed	2.134	301	63	63	188	2.749
Loss on disposal of subsidiaries	**(1.230)**	**(322)**	**45**	**(3)**	**(164)**	**(1.674)**

(in USD thousands, unless otherwise stated)

30. EARNINGS PER SHARE

Basic earnings per share
The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

Profit attributable to the owners of the Company:

	2012	2011
Profit from continuing operations attributable to the owners of the Company	8.167	256
Loss from discontinued operations attributable to the owners of the Company	(1.407)	(2.375)
Total profit/(loss) attributable to the owners of the Company	6.760	(2.119)

Weighted average number of ordinary shares:

Weighted average number of ordinary shares in issue (in thousands)	21.670	21.670
Earnings per share from continuing and discontinued operations attributable to the owners of the Company during the year (in USD per share):		
Earnings per share from continuing operations	37,69	1,18
Loss per share from discontinued operations	(6,49)	(10,96)
Total basic and fully diluted earnings/(loss) per share	31,20	(9,78)

Earnings per share is the profit for the year after taxation attributable to the owners of the Company divided by the weighted average number of shares in issue for each year.

There are no options or instruments convertible into new shares and so basic and diluted earnings per share are the same.

31. RELATED PARTY BALANCES AND TRANSACTIONS

At 31 December 2012 and at the date of this report, the Company is controlled by Mr. Iurii Zhuravlov, who holds 51,04% of the Company's share capital. During 2011 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 55,40% to 51,04%. The remaining 48,96% of the shares is widely held.

In the ordinary course of its business, the Group has engaged and continues to engage, in transactions with related parties.

(in USD thousands, unless otherwise stated)

31. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

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 on market terms and in accordance with relevant legislation. It is generally not possible to objectively determine whether any transaction with a related party would have been entered into if the parties had not been related, or whether such transactions would have been effected on the same terms, conditions and amounts if the parties had not been related.

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

a. Companies in which Group's companies have an equity interest;
b. Companies in which key management personnel have an equity interest;
c. Key management personnel;
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.

Salary costs of key management personnel for the year ended 31 December 2012 were as follows:

	2012	**2011**
Wages and salaries	150	215
Other employees benefits	7	31
Salaries and bonuses	47	89
	204	**335**

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

Number of key management personnel for the year ended 31 December 2012 was as follows:

	2012	**2011**
Number of key management personnel, persons	14	11

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31. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

Outstanding amounts of the Group for transactions with related parties at 31 December 2012 were as follows:

Outstanding balances with related parties:

	2012	2011
Loans receivables		
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr. Iurii Zhuravlov – Chief Executive Officer	1.252	178
	1.252	**178**
Loans payable		
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr. Iurii Zhuravlov – Chief Executive Officer	1.084	-
	1.084	**-**

The Group's transactions with related parties:

	2012	2011
Finance Income		
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr. Iurii Zhuravlov – Chief Executive Officer	74	23
	74	**23**
Expenses		
c. Key management personnel	204	335
	204	**335**

(in USD thousands, unless otherwise stated)

32. OPERATING SEGMENTS

A reportable segment is a separable component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generates revenues other than risks and income of those components that are peculiar to other reportable segments.

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All operating segments' results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

At 31 December 2012 the Group identified the following business segments, which include products and services, that differ by levels of risk and conditions of generation of income:

(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 and rape. The main services which are sold in this business segment are ploughing, handling and grain storage services.

(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 - milk, sunflower-seed oil. For 2011 also include macaroni goods and hard cheese.

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

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

Management monitors the operating results of each of the unit separately for the purposes of making decisions about resources allocation and evaluation of operating results.

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

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32. OPERATING SEGMENTS (cont.)

