AGROLIGA GROUP PLC

PRO-FORMA CONSOLIDATED
FINANCIAL STATEMENTS

As at 31 December 2009 and 31 December 2008 ,
and for the years ended 31 December 2009 and 31 December 2008

& INDEPENDENT AUDITORS' REPORT

AGROLIGA GROUP PLC

CONTENTS

STATEMENT OF MANAGEMENT RESPONSIBILITIES FOR PREPARATION AND APPROVAL OF PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

Management of the Group is responsible for the preparation of the Group's consolidated financial statements, which present fairly and in all material aspects the financial position of the Group as at 31 December 2009, as well as results of its activities, cash flows and changes in equity for the year ended 31 December 2009, in compliance with International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, the Group's management bears responsibility for the following:

- selection of appropriate accounting policies and their consistent application;
- making reasonable measurement and calculations;
- adherence to IFRS concepts or disclosure of all material departures from IFRS in the notes to the Group's consolidated financial statements;
- preparation of the consolidated financial statements according to the going concern assumption, under which the Group is ordinarily viewed as continuing in business for the foreseeable future, except for the cases, when this assumption is not legally acceptable.

Management of the Group is also responsible for:

- development, implementation and control over effective and reliable internal control system in the Group;
- keeping proper accounting system that allows to prepare information about the financial position of the Group with reasonable accuracy at any time and ensure the compliance of the consolidated financial statements with IFRS;
- keeping accounting records according to laws of the countries in which the Group is registered;
- taking reasonable steps within its cognizance to safeguard the assets of the Group;
- detecting and preventing from fraud and other irregularities.

On behalf of the Board:

Olexandr Berdnyk
Chairman of the Board of AGROLIGA GROUP

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INDEPENDENT AUDITORS' REPORT

To Smoczynski I Partnerzy (Poland)

Report on the Pro-forma Consolidated Financial Statements

We have audited the accompanying pro-forma consolidated financial statements of AGROLIGA GROUP PLC (the "Group"), which comprise the pro-forma consolidated statement of financial position as at 31 December 2009 and 2008 and the pro-forma consolidated statement of comprehensive income, pro-forma consolidated statement of changes in equity and pro-forma consolidated statement of cash flow for the years ended 31 December 2009 and 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these pro-forma consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of pro-forma consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these pro-forma consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the pro-forma 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

We did not observe the counting of inventories as at 31 December 2009 and 2008 because we were engaged as auditors of the Group only after that date. It was impracticable to satisfy ourselves as to those inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to inventories, cost of revenues, taxation expense, net profit and retained earnings as at and for the years ended 31 December 2009 and 2008.

Opinion

In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had it been practicable to obtain sufficient appropriate audit evidence as described in the Basis for Qualified Opinion, the pro-forma consolidated financial statements present fairly, in all material respects, the pro-forma financial position of the Group as at 31 December 2009 and 2008 and the pro-forma results of its operations and its cash flows for the years ended 31 December 2009 and 2008.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the fact that the consolidated pro-forma financial statements, which have been prepared for the purpose of presenting the consolidated financial position, financial performance and cash flows of the Group as if a restructuring that is completed in 2010 had taken place before 1 January 2008, are not necessarily indicative of the consolidated financial position, consolidated financial performance and consolidated cash flows that would have been achieved as at and for the year ended 31 December 2009 and 2008 had the restructuring described above taken place before 1 January 2008.

This report is intended solely for the use of Smoczynski I Partnerzy (Poland) in connection with the audit of the pro-forma consolidated financial statements of AGROLIGA GROUP PLC and should not be used for any other purpose.

Managing Partner
BAKER TILLY UKRAINE LLP

Alexander Pochkun

Kyiv, Ukraine
27 September 2010

Registered № 1595

Pro-forma consolidated income statement
for the years ended 31 December 2009 and 2008

	Note	2009 €000	2008 €000
Continuing operations			
Sales revenue	7	1 895	2 132
Cost of sales	8	(1 610)	(2 769)
Income (expenses) from change in fair value of biological assets		-	-
Income from change in fair value of agricultural products		519	1 317
Gross profit		**804**	**680**
Selling and distribution costs	9	(90)	(87)
Administrative expenses	10	(198)	(366)
Income from government grants	11	186	129
Other operating income/(expenses), net	12	(166)	(58)
Operating profit		**536**	**298**
Financial income/(expenses), net	13	(50)	(52)
Exchange rate differences, net	14	(5)	(135)
Profit before tax from continuing operations		**481**	**111**
Income tax expense	18	47	27
Profit for the year from continuing operations		**528**	**138**
Profit for the year attributable to			
Equity holders of the parent		**519**	**139**
Non-controlling interest		**9**	**(1)**

On behalf of the Board:

Olexandr Berdnyk

Chairman of the Board of AGROLIGA GROUP

Notes on pages 11 - 42 are an integral part of Pro-forma Consolidated Financial Statements

Pro-forma consolidated statement of comprehensive income

for the years ended 31 December 2009 and 2008

	Note	2009	2008
		€000	€000
Profit for the year from continuing operations		528	138
Other comprehensive income for the year			
Exchange difference on translating foreign operations		(102)	(615)
Total other comprehensive income for the year		**(102)**	**(615)**
Total comprehensive income for the year, net of tax		**426**	**(477)**
Total comprehensive income attributable to			
Equity holders of the parent		**417**	**(476)**
Non-controlling interest		9	(1)

On behalf of the Board:

Olexandr Berdnyk

Chairman of the Board of AGROLIGA GROUP

Notes on pages 11 - 42 are an integral part of Pro-forma Consolidated Financial Statements

Pro-forma consolidated statement of financial position
as at 31 December 2009, 31 December 2008 and 31 December 2007

		31 December, 2009	31 December, 2008	31 December, 2007
Assets	**Notes**	**€000**	**€000**	**€000**
Non-current assets				
Property, plant and equipment	16	654	444	461
Non-current biological assets	17	244	229	200
Other non-current assets	19	126	149	564
Total non-current assets		1 024	822	1 225
Current assets				
Current biological assets	20	165	162	149
Inventories	21	902	876	1 050
Trade and other receivables	22	214	235	93
Prepayments and other current assets, net	23	440	158	4 462
Deposit		0	184	0
Cash and cash equivalent	25	2	24	296
Total current assets		1 723	1 639	6 050
Total assets		2 747	2 461	7 275
Equity and liabilities				
Share capital		25	25	25
Retained earnings		2 418	1 899	1 760
Exchange rate effect		(707)	(605)	10
Equity attributable to equity holders of the parent		1 736	1 319	1 795
Non-controlling interests		43	34	35
Total equity		1 779	1 353	1 830
Non-current liabilities				
Other non-current liabilities		0	0	0
Deferred tax liability	18	17	66	125
Total non-current liabilities		17	66	125
Current liabilities				
Trade and other payables	26	759	611	5 248
Interest-bearing loans and borrowings	27	177	426	69
Provisions		15	5	3
Total current liabilities		951	1 042	5 320
Total liabilities		968	1 108	5 445
Total equity and liabilities		2 747	2 461	7 275

On behalf of the Board:

Olexandr Berdnyk
Chairman of the Board of AGROLIGA GROUP

Notes on pages 11 - 42 are an integral part of Pro-forma Consolidated Financial Statements

Pro-forma consolidated statement of changes in equity
for the years ended 31 December 2009 and 2008

	Share capital	Retained earnings attributable to equity holders of the parent	Exchange rate effect	Non-controlling interests	Total
Balance at 31 December 2007	**25**	**1 760**	**10**	**35**	**1 830**
Profit for the year		139		(1)	
Total comprehensive income for the year, net of tax		139		(1)	138
Exchange rate effect			(615)		(615)
Balance at 31 December 2008	**25**	**1 899**	**(605)**	**34**	**1 353**

	Share capital	Retained earnings attributable to equity holders of the parent	Exchange rate effect	Non-controlling interests	Total
Balance at 31 December 2008	**25**	**1 899**	**(605)**	**34**	**1 353**
Profit for the year		519		9	
Total comprehensive income for the year, net of tax		519		9	528
Exchange rate effect			(102)		(102)
Balance at 31 December 2009	**25**	**2 418**	**(707)**	**43**	**1 779**

On behalf of management:

