

THE GROUP OF COMPANIES "UKRZERNOPROM AGRO"

Consolidated financial statements of the Group of companies "Ukrzernoprom Agro"

for the year ended 31 December 2008

Kyiv
Ukraine
2009

CONTENTS

	Page
Statement of management responsibilities for the preparation and approval of consolidated financial statements for the year ended 31 December 2008	3
Independent auditors' report	4-5
Consolidated financial statements for the year ended 31 December 2008	
Consolidated income statement	6
Consolidated balance sheet	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9-10
Notes to consolidated financial statements	11-51

**STATEMENT OF MANAGEMENT RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 2008, as well as results of its activities, cash flows and changes in equity for the year ended 31 December 2008, in compliance with International Financial Reporting Standards ("IFRSs").

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 IFRSs concepts or disclosure of all material departures from IFRSs 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:

- design and implementation of an effective and reliable internal control in the Group;
- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and ensure the compliance of the consolidated financial statements with IFRSs;
- accounting records maintenance in compliance with the legislations of those countries, in which the Group's companies are registered;
- taking reasonable steps to safeguard the assets of the Group;
- detection of and prevention from frauds and errors and other irregularities.

This information prepared according to IFRSs is approved on behalf of the Group's management.

On behalf of the Group's management:

Evgeniy Leng
Managing Director

Mikhail Golubitskiy
Financial Director

Notes on pages 11-51 form an integral part of these consolidated financial statements under IFRSs. Independent auditor's report on the consolidated financial statements under IFRSs is presented on pages 4-5.

INDEPENDENT AUDITORS' REPORT

To Owners of the Group of companies "Ukrzernoprom-Agro"

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of the Group of companies "Ukrzernoprom", which comprise the consolidated balance sheet as at 31 December 2008, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2008, summary of significant accounting policies and other explanatory notes.

Management's Responsibility

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

Auditor's Responsibility

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

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. Audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management.

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

The basis for qualified audit opinion on the consolidated financial statements for the year ended 31 December 2007:

1. We did not participate in the stocktaking of inventories and agricultural products available as at 31 December 2007, since this date precedes to our assignment as the Group's auditors. Due to the nature of the Group's business, we were unable to satisfy ourselves as to the quantity of inventories and agricultural products as at 31 December 2007 and confirm the corresponding expenses as a part of the consolidated income statement under IFRS for the year ended 31 December 2007, using other audit procedures.

2. Due to the nature of the accounting records of several Group's subsidiaries, we had no opportunity to obtain sufficient audit evidence as to the historical cost of certain items of property, plant and equipment included in these consolidated financial statements under IFRS at the book value in the amount of UAH 898 thousand as at 31 December 2007.

We are not able to assess the effect of these modifications for the year ended 31 December 2007 on the consolidated financial statements for the year ended 31 December 2008.

The basis for qualified opinion on the consolidated financial statements for the year ended 31 December 2008:

1. We did not participate in the stocktaking of inventories, agricultural products and current biological assets available as at 31 December 2008, since this date precedes to our assignment as the Group's auditors. Due to the nature of the Group's business, we were unable to satisfy ourselves as to the quantity of inventories, agricultural products and current biological assets as at 31 December 2008 and confirm the corresponding expenses as a part of the consolidated income statement under IFRS for the year ended 31 December 2008, using other audit procedures.

2. Due to the nature of the accounting records of several Group's subsidiaries, we had no opportunity to obtain sufficient audit evidence as to the historical cost of certain items of property, plant and equipment included in these consolidated financial statements under IFRS at the book value in the amount of UAH 796 thousand as at 31 December 2008. We are not able to assess the effect of this misstatement on the consolidated financial statements for the year ended 31 December 2008.

Qualified Opinion

In our opinion, except for the influence on the consolidated financial statements of issues, stated in previous paragraph, the consolidated financial statements give a true and fair view of the Group's financial position as at 31 December 2008, its financial performance and cash flows for the year, ended 31 December 2008, in compliance with International Financial Reporting Standards.

Managing Partner

“BAKER TILLY UKRAINE” LLP

Alexander Pochkun

XX xxxxxxxx 200X

Kyiv, Ukraine

Registration No. XXX

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
SALES REVENUE	4	155 907	90 902
COST OF SALES	5	(129 391)	(82 703)
	18		
Net change in the fair value of agricultural products and biological assets		7 940	12 530
GROSS PROFIT		34 456	20 729
OPERATING EXPENSES			
Distribution costs	6	(9 987)	(7 082)
General and administrative expenses	7	(19 165)	(6 284)
Income from government grants	8	9 670	8 320
Other operating income /(expenses), net	9	(9 750)	(4 426)
Financial income/(expenses), net	11	(5 604)	(7 337)
Foreign exchange gains/(losses), net	10	(27 222)	(1 086)
PROFIT BEFORE TAX		(27 602)	2 834
Income tax	13	196	141
NET PROFIT		(27 406)	2 975
NET PROFIT/(LOSS) FOR THE PERIOD			
Shareholders of the Group of companies "Ukrzernoprom Agro"		(27 699)	2 693
Minority interest		293	282

On behalf of the Group's management:

 Evgeniy Leng
 Managing Director

 Mikhail Golubitskiy
 Financial Director

Notes on pages 11-51 form an integral part of these consolidated financial statements under IFRSs. Independent auditor's report on the consolidated financial statements under IFRSs is presented on pages 4-5.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
КОНСОЛИДИРОВАННЫЙ БАЛАНС
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

ASSETS	Note	31 December 2008	31 December 2007
Non-current assets			
Property, plant and equipment, net	14	85 741	36 179
Intangible assets	15	285	-
Deferred tax asset	13	548	320
Non-current financial investments	16	1 469	270
Other non-current investments	17	3 096	12
Total non-current assets		91 139	36 781
Currents assets			
Current biological assets	18	96 399	36 816
Inventories	19	24 545	14 713
Agricultural products	20	22 584	1 329
Trade and other receivables, net	21	13 854	21 682
Prepayments to suppliers, net	22	18 617	9 603
Taxes recoverable and prepaid, net	23	11 749	4 836
Income tax prepayment		167	-
Short-term deposits	25	20 000	-
Cash	24	1 379	1 200
Other current assets	26	19 327	2
Total current assets		228 621	90 181
TOTAL ASSETS		319 760	126 962
LIABILITIES AND EQUITY			
Equity			
Share capital		220 700	23 098
Retained earnings		(6 814)	19 847
Total equity attributable to equity holders of the parent		213 886	42 945
Minority interest		2 300	985
Total equity		216 186	43 930
Non-current liabilities			
Long-term loans	28	70 343	14 877
Interest payable on long-term loans		1 873	-
Deferred income	8	932	-
Deferred tax liabilities	13	20	-
Total non-current liabilities		73 168	14 877
Current liabilities			
Short-term loans	29	6 630	60 296
Trade and other payables	30	13 129	4 442
Advances from customers	31	4 340	628
Accruals and provisions	32	5 899	2 429
Taxes payable	33	408	360
Total current liabilities		30 406	68 155
TOTAL LIABILITIES AND EQUITY		319 760	126 962

On behalf of the Group's management:

Evgeniy Leng
Managing Director

Mikhail Golubitskiy
Financial Director

Notes on pages 11-51 form an integral part of these consolidated financial statements under IFRSs. Independent auditor's report on the consolidated financial statements under IFRSs is presented on pages 4-5.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

	Share capital	Retained earnings	Total equity attributable to shareholders	Minority interest	Total equity
Balance as at 31 December 2007	23 098	19 847	42 945	985	43 930
Increase in share capital	197 602	-	197 602	2 060	199 662
Net profit for the year	-	(27 699)	(27 699)	293	(27 406)
Effect from the Group's reorganizatio	-	1 038	1 038	(1 038)	-
Balance as at 31 December 2008	220 700	(6 814)	213 886	2 300	216 186

CONSOLIDATED/COMBINED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital	Retained earnings	Total equity attributable to shareholders	Minority interest	Total equity
Balance as at 31 December 2006	23 186	17 133	40 319	698	41 017
Net profit for the year	-	2 693	2 693	282	2 975
Effect from the Group's reorganizatio	(88)	21	(67)	5	(62)
Balance as at 31 December 2007	23 098	19 847	42 945	985	43 930

On behalf of the Group's management:

 Evgeniy Leng
 Managing Director

 Mikhail Golubitskiy
 Financial Director

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

	Year ended 31 December 2008	Year ended 31 December 2007
OPERATING ACTIVITIES:		
Profit before tax	(27 602)	2 834
Adjustments to reconcile profit before tax with net cash received in operating activities:		
Depreciation and amortization	9 038	6 790
Change in provision for doubtful debts	(1 806)	(289)
Loss from crop failure	1 909	3 889
Accrued interest payable	6 020	7 337
Accrued interest receivable	(3 138)	-
Loss from exchange differences, net	27 496	1 086
Gain/loss from disposal/writing-off of non-current assets	99	(64)
Expenses on discounting of non-current liabilities	2 722	-
Net change in the fair value of agricultural products and biological assets	(7 940)	(12 530)
Expenses on impairment of agricultural VAT	6 633	-
Expenses on provisions	1 556	257
Operating profit before changes in working capital	14 987	9 310
Changes in working capital:		
Changes in trade accounts receivable	5 782	(1 258)
Changes in taxes recoverable and prepaid, net	(13 546)	(675)
Changes in other current assets	(136)	5
Changes in current biological assets	(53 552)	(29 045)
Changes in inventories	(9 832)	2 750
Changes in agricultural products	(21 255)	14 018
Changes in prepayments to suppliers	(2 133)	(3 824)
Changes in deferred income	932	-
Changes in accounts payable	7 878	(3 731)
Changes in advances from customers	3 712	160
Changes in taxes payable	45	(30)
Changes in accruals and provisions	1 914	1 694
Cash used in operating activities	(65 203)	(10 626)
Interest on loans paid	(4 147)	(7 400)
Interest on loans received	2 875	-
Income tax paid	(176)	(2)
Net cash used in operating activities	(66 651)	(18 028)
INVESTMENT ACTIVITIES:		
Acquisition of property, plant and equipment	(30 860)	(15 970)
Acquisition of intangible assets	(370)	-
Cash inflows from disposal of property, plant and equipment	3	76
Purchase of securities	(6 950)	-
Acquisition of property participatory interests and other non-current investments	(2 369)	-
Net cash used in investment activities	(40 546)	(15 894)