	Livestock	Plant breeding	Agricultural products processing	Other	Group level	Total
2012						
Total revenue	20.519	79.644	-	251	-	100.414
Inter-segment revenue	(994)	(11.304)	-	(115)	-	(12.413)
External revenues	19.525	68.340	-	136	-	88.001
Net change in fair value less cost to sell of biological assets and agricultural produce	(1.662)	13.782	-	-	-	12.120
Expenses (excluding depreciation and amortisation)	(17.974)	(59.303)	-	(321)	(6.702)	(84.300)
Profit for the period (excluding depreciation and amortisation)	**(111)**	**22.819**	**-**	**(185)**	**(6.702)**	**15.821**
Depreciation and amortisation	(1.085)	(2.481)	-	(60)	(3.997)	(7.623)
Profit/(loss) before tax from continuing operations	**(1.196)**	**20.338**	**-**	**(245)**	**(10.699)**	**8.198**
Reportable segment assets	**19.993**	**146.841**	**-**	**3.320**	**16.952**	**187.106**
Reportable segment liabilities	**533**	**57.087**	**-**	**1.043**	**1.840**	**60.503**

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32. OPERATING SEGMENTS (cont.)

	Livestock	Plant breeding	Agricultural products processing	Other	Group level	Total
2011						
Total revenue	19.249	86.182	3.238	449	-	109.118
Inter-segment revenue	(1.893)	(6.826)	(661)	-	-	(9.380)
External revenues	17.356	79.356	2.577	449	-	99.738
Net change in fair value less cost to sell of biological assets and agricultural produce	(1.905)	24.247	-	-	-	22.342
Expenses (excluding depreciation and amortisation)	(16.739)	(72.245)	(1.627)	(196)	(26.576)	(117.383)
Profit for the period (excluding depreciation and amortisation)	**(1.288)**	**31.358**	**950**	**253**	**(26.576)**	**4.697**
Depreciation and amortisation	(1.152)	(2.147)	(80)	(31)	(1.001)	(4.411)
Profit/(loss) before tax from continuing operations	**(2.440)**	**29.211**	**870**	**222**	**(27.577)**	**286**
Reportable segment assets	**22.668**	**136.094**	**365**	**2.504**	**18.371**	**180.002**
Reportable segment liabilities	**841**	**49.976**	**28**	**680**	**8.657**	**60.182**

33. OPERATING ENVIRONMENT

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support.

Cyprus and the Eurogroup (together with the International Monetary Fund) reached an agreement on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing and to restore the viability of the financial sector, with the view of restoring sustainable economic growth and sound public finances over the coming years. The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below € 100.000 in accordance with EU legislation.

In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatization. The Eurogroup requested the Cypriot authorities and the European Commission, in liaison with the European Central Bank and the International Monetary Fund, to finalize the Memorandum of Understanding within April 2013, which will then be followed by the formal approval of the Board of Directors of the European Stability Mechanism as well as by the ratification by Eurozone member states through national parliamentary (or equivalent) approvals.

On 22 March 2013 the House of Representatives voted legislation relating to capital controls affecting transactions executed through banking institutions operating in Cyprus. The extent and duration of the capital controls is decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The Company’s management is monitoring the developments in relation to these capital controls and is assessing the implications on the Company’s operations and particularly due to the loss and blockage of funds.

34. CONTINGENT AND CONTRACTUAL LIABILITIES

Economic environment

The main operating activities of the Group are carried out within Ukraine. Laws and other regulatory acts affecting the activities of entities in Ukraine may be subject to changes during short periods of time. As a result, assets and operating activity of the Group may be exposed to risk in case of any unfavourable changes in the political and economic environment.

The global financial crisis has negatively affected Ukraine's financial and capital markets in 2008, and 2009.

The Ukraine's economy returned to growth in 2011. Although significant economic uncertainties remain, Ukrainian economy experienced a 4,2% GDP growth in 2011 and 0,2% GDP growth in 2012.

34. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)

Taxation

The Company operates in the Cypriot tax jurisdiction and its subsidiaries in tax jurisdiction of the respective countries of incorporation. The Group's management must interpret and apply mainly existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business circles. In connection with this, tax laws in Ukraine are subject to frequent changes. Above this, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and regulations may lead to severe fines and penalties.

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

The Group considers that it operates in compliance with tax laws of Ukraine, although, a lot of new laws about taxes and transactions in foreign currency have been adopted recently, and their interpretation is rather ambiguous.

The Group took part in transactions which may be interpreted by tax authorities in Ukraine not in the way they are interpreted by the Group, as a result of which there may be accrued additional significant tax liabilities and fines. Notwithstanding the fact that most of tax returns of the Group's Ukrainian companies for the mentioned periods were reviewed by the tax authorities without any significant discrepancies or imposition of additional tax liabilities, they remain open to subsequent investigations. According to effective laws, tax returns remain open and may be subject to the reviews during three years after their submission, but, in some cases, this limit is not applied.

As a result of future tax reviews additional liabilities may be discovered which may not comply with the tax reporting of the Group. Such liabilities may be represented by taxes, as well as fines and penalties; and their amounts may be significant.

In December 2010, the Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine became effective on 1 January 2011, while some of its provisions took effect later (such as, Section III dealing with CIT, came into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 the Tax Code also changes various other taxation rules. As at the date that these consolidated financial statements were authorised for issue, additional clarifications and guidance on application of the new tax rules were not published, and certain revisions were proposed for consideration by Ukrainian Parliament.

(in USD thousands, unless otherwise stated)

34. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)

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

Legal matters
In the course of its economic activities the Group participates in legal proceedings with third parties. In most cases, the Group is the initiator of such proceedings with the purpose of preventing from losses in the economic sphere or minimising them.

The Group's management considers that legal proceedings on such matters will not have any significant influence on its financial position.

Pension and other liabilities
Most employees of the Group receive pension benefits from the Pension Fund, a Ukrainian Government organization in accordance with the applicable laws and regulations of Ukraine. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions from salaries.

At 31 December 2012 the Group's entities had no liabilities for supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees

Leases

The Group has the following contract obligations on operating lease of land and fixed assets at 31 December 2012:

	2012	**2011**
Less than 1 year	8.681	14.893
Between 1 and 5 years	33.902	56.095
More than 5 years	27.345	29.270
	61.247	85.365
Total	**69.928**	**100.258**

Plough-land is leased by the Group from individuals. The total size of leased plough-land at 31 December 2012 is 160 thousand hectares (2011: 171 thousand hectares). The average rental payment for leased plough-land in the year ended 31 December 2012 ranges between 1,5%-3% (year ended 31 December 2011: 3%) from the normative value of land.

(in USD thousands, unless otherwise stated)

35. FINANCIAL RISK MANAGMENT

The Group is not a finance company, thus it uses financial instruments as may be necessary in order to obtain finance for its activities, not for the purpose of receiving income. In the process of its activities the Group uses the following financial instruments: cash and cash equivalents, bank deposits, accounts receivable, bank loans, finance leases, accounts payable.

The Group is exposed to the following risks resulting from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk of fair value). This explanation contains information relating to the Group’s exposure to each of the risk types mentioned above, Group’s objectives, its policy and procedures of these risks measurement and management.

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

- information on finance income and expenses is disclosed in Note 13 (all finance income and expenses are recognised as a part of profit or loss for the year);
- information on cash is disclosed in Note 24;
- information on trade and other receivables is disclosed in Note 22;
- information on loans receivable is disclosed in Notes 19;
- information on trade and other payables is disclosed in Note 28;
- information on significant terms of borrowings and loans granted is disclosed in Note 27.

a) Credit risk

Credit risk is the risk of financial loss for the Group in case of non-fulfilment of liabilities by a client or counterparty under the respective agreement. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

(in USD thousands, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT (cont.)

a) Credit risk (cont.)