Olexandr Berdnyk
Chairman of the Board of AGROLIGA GROUP

Notes on pages 11 - 42 are an integral part of Pro-forma Consolidated Financial Statements

Pro-forma consolidated statement of cash flows for the years ended 31 December 2009 and 2008

	Note	2009	2008
		€000	**€000**
Operating activities			
Profit before tax from continuing operations		**481**	**111**
Profit before tax			
Non-cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and impairment of property, plant and equipment		71	78
Government grants receivable		(186)	(129)
Accrued interest receivable		(28)	(37)
Accrued interest payable		78	89
Income (expenses) from change in fair value of biological assets		23	(101)
Income from change in fair value of agricultural products		(542)	(1 216)
Losses from inventories impairment		-	4
Loss from mortality of biological assets of plant and cattle breeding		37	18
Movements in doubtful reserves		86	10
Movements in tax invoices reserve		5	5
Movements in provisions		10	4
Working capital adjustments:			
(Increase)/decrease trade and other receivables		(65)	(151)
(Increase)/decrease prepayments and other current assets		(286)	4 299
(Increase)/decrease deposit		184	(184)
(Increase)/decrease in inventories		479	1 368
(Increase)/decrease in biological assets		(41)	59
(Increase)/decrease other non-current assets		23	415
Increase/(decrease) in provisions		(0)	(2)
Increase/(decrease) in trade and other payables		148	(4 637)
		477	**3**
Interest received		28	37
Income tax paid		(2)	(33)
Net cash flows from operating activities		**503**	**7**
Investing activities			
Purchase of property, plant and equipment		(320)	(259)
Receipt of government grants		186	129
Net cash flows used in investing activities		**(134)**	**(129)**
Financing activities			
Proceeds from borrowings		177	426
Repaymen of borrowings		(426)	(69)
Interest paid		(78)	(89)
Net cash flows from/(used in) financing activities		**(327)**	**268**
Net increase in cash and cash equivalents		42	145
Net foreign exchange difference		(64)	(417)
Cash and cash equivalents at 1 January		**24**	**296**
Cash and cash equivalents at 31 December		**2**	**24**

On behalf of management:

Olexandr Berdnyk

Chairman of the Board of AGROLIGA GROUP

Notes on pages 11 - 42 are an integral part of Pro-forma Consolidated Financial Statements

Notes to the consolidated financial statements

1. General information

These pro-forma consolidated financial statements under IFRS include all the companies under common control managed as a single organization (hereinafter AGROLIGA GROUP PLC or Group). The Group's companies are controlled by major shareholders of the Group: Olexandr Berdnyk and Iryna Poplavskaya.

The Group conducts its business activities within Ukraine. Head Office of the Group is located in Cyprus at the address: Boumpoulinas, 11, 1st floor, P.C. 1060, Nicosia, Cyprus. These pro-forma consolidated financial statements are prepared as if these transactions occurred before 1 January 2008.

The structure of AGROLIGA GROUP consists of the following companies:

- AGROLIGA GROUP PLC located at the address: Boumpoulinas, 11, 1st floor, P.C. 1060, Nicosia, Cyprus;

- Group of companies Agroliga located at the address: Kharkov region, Dvurechanskiy district, Kamenka, 41 Pochtovaya Str.;
- Agroliga Ltd. located at the address: Kharkov region, Dvurechanskiy district, Kamenka, 41 Pochtovaya Str.;

- Mechnikovo PE located at the address: Kharkov region, Dvurechansky district, Novoiehorovka, 8 Mechnikovskaya Str.;
- Agrokom Nova Vodolaga LLC located at the address: Kharkov region, Novovodolazhskiy district, New Vodolaga, 12 Nekrasov Str.;
- Liga-A PE located at the address: Kharkov region, Liptsy, 109 Pushkinskaya Str.

Companies of AGROLIGA GROUP PLC are established under the laws of Ukraine and Cyprus to carry out economic activities on the basis of full cost accounting, self-financing and self-repayment.

AGROLIGA GROUP PLC specializes in cultivation of crops, dairy farming, production of sunflower oil.

The company has been operating in the Ukrainian market of agricultural products since 1999, starting with sunflower processing in Prikolotnyanskiy and Vovchanskiy oil extraction plants.

In 2001 the first agricultural enterprise was founded in Kamenka, Dvurechanskiy district, in which AGROLIGA GROUP handled 1060 hectares of land.

In 2004 a warehouse complex was acquired in New Vodolaga, where a new elevator was built with a capacity of 20 thousand tons of annual storage.

In 2007 a second agricultural enterprise was created in Mechnikovo, Dvurechanskiy district, which led to increase in cultivation area.

In 2008 a dairy farm was established, a herd in which nowadays exceeds 500 heads.

In 2009 Agroliga Group completed the installation of oil factory, which changed the status of the group of companies. Being the experienced manufacturer of raw materials, the agrocomplex added an important function of processor.

2. Basis of preparation

The consolidated pro-forma financial statements are prepared for the purpose of presenting the consolidated financial position, results of operations and cash flows of the Group as if a restructuring had taken place before 1 January 2008. They have been prepared on a historical cost basis, except for the following items: property, plant and equipment, biological assets and agricultural produce that are stated at fair value.

Statement of compliance

The Group's pro-forma consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in the edition published by International Accounting Standards Board (IASB), except the aspects described below:

Until 31 December 2007 the Group has not prepared pro-forma consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS" or "Standards"). Until 31 December 2007, each of the Group companies prepared a separate financial statements in compliance with the Ukrainian Generally Accepted Accounting Principles ("GAAP").

2. Pro-forma adjustments

Certain pro-forma adjustments are made to these consolidated financial statements as at and for the years ended 31 December 2009 and 2008. During 2010 the Group carried out a restructuring of its activities. As a result, the ownership of the activities has been transferred to a newly established holding company, AGROLIGA GROUP PLC. The purpose of these pro-forma consolidated financial statements is to present the consolidated financial position, consolidated results of operations and consolidated cash flows of the business as if the restructuring, including the
formation of and the transfer of ownership of the business to AGROLIGA GROUP PLC, had taken place before 1 January 2008.

Basis of consolidation

These pro-forma consolidated financial statements have been prepared by a consolidation of historical financial statements of each of the Group's companies on the basis of the accounting records of these companies.

These pro-forma consolidated financial statements comprise the consolidated results of activities of the below companies.

The pro-forma consolidated financial statements include balances, income and expenses of the following companies:

Company	Main activities	31.12.2009	31.12.2008	31.12.2007
Agroliga Group PLC	Parent company			
Group of companies Agroliga	Trading house	100%	100%	100%
Agroliga Ltd	Plant-breeding	95%	95%	95%
Mechnikovo PE	Plant-breeding and cattle-breeding	100%	100%	100%
Agrokom Nova Vodolaga LLC	Production of sunflower oil, storage of agricultural products	80%	80%	80%
Liga A PE	Trading house	100%	100%	100%

For ten years Group control was provided by the common personal owners of the different companies. When the Group management has decided to make IPO, the Group began a holding-making process. There are three levels of ownership: at first, operational companies, for different areas of the business; then, the Ukrainian holding company, owner of its corporative rights; and on the top, the Cyprus holding company, that possesses the Ukrainian holding. At the date of signing Financial statements all the Ukrainian Group structure is completed. Group founders, Olexandr Berdnyk and Iryna Poplavskaya, are now the owners of Group company Agroliga, Ukrainian holding company that was established on 15 March 2010.
AGROLIGA GROUP PLC, the Cyprus holding, was registered on 23 June 2010.
Olexandr Berdnyk is the Chairman of the Board of Directors at AGROLIGA GROUP PLC.

The Group Acquisition was finalized in June 2010. The pro-forma consolidated financial statements for the period from 01 Januray 2008 to 31 December 2009 is recreated from the accounts of the entities that held the assets and appropriately adjusted.

Going concern

These financial statements were prepared on a going concern basis in compliance with which the realization of assets and repayment of liabilities is performed in the course of the regular business activities. The financial statements do not contain any adjustment in the event that the Group is not able to adhere to the going concern.