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

FINANCING ACTIVITIES:

Proceeds from loans	53 196	71 517
Repayment of loans	(77 873)	(36 638)
Cash contributions to share capital	152 054	117
Increase in short-term deposits	(20 000)	-
Distribution of profit to shareholders	-	(179)
Net cash received from financing activities	107 377	34 817
NET INCREASE IN CASH	180	895
CASH at the beginning of the period	1 200	305
CASH at the end of the period	1 379	1 200

On behalf of the Group's management:

 Evgeniy Leng
 Managing Director

 Mikhail Golubitskiy
 Financial Director

Notes on pages 11-51 form an integral part of these consolidated financial statements under IFRSs. Independent auditor's report on the consolidated financial statements under IFRSs is presented on pages 4-5.

**LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

(in UAH thousand, unless otherwise stated)

1. SCOPE OF ACTIVITIES

These consolidated financial statements under IFRS comprise the financial statements of Limited Liability Company "Ukrzernoprom Agro" (hereinafter the "Parent company") and its subsidiaries (hereinafter jointly The Group of companies "Ukrzernoprom Agro" or "Group").

The Group carries on its business activities within Ukraine. The Head Office of the Parent Company is located at the address: 34-c Moskovskiy ave., Kyiv, Ukraine.

The Group was originated in 1999, when the Principal ultimate owners established a number of companies. As at 1 January 2007 the Group had no Parent company and represented a combination of companies under the control and management of the Principal ultimate owners. During 2007, the Principal ultimate owners decided to transfer the control over combined companies to one holding company LLC "Ukrzernoprom Agro". As at 31 December 2007 the restructuring of the Group was completed.

The main direction of the Group's activities is production of cereal and oil crops (mainly, wheat, rape, barley and sunflower). The Group produces and sales its products in twelve regions of Ukraine.

As at 31 December 2008 and 31 December 2007 the Group comprised thirty and sixteen companies, respectively, which were registered in Ukraine. The list of subsidiaries and their main activities were presented as follows:

Name of company	Effective ownership ratio, % as at 31 December 2008	Effective ownership ratio, % as at 31 December 2007
The principal activity - Cultivation of agricultural products		
LLC "Djerelo"	99,993%	99,000%
Subsidiary "Khlebodar" of CJSC "Ukrzernoprom"	100,000%	100,000%
LLC "Ukrzernoprom-Shevchenkove"	99,996%	99,000%
Subsidiary "Zernjatko"	99,965%	99,848%
LLC "Ukrzernoprom-Pogrebische"	99,996%	99,000%
Subsidiary "Kolosyste"	99,072%	91,340%
Subsidiary "Pivdenne"	99,965%	99,848%
LLC "Stepove"	91,697%	99,908%
LLC "Ukrzernoprom-Berdychiv"	99,995%	99,000%
LLC "Ukrzernoprom-Kozyatyn"	99,997%	99,000%
LLC "Ukrzernoprom-Starokonstantiniv"	99,997%	99,000%
LLC "Ukrzernoprom-Derajnya"	99,997%	99,000%
LLC "Ukrzernoprom-Ujutne"	99,000%	-
LLC "Ukrzernoprom-Troianiv"	99,000%	-
LLC "Ukrzernoprom-Krasyliv"	99,923%	-
LLC "Ukrzernoprom-Izmail"	99,000%	-
LLC "Ukrzernoprom-Ivankyv"	99,000%	-
LLC "Ukrzernoprom-Novomyrhorod"	99,000%	-
LLC "Ukrzernoprom-Romaniv"	99,000%	-
LLC "Ukrzernoprom-Sonjachne"	99,000%	-
LLC "Ukrzernoprom-Koparani"	99,900%	-
LLC "Ukrzernoprom-Drujba"	99,000%	-
LLC "Ukrzernoprom-Kirovske"	99,900%	-
LLC "Ukrzernoprom-Prudi"	99,900%	-
LLC "Ukrzernoprom-Elyzavetove"	99,900%	-
The principal activity - Rendering of services, lease		
Subsidiary of OJSC "Zheltovodskiy khlebzavod" "Khlebproduct"	100,000%	100,000%
LLC "Peremoga"	99,072%	91,340%
LLC "Ukrzernoprom-Polissia"	99,965%	99,848%
LLC "Agro-Garaj"	99,900%	-

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

For the year ended 31 December 2008, the following changes took place in the Group's structure:

There was an increase of share capital at the subsidiaries, as a result of which the effective ownership ratio changed as follows: an increase by 0,993% at LLC "Djereło", by 0,117% at LLC "Ukrzernoprom-Polissia", by 7,732% at LLC "Peremoga", by 0,995% at LLC "Ukrzernoprom-Berdychiv", by 0,997% at LLC "Ukrzernoprom-Kozyatyn", LLC "Ukrzernoprom-Derajnya" and LLC "Ukrzernoprom-Starokonstantyniv", by 0,996% at LLC "Ukrzernoprom-Shevchenkove" and LLC "Ukrzernoprom-Pogrebische". As a result of increase in the share capital, the effective ownership ratio decreased by 8.211% at LLC "Stepove".

For the year ended 31 December 2008, the effective ownership ratios at the Subsidiaries "Zernjatko" and "Pivdenne" increased by 0,117% due to the increase in the effective ownership ratio by 0,117% at LLC "Ukrzernoprom-Polissia", whose share in the equities of these companies is 100%. For the year ended 31 December 2008, the effective ownership ratio at Subsidiary "Kolosyste" increased by 7.732% due to the increase of the effective ownership ratio of LLC "Peremoga" by 7.732%, whose share in the equity of this company is 100%.

For the year ended 31 December 2008, LLC "Ukrzernoprom Agro" established 14 new companies: LLC "Ukrzernoprom-Krasyliv", LLC "Ukrzernoprom-Izmail", LLC "Ukrzernoprom-Ivankyy", LLC "Ukrzernoprom-Novomyrhorod", LLC "Ukrzernoprom-Romaniv", LLC "Ukrzernoprom-Sonjachne", LLC "Ukrzernoprom-Koparani", LLC "Ukrzernoprom-Drujba", LLC "Ukrzernoprom-Kirovske", LLC "Ukrzernoprom-Prudi", LLC "Ukrzernoprom-Elyzavetove", LLC "Ukrzernoprom-Ujutne", LLC "Ukrzernoprom-Troianiv", LLC "Agro-Garaj", which were included into the Group as at 31 December 2008.

For the year ended 31 December 2007, the following changes took place in the Group's structure:

The Parent company was established on 13 March 2007 with a share capital of UAH 23 098 thousand, presented by the contributions of the Principal ultimate owners (Note 28). The Principal ultimate owners re-registered their shares in the combined subsidiaries of the Group to the Parent company at the nominal value amounting to UAH 23 098 thousand. As a result of the above transactions, the equity of listed subsidiaries was transferred from the combined equity as at 31 December 2006 into the consolidated equity as at 31 December 2007, and the excess of net assets in combined subsidiaries over the amount of the Parent Company's equity at the date of reorganization was reflected in retained earnings.

As a result of the Group's reorganization, 0.09% of shares in LLC "Stepove", and by 1% of shares in LLC "Ukrzernoprom-Derajnya", LLC "Ukrzernoprom-Kozyatyn", LLC "Ukrzernoprom-Pogrebische", LLC "Ukrzernoprom-Starokonstantyniv" and LLC "Ukrzernoprom-Shevchenkove", previously held by the Principal ultimate owners were not re-registered to the Parent company, thereby increasing the minority interest as at 31 December 2007. The increase in minority interest as at the reorganization date was reflected by a corresponding decrease in the amounts of retained earnings as a part of net assets attributable to the shareholders.

LLC "Ukrzernoprom Agro" established a new company, LLC "Ukrzernoprom-Berdychiv", which was included into the Group as at 31 December 2007.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

2. BASIC PRINCIPLES OF FINANCIAL STATEMENTS PRESENTATION

Statement of compliance

Until 31 December 2006 the Group did not prepare its consolidated /combined financial statements in compliance with requirements of IFRSs. Until 31 December 2006 each of the Group's companies prepared their stand alone financial statements in compliance with Ukrainian GAAP.

The date of the Group's transition to the financial statements preparation in compliance with IFRSs should be considered 31 December 2006. The balance sheet date of the Group's first financial statements prepared in compliance with the requirements of IFRSs is 31 December 2008.

These consolidated financial statements (the financial statements hereinafter) are prepared in compliance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB) and interpretations issued by International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policy applied for the preparation of these financial statements is described in Note 3.

Basis of presentation

The accompanying financial statements are prepared under the historical cost accounting except for biological assets, agricultural products, financial instruments at fair value.

Going concern

These financial statements are prepared on the going concern basis, which implies disposal of assets and settlement of liabilities in the normal course of activities.

Use of accounting estimates

Application of IFRSs requires the use of reasonable assumptions and estimates affecting the presentation of assets and liabilities in the financial statements, and disclosure of contingent assets and liabilities as at the balance sheet date. The actual results may differ from such estimates.