Exposure to credit risk
The carrying value of financial assets is the maximum value exposed to credit risk. The maximum exposure of credit risk at the reporting period was presented as follows:

	Note	2012	2011
Loans to related parties	19	3.340	178
Loans to employees	19	-	26
Cash at bank	24	9.663	17.397
Trade and other receivables	22	1.486	39.780
		14.489	**57.381**

Credit quality of financial assets
The table below shows an analysis of the Group's bank deposit by the credit rating of the bank in which they are held:

	Note	2012	2011
Bank group based on credit ratings by Moody's			
A1		-	1
B1		-	4.141
B2		32	-
Ca		8.480	-
Not rated		1.151	13.255
	24	**9.663**	**17.397**

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35. FINANCIAL RISK MANAGEMENT (cont.)

a) Credit risk (cont.)

The ageing of trade receivables at the end of the reporting period that were not impaired was as follows:

2012	**0-90 days**	**91-180 days**	**181-365 days**	**over one year**	**Total**
Carrying amount of trade accounts receivable	796	53	52	-	901

2011	**0-90 days**	**91-180 days**	**181-365 days**	**over one year**	**Total**
Carrying amount of trade accounts receivable	2.800	36.822	95	-	39.717

The column "0-90 days" represents the amounts neither past due nor impaired.

The Groups two most significant customers account for USD 704 thousand (21%) and USD 177 thousand (5%) of the trade receivables carrying amounts at 31 December 2012.

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35. FINANCIAL RISK MANAGEMENT (cont.)

b) Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill its financial obligations at the date of maturity. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

2012	**Note**	**Carrying amounts**	**Contractual cash flows**	**3 months or less**	**Between 3-12 months**	**Between 1-5 years**
Loans and borrowings	27	52.453	62.144	3.178	4.328	54.638
Trade and other payables	28	2.156	2.156	2.156	-	-
		54.609	**64.300**	**5.334**	**4.328**	**54.638**

2011	**Note**	**Carrying amounts**	**Contractual cash flows**	**3 months or less**	**Between 3-12 months**	**Between 1-5 years**
Loans and borrowings	27	54.688	72.784	3.307	6.546	62.931
Trade and other payables	28	2.022	2.022	2.022	-	-
		56.710	**74.806**	**5.329**	**6.546**	**62.931**

(in USD thousands, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT (cont.)

c) Market risk

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

The objective of market risk management is to provide 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:

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

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

The Group's exposure to foreign currency risk as at 31 December 2012 based on carrying amounts was as follows:

	Russian Ruble	**United States Dollars**	**Euro**
Cash and cash equivalents	-	-	10
Trade and other receivables	1	-	7
Trade and other payables	-	(944)	(219)
Total carrying amount	**1**	**(944)**	**(202)**

The Group's exposure to foreign currency risk at 31 December 2011 based on carrying amounts was as follows:

	Russian Ruble	**United States Dollars**	**Euro**
Cash and cash equivalents	-	-	2
Loans and borrowings	-	(1)	-
Total carrying amount	**-**	**(1)**	**2**

(in USD thousands, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT (cont.)

Sensitivity analysis
An increase of 100 basis points in foreign currency rates at 31 December would have decreased profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and equity.

	2012		2011	
	Effect on profit before tax	**Effect on equity**	**Effect on profit before tax**	**Effect on equity**
Euro	(20)	(20)	-	-
United States Dollars	(94)	(94)	-	-
Russian Ruble	-	-	-	-
	(114)	(114)	-	-

d) Interest rate risk

Interest rate risk is the risk that expenditure or the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At present, the Group’s approach to limit the interest rate risk consists of borrowings at fixed interest rates.