3. Summary of significant accounting policies

3.1 Foreign currency translation

The Group's pro-forma consolidated financial statements are presented in thousand EUR. The Group's functional currency is Ukrainian hryvnia. That is the currency of the primary economic environment in which the AGROLIGA GROUP PLC operates. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Since the management presents the financial statements of companies established and registered in Ukraine in the thousand EUR, when translating financial statements of companies established and registered in Ukraine in thousand EUR in order to include them in the consolidated financial information, the Group follows the policy regarding the exchange rate which complies with the International Accounting Standards 21 (IAS 21) "The Effects of Changes in Foreign Exchange Rates". Thus, the following procedures are performed:

balance sheet assets and liabilities are translated at the exchange rate ruling at the date of statement of financial position;
income and expenses are translated at the average annual rates;
all the exchange differences are recognized as an integral part of the equity.

When translating the financial statements of the companies established and registered in Ukraine in thousand EUR, the appropriate foreign exchange rates were applied set by the National Bank of Ukraine.

Currency	As at 31 December 2007	Average for the year ended 31 December 2008	As at 31 December 2008	Average for the year ended 31 December 2009	As at 31 December 2009
EUR	7,4194600	7,7079953	10,8554600	10,8678947	11,4488930

3.2 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, rebates, and sales taxes.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from the rendering of services is recognized, as a rule, upon the signing of acceptance certificates.

3.3 Taxes

Depending on the nature of activity, companies of the AGROLIGA GROUP PLC fall under different taxation systems:

The Group's company	Taxation system
Group of companies Agroliga	Common taxation system
Agroliga Ltd	Simplified taxation system (fixed agricultural tax)
Mechnikovo PE	Simplified taxation system (fixed agricultural tax)
Agrokom Nova Vodolaga LLC	Common taxation system
Liga A PE	Common taxation system

The activities of the companies under the simplified taxation system and registered as fixed agricultural tax payers are governed by the Law of Ukraine «On fixed agricultural tax».

3.4 Income tax

Amount of income tax imposed on the financial result of the year includes the current tax payment and changes in deferred tax. Amount of income tax is recognized in the pro-forma consolidated statement of financial results.

The current tax payment is calculated on the basis of expected taxable profit for the period using the effective tax rates as at the balance sheet dates, taking into account the income tax payable arising in prior periods.

The income tax rate of 25% was effective in 2009, 2008 and 2007.

Deferred tax assets and liabilities are calculated against all temporary differences. Deferred income tax is determined towards all temporary differences arising between the tax base of assets and liabilities and their book value.

Amounts of deferred tax assets and liabilities are calculated with the help of tax rates, the use of which is expected in the period of asset realization or liability settlement, based on existing or declared tax rates at the balance sheet date.

For the Group's companies, which are not income tax payers, the calculation of deferred taxes is not performed.

3.5 Value added tax (VAT)

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

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

Before 31 December 2008, according to the law of Ukraine "On Value Added Tax", the amount of VAT payable to the budget for the realization of dairy and meat products was used for governmental grant payments to agricultural producers for sold meat and milk to processing enterprises. Tax amounts were transferred to a special purpose account and used to support agriculture. Upon the transfer and use of funds from the special purpose account the companies recognized income on governmental grants received.

Since 1 January 2009, pursuant to amendments to the Law of Ukraine "On Value Added Tax", the companies, whose total income from supplying their own goods (services) of agricultural purpose for the previous year is not less than 75%, have a right to use the input VAT from the sale of agricultural products (services) for purposes of compensation of VAT amount paid to suppliers of production factors or for other manufacturing purposes. In this regard, the VAT debit balance on agricultural transactions, as previously, aims to support agriculture (without transfer to special purpose account), and VAT credit balance is to be included in expenses.

In VAT settlements Agroliga Ltd and Mechnikovo PE are governed by provisions of the law of Ukraine "On Value Added Tax" as the subjects of a special VAT treatment. Other companies of the Group are VAT payers under the common taxation system.

3.6 Government grants related to VAT

According to the Law of Ukraine "On Value Added Tax", the agricultural enterprises (whose income from sale of agricultural products is not less than 50% of the total gross income, or which sell meat and milk products irrespective of the volume of such transactions) receive benefits regarding VAT payment on agricultural operations. These tax amounts are not paid to the budget, but transferred to the special purpose account and used to support agriculture. Upon the transfer and use of funds from the company's special purpose account, the income from grants received is recognized. Amounts of charged VAT, but not spent for the specified purposes are to be recorded in "Targeted financing".

Since 1 January 09 the Ukrainian legislation modifies the mechanism of benefits application. Only those agricultural enterprises will be able to use them, whose share of agricultural products in the general supply transactions is not less than 75% over the past 12 months. In this case, VAT debit balance on agricultural transactions, as previously, aims to support agriculture (without transfer to special purpose account), and VAT credit balance is to be included in expenses.

The Group's companies, which previously used VAT benefit, and have been complied with the criteria for benefits application on this tax since 1 January 2009 are the companies Agroliga Ltd and Mechnikovo PE.

3.7 Government grants related to agriculture

The Ukrainian legislation provides various tax benefits and grants for companies engaged in agriculture. Such benefits and grants are approved by the Supreme Council of Ukraine (SCU), the Ministry of Agrarian Policy, Ministry of Finance, and local authorities.

3.8 Government grants related to plant-breeding

Amount of such benefit is determined based on the number of hectares planted for the future harvest, taking into account the crop expected to be bred.

3.9 Government grants related to cattle-breeding

Agricultural producers of cattle are eligible for government grants, depending on quantity of meat in live weight delivered to processing enterprises.

Agricultural producers of cattle are also eligible for government grants for each animal unit of cattle. The Group recognizes these grants upon the receipt of funds due to the uncertainty in amounts and timeframes of receipt.

3.10 Government grants related to milk production

Agricultural producers of milk are eligible for government grants, depending on the amount of milk delivered to processing enterprises.

3.11 Partial compensation of interest expenses and other grants

The Group's companies, which are the fixed agricultural tax payers are entitled to compensation from the government of share of incurred interest expenses on loans. The amount of the interest compensation depends on the period and purpose of loan. Due to the fact that the payment of interest compensations depends on the capacity of the national budget, they are recognized on a cash basis as other operating income in the income period.

Government grants are not recognized untill there is reasonable certainty that conditions related to grants will be met and that grants will be received. Income and corresponding expenses from government grants are not offset in consolidated statement of comprehensive income.

Government grants related to income are disclosed in "Income from government grants" item of consolidated statement of comprehensive income.

3.12 Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:
Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognized in the income statement.
The Group has not designated any financial assets as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and accounts receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets of such type are accounted for at amortized cost using the effective interest method. Income and expenses are recognized in the consolidated income statement upon derecognition or impairment of loans and receivables, as well as in the process of amortization.

Investments held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. After initial measurement the investments held-to-maturity are measured at amortized cost using the effective interest method. This method involves the use of effective interest rate, which accurately discounts the expected future cash flows over the expected lifetime of a financial asset to its net book value. Income and expenses related to such investments are recognized in the consolidated income statement when the investments are written off from the balance sheet, impaired or depreciated. The Group had no investments held-to-maturity during the reporting periods ended 31 December 2009 and 31 December 2008.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, that were specially transferred in category available-for-sale or that were not transferred in any of three categories indicated below. After initial measurement the financial assets available for sale are measured at fair value, and unrealized gains or expenses are recognized directly in equity until the disposition of assets from the statement of financial position, in which the accrued income or expenses previously recognized in equity are recognized in the statement of comprehensive income, or the moment of determining the impairment of these assets, in which the cumulative loss reflected in equity is recognized in the statement of comprehensive income.

3.13 Financial liabilities

Initial recognition

Financial liabilities, which are within the scope of IAS 39, are classified correspondingly as financial liabilities at fair value through profit or loss, loans and borrowing or derivatives, identified as hedging instruments in effective hedging. The Group classifies its financial liabilities at initial recognition.

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

Financial liabilities of the Group include trade and other accounts payable, bank overdrafts, loans and borrowings, financial guarantee contracts, as well as derivative financial instruments.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired with a view to sale in the near future. This category includes derivatives, in which the Group participates, which do not meet the criteria of hedge accounting under IAS 39.

Income and expenses on liabilities held for trading are recognized in the income statement.

The Group has no financial liabilities designated upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition interest loans and borrowings are measured at amortized cost using the effective interest rate method.