Functional and presentation currency

The functional currency of the Parent company and each subsidiary is Ukrainian hryvnia ("UAH"). The Parent company also chose this currency as a presentation currency for the Group.

Structure of financial statements

The complete set of the Group's financial statements includes the following components: the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows, notes to consolidated financial statements, including a summary of significant accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control measures exercised by the Group over the company.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(in UAH thousand, unless otherwise stated)

Subsidiaries are consolidated from the date of actual transfer to the Group of the control over their transactions and are excluded from consolidation from the date of control termination.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intercompany transactions, balances and unrealized gains on transactions between the Group's companies are eliminated. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Transactions with minority interest

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. The result of disposals to minority interests being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary are reflected in the statement of changes in equity.

Where the losses applicable to the minority interest in a consolidated subsidiary exceed the minority interest in the equity of a subsidiary, the excess and any further losses applicable to the minority interest are charged against the shareholders' interest except to the extent that the minority has binding obligation to, and is able to, make good for the losses. If the subsidiary subsequently reports profits, the majority interest is allocated to all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interest is derecognized when purchased with gain or loss on de-recognition recorded in the consolidated statement of changes in equity.

3.2 Basis of combination

As at 1 January 2007 the Group had no Parent company and represented a combination of companies under the control and management of the Principal ultimate owners. During 2007, the Principal ultimate owners decided to transfer the control over combined companies to one holding company LLC "Ukrzernoprom Agro". As at 31 December 2007 the restructuring of the Group was completed.

The combination principles were not applied to the financial statements for the year ended 31 December 2008.

The control over the combined companies exists, when the Principle ultimate owners have the possibility to manage, directly or indirectly, the financial and operating policies of the combined companies with a view to obtain benefits from their activities.

Financial statements of combined companies and their subsidiaries are included in the Group's combined financial statements from the date when the control effectively commences until the date when the control effectively terminates.

When necessary, adjustments are made to the financial statements of combined companies to bring their accounting policies into compliance with the policies adopted by the Group. All significant transactions between the Group's companies, respective balances on settlements, income and expenses, as well as unrealized gains (losses) from transactions are completely eliminated in combination.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

3.3 Functional and presentation currency

Functional currency of the Parent company and each of its subsidiaries is Ukrainian hryvnia ("UAH"). The Parent company also chose this currency as a presentation currency for the Group. Transactions in currencies, other than functional, are considered to be transactions in foreign currencies. Such transactions are initially recorded at exchange rates prevailing at the dates of these transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates, ruling at the balance sheet date. All realized and unrealized gains and losses arising from exchange rate differences are included in the consolidated income statement in Gains/(losses) from exchange rate differences, net.

3.4 Revenue recognition

Revenues are measured at fair replacement cost received or receivable and represent the amounts receivable for goods and services, provided in the ordinary course of business activities, net of discounts and taxes associated with realization.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, and it is probable that the economic benefits, related to this transaction, will flow to the Group. Income and expenses relating to the same transaction or other event are recognized simultaneously.

Revenue from rendering of services is recognized after: the amount of revenue can be reliably measured; the probability of inflow of economic benefits related to the transaction; there is a possibility to measure reliably the stage of transaction completion as at the balance sheet date; and it is possible to measure reliably costs incurred for the transaction and costs needed for its completion.

Interest income is recognized using the effective interest method. Interest income is included in the "Financial income/(expenses), net" in the consolidated income statement.

3.5 Government grants

Government grants represent state aid in form of transfer of resources to the company in exchange for compliance, in the past or future, with certain conditions associated with the Group's operating activities.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Revenues from government grants are not removed with corresponding expenses in the consolidated income statement.

Government grants relating to income are presented in the consolidated income statement in the "Income from government grants".

Grants related to assets are government grants, the principal condition for obtaining of which is that the Group should purchase, construct or acquire long-term assets. It may be accompanied by additional conditions that restrict the type of assets, their location or timing of their acquisition or ownership.

Government grants related to assets are recorded in the consolidated balance sheet as deferred income, which is recognized as revenue on a systematic and rational basis over the useful life of an asset.

Grants compensating the expenses of past periods are recognized in full in the period of their inflow as other income.

The Group of companies receive government grants in the form of:

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(in UAH thousand, unless otherwise stated)

- partial compensation of interest rates on loans, borrowed by companies of the agro-industrial complex in financial institutions;
- tax allowance on VAT for agricultural purposes;
- subsidies for growing of cereal crops;
- partial compensation for expenses (including partial compensation for complex agricultural machinery of domestic production, grants for the creation of additional workplaces, partial compensation for the expenses connected with disasters, partial compensation for the cost of seeds and planting material).

Due to the constant changes in the Ukrainian legislation, the list of grants, the Group's companies are entitled to, is subject to change.

3.6 Income tax and deferred income tax

Income tax is calculated in compliance with the requirements of the applicable legislation as at the reporting date in Ukraine, a country in which the Group's companies are registered. Income tax is calculated on the basis of annual results adjusted for the items, which are not included in taxable income or cannot be attributed to gross expenses.

Deferred income tax is recorded using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized taking into account the level of assurance in availability of sufficient taxable income, which enables to realize temporary differences related to gross expenses.

Such tax assets and liabilities are not recognized if the temporary differences relate to goodwill or arise due to the initial recognition (other than business combinations) of other assets and liabilities in a transaction that affects neither tax nor accounting amount of profit.

Deferred tax is calculated at tax rates, which presumably will be applied during the implementation of the related assets or liabilities.

Deferred tax liabilities are recognized for taxable temporary differences related to investments in subsidiaries and associates, as well as shares in joint ventures, except where the Group is able to control the reversal of a temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carried forward to gross expenses, related to such investments and shares, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and the temporary differences will be reversed in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the Group intends to repay current tax assets and liabilities on a net-basis.

Current and deferred tax for the period - Current and deferred tax are recognized as expenses or income in profit or loss, except when they relate to items recognized as income or expense directly in equity (in this case the tax is also recognized directly in equity), or when they occur in the initial recognition of business combination.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(in UAH thousand, unless otherwise stated)

3.7 Property, plant and equipment

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

The historical cost of items of property, plant and equipment comprise:

- purchase price, including non-reimbursable import duties and taxes, less trade and other discounts;
- any costs that directly affect the delivery of an asset to a location and condition, providing its functioning in compliance with the management's intention;
- initial assessment of the expenses for dismantlement and disposal of items of property, plant and equipment and restoration of occupied territory, on which the Group assumes liabilities in acquisition of this item or as a result of its operation 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 the corresponding portion of production overheads.

Capitalized costs include principal costs for development and replacement of parts of assets, which increase their useful life or improve their ability to generate income. Costs for repairs and maintenance of property, plant and equipment, which do not meet the above criteria for capitalization, are recognized in profit or loss of the period in which they were incurred.

Depreciable amount is the cost or basis cost of item of property, plant and equipment, less its residual value.

The asset's residual value is the estimated amount that the Group would receive at the moment from the disposal of an item of property, plant and equipment, less the expected costs for disposal, if the asset has reached the age and condition, in which, presumably, it will stay at the end of its useful life.

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

Useful lives of groups of property, plant and equipment are as follows:

Buildings	3 - 55 years
Machinery and equipment	3 - 20 years
Vehicles and agricultural equipment	3 - 25 years
Other items of property, plant and equipment	2 - 20 years

Gains or losses 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.

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.

**LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

(in UAH thousand, unless otherwise stated)

The recoverable amount is the higher of fair value less cost of sales 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.

When, according to estimates, the recoverable amount of an asset (or cash generating unit) is less than its book value, the book value of an asset (or cash generating unit) is reduced to the amount of compensation. Impairment loss is recognized immediately in profit or loss.

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.

3.8 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The Group assesses the useful lives of intangible assets as either finite or indefinite. Amortization of intangible assets with finite lives is calculated on the straight-line basis on the assumption of individual useful lives. Useful life for the group of intangible assets "Software" is 2-5 years. The Group tests at each balance sheet date the intangible assets for possible impairment.

Goodwill arising upon acquisition of subsidiaries is recorded as an intangible asset. Losses from goodwill impairment are not reversed. Goodwill represents the excess of acquisition costs over the fair value of share of the Group's net assets in the acquired subsidiary as at the date of acquisition.

Goodwill is not amortized but is subject to testing for impairment as at the balance sheet date or more frequently, if events or changes in circumstances indicate the possibility of reducing its usefulness. At the acquisition date, goodwill is allocated to each asset or group of assets that generate cash, and benefits from which are expected to be received upon acquisition. The Group allocates goodwill to each acquired company. The amount of impairment is determined by assessing the amount of compensation, which may be obtained for a cash generating asset (group of cash generating assets) to which goodwill relates. Where the recoverable amount is less than the book value of cash generating asset (group of cash generating assets), impairment is recognized.

3.9 Leases

Lease is classified as finance, where, under the lease terms, the lessee assumes substantially all the risks and rewards of ownership of the relevant assets. Lease, according to the terms of which a substantial portion of risks and rewards of ownership belongs to the lessor, is classified as operating lease.

Operating lease expenses are recognized as expense for the period to which they relate, on an accrual basis over the relevant lease term.

3.10 Agricultural activities, biological assets and agricultural products

Agricultural activities are defined as management of biological transformation (processes of cultivation, production and reproduction, which cause qualitative or quantitative changes) of biological assets (plants and animals) for the purposes of implementation, receipt of agricultural products or production of additional biological assets.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(in UAH thousand, unless otherwise stated)

The Group recognizes biological assets or agricultural products, where it controls this asset as a result of past events; it is probable that the Group will receive future economic benefits from this asset; and the asset's fair value or cost can be reliably measured.