Structure of interest rate risk
The structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	2012	**2011**
Fixed rate instruments		
Financial assets	3.340	204
Financial liabilities	(52.453)	(54.312)
	(49.113)	(54.108)
Variable rate instruments		
Financial assets	8.791	4.225
	(40.322)	(49.883)

(in USD thousands, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT (cont.)

d) Interest rate risk (cont.)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2012 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	2012		2011	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
Variable rate instruments	879	879	423	423

(e) Fair values

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

At 31 December 2012, the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

- Cash and cash equivalents - the fair value is estimated to be the same as the carrying value for these short-term financial instruments.
- Trade and other receivable - the fair value is reasonably estimated to be the same as the carrying value, as provision for doubtful debts is reasonable estimation of discount needed for reflection of credit risk influence.
- Trade and other payable - the fair value is estimated to be the same as the carrying value for trade and other payables.
- Application of the effective interest rate method for calculating carrying value of short-term receivables, interest free loans granted and received and payables has been applied to reflect fair values.
- Bank and other loans - the fair value of bank and other loans, is estimated to approximate the total carrying value as the nominal interest rate of bank and other loans is approximately tied to the market rate concerning bank loans with similar credit risk rate and repayment period at the reporting date.

(in USD thousands, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT (cont.)

f) Financial markets volatility

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

g) Operation risk

Crops under cultivation
The Groups operations are subject to seasonal fluctuations as a result of weather conditions. In particular, the cultivation of crops is adversely affected by winter weather conditions, which occur primarily from January to March. The first half of the year typically results in lower revenues and results for cultivations.

Livestock
The Group's agro-industrial business is subject to risks of outbreaks of various diseases that could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

h) Capital Management

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio. The Group's overall strategy remains unchanged from prior year.

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

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

(in USD thousands, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT (cont.)

h) Capital Management (cont.)

Capital management (cont.)

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

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

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

	2012	2011
Bonds	51.316	50.484
Finance lease obligation	53	580
Non-bank loans	1.084	-
Bank loans	-	3.248
Government loans	-	376
Total amount of borrowings	52.453	54.688
Loans receivable	(3.340)	(204)
Cash and cash equivalents	(9.813)	(17.627)
Net debt	39.300	36.857
Share capital	661	661
Share premium	88.532	88.532
Retained earnings	47.247	40.487
Foreign currency translation reserve	(10.156)	(10.152)
Non-controling interests	319	292
Total equity	126.603	119.820
Total amount of equity and net debt	165.903	156.677
Financial leverage coefficient	23,69%	23,52%

(in USD thousands, unless otherwise stated)

35. FINANCIAL RISK MANAGEMENT (cont.)

h) Capital Management (cont.)

For the year ended 31 December 2012 the ratio of net debt to EBITDA amounted to:

	2012	**2011**
Profit/(loss) for the year	6.787	(2.105)
Income tax charge	4	16
Finance income	(162)	(110)
Finance expenses	8.420	5.837
EBIT (Earnings before interest and income tax)	15.049	3.638
Depreciation and amortisation	7.623	4.411
EBITDA (Earnings before interest, income tax, depreciation and amortization)	22.672	8.049
Net debt/EBITDA	1,73	4,58

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

36. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period which affect the consolidated financial statements at 31 December 2012 apart from:

- On 19 February 2013 Agro-Svinprom LLC (subsidiary disclosed as discontinued operation) disposed one of its divisions (Varvarovka) for the approximate amount of USD 11 thousand.

- On 18 February 2013 Agro-Svinprom LLC (subsidiary disclosed as discontinued operation) disposed one of its divisions (Novostreltsovka) for the approximate amount of USD 12 thousand.

- On 21 March 2013 Agro-Meta LLC disposed one of its divisions (Novostreltsovka) for the approximate amount of USD 12 thousand

- On 6 February 2013 the Company disposed its subsidiary AF named after Shevchenko for the approximate amount of USD 1 thousand.

- On 14 April 2013 the Company has fully paid the third coupon interest on the Notes. The total interest payment amounted to USD 3.125.

On 30 April 2013 the Board of Directors of Agroton Public Limited authorised these consolidated financial statements for issue.