Relevant income and expenses are recognized in the income statement upon derecognition of liabilities as well as amortization.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortized cost of financial instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

3.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Accounts receivable on loans and advances to customers

In respect of amounts receivable on loans and advances to customers reflected at amortized cost, the Group initially assesses whether there is objective evidence of impairment of individually significant financial assets, or collectively by financial assets that are not individually significant. If the Group determines that there is no objective evidence of impairment of individually measured financial asset, regardless of its relevance, it includes the asset in a group of financial assets with similar credit risk characteristics, and then considers these assets for impairment on a collective basis. Assets individually assessed for impairment, at which an impairment loss is recognized or continue to be recognized, are not included in a collective measurement of impairment.

If there is an objective evidence of impairment loss, amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows (excluding future expected credit losses that have not been incurred). The carrying value of the asset is reduced due to the use of an allowance account and the amount of the loss is recognized in the income statement. The interest income at the reduced carrying value is being accrued, based on the initial interest rate of the asset. Loans, together with the corresponding reserves are written-off from the balance sheet if there is no realistic perspective of their recovery in the future, and all the available provision was sold or transferred to the Group. If within the next year the amount of the estimated impairment loss increases or decreases due to an event occurring after the recognition of impairment, the amount of previously recognized impairment loss is increased or decreases by adjusting the allowance account. If the previous writing-off of financial instrument cost is subsequently recovered, the amount of recovery is recognized in the income statement.

The present value of estimated future cash flows is discounted at initial effective interest rate. If the interest rate on the loan is variable, the discount rate for measuring the impairment loss is the current effective interest rate.

3.15 Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

the rights to receive cash flows from the asset have expired; or

the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.16 Property, plant and equipment

Property, plant and equipment are accounted for at historical cost less accumulated depreciation and accumulated impairment losses.

Historical cost of property, plant and equipment includes:

- purchase price, including import duties and taxes which are not refundable, less trade and other discounts;

- any expenses directly attributable to delivery of an asset to the location and condition providing its functioning in accordance with management's intentions;

- initial assessment of costs of dismantling and liquidating an asset and restoring occupied territory, liabilities under which the Group assumes either upon acquisition of property, or as a result of its exploitation during a certain period of time for the purposes not related to the production of inventories during this period.

Cost of assets created in-house includes cost of materials, direct labor costs and corresponding portion of production overheads.

Capitalized costs include major expenses to upgrade and replace parts of assets, which increase their useful lives or improve their ability to generate income. Repair and maintenance costs of property, plant and equipment that do not meet the above criteria for capitalization are charged to profit or loss for the period in which they were incurred.

Depreciable amount is the cost or basic value of an asset, less its residual value.

Residual value of an asset is the estimated amount that the Group would currently receive from sale of property, plant and equipment, less the estimated costs of disposal, if the asset reached the age and condition, in which it will presumably be at the end of its useful life.

Depreciation is provided to write off the depreciable amount over the useful life of an asset and is calculated using the straight-line method.

Depreciation is calculated using straight-line method based on the individual for each object useful life. The estimated useful lives of assets are reviewed and adjusted as necessary at each balance sheet date. Useful lives by groups of property, plant and equipment are as follows:

Buildings	20-50 years
Agricultural equipment	10-15 years
Production equipment	10-20 years
Vehicles and other fixed assets	5-10 years

where “Agricultiral equipment” means specialized tools and machines for farming, “Production equipment” means specialized tools and machines for production of oil, milk and cattle breeding, “Vehicles and other fixed assets” includes non- specialized vehicles and general purpose fixed assets.

Profit or loss arising on disposal or liquidation of items of property, plant and equipment is determined as the difference between sales income and the asset's book value and is recognized in profit or loss.

Construction in progress includes costs directly related to the construction of property, plant and equipment, including corresponding allocation of directly applicable variable overhead costs associated with construction. Construction in progress is not depreciated. Depreciation of construction in progress, similar to other items of property, plant and equipment, begins when these assets are ready for operation, namely, when they are in location and condition providing their operation in compliance with the management's intention.

The Group agreed to use fair value of buildings and constructions, machinery and equipment, vehicles and agricultural machinery as initial value as at the date of transition to IFRS on 31 December 2007. Management used the assessment carried out by independent professional valuers as the fair value at the date of transition to IFRS. Fair value is determined as the amount for which an asset could be exchanged in a transaction between knowledgeable, independent, willing to carry out such a transaction parties. Fair value of assets for which there is an active market was determined on the basis of their market value.

Impairment of property, plant and equipment

At each reporting date the Group assesses whether there is any indication that an item of property, plant and equipment may be impaired. If any such indication exists, management of the Group calculates the recoverable amount of an asset. When it is impossible to measure the recoverable amount of an individual asset, the Group estimates the recoverable amount of a cash generating unit, to which the asset belongs. When it is possible to determine a reasonable and consistent basis of allocation, corporate assets are also distributed to individual cash-generating units; or, otherwise, they are distributed to the smallest groups of cash-generating units, to which it is possible to determine a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate, that reflects current market assessments of time value of money and the risks specific to the asset, for which the adjustment of future cash flows estimation was not performed.

If an impairment loss is subsequently reversed, the asset's book value (or cash generating unit) is increased to the revised recoverable amount, however, in such way that the increased book value does not exceed the book value that would have been determined if impairment loss was not recognized in previous years for the asset (or cash generating unit). Reversal of impairment loss is recognized immediately in profit or loss.

3.17 Biological assets

The Group classifies cattle and plants as biological assets. Biological assets are carried at their fair value less estimated point-of-sale costs, except for the case where the fair value cannot be measured reliably. If fair value cannot be measured reliably, biological assets are carried at cost less impairment. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

Plants are usually carried at their cost that approximately equals to it's fair value, because of the little biological transformation has taken place since initial cost incurrence to the end of the period.

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets.

3.18 Agricultural produce

The Group classifies crops as agricultural produce. Agricultural produce harvested from biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest.

3.19 Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.20 Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.21 Leases

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

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 recognized in the income statement.

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

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

Group as a lessor

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

3.22 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement 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 recognized as a finance cost.

3.23 Segment reporting

In accordance with IFRS 8 (Operating segments), certain data in the financial statements is provided by segments. The segments are those used for internal reporting and provide an assessment of risk and returns. The aim is to provide users of the financial statements with information regarding the profitability and future prospects of the Group's various activities.

The Group defined three segments with activities consolidated according to economic characteristics, products, production processes, customer relationships and methods of distribution.

The segments' activities are as follows:

Segments	**Activities**
Oil	Production, refining, bottling, marketing and distribution of sunflower seed oil and meal.
Agriculture	Trade of crops. Provision of cleaning, drying and grain storage services. Agricultural farming.
Milk	Cattle breeding and production of milk

The reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments. These include in particular the service of trade company and whole-group operations.

The segment data are calculated as follows:

The intersegment sales reflect intragroup transactions effected on an arm's-length basis.

The equity items are those reflected in the statement of financial position and statement of comprehenasive income. They are allocated to the segments where possible. If it’s not possible to allocate, they are divided by the segment share in common group revenue.

3.23 Segment reporting continued

Segment revenues reflect sales of main segment's products (oil, and oil-based products for "Oil" segment; milk and livestock for "Milk" segment; crops and other agricultural products for "Agriculture"). Other revenues are shown separately and include, for example, silo and transport services for external clients.

Segment profit/loss are calculated using common rules for income statement "operational profit".

Financial liabilities are allocated directly to the respective segments. Consequently, the liabilities shown for the individual segments do not include financial liabilities.

3.24 Related parties

For the purposes of these financial statements under IFRS , the parties are considered to be related if one of the parties has the ability to control or substantially influence operating and financing decisions of the other party, which is defined in IAS 24 "Related Party Disclosures".

In considering each case of relations, which may represent relationships between related parties, the content of these relations is taken into account, but not solely their legal form.

Under the existing criteria for definition of related parties, the related parties of the Group are divided into the following categories:

a) Companies, in equities of which the Group's companies have a share;
b) Companies, in equities of which key management personnel has a share;
c) Is a member of key management personnel of the company or its parent company;
d) Companies and individuals having a share in equities of the Group's companies.

4. Significant accounting judgements, estimates and assumptions

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policy, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects both current and future periods.