Biological assets are recorded at fair value less estimated cost of sales at initial recognition and as at the balance sheet date, with the received gains or losses recognized in the consolidated income statement in "Net change in the fair value of agricultural products and biological assets". Cost to sale does not include transportation and other expenses necessary for the delivery of biological assets to the market.

The difference between the fair value less estimated cost of sales and general production costs is distributed to the biological assets at each balance sheet date as an adjustment to fair value and is recognized in the consolidated income statement in "Net change in the fair value of agricultural products and biological assets".

Agricultural products received from biological assets are measured at fair value less cost of sales at harvest. Profit or loss arising from the initial recognition of agricultural products at fair value, less estimated costs to sell, is recorded in "Net change in the fair value of agricultural products and biological assets" in the consolidated income statement.

Basing on the above policies, the principal groups of biological assets and agricultural products are as follows:

Biological assets

Field planting (mainly, wheat, rape, barley and sunflower).

The fair value of winter crops in fields is defined on the basis of historical cost of such assets as at the balance sheet date, due to insignificance of the biological transformation that has occurred since expenses were incurred.

Agricultural products

Grain

The fair value of grain is determined basing on market prices at harvest.

3.11 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories comprises all costs for acquisition, processing and other costs incurred to bring inventories to their current condition and location.

FIFO method is used in the inventories writing off. Net realizable value is the estimated selling price in the ordinary course of business activities, less all estimated costs for performance of work and distribution costs.

The Group assesses inventories at each balance sheet date for damage, obsolescence, loss of liquidity, decrease in net realizable value. Where such events occur, the amount by which the cost of inventories decreases is recorded as a loss in the consolidated income statement in "Other operating income/(expenses), net".

3.12 Trade and other receivables

Trade and other receivables, which represent financial assets (excluding acquired receivables and receivables held for sale), are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less corresponding valuation allowance to cover the amounts, repayment of which is doubtful (doubtful debt provision).

**LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

(in UAH thousand, unless otherwise stated)

Current accounts receivable, which do not bear interest, are recorded at their nominal value. Relevant provisions for doubtful debts are recognized in the consolidated income statement, when there is objective evidence that the asset is depreciated in "Other operating income / (expenses), net".

3.13 Cash and cash equivalents

Cash comprises cash on hand, cash in banks and cash in transit in national and foreign currencies.

3.14 Distribution of profit to owners

Distribution of profit to owners is recognized in net assets attributable to shareholders as a reduction in the period in which it was declared. Allocations declared, but not paid as at the balance sheet date, are recognized as a liability on the balance sheet date.

3.15 Short-term and long-term loans

Borrowings are recognized initially at fair value of liabilities, taking into account transaction costs. Subsequently loans are recorded at amortized cost; any difference between the amount of funds received and amount repayable is recognized in interest expenses in the period, for which the borrowed funds were received, using the effective interest rate method.

Loans with contractual maturity less than 12 months from the balance sheet date are classified as current liabilities, except when the Group has an unconditional right to defer the repayment of a liability by at least 12 months from the balance sheet date.

Cash receipts and payments in terms of revolving credit lines and overdrafts are presented in the consolidated statement of cash flows using a net method, the gross cash receipts and payments for the rest of loans and borrowings are presented separately.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.17 Trade and other payables

Trade and other payables, except for advances from customers, are initially recognized at fair value and measured subsequently at amortized cost using the effective interest rate. Accounts payable for advances from customers are recorded at nominal value, less value added tax.

3.18 Provisions

Provisions are recognized when as a result of a certain event occurred in the past, the Group has legal or voluntarily assumed liabilities to settle which the outflow of resources embodying economic benefits will be probably required and which can be measured with a sufficient level of reliability.

The amount recognized as provision represents the best estimate of compensation necessary to repay current liabilities as at the balance sheet date, which takes into account all the risks and uncertainties, typical for these liabilities. Where the amount of provision is estimated using cash flows that are expected to be required to repay current liabilities, the book value represents the present value of these cash flows.

Where it is possible that one or all the economic benefits required for the recovery of provision will be repaid by a third party, the accounts receivable are recognized as assets, in case there is an actual assurance in such recovery, and the amount of accounts receivable may be reasonably measured.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

3.19 Financial instruments

Financial instrument is any contract, as a result of which simultaneously a financial asset occurs in one company and a financial liability or equity instrument - in another.

The Group classifies its financial assets as follows:

- Held-to-maturity financial assets;
- Financial assets held-for-trading;
- Available-for-sale financial assets;
- Accounts receivable and loans granted by the Group.

The management decides on the classification at initial recognition and reviews whether the classification represents the facts at each balance sheet date.

Financial assets with fixed or determinable payments and fixed maturities, which the Group intends and has the ability to hold to maturity, other than provided by the Group loans and receivables, are classified as financial assets held to maturity. Financial assets acquired, mainly, with a view to receive profit from current price fluctuations are classified as financial assets held-for-trading.

All other financial assets (excluding receivables and loans granted) are classified as financial assets available-for-sale. These are financial assets that the Management intends to hold for an indefinite period of time, and that can be sold, if necessary, to improve liquidity, or as a result of changes in interest rates. These assets are included in non-current assets, unless the Group has no clear intention to hold these assets within a period less than twelve months from the balance sheet date, if sale of these assets will not be caused by the requirement to increase working capital, in which case they will be recognized as current assets.

At initial recognition of financial assets or financial liability, the Group estimates it at fair value plus transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability, except for financial assets held-for-trading. Financial assets held-for-trading are measured at fair value. The fair value at initial recognition is determined by the Group at the level of transaction price.

After the initial recognition:

- held-to-maturity financial assets are measured at amortized cost using the effective interest method;
- Financial assets held-for-trading are measured at fair value;
- Available-for-sale financial assets are measured at fair value, except for investments in equity instruments, for which there are no quoted market prices in an active market, and the fair value of which can not be reliably measured, which are accounted for at cost;
- Accounts receivable and loans granted are measured at amortized cost using the effective interest method;
- Financial liabilities are measured at amortized cost using the effective interest method.

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset (except for financial assets held-for-trading) is impaired.

Where such evidence exists in respect of financial assets at amortized cost, the Group determines and records the amount of loss in the financial statements in compliance with the requirements of IAS.

Financial assets are deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financial asset and that loss event has an impact on the estimated future cash flows of the financial assets.

**LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

(in UAH thousand, unless otherwise stated)

Objective evidence of impairment may include:

- significant financial difficulties of the issuer and counterparty;
- default or delinquency in interest or principal payments;
- when there is a possibility that the borrower will go bankrupt or will perform financial reorganization.

For some categories of financial assets, such as trade and other receivables, assets for which there was no individual assessment for impairment, subsequently are collectively assessed for impairment. Objective evidence of impairment for a portfolio of accounts receivable may be the past experience of the Group in respect of the collection of payments, increase in number of late payments in the portfolio over the average loan period, as well as the observed changes in national or local economic conditions connected with the delinquency in receivables payments.

For financial assets measured at amortized cost, the amount of depreciation is the difference between the book value of an asset and the present value of estimated future cash flows discounted at initial effective interest rate for this financial asset.

The book value of financial assets is decreased by the amount of impairment loss through the use of impairment provisions. Where the financial asset is deemed to be unrecoverable, it is written off against an impairment provision. Subsequent recovery of amounts previously written off is charged to provisions. Change in the book value of an impairment provision is recognized in profit or loss.

When in subsequent periods, the amount of impairment loss decreases and this decrease may be objectively attributed to the event after the impairment recognition, the previously recognized impairment loss is reversed through profit or loss to the extent that the book value of investments as at the date of impairment does not exceed its amortized cost, that would have existed if an impairment had not been recognized.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights for cash flows from the asset are terminated; or when it transfers a financial asset and all the substantial risks and benefits associated with the possession of an asset to another enterprise. If the Group does not transfer or retain all the substantial risks and benefits associated with the possession of an asset, and continues to control the transferred asset, then it recognizes its share in the asset and a corresponding liability with the amount which it will probably have to pay. If the Group retains substantially all the risks and benefits associated with the possession of the transferred financial asset, it continues to recognize the financial asset and also recognizes the collateralized loans in the amount of realized earnings.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Assumptions used in the measurement of fair value of financial instruments and measurement of their subsequent recognition.

Fair value of financial instruments is determined as value at which the financial instrument may be acquired under the transaction between the well-competent parties willing to carry out this transaction, which are independent from each other, except for the cases of liquidation or forced sales. As there is no active market for most of the Group's financial instruments, for fair value estimation, it's necessary to perform valuation, basing on current economic conditions and specific risks, incident for this instrument. Presented estimations may not reflect possible income of the Group, which it could receive from actual selling the financial instrument.

As at 31 December 2007 and 2008 the Group used the following methods and assumptions in calculating the fair value of each type of financial instruments for which it is possible, as well as assessing their subsequent recognition:

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in UAH thousand, unless otherwise stated)

Cash - for these short-term financial instruments the book value reasonably reflects their fair value.

Principal and other accounts receivable, short-term loans granted - the book value of principal and other receivables, as well as loans granted, represents a reasonable measurement of their fair value, since the provision created for doubtful receivables is a reasonable estimation of the discount required to reflect the effect of credit risk.

Long-term receivables are recorded at amortized cost using the effective interest method.

Long-term notes received are recorded at amortized cost using the effective interest method.

Principal and other accounts payable - the book value of principal and other payables represents a reasonable measurement of their fair value.

The effective interest method in terms of the book value of short-term receivables, loans issued and payables does not influence significantly corresponding figures of the consolidated financial statements of the Group.

Short-term and long-term bank loans - the book value of short-term and long-term bank loans represents a reasonable measurement of their fair value, since the nominal interest rate on long-term bank loans approximately corresponds to the market rate in relation to loans with similar credit risk level and maturity as at the balance sheet date.

3.20 Contingent assets and liabilities

The Group uses the following classification of contingent liabilities:

- Contingent liabilities under contracts of sale / services rendering;
- Contingent liabilities under purchase contracts;
- Contingent liabilities under legal actions;
- Contingent operating lease liabilities;
- Contingent liabilities – others;
- Amount of guarantees issued/received.

Contingent liabilities are not recognized in the consolidated financial statements. The Group discloses information on contingent liabilities in Notes to the financial statements, except for cases where fulfilment of contingent liabilities is unlikely, due to the remoteness of the event (the possible maturity is more than 12 months).

The Group constantly analyzes contingent liabilities to determine the probability of repayment of contingent liabilities. If the repayment of a liability, which was previously characterized as contingent, becomes possible, the Group records the provision in the financial statements for the period in which the repayment of the liability became possible.

Contingent assets are not recognized in the special purpose consolidated financial information, but are disclosed in Notes where there is a significant possibility of receiving economic benefits from them.

3.21 Related parties

For the purposes of these financial statements under IFRS, the parties are considered to be related if one party has the ability to control or substantially influence the operating and financial 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:

**LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

(in UAH thousand, unless otherwise stated)

- a) Companies under common control together with the Group's companies;
- b) Principal ultimate owners;
- c) Companies owing a share in the Group's equity;
- d) Key management personnel.

3.22 Significant judgments in applying the accounting policies and key sources of uncertainty in estimates.

In the process of applying the Group's accounting policies, the management is required to use assumptions, estimates and judgements in respect of the book value of assets and liabilities, that can not be reliably measured basing on other sources. These estimates and corresponding assumptions are based on the historical experience and other significant factors, according to the management's opinion. Actual results may differ from these estimates.

Estimates and underlying assumptions are constantly reviewed. The results of the review of accounting estimates are recognized in the period, in which the review of such estimates is performed if the review affects only that period, or during the review and in subsequent periods if the review affects both current and subsequent periods.

Key sources of uncertainty in estimates

The preparation of these consolidated financial statements requires the management to make estimates and judgments affecting the recorded amounts of assets and liabilities, disclose contingent assets and liabilities, as well as reflected in the financial statements amounts of income and expenses during the reporting period. Due to the uncertainty inherent in these estimates, the actual results, which will be reflected in subsequent periods, may differ from such estimates.

The management also makes certain judgments, except those requiring evaluation in the process of applying the accounting policies. Judgments having the most significant impact on the amounts recognized in the financial statements, as well as evaluations, on the basis of which the significant adjustments to the book value of assets and liabilities are required to be performed within the next financial year, include:

- The recognition of compensation for property, plant and equipment

At each balance sheet date the Group assesses the existence of any evidence that the amount of compensation for the Group's property, plant and equipment decreased to the lower levels than their book value. The amount of compensation is the higher of the asset's fair value less costs of sale and its value in use. Where such decrease is identified, the book value is reduced to the cost of compensation. The amount of reduction is reflected in the income statement for the period of decline. If conditions change and the management determines that the asset's value is increased, the impairment will be fully or partially reversed.

- Provision for impairment of accounts receivable

Provision for impairment of accounts receivable is based on the Group's assessment of the possibility to raise funds from certain clients. When the decline in creditworthiness of major clients or actual non-fulfilment of their obligations exceeds admissible estimates, the actual results may differ from these estimates.

Where the Group determines there is no objective evidence of impairment for a particular estimated receivable, regardless of its amount, it includes this receivable into a group of receivables with similar credit risk characteristics and jointly performs their evaluation for impairment.

For the purposes of collective assessment for impairment, the accounts receivable are grouped basing on similar credit risk characteristics. These characteristics are important for assessing future cash flows for the groups of such assets and indicate the ability of debtors to repay the entire amount of debt under the contractual terms in respect of estimated assets.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(in UAH thousand, unless otherwise stated)

The future cash flows of the group of receivables, the collective assessment for impairment of which is carried out, are evaluated on the basis of receipt of funds from the assets under the contract and the management's experience in respect of debt repayment, resulting from past losses, and success in reimbursement of debt.

The past experience is adjusted on the basis of current information from observations to reflect the impact of current conditions, that did not influenced prior periods, and eliminate the influence of past conditions that do not currently exist.

During 2008 the Group changed its approach to the determination of provisions for doubtful debts. As at 31 December 2008 the doubtful debt provision was created for trade and other receivables overdue for more than 365 days after the date of repayment under the contract.

- Useful lives of property, plant and equipment

Assessment of the useful life of property, plant and equipment depends on the management's judgments, which is based on working experience with similar assets. In determining the asset's useful life, the management takes into account the conditions of the asset's intended use, its physical and functional depreciation and working conditions, in which the asset will operate. A change in any of these conditions or estimates may result in the adjustment of future depreciation rate.

- Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that the receipt of taxable profit is probable, at the expense of which these losses may be realized. Significant judgments are required from the management in determining the amount of deferred tax assets, that can be recognized basing on the probable maturities and level of future taxable profit together with future tax planning strategies.

3.23 Standards and interpretations

In May 2008 the International Accounting Standards Board issued its first omnibus of amendments to IFRSs, which are stated in "Improvements to IFRSs, May 2008". The amendments stipulate changes in presentation of financial statements, recognition and evaluation for the purposes of forming the financial statements. The amendments also include changes in definitions or solely editorial changes, which, in fact, do not entail significant consequences. Most of the changes are applicable to annual periods beginning after 1 January 2009 and should be applied retrospectively. Early adoption is encouraged.

The following changes affect the Group's financial position and the financial result of its activities. As at the date of approval of the special purpose consolidated financial information the Group has not yet assessed the expected impact of these changes on its financial position and the financial result of its activities.

a) Revised IAS 23 "Borrowing Costs". The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (which preparation for use requires significant period of time) and inclusion of these expenses into the cost of an asset. The alternative classification of borrowing costs when incurred as expenses will be cancelled. This amendment shall enter into force on 1 January 2009. The amendments also relate to the calculation of borrowing costs, including the fact that interest expenses are calculated using the effective interest method, as specified in IAS 39 "Financial Instruments: Recognition and Measurement". The amendments are applied to the financial statements, the annual reporting period of which begins on or after 1 July 2009. Early adoption is permitted;

b) IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (applicable prospectively to financial statements, annual reporting period of which begins on or after 1 July 2009). According to the amendments, the company implementing a plan of disposal of subsidiary, including the transfer of control over it, should classify assets and liabilities of the subsidiary as held for sale, regardless of whether the company will have a minority interest in its former subsidiary after the disposal.

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(in UAH thousand, unless otherwise stated)

Early adoption is permitted, provided that the company also applies the amendments to IAS 27 "Consolidated and Separate Financial Statements";

c) IFRS 8 "Operating Segments" (effective for annual reporting periods beginning on or after 1 January 2009). The standard is applied to the companies whose debt or equity instruments are sold and / or purchased in the open market. Also, the standard is applied to the companies, which file or are in the process of filing its financial statements to the company, which deals with regulation of securities circulation. As required by IFRS 8, an entity must disclose financial information and provide descriptive information about the segments of its operating activities. The Standard does not require early adoption;

d) IAS 16 "Property, Plant and Equipment" (Amendments are applied to the financial statements, annual reporting period of which begins on or after 1 July 2009). The amendments to the financial statements clarify that, where the company routinely in the course of regular business activities sells items of property, plant and equipment held for income from renting them to third parties, these items must be considered in inventories, when they transfer from leased into held-for-sale. Sales revenue from such assets should be recognized in compliance with IAS 18 "Revenue";

e) Amendments to IFRS 3 "Business Combinations" changed the scope of the Standard's application and expanded the definition of business. Amendments to the Standard also include a list of other significant changes, including:

- all components of compensation transferred by the customer are recognized and measured at fair value as at the acquisition date, including the contingent compensation;
- costs directly related to the company acquisition should be immediately charged to expenses, rather than capitalized as a part of acquisition cost;
- a customer may choose one of the alternatives: either to estimate the minority interest in the acquired company at fair value of assets (including goodwill) and liabilities at the acquisition date, or in proportion to the percentage of ownership in the fair value of identifiable assets and liabilities of the acquired company, including goodwill;
- acquisition of additional minority interest in equity after business combination are accounted for as equity transactions.