Critical judgments in applying accounting policies and key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recovery of assets, calculation of depreciation of property, plant and equipment

At each balance sheet date the Group assesses whether there is any indication of possible impairment of an asset. If such indication exists, the Group's management estimates the recoverable amount, which is the higher of fair value less costs to sell and value in use. Calculation of value in use requires management to make estimates and judgments reasonable in the circumstances.

Allowances for doubtful debts and taxes recoverable

Creation of individual allowances for doubtful debts is based on the past experience and management's estimate in relation to debt repayment by individual debtors.

4. Significant accounting judgements, estimates and assumptions continued

Fair valueless costs to sell of biological assets and agricultural produce

Biological assets are recorded at fair values less costs to sell. The Group estimates fair values of biological assets based on the following key assumptions:

- Average productive life of the cattle held for regeneration and milk production
- Expected crops, rape, corn and other plants output
- Estimated changes in future sales prices
- Projected production costs and costs to sell

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

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Allowances for doubtful debts and taxes recoverable

Formation of individual allowances for doubtful debts is based on the past experience and management's estimate concerning debt repayment by individual debtors.

5. Standards issued but not yet effective

IFRS 5: Disclosures required in respect of noncurrent assets (or disposal groups) classified as held for sale or discontinued operations. Amendment to clarify that IFRS 5, 'Noncurrent assets held for sale and discontinued operations', specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. Effective for periods beginning on or after 1 January 2010.To be applied prospectively. Earlier application is permitted.

IFRS 8: Disclosure of information about segment assets. Minor textual amendment to the standard and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Effective for periods beginning on or after 1 January 2010. To be applied retrospectively. Earlier application is permitted.

IAS 1: Current/noncurrent classification of convertible instruments. Clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as noncurrent (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. Effective for periods beginning on or after 1 January 2010. To be applied retrospectively. Earlier application is permitted.

IAS 7: Classification of expenditures on unrecognised assets. Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. To be applied retrospectively. Earlier application is permitted.

IAS 17: Classification of leases of land and buildings. Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17. Effective for periods beginning on or after 1 January 2010. Note: To be applied retrospectively to existing leases if the necessary information is available at the inception of the lease. Otherwise, land leases should be reassessed on the date of adoption of the amendment.

5. Standards issued but not yet effective continued

IAS 18: Determining whether an entity is acting as a principal or as an agent. Additional guidance added to the appendix to IAS 18, 'Revenue', regarding the determination as to whether an entity is acting as a principal or an agent. Appendix is not part of the standard. he amendment is to the appendix to IAS 18; no transition provisions are specified.

IAS 36: Unit of accounting for goodwill impairment test. Amendment to clarify that the largest cashgenerating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8). Effective for periods beginning on or after 1 January 2010. To be applied prospectively. Earlier application is permitted.

IAS 38: Additional consequential amendments arising from IFRS 3 (revised). Amendments to paragraphs 36 and 37 of IAS 38, 'Intangible assets', to clarify the requirements under IFRS 3 (revised) regarding accounting for intangible assets acquired in a business combination.Linked to application of IFRS 3 (revised). If an entity applies IFRS 3 (revised) for an earlier period, the amendment also applies for that earlier period. Measuring the fair value of an intangible asset acquired in a business combination. Amendments to paragraphs 40 and 41 of IAS 8 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. Effective for periods beginning on or after 1 January 2010. To be applied prospectively. Earlier application is permitted.

IAS 39: Treating loan pre-payment penalties as closely related derivatives. Clarification that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract. Scope exemption for business combination contracts. Amendments to the scope exemption in paragraph 2(g) of IAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any requiredapprovals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.

6. Segment information

The Group defines a business segment as a component of an entity that engages in business activities from which it may earn revenues and incur expenses.

The Group identifies the following business segments, which include products and services that differ by the level of risk and conditions of income acquisition:

- Oil
- Agriculture
- Milk

Management monitors the operating performance of each segment separately for the purposes of making decisions about resource allocation and evaluation of their activities. Operating results of segments are evaluated based on operating profits or losses, which, as explained in the table below, are defined in a manner different from that used in respect of profit or loss in the consolidated financial statements.

Segment information on statement of comprehensive income items

	Oil	Milk	Agriculture	Total
	€000	€000	€000	€000
Year ended 31 December 2008				
Revenue:				
External sales	18	156	1 488	1 662
Intersegment sales	34	0	436	470
Revenue - total	52	156	1 924	2 133
Profit of segment	**6**	**(271)**	**946**	**681**

	Oil	Milk	Agriculture	Total
	€000	€000	€000	€000
Other revenue:				
Interest revenue	-	4	33	37
Income tax revenue	6	-	22	28
Expenses:				
Depreciation	(4)	(1)	(73)	(78)
Income (expenses) from change in fair value of biological assets and agricultural products, net	-	102	1 216	1 317
Cost	(46)	(529)	(2 194)	(2 769)
Income tax expense	6	-	21	27
Year ended 31 December 2009				
Revenue:				
External sales	13	152	844	1 009
Intersegment sales	60	0	826	886
Revenue - total	72	152	1 671	1 895
Profit of segment	**(3)**	**(13)**	**820**	**804**
Other revenue:				
Interest revenue	0	0	28	28
Income tax revenue	14	0	33	47
Expenses:				
Depreciation	(11)	(2)	(58)	(71)
Income (expenses) from change in fair value of biological assets and agricultural products, net	-	(23)	542	519
Cost	(75)	(142)	(1 392)	(1 610)
Income tax expense	14	-	33	47

Segment information on statement of financial positions items

	Oil	Milk	Agriculture	Total
	€000	€000	€000	€000
As at 31 December 2007				
Property, plant and equipment	38	8	415	461
Total assets	307	1 116	5 852	7 275
Total liabilities	468	886	4 091	5 445
As at 31 December 2008				
Property, plant and equipment	166	5	273	444
Total assets	290	324	1 846	2 461
Total liabilities	396	91	620	1 108
As at 31 December 2009				
Property, plant and equipment	295	7	352	654
Total assets	358	210	2 179	2 747
Total liabilities	256	51	660	968

7 Sales revenue

	2009	2008
	€000	€000
Revenue from sale of plant breeding products	1 671	1 924
Revenue from sale of cattle breeding products	152	156
Revenue from rendering of services	72	52
	1 895	**2 132**

8 Cost of sales

	2009	2008
	€000	€000
Material costs	(1 206)	(2 776)
Salaries and wages	(206)	(279)
Depreciation	(71)	(78)
Leases	(23)	(32)
Changes in agricultural products, work-in-progress and biological assets	41	557
Other expenses	(145)	(161)
	(1 610)	**(2 769)**

9 Selling and distribution costs

	2009	2008
	€000	€000
Inventory costs	(23)	(12)
Salary and related expenses	(13)	(3)
Third party services	(54)	(72)
	(90)	**(87)**

10 Administrative expenses

	2009	2008
	€000	€000
Salaries and wages of administrative personnel	(61)	(114)
Material costs	(57)	(79)
Rent	(14)	(11)
Bank services	(10)	(12)
Third party services	(56)	(149)
Other expenses	(0)	(1)
	(198)	**(366)**

11 Income from government grants

	2009	2008
	€000	**€000**
Partial compensation of interest expenses and other grants	33	93
Government grants related to plant-breeding	-	20
Government grants related to cattle-breeding	-	16
Government grants related to milk production	44	-
Government grants related to VAT	109	-
	186	**129**

12 Other operating income (expenses), net

		2009	2008
	Note	**€000**	**€000**
Other operating income:			
Income from write-off of accounts payable		2	-
Other income		1	0
Total income		**3**	**0**
Other operating expenses:			
Expenses for uncollected tax invoices reserve		(5)	(5)
Write-off of accounts receivable and advances given		(86)	(10)
Losses from inventories impairment		-	(4)
Recognised fines, penalties		(3)	(5)
Loss from mortality of biological assets of plant and cattle breeding		(37)	(18)
Other expenses		(38)	(16)
Total expenses		**(169)**	**(58)**
Total		**(166)**	**(58)**

13 Financial income (expenses), net

	2009	2008
	€000	**€000**
Accrued interest receivable	28	37
Accrued interest payable	(78)	(89)
	(50)	**(52)**

14 Income/(losses) from exchange difference, net

	2009	2008
	€000	**€000**
Loss from exchange difference	(12)	(347)
Income from exchange difference	7	212
	(5)	**(135)**

15 Salary expenses

	2009	2008
	€000	**€000**
Production personnel	(206)	(279)
Distribution personnel	(13)	(3)
Administrative personnel	(61)	(114)
	(280)	**(396)**

16 Property, plant and equipment

	Buildings	Agricultural equipment	Production equipment	Vehicles and other fixed assets	Construction in progress and uninstalled equipment	Total
	€000	€000	€000	€000	€000	€000
Cost or valuation:						
As at 31 December 2007	**93**	**342**	**3**	**13**	**10**	**461**
Additions	99	54	104	2	-	259
Transfer	-	5	-	-	(5)	-
Exchange adjustment	(58)	(126)	(30)	(5)	(2)	(221)
As at 31 December 2008	**134**	**275**	**77**	**10**	**3**	**499**
Additions	3	147	156	1	13	320
Exchange differences	(9)	(22)	(13)	(0)	(1)	(45)
As at 31 December 2009	**128**	**400**	**220**	**11**	**15**	**774**
Accumulated depreciation						
As at 31 December 2007	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation charge for the	(8)	(66)	(1)	(3)	-	(78)
Exchange differences	2	19	1	1	-	23
As at 31 December 2008	**(6)**	**(47)**	**(0)**	**(2)**	**-**	**(55)**
Depreciation charge for the year	(10)	(53)	(5)	(3)	-	(71)
Exchange differences	1	5	(1)	1	-	6
As at 31 December 2009	**(15)**	**(95)**	**(6)**	**(4)**	**-**	**(120)**
Net book value at December 31, 2007	**93**	**342**	**3**	**13**	**10**	**461**
Net book value at December 31, 2008	**128**	**228**	**77**	**8**	**3**	**444**
Net book value at December 31, 2009	**113**	**305**	**214**	**7**	**15**	**654**

The fair value of property, plant and equipment of all the Group's companies has been measured as at the date of first application, namely on 31.12.2007 by an independent valuer BGS Assets Ltd.

The assessment was conducted in accordance with International Valuation Standards for property. The assessment procedure was carried out for all classes of property, plant and equipment. The fair value of certain items of property, plant and equipment was measured on the basis of cost plus and comparative approaches.

The cost approach involves the definition of present value of costs of reconstruction or replacement of the assessment item with their further adjustment by the depreciation (impairment) amount. Based on the application of this approach, the fair value of certain items of property, plant and equipment was determined in the amount of the replacement of these items. The comparative approach is based on an analysis of sales prices and offers of similar items of property, plant and equipment, taking into account the appropriate adjustments for differences between the objects of comparison and assessment item. Based on the application of this approach, the fair value of property, plant and equipment was determined on the basis of their market value.

16 Property, plant and equipment continued

If the property, plant and equipment were measured using the historical cost accounting method, their carrying value would be as follows:

	31 December, 2009	31 December, 2008	31 December, 2007
	€000	**€000**	**€000**
Buildings	92	103	58
Agricultural equipment	276	202	291
Production equipment	201	73	0
Vehicles and other fixed assets	5	5	7
Construction in progress and uninstalled equipment	15	3	10
	589	**386**	**366**

Net book value of property, plant and equipment by the combinable Group's companies as at 31 December 2009, 31 December 2008 and 31 December 2007 was presented as follows:

	31 December, 2009	31 December, 2008	31 December, 2007
	€000	**€000**	**€000**
Agroliga Ltd	**192**	**110**	**169**
Buildings	10	11	17
Agricultural equipment	178	95	150
Production equipment	2	2	0
Vehicles and other fixed assets	2	2	2
Mechnikovo PE	**76**	**76**	**82**
Agricultural equipment	73	73	77
Vehicles and other fixed assets	3	3	5
Agrokom Nova Vodolga LLC	**292**	**163**	**41**
Buildings	82	92	41
Production equipment	199	71	0
Construction in progress and uninstalled equipment	11	0	0
Liga-A PE	**29**	**37**	**74**
Agricultural equipment	25	34	64
Construction in progress and uninstalled equipment	4	3	10

As at 31 December 2009, 31 December 2008 and 31 December 2007 property, plant and equipment with book value of EUR 37 thousand and 15 EUR thousand, and 8 EUR thousand respectively, were a security for the Group's loans.

17 Non-current biological assets

	31 December, 2009		31 December, 2008		31 December, 2007	
	quantity	€000	quantity	€000	quantity	€000
Cattle	675	242	732	227	817	198
Other	8	2	6	2	8	2
	683	**244**	**738**	**229**	**825**	**200**

Changes in the book value of non-current biological assets during the year ended 31 December 2009 and 31 December 2008, were as follows:

	€000
31 December 2007	**200**
Increase due to the capitalised expenses	47
Increase due the change in fair value	101
Decrease due to the disposal	(25)
Other changes	5
Exchange differences effect	(99)
31 December 2008	**229**
Increase due to purchases	15
Increase due to the capitalised expenses	67
Increase due the change in fair value	(23)
Decrease due to the disposal	(28)
Other changes	1
Exchange differences effect	(17)
31 December 2009	**244**

18 Income tax expense

The Group's companies incorporated in Ukraine and having the status of the income tax payers should pay income tax at a 25% rate of the taxable profit for the year.

The Group's expense components on the income tax for the year ended 31 December 2009 and for the year ended 31 December 2008, were presented as follows:

	2009	2008
	€000	€000
Current income tax	21	-
Deferred income tax expenses / (income)	26	27
Income/(expense) on income tax	**47**	**27**
Income/(expenses) before taxation	481	111
Tax at the rate of 25%	(120)	(28)
Permanent differences not included in the amount of taxes	167	54
Income/(expense) on income tax	**47**	**27**

Net deferred tax liability as at 31.12.2007	**(125)**
Tax charged for the period in income and loss statement	26
Effect from translation into presentation currency	33
Net deferred tax liability as at 31.12.2008	**(66)**
Tax charged for the period in income and loss statement	48
Effect from translation into presentation currency	1
Net deferred tax liability as at 31.12.2009	**(17)**

18 Income tax expense continued

As at 31 December 2009, 31 December 2008 and 31 December 2007 the principal components of deferred tax assets and liabilities were presented as follows:

	31 December 2007	Related to income (loss)	Effect from translation into presentation currency	31 December 2008
Deferred tax liability				
Non-current assets	(14)	(7)	7	(14)
Inventories	(86)	36	17	(33)
Prepayments	(28)	(4)	10	(22)
Total	**(128)**	**25**	**34**	**(69)**
Deferred tax asset				
Advances from clients	0	0	0	0
Reserves and provisions	3	1	(1)	3
Total	**3**	**1**	**(1)**	**3**
Net deferred tax liability	**(125)**	**26**	**33**	**(66)**

	31 December 2008	Related to income (loss)	Effect from translation into presentation currency	31 December 2009
Deferred tax liability				
Non-current assets	(14)	0	1	(13)
Inventories	(33)	(2)	2	(33)
Prepayments	(22)	4	-	(18)
Total	**(69)**	**2**	**3**	**(64)**
Deferred tax asset				
Advances from clients	-	44	(2)	42
Reserves and provisions	3	2	-	5
Total	**3**	**46**	**(2)**	**47**
Net deferred tax liability	**(66)**	**48**	**1**	**(17)**

19 Other non-current assets

	31 December, 2009	31 December, 2008	31 December, 2007
	€000	€000	€000
Advances issued for property, plant and equipment	1	72	90
Loans issued to employees	125	77	474
	126	**149**	**564**

20 Current biological assets

	31 December, 2009	31 December, 2008	31 December, 2007
	€000	€000	€000
Crop planting	165	162	149
	165	**162**	**149**

20 Current biological assets continued

As at 31 December 2009, 31 December 2008, 31 December 2007, planting of crops according to their types was as follows:

	31 December, 2009		31 December, 2008		31 December, 2007	
	area, ha	€000	area, ha	€000	area, ha	€000
Winter wheat planting	1 220,02	101	1 012,66	138	1 051,07	85
Winter rape planting	740,33	64	154,16	24	318,45	64
	1 960,35	**165**	1 166,82	**162**	1 369,52	**149**

Changes in book value of current biological assets during the year ended 31 December 2009 and 31 December 2008, were as follows:

	€000
31 December 2007	**149**
Increase in value due to assets purchase	33
Expenses capitalized in biological assets	241
Decrease in value due to products gathering	(189)
Exchange differences effect	(72)
31 December 2008	**162**
Increase in value due to assets purchase	6
Expenses capitalized in biological assets	201
Decrease in value due to products gathering	(158)
Exchange differences effect	(46)
31 December 2009	**165**

21 Inventories

	31 December, 2009	**31 December, 2008**	**31 December, 2007**
	€000	**€000**	**€000**
Work-in-progress	115	114	118
Agricultural products	428	463	361
Materials of agricultural purpose	23	47	69
Spare parts and building materials	27	24	102
Fuel	18	14	29
Other inventories	291	214	371
	902	**876**	**1 050**

As at 31 December 2008, inventories with book value of EUR 269 thousand were a security for the Group's loans.