Amendments to the Standard should be applied prospectively to business combinations, the acquisition date of which is the beginning of the first annual reporting period, beginning on or after 1 July 2009. Early adoption is permitted provided that the company also applies the amendments to IAS 27 "Consolidated and Separate Financial Statements";

f) IAS 27 "Consolidated and Separate Financial Statements". Amendments to the Standard changed the definition of minority interest as non-controlling interests, which is defined as "capital of a subsidiary, which is not owned directly or indirectly by a parent company." The revised standard also changes the interpretation of the minority interest, loss of control over a subsidiary, and allocation of profit and loss and other comprehensive income between the controlling and non-controlling shareholders. The amendments must be applied for annual periods beginning on or after 1 January 2009 prospectively from the date, when the company firstly applied IFRS 5. Early adoption is permitted provided that the company applies the amendments to Revised IFRS 3 "Business Combinations";

g) IAS 28 "Investments in Associates". Amendments to the financial statements clarify that investments in associates are tested for impairment in compliance with IAS 36 "Impairment of Assets" as a single asset. Therefore, the impairment losses related to an associate, in which investments comprise goodwill, which is a part of the book value of investments in associates, are not distributed among the company's assets, including goodwill. Accordingly, the reversal of an impairment loss is recognized under IAS 36 to the extent in which the recoverable amount of investments would increase if it had not been impaired. The amendments are applied to annual reporting periods beginning on or after 1 January 2009. Early adoption is permitted. The companies are allowed to apply the amendments prospectively;

LLC "UKRZERNOPROM AGRO" AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(in UAH thousand, unless otherwise stated)

h) IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements". The amendments to the standard change the definitions of financial liabilities, financial assets and equity instrument, and require that a certain held-to-maturity instrument issued by the company should be classified as a liability in the equity only in certain circumstances. The amendments are applied to annual reporting periods beginning on or after 1 January 2009. Early adoption is permitted. The company has not yet finished analyzing the impact of these amendments on the financial statements;

i) IAS 1 "Presentation of Financial Statements". The amendments to the standard require that the information for the purposes of the financial statements preparation was collected on the basis of common characteristics, and also require the presentation of the comprehensive income statement. The items of expenses and revenues of other comprehensive income may be represented as a single comprehensive income statement with separate headings, or as two separate statements, where after the income statement there is the statement of other comprehensive income. The amendments are applied to the financial statements, the annual reporting period of which begins on or after 1 July 2009. Early adoption is permitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

4 SALES REVENUE

Sales revenue for the years ended 31 December 2008 and 31 December 2007 was presented as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Agricultural products	144 742	57 113
Bread	35	23 657
Flour	5 508	5 755
Other	5 622	4 377
Total	155 907	90 902

Other sales revenue is mainly represented by the income from sale of goods and services.

5 COST OF SALES

Cost of sales for the years ended 31 December 2008 and 31 December 2007 was presented as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Material expenses	(117 430)	(65 859)
Salary and related expenses	(29 153)	(7 710)
Depreciation	(8 551)	(5 022)
Lease	(14 796)	(3 346)
Changes in balances of finished goods, work in progress and biological assets	81 130	-
Effect from change in fair value of agricultural products and biological assets	(7 940)	-
Other costs	(32 651)	(766)
Total	(129 391)	(82 703)

For the year ended 31 December 2008, other costs comprise services from outside organizations amounting to UAH 26 978 thousand and crop insurance amounting to UAH 3 414 thousand.

6 DISTRIBUTION COSTS

Distribution costs for the years ended 31 December 2008 and 31 December 2007 were presented as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Commissions to related parties	-	(2 927)
Transportation expenses	(2 562)	(1 267)
Storage	(6 892)	(864)
Advertising	(15)	(745)
Consulting and legal services	-	(303)
Fuel	(476)	(197)
Insurance	(4)	(187)
Lease	-	(150)
Salary and related expenses	(4)	(51)
Other expenses	(34)	(391)
Total	(9 987)	(7 082)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

For the year ended 31 December 2008, there were no commission expenses related to third parties, since in 2008 the Group's companies did not sell bread under commission trade.

7 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2008 and 31 December 2007 were presented as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Salary and related expenses	(13 101)	(2 972)
Lease	(638)	(696)
Bank services	(495)	(627)
Fuel	(1 267)	(616)
Taxes, except for income tax	(494)	(470)
Consulting and legal services	(1 350)	(263)
Communication services	(363)	(234)
Depreciation	(487)	(198)
Maintenance of property, plant and equipment	(373)	(164)
Other expenses	(597)	(44)
Total	(19 165)	(6 284)

8 INCOME FROM GOVERNMENT GRANTS

Income from government grants for the years ended 31 December 2008 and 31 December 2007 were presented as follows:

	Note	Year ended 31 December 2008	Year ended 31 December 2007
Partial compensation of interest rates on loans	a)	535	2 410
Tax benefit on VAT for agricultural purposes	b)	4 514	2 352
Partial compensation of expenses	c)	2 620	2 091
Grants for the cultivation of grain crops	d)	2 001	1 467
Total		9 670	8 320

a) *Partial compensation of interest rates on loans attracted by enterprises of agro-industrial complex in financial institutions*

In compliance with the Law of Ukraine "On the State Budget of Ukraine for 2008", the agricultural producers received partial compensation of interest rates on loans attracted in financial institutions on a competitive basis and recoverability principles.

b) *Tax benefit on VAT for agricultural purposes*

In compliance with the Law of Ukraine "On Value Added Tax", agricultural enterprises (in which the income from sales of agricultural products is at least 50% of the total gross income) use the benefits in terms of VAT payment for agricultural transactions. These tax amounts are not paid by the companies to the budget, but transferred to the special purpose account and used to support agriculture. The Group's companies recognize income on grants received upon the transfer and use of funds from the special purpose account.

c) *The partial compensation of expenses include the following types of grants:*

- Partial compensation of the value of purchased complex agricultural equipment of domestic production

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

In compliance with Ukrainian legislation, the Group's companies during 2008 received partial compensation of the value of complex agricultural equipment (total amount of compensations received during this period is UAH 1222,5 thousand). These grants were recognized as deferred income and recorded in the balance sheet in "Deferred income". This deferred income is amortized on a systematic and rational basis over the useful life of an asset, and this depreciation is recorded in the income statement in "Income from government grants".

- Grants for the creation of additional workplaces
- Partial compensation for the expenses connected with disasters
- Partial compensation of the cost of seeds and planting material

d) *Grants for the cultivation of grain crops*

Direct grants were provided from the State Budget for the cultivation of grain crops and grain production per hectare of fields amounting to UAH 100 per hectare of such winter and spring crops as wheat, rye, peas, buckwheat.

9 OTHER OPERATING INCOME/(EXPENSES), NET

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

	Year ended 31 December 2008	Year ended 31 December 2007
Other operating income:		
Revenue from sale of non-current assets	3	76
Income from decrease in bad debt provision	1 805	289
Other income	2 274	285
Total income	4 082	650
Other operating expenses:		
Losses from crop failure	(1 909)	(3 889)
Charity	(516)	(116)
Losses from sale of foreign currency	(939)	-
Cost of disposed (written off) non-current assets	(102)	(12)
Expenses for impairment of agricultural VAT	(6 633)	-
Other expenses	(3 733)	(1 059)
Total expenses	(13 832)	(5 076)
Total income/(expenses)	(9 750)	(4 426)

10 FOREIGN EXCHANGE GAINS/(LOSSES), NET

Foreign exchange income/(losses) for the years ended 31 December 2008 and 31 December 2007 were presented as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Foreign exchange losses	(33 288)	(2 019)
Foreign exchange gains	6 066	933
Total	(27 222)	(1 086)

"Foreign exchange gains/(losses), net" arose in the settlements on monetary items and their translation at exchange rates, that differ from the rates at which they were translated at initial recognition during the reporting period.

Monetary items are represented by:

- cash and cash equivalents in foreign currency;
- trade accounts payable, settlements on which are made in foreign currency;
- loans in foreign currency.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

One of the monetary items is a long-term loan in foreign currency received in 2008 from MCB Agricole Holding AG. For the year ended 31 December 2008, the exchange rate differences on this loan are represented by income in the amount of UAH 3 917 thousand and loss in the amount of UAH 25 627 thousand.

11 FINANCIAL INCOME/(EXPENSES), NET

Financial income/(expenses) for the years ended 31 December 2008 and 31 December 2007 were presented as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Accrued interest receivable	3 138	15
Accrued interest payable	(6 020)	(7 352)
Discount income/(expenses), net	(2 722)	-
Total	(5 604)	(7 337)

For the year ended 31 December 2008, the "Accrued interest payable" reflect the expenses for the long-term loan from MCB Agricole Holding AG in the amount of UAH 1 873 thousand.

12 PAYROLL EXPENSES

Payroll expenses for the years ended 31 December 2008 and 31 December 2007 were presented as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Operating personnel	(29 153)	(7 710)
Administrative personnel	(13 101)	(2 972)
Distribution personnel	(4)	(51)
Total	(42 258)	(10 733)

13 INCOME TAX

In 2008, 12 companies of the Group had the status of the fixed agricultural tax payers ("FAT") in compliance with the Law of Ukraine "On the Fixed Agricultural Tax". These companies are: Subsidiary "Zernjatko", Subsidiary "Kolosyste", LLC "Stepove", LLC "Djerelo", Subsidiary "Khlebodar", CJSC "Ukrzernoprom", Subsidiary "Pivdenne", LLC "Ukrzernoprom-Kozyatyn", LLC "Ukrzernoprom-Pogrebische", LLC "Ukrzernoprom-Shevchenkove", LLC "Ukrzernoprom-Derajnya", LLC "Ukrzernoprom-Starokonstantiniv" and LLC "Ukrzernoprom-Berdychiv". FAT replaces income tax and other direct taxes for agricultural producers and depends on the area and appraisal of land in ownership and lease.

On 01 January 2009 the following companies received the status of the FAT payer: LLC "Ukrzernoprom-Krasyliv", LLC "Ukrzernoprom-Ivankyv", LLC "Ukrzernoprom-Novomyrghod", LLC "Ukrzernoprom-Romaniv", LLC "Ukrzernoprom-Koparani", LLC "Ukrzernoprom-Prudi", LLC "Ukrzernoprom-Kirovske", LLC "Ukrzernoprom-Elyzavetove", LLC "Ukrzernoprom-Ujutne", LLC "Ukrzernoprom-Troianiv". In the calculation of deferred assets and liabilities, these companies were not considered, since due to the changes in the status of tax payers the companies will not be able to realize deferred assets / liabilities for income tax.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

In the calculation of deferred tax assets/liabilities for income tax, only the data of the companies-payers of this tax in 2008 and 2009 at a 25% rate were taken into account - LLC "Ukrzernoprom Agro", LLC "Ukrzernoprom-Polissia", LLC "Peremoga", Subsidiary of OJSC "Zheltovodskiy khlebzavod" "Khlebproduct", LLC "Ukrzernoprom-Izmail", LLC "Agro-Garaj".