22 Trade and other receivables

	31 December, 2009	**31 December, 2008**	**31 December, 2007**
	€000	**€000**	**€000**
Trade accounts receivable denominated in UAH	280	244	110
Doubtful debt reserve	(66)	(9)	(17)
	214	**235**	**93**

23 Prepayments and other current assets, net

	31 December, 2009	31 December, 2008	31 December, 2007
	€000	€000	€000
Prepayments made to suppliers	249	30	4 295
Other accounts receivable	203	39	17
Doubtful debt reserve	(30)	(9)	(9)
VAT for reimbursement	29	105	163
VAT reserve	(11)	(6)	(4)
	439	**158**	**4 462**

As at 31.12.07 prepayments received from LLC "Ritor" and LLC "Visantos Group" are recorded in the amount of EUR 1 685 thousand and EUR 2 555 thousand, correspondingly, which in 2008 were recovered through repayment to suppliers.

In accordance with the amendments to the Law of Ukraine "On Value Added Tax" effective since 01 January 2009, VAT negative balance arising on agricultural transactions is not transferred as a reduction in future liabilities to the budget - it should be included in costs. VAT as at 31 December 2008 which was not repaid by the tax liabilities based on the results of January 2009 amounts to EUR 208 thousand. The Group did not expect to receive economic benefits from the asset, therefore this amount of agricultural VAT has been eliminated from the asset as at 31.12.2008.

VAT amounts for reimbursement as at 31 December 2009 and 31 December 2008 and 31 December 2007, were presented by balance of amounts to be reimbursed by tax authorities. The Group's management believes it is able to reimburse VAT amount for reimbursement and prepayment in full in the nearest future.

24 Change in allowances accrued

	Note	2009	2008
		€000	€000
Balance as at 31 December 2007		**(24)**	**(30)**
Write-off of accounts receivable and advances given	12	(86)	(10)
Expenses for uncollected tax invoices reserve	12	(5)	(5)
Accounts receivable written-off		2	10
Exchange difference arising from revaluation		6	11
Balance as at 31 December 2008		**(107)**	**(24)**

25 Cash and cash equivalent

	31 December, 2009	31 December, 2008	31 December, 2007
	€000	€000	€000
Cash in banks	2	24	295
Cash on hand	0	0	1
	2	**24**	**296**

26 Trade and other payables

	31 December, 2009	31 December, 2008	31 December, 2007
	€000	€000	€000
Trade accounts payable denominated in UAH	172	36	29
Advances received	165	0	3 927
Short-term notes issued	28	29	0
Taxes payable	66	75	399
Other accounts payable	328	471	893
	759	**611**	**5 248**

As at 31.12.07 prepayments issued to LLC "Visantos Group" are recorded in the amount of EUR 3903 thousand, which in 2008 were recovered through repayment to buyers.

As at 31 December 2009 and 31 December 2008 short-term notes issued were presented as promissory, interest-free, inscribed demand notes issued.

27 Interest-bearing loans and borrowings

	31 December, 2009	31 December, 2008	31 December, 2007
	€000	€000	€000
Bank loans in national currency	175	184	69
Bank loans in foreign currency	-	242	-
Short-term loan from nonfinancial institutions	2	-	-
	177	**426**	**69**

27 Interest-bearing loans and borrowings continued

Short-term loans as at 31.12.2009

Creditor	Type of loan	%	Currency	Date of receipt	Maturity date	Amount outstanding
Ukrainian bank	renewable credit line	26%	UAH	24.11.08	18.11.2010	149
Ukrainian bank	overdraft	24-26%	UAH	10.04.09	26.03.2010	26
Nonfinancial institution	commodity loan	24%	EUR	08.09.09	08.09.10	2
						177

As at 31.12.09 short-term credit contracts were pledged by inventories amounting to EUR 269 thousand.

Short-term bank loans as at 31.12.2008

Creditor	Type of loan	%	Currency	Date of receipt	Maturity date	Amount outstanding
Ukrainian bank	renewable credit line	20%	UAH	21.11.08	19.11.09	184
Ukrainian bank	overdraft	11,75%	USD	15.05.08	28.12.08	243
						427

As at 31.12.08 short-term credit contracts issued by LLC Agroliga in the national currency were pledged by a deposit amounting to EUR 184 thousand.

Short-term bank loans as at 31.12.2007

Creditor	Type of loan	%	Currency	Date of receipt	Maturity date	Amount outstanding
Ukrainian bank	renewable credit line	16%	UAH	04.06.07	04.01.08	68
Ukrainian bank	overdraft	18%	UAH	04.04.07	03.31.08	1
						69

28 Related party disclosure

For the purposes of the financial statements, the parties are considered to be related if one of the parties has a possibility to control the other party or exert significant influence over the other party in making financial or operational decisions. In considering the relations with each related party, special attention should be given to the substance of these relations, not merely their legal form.

Related parties can carry out transactions, which may not always be available for unrelated parties, and they may be performed on special conditions and using amounts that are impossible in transactions with unrelated parties.

28 Related party disclosure continued

Individuals (as well as their family members) who exert significant influence over the Group's Companies as at 31 December 2009, 31 December 2008 and 31 December 2007:

Name of related party	Character of relations with the Group
O. Berdnyk	Principal Owner of the Group
I. Poplavskaya	Principal Owner of the Group
A. Oleinik	Director of Agrokom Nova Vodolaga LLC
S. Sytnik	Director of Mechnikovo PE
L.Kazanina	Chief Accountant of Mechnikovo PE
M. Tamaryan	Director of Agroliga Ltd

Trade and other receivables

	31 December, 2009	31 December, 2008	31 December, 2007
Name of related party	**€000**	**€000**	**€000**
O. Berdnyk	-	1	1
I. Poplavskaya	24	26	-
	24	**27**	**1**

Prepayments and other current assets, net

	31 December, 2009	31 December, 2008	31 December, 2007
Name of related party	**€000**	**€000**	**€000**
O. Berdnyk	54	12	-
I. Poplavskaya	37	-	-
M. Tamaryan	34	-	-
	125	**12**	**0**

Trade and other payables

	31 December, 2009	31 December, 2008	31 December, 2007
Name of related party	**€000**	**€000**	**€000**
O. Berdnyk	256	319	570
I. Poplavskaya	18	33	34
A. Oleinik	41	92	135
M. Tamaryan	-	7	89
	315	**451**	**828**

Other non-current assets

Name of related party	31 December, 2009 €000	31 December, 2008 €000	31 December, 2007 €000
O. Berdnyk	77	76	204
I. Poplavskaya	24	-	270
M. Tamaryan	18	-	-
	119	**76**	**474**

Sales revenue

Name of related party	2009 €000	2008 €000
I. Poplavskaya	-	36
	-	**36**

Acquisitions

Name of related party	2009 €000	2008 €000
O. Berdnyk	2	12
I. Poplavskaya	32	33
M. Tamaryan	8	-
	42	**45**

Selling and distribution costs

Name of related party	2009 €000	2008 €000
O. Berdnyk	-	10
I. Poplavskaya	-	47
S. Sytnik	9	-
M. Tamaryan	-	14
L. Kazanina	9	
	18	**71**

Administrative expenses

Name of related party	2009 €000	2008 €000
I. Poplavskaya	9	29
M. Tamaryan	-	44
L. Kazanina	14	-
	23	**73**

Amount of remuneration of key management personnel of the Group for the year ended 31 December 2009 and 31 December 2008 amounted to EUR 22 thousand and EUR 23 thousand, respectively. Remuneration was carried out, mainly, in form of wages and salaries, as well as contributions to a social security fund.