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

	<u>31 December 2008</u>	<u>Refers to profits (losses)</u>	<u>31 December 2007</u>
Deferred tax asset arising on:			
Valuation of accounts receivable	43	41	2
Valuation of advances received from customers	1 194	1 175	19
Valuation of property, plant and equipment	144	(187)	331
Valuation of intangible assets	3	3	-
Valuation of other temporary differences	58	58	-
Tax losses	5 154	5 154	-
Provision for revaluation of deferred tax assets	<u>(5 770)</u>	<u>(5 770)</u>	<u>-</u>
Deferred tax asset	<u>826</u>	<u>474</u>	<u>352</u>
Deferred tax liability arising on:			
Valuation of property, plant and equipment	-	-	-
Valuation of loans	-	32	(32)
Valuation of intangible assets	-	-	-
Valuation of prepayments to suppliers	<u>(298)</u>	<u>(298)</u>	<u>-</u>
Deferred tax liability	<u>(298)</u>	<u>(266)</u>	<u>(32)</u>
Net deferred tax asset	<u>528</u>	<u>208</u>	<u>320</u>

The principal components of expenses for income tax for the years ended 31 December 2008 and 31 December 2007 were presented as follows:

	<u>Year ended 31 December 2008</u>	<u>Year ended 31 December 2007</u>
Expenses for current income tax	(12)	(1)
Income/(losses) on deferred income tax	208	142
Income/(losses) on income tax	<u>196</u>	<u>141</u>

Reconciliation between the theoretical income tax and actual expenses for income tax for the year ended 31 December 2008 were presented as follows:

Profit (loss) before tax	(27 602)	2 834
Profit before tax of companies which do not participate in deferred tax calculation	(1 488)	
Profit (loss) before tax of the companies income tax payers	(26 114)	
Theoretical expenses on income tax at 25% rate	6 529	(709)
Provision for the revaluation of tax assets	(5 770)	
Tax effect:		
Non-taxable income	-	901
Expenses not attributable to gross expenses	(563)	(51)
Income/(expenses) on income tax	<u>196</u>	<u>141</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT

The following table contains the information on the movement of property, plant and equipment for the year ended 31 December 2008:

	Buildings	Machinery and equipment	Vehicles and agricultural equipment	Others	Construction in progress and equipment for installation	Total
Initial cost						
As at 31 December 2007	3 035	232	51 891	651	197	56 006
Proceeds	2 479	350	54 468	630	628	58 555
Modernization	20	-	35	7	-	62
Disposal	(9)	(4)	(100)	(86)	(6)	(205)
Transfer	2	6	48	-	(56)	-
As at 31 December 2008	5 527	584	106 342	1 202	763	114 418
Accumulated depreciation						
As at 31 December 2007	1 480	98	17 834	415	-	19 827
Depreciation charges	303	65	8 455	130	-	8 953
Disposals	(7)	(3)	(28)	(65)	-	(103)
As at 31 December 2008	1 776	160	26 261	480	-	28 677
Residual value						
As at 31 December 2007	1 555	134	34 057	236	197	36 179
As at 31 December 2008	3 751	424	80 081	722	763	85 741

The following table contains the information on the movement of property, plant and equipment for the year ended 31 December 2007:

	Buildings	Machinery and equipment	Vehicles and agricultural equipment	Others	Construction in progress and equipment for installation	Total
Initial cost						
As at 31 December 2006	2 905	127	36 411	496	166	40 105
Proceeds	78	105	15 292	123	31	15 629
Modernization	52	-	257	32	-	341
Disposal	-	-	(69)	-	-	(69)
As at 31 December 2007	3 035	232	51 891	651	197	56 006
Accumulated depreciation						
As at 31 December 2006	1 328	74	11 457	235	-	13 094
Depreciation charges	152	24	6 434	180	-	6 790
Disposals	-	-	(57)	-	-	(57)
As at 31 December 2007	1 480	98	17 834	415	-	19 827
Residual value						
As at 31 December 2006	1 577	53	24 954	261	166	27 011
As at 31 December 2007	1 555	134	34 057	236	197	36 179

As at 31 December 2008 and 31 December 2007 the property, plant and equipment with the book value of UAH 13 248 thousand and UAH 27 883 thousand respectively represented the collateral for the Group's loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

15 INTANGIBLE ASSETS, NET

Movement of intangible assets for the year ended 31 December 2008 was presented as follows:

	Other intangible assets
Initial value	
As at 31 December 2007	-
Proceeds	370
As at 31 December 2008	370
Accumulated amortization	
As at 31 December 2007	-
Amortization charges	85
As at 31 December 2008	85
Net book value	
As at 31 December 2007	-
As at 31 December 2008	285

16 LONG-TERM FINANCIAL INVESTMENTS

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

	31 December 2008	31 December 2007
Long-term notes received	910	270
Provision for long-term notes received	(184)	-
Long-term notes received, net	726	270
Long-term accounts receivable	822	-
Current portion of long-term accounts receivable	(79)	-
Long-term accounts receivable, net	743	-
Total	1 469	270

Provision for long-term notes received was accrued on the overdue note with maturity in December 2007.

Long-term accounts receivable and long-term notes received are measured at amortized cost, which is calculated using the effective interest method. For long-term receivables and long-term notes received the discount rate is equal to 12,6%, which corresponds to the average weighted annual rates for fixed deposits issued in the reporting period to the accounts of other financial institutions.

	31 December 2008	
	Nominal value	Fair value
Less than 1 year	90	79
From 1 to 5 years	944	743
Over 5 years	2 280	726
Total	3 314	1 548

17 OTHER NON-CURRENT ASSETS

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

	31 December 2008	31 December 2007
Prepayments for property, plant and equipment	727	12
Property participatory interest	2 364	-
Other long-term investments	5	-
Total	3 096	12

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

"Property participatory interest" represents the amount of cash paid for property participatory interests. Acquired property participatory interest in compliance with Ukrainian legislation entitles the Group's companies to obtain property dividends from the share fund of collective agricultural enterprises, which remained after the reorganization.

"Other long-term investment" represents 1% of the equity of LLC "Mezon Plus.

18 CURRENT BIOLOGICAL ASSETS

As at 31 December 2008 and 31 December 2007 the balances of current biological assets were presented as follows:

	Unit of measurement	31 December 2008		31 December 2007	
		Quantity	Fair value	Quantity	Fair value
Fields under crop	hectare	57 001	96 252	39 907	36 731
Other biological assets			147		85
Total			96 399		36 816

As at 31 December 2008 the fields under crop in the context of agricultural crops were presented as follows:

	31 December 2008		31 December 2007	
	Quantity, hectares	Fair value	Quantity, hectares	Fair value
Winter wheat crop	31 243	48 995	23 887	21 463
Winter barley crop	1 901	2 226	817	509
Winter rape crop	17 846	35 812	12 565	12 838
Winter rye crop	3 395	4 679	2 638	1 921
Other crops	67	8	-	-
Corn on stem	2 549	4 532	-	-
Total	57 001	96 252	39 907	36 731

Corn on stem is corn crops in fields that were not removed from fields as at 31 December 2008 due to a number of reasons:

- 1) late sowing of corn, which shifted the harvest for later;
- 2) significant rainfalls, that increased humidity of stem (affecting the harvesting time and increasing costs for drying corn);
- 3) falling prices on corn in the market.

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

	Year ended 31 December 2008
As at 31 December 2007	36 816
Increase in value due to the capitalization of cost	196 934
Increase in value due to procurements	797
Increase resulting from changes in fair value of biological assets, less cost of sales	7 940
Decrease in the book value due to sales	(204)
Decrease in the book value due to harvesting	(143 975)
Decrease in the book value due to losses	(1 909)
As at 31 December 2008	96 399

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

19 INVENTORIES

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

	31 December 2008	31 December 2007
Fertilizers	5 463	2 393
Crop protecting agents	2 024	867
Seeds	2 295	1 944
Spare parts	1 736	860
Fuel	4 344	585
Construction materials	194	36
Work in progress	7 781	7 690
Other inventories	708	338
Total	24 545	14 713

As at 31 December 2008 and 31 December 2007 "Work in progress" amounting to UAH 7 606 thousand and UAH 7 690 thousand is presented by fall-plowed fields and fallow grounds with total area of 23 303 hectares and 27 377 hectares respectively. As at 31 December 2008 "Work in progress" contains processing in the amount of UAH 175 thousand.

Fall-plowed fields (underwinter plowing) represent summer-fall tillage for planting spring crops in the spring of following year.

Fallow grounds represent fields after crop rotation, not occupied by the crops during the whole growing season or its part kept loose and clean of weeds.

As at 31 December 2008 and 31 December 2007 the Group possesses uncultivated lands with total area of 3 034 hectares and 3 603 hectares.

20 AGRICULTURAL PRODUCTS

As at 31 December 2008 and 31 December 2007 the balances of agricultural products were presented as follows:

	31 December 2008		31 December 2007	
	Quantity, tons	Book value	Quantity, tons	Book value
Grain	36 867	22 584	1 480	1 329
Total	36 867	22 584	1 480	1 329

During the year ended 31 December 2007 the Group collected grain harvest of 71 852 tons with the fair value of UAH 71 442 thousand.

During the year ended 31 December 2008 the Group collected grain harvest of 210 386 tons with the fair value of UAH 143 975 thousand.