29 Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash that arrive directly from its operations.

As at 30 June 2009, 31 December 2008 and 31 December 2007, the financial assets and financial liabilities of the Group's companies were presented as follows:

	31 December, 2009	31 December, 2008	31 December, 2007
Financial assets	€000	€000	€000
Deposit	0	184	0
Cash and cash equivalent	2	24	296
Trade and other receivables	214	235	93
	216	**443**	**389**

	31 December, 2009	31 December, 2008	31 December, 2007
Financial liabilities	€000	€000	€000
Trade accounts payable denominated in UAH	172	36	29
Short-term notes issued	28	29	0
Other accounts payable	328	471	893
Interest-bearing loans and borrowings	177	426	69
Provisions	15	5	3
	720	**967**	**993**

The Group is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risks, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments, and derivative financial instruments.

Credit risk

The Group is exposed to credit risk. Credit risk is the risk of financial loss for the Group in case of customer's non-fulfilment of its obligations under the financial instrument or respective contract. The Group structures the level of credit risk assumed by setting limits on the amount of risk accepted in relation to one customer or group of customers. The Group has no formalized policy of loan periods for customers; sales are made on a prepayment basis or under long-term contracts after payment for previous sales and when fulfilment of a contract is guaranteed by a reliable third party.

Management of the Group regularly approves and monitors credit risk in respect of each customer.

Carrying value of financial assets represents the maximum level of credit risk for the Group.

Classification of accounts receivable by maturities as at 31 December 2009, 31 December 2008 and 31 December 2007 is presented as follows:

Credit risk continued

	31 December, 2009	Allowance for doubtful debts	31 December, 2008	Allowance for doubtful debts	31 December, 2007	Allowance for doubtful debts
Undue	21	-	57	-	8	-
past due 0-3 months	50	-	118	-	-	-
past due 3 - 6 months	54	-	31	-	49	-
past due 6 months - 1 year	89	-	29	-	36	-
past due over 1 year	66	(66)	9	(9)	17	(17)
	280	**(66)**	**244**	**(9)**	**110**	**(17)**

The Group has no formalized policy on credit limits for its customers. Before accepting any new customer, the Group assesses credit quality of a potential customer based on the analysis of its financial position and other available information.

Special allowance of 100% is established for accounts receivable that are considered to be bad.

Management of the Group considers that accounts receivable overdue by less than 1 year will be repaid in full and it is not necessary to create an allowance for this amount.

Liquidity risk

Liquidity risk arises in the financing of the Company's overall activities and solvency management. It includes the risk of failure to finance the assets with the resources corresponding by maturities and rates, as well as the risk of failure to realize an asset at an established price in time.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit contracts provided by suppliers, bank loans and borrowings.

The table below demonstrates the breakdown by maturities of the Company's financial liabilities, based on the amounts of contractual non-discounted payments as at 31 December 2009.

	less than 3 months	3-6 months	6- 12 months	over one year
Trade and other payables	202	79	266	-
	202	**79**	**266**	**-**

The table below demonstrates the breakdown by maturities of the Company's financial liabilities, based on the amounts of contractual non-discounted payments as at 31 December 2008.

	less than 3 months	3-6 months	6- 12 months	over one year
Trade and other payables	160	121	277	-
	160	**121**	**277**	**-**

The table below demonstrates the breakdown by maturities of the Company's financial liabilities, based on the amounts of contractual non-discounted payments as at 31 December 2007.

	less than 3 months	3-6 months	6- 12 months	over one year
Trade and other payables	544	13	9	-
	544	**13**	**376**	**-**

Foreign currency risk

Currency risk lies in a possibility of changes in fair value of future cash flows associated with a financial instrument as a result of changes in currency exchange rates. The Group is exposed to this risk, mainly, through the use of USD in operating activities in transactions with foreign counterparties, in financing activities through borrowings, as well as during preparation of financial statements in presentation currency different from functional currency.

The Group's exposure to foreign currency risk, based on book value, was as following:

	31 December, 2009	31 December, 2008	31 December, 2007
	€000	€000	€000
Short-term bank loans	-	243	-
Short-term loan from nonfinancial institutions	2	-	-
	2	243	-

The following table represents analysis of sensitivity of profit before tax to potential change in currency exchange rates on the assumption that all the other parameters remain unchanged.

	Increase / decrease in exchange rate	Effect on profit before tax
For the year ended 31.12.2008		
USD	+15%	**36**
USD	-15%	**(36)**

Interest rate risk

Interest rate risk reflects the risk of changes in fair value of future cash flows associated with a financial instruments as a result of changes in market interest rates.

Bank loans of the Group are presented as short-term credit lines for a period of no longer than 1 year. All bank loans have fixed interest rates.

Capital management

The Group manages its capital to guarantee that it will be able to continue as a going concern, while providing maximum profits to participants, by optimizing a balance of debt and equity. The Group regularly analyses its capital structure. Based on the results of this analysis, the Group's management takes steps to balance the overall capital structure by attracting new funds or repaying existing debt, as well as changing participants' equity.

	31 December, 2009	31 December, 2008
	€000	€000
Interest-bearing loans and borrowings	177	426
Other current liabilities	0	0
Total amount of borrowings	**177**	**426**
Cash and cash equivalent	2	24
Deposit	0	184
Net debt	**175**	**218**
Share capital	25	25
Retained earnings	2 418	1 899
Exchange rate effect	-707	-605
Total equity	**1 735**	**1 318**
Total equity and net debt	**1 910**	**1 536**
Financial leverage ratio	**9%**	**14%**

30 Contingent and contractual liabilities

Economical environment - Main operating activity of the Group is carried out within Ukraine. Laws and other regulatory acts affecting the economical environment in Ukraine may be subject to frequent changes. As a result, assets and transactions of the Group may be exposed to risk in case of any unfavorable changes in political and economical environment.

Taxation - As a result of instable economic situation in Ukraine, Ukrainian tax authorities pay increasing attention to business circles. Accordingly, 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 norms may lead to serious fines and penalties accrued. Additional liabilities may be identified as a result of future tax inspections, that may not correspond to the Group's tax reporting. Such liabilities may represent taxes, as well as fines and penalties, and their amounts may be significant.

Legal matters - In the course of its economic activity the Group participates in legal proceedings in course of its normal business activities. The Group’s management considers that the final decisions made by judical authorities on these matters will have no significant influence on the Group's financial position or financial result.

Liabilities for contracts of operating lease of property, plant and equipment - as at 31 December 2009, 31 December 2008 and 31 December 2007 the Group had no significant contractual liabilities for operating leases.

31 Events after the balance sheet date

1. On 15.03.10, authorized capital of PE "Mechnikovo" was increased by means of additional asset contribution in the form of 247 heads of cattle amounting of EUR 10 thousand.

2. On 15.03.10, LLC "Group of Companies Agroliga" was established, which upon the establishment received corporate rights for the group companies, namely: 100% for PE "Liga-A", 95% for LLC "Agroliga", 100% for PE "Mechnikovo" and 80% for LLC "Agrokom Novaya Vodolaga". LLC "Group of Companies Agroliga" is registered in Dvurechanskiy district of Kharkov region; it is the subject of Ukrainian law and a taxpayer in accordance with Ukrainian legislation.

3. On 15.04.10, sowings of winter rape, that were listed in the balance sheet as at 31.12.2009, were considered missing as a result of adverse weather conditions. Losses are estimated of EUR 37 thousand.

4. On 04.06.10, a credit contract between PE "Mechnikovo" and JSC "Raiffeisen Bank Aval" was negotiated in the amount of UAH 5 000 000 with maturity 04.30.11. The loan will be used to replenish working capital.

5. On 08.08.10, AGROLIGA GROUP PLC joined the Group. The company is registered in the Republic of Cyprus on 23.06.10 and is the subject of Cyprus law and a taxpayer in accordance with Cyprus legislation.

6. On 25.08.10, AGROLIGA GROUP PLC became the sole owner of LLC "Group of Companies Agroliga". Thus, the formation of vertical legislative structure of the holding was completed.