As at 31 December 2008 and 31 December 2007 the grain in the context of grain crops was presented as follows:

	31 December 2008		31 December 2007	
	Quantity, tons	Book value	Quantity, tons	Book value
Wheat	23 596	14 395	300	273
Barley	1 690	1 061	709	594
Oats	2 093	1 529	-	-
Rye	4 374	2 881	13	12
Corn	3 713	1 534	350	295
Sunflower	715	576	17	34
Pea	334	384	-	-
Others	352	224	91	121
Total	36 867	22 584	1 480	1 329

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

As at 31 December 2008 inventory impairment took place. Impairment loss amounted to UAH 450 thousand and represented a decrease in the agricultural products cost to the net costs of sales. The loss was recognized in the consolidated income statement under "Other operating income/(expenses), net".

21 TRADE AND OTHER RECEIVABLES, NET

As at 31 December 2008 and 31 December 2007 the balances of trade and other receivables were denominated in UAH and presented as follows:

	31 December 2008	31 December 2007
Trade receivables from third parties	12 779	24 719
Other receivables from third parties	2 100	200
Less: provision for doubtful debts	(1 025)	(3 237)
Total	13 854	21 682

As at 31 December 2007, the provision was created for trade receivables overdue for more than 90 days after the contractual maturity based on projected amounts of bad debts, which were determined based on past experience and regularly reassessed on the basis of facts and circumstances at each reporting date. A special purpose provision of 100% was created for accounts receivable that were considered to be uncollectible.

During 2008 the Group changed its approach to the determination of doubtful debt provisions. As at 31 December 2008 the doubtful debt provision was created for trade and other receivables overdue for more than 365 days after the contractual maturity.

The structure of trade and other receivables of the Group as at 31 December 2007 includes receivables from debtors with the book value of UAH 6 982 thousand, which is overdue, but the Group still considers the repayment to be possible (not impaired). The contracts on these receivables were prolonged. The Group does not have any collateral for these outstanding balances.

The information on changes in provision for bad debts in respect of trade and other receivables is presented as follows:

	Collectively impaired
As at 31 December 2006	(3 521)
Income from decrease in provision for bad debts	284
As at 31 December 2007	(3 237)
Income from decrease in provision for bad debts	2 059
Use of provision for bad debts	153
As at 31 December 2008	(1 025)

22 PREPAYMENTS TO SUPPLIERS, NET

As at 31 December 2008 and 31 December 2007 the prepayment to suppliers were presented as follows

	31 December 2008	31 December 2007
Advances for inventories	8 730	7 625
Advances for services	3 037	2 073
Advances for securities	6 950	-
Less: provision for doubtful debts	(100)	(95)
Total	18 617	9 603

As at 31 December 2008 advances for securities in the amount of UAH 6 950 thousand represent advances of LLC "TNT" issued to the Parent company LLC "Ukrzernoprom Agro" for the securities of LLC "Ukrzernoprom-Sonjachne" and LLC "Ukrzernoprom-Drujba" in the amount of UAH 4 950 thousand and UAH 2 000 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

The information on changes in the provision for advances to suppliers is presented as follows:

	Collectively impaired
As at 1 January 2007	(100)
Income from the decrease in provision for bad debts	5
As at 1 January 2008	(95)
Expenses for the accrual of provision for bad debts	(70)
Use of provision for bad debts	65
As at 31 December 2008	(100)

23 TAXES RECOVERABLE AND PREPAID, NET

As at 31 December 2008 and 1 January 2008 taxes recoverable and prepaid were presented as follows:

	31 December 2008	31 December 2007
Agricultural value added tax (VAT)	1 721	4 472
VAT receivable	9 965	374
Other taxes prepaid	63	102
Less: provision for doubtful VAT	-	(112)
Total	11 749	4 836

In compliance with the effective since 1 January 2009 amendments to the Law of Ukraine "On Value Added Tax", VAT credit balance arising on agricultural transactions is not transferred to the reduction of future liabilities to the budget, it should be included in the expenses. VAT arising on 31 December 2008, which was not repaid by the tax liabilities, according to the results of January 2009 amounts to UAH 6 633 thousand. The Group does not expect to receive economic benefits from the asset any more, therefore the amount of agricultural VAT was excluded from the asset. Consequently, this article reflects only the VAT amounts on tax invoices not included in the tax reporting, which in future will be able to repay future tax liabilities of the company on this tax for agricultural transactions.

"VAT receivable" includes the amount of VAT recoverable through the repayment of future tax liabilities of the company on this tax for transaction not related to agriculture.

24 CASH

As at 31 December 2008 and 31 December 2007 cash balances were presented as follows:

	31 December 2008	31 December 2007
Cash denominated in UAH	1 379	1 186
Cash denominated in USD	-	14
Total	1 379	1 200

25 SHORT-TERM DEPOSITS

As at 31 December 2008 and 31 December 2007 deposits were presented as follows:

	31 December 2008	31 December 2007
Short-term deposits (with term of placement from 3 to 12 months)	20 000	-
Total	20 000	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

As at 31 December 2008 deposits were presented as follows:

Bank	Currency	Interest rate	Maturity	Amount
LLC "Fortuna-Bank"	UAH	15,5%	April 2009	20 000
Total				20 000

As at 31 December 2007 there were no placed deposits at the Group.

26 OTHER CURRENT ASSETS

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

	31 December 2008	31 December 2007
Receivables of the shareholders	18 926	-
Interest receivable	263	-
Current portion of long-term receivables	79	-
Other current assets	59	2
Total	19 327	2

As at 31 December 2008 the accounts receivable on contributions to the statutory fund are mainly represented by the debt of MCB Agricole Holding AG on contributions to the statutory fund of Parent company LLC "Ukrzernoprom Agro" in the amount of UAH 18 920 thousand. The statutory fund will be formed through the provision of agricultural equipment.

27 NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

As at 31 December 2008 the share capital of the Group's Parent company was presented as follows:

	Ownership ratio	Present value
MCB Agricole Holding AG	100,00%	220 700
Total	100,00%	220 700

For the year ended 31 December 2008 the share capital of the Parent company was increased. The increase was performed gradually. In February 2008, the share capital of LLC "Ukrzernoprom Agro" was increased by UAH 150 000 thousand, a contribution was made in cash, in April 2008 it was increased by UAH 28 250 thousand, a contribution was made by agricultural equipment, in July 2008 it was increased by UAH 19 352 thousand, a contribution of UAH 432 thousand was made by agricultural equipment.

In June and July 2009 the liabilities on contributions to the share capital of MCB Agricole Holding AG were partially repaid in the amount of UAH 6 791 thousand through the provision of agricultural equipment.

As at 31 December 2008 the Principal ultimate owners were represented by the following individuals and legal persons:

	Ownership ratio
Mr. Anton Shishkin	30,20%
Mr. Kirill Sintsov	30,20%
Mr. Evgeniy Leng	7,60%
Mr. Mikhail Golybitskiy	7,60%
Institutional investors	24,40%
Total	100,00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

As at 31 December 2007 the share capital of the Group's Parent company was presented as follows:

	Ownership ratio	Present value
Medfair Oil Limited	89,65%	20 707
CJSC «Ukrzernoprom»	9,84%	2 274
OJSC "Zhel'tovodskiy khlebzavod"	0,51%	117
Mr. Zakharov	0,00%	-
Total	100,00%	23 098

As at 31 December 2007 the owners contributed 100% of the registered share capital of the Parent company.

As at 31 December 2007 the Principal ultimate owners were represented by the following individuals:

	Ownership ratio
Mr. Anton Shishkin	40,00%
Mr. Kirill Sintsov	40,00%
Mr. Evgeniy Leng	10,00%
Mr. Mikhail Golybitskiy	10,00%
Total	100,00%

28 LONG-TERM LOANS

Long-term loans as at 31 December 2008 and 31 December 2007 were presented as follows:

	Note	31 December 2008	31 December 2007
Long-term bank loans	b)	-	21 287
Current portion of long-term liabilities on bank loans	b)	-	(6 410)
Long-term loans of non-financial institutions	a)	70 343	-
Total		70 343	14 877

a) Long-term loans of non-financial institutions as at 31 December 2008 were presented as follows:

Bank	Currency	Interest rate	Repayment period	Current portion of long-term liabilities as at 31 December 2008	Amount of liability as at 31 December 2008
MCB Agricole Holding AG	EUR	5%	June 2011	-	70 343
Total				-	70 343

Long-term loan from MCB Agricole Holding AG (Austria) was granted on 21 May 2008 by the Group's Parent company with a maturity on 1 June 2011 to replenish working assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

b) Long-term loans as at 31 December 2007 were presented as follows:

Bank	Currency	Interest rate	Repayment period	Current portion of long-term liabilities as at 31 December 2007	Amount of liability as at 31 December 2007
OJSC "Raiffeisen Bank Aval"	USD	10,7-11%	November-December 2008	(2 255)	2 255
LLC "Fortuna-Bank"	USD	11,0%	September 2009	-	14 284
OJSC "Swedbank"	EUR	11,0%	March 2009	(2 998)	2 998
JSB "TAS-Commerzbank"	EUR	11,0%	March 2009	(1 157)	1 750
Total				(6 410)	21 287

29 SHORT-TERM LOANS

Short-term borrowings as at 31 December 2008 and 31 December 2007 were presented as follows:

	Note	31 December 2008	31 December 2007
Short-term bank loans	a), b)	6 630	53 886
Current portion of long-term liabilities on bank loans		-	6 410
Total		6 630	60 296

a) Short-term borrowings as at 31 December 2008 were presented as follows:

Bank	Currency	Interest rate	Repayment period	Amount of liability as at 31 December 2008
LLC "Fortuna-Bank"	USD	11%	March 2009	6 630
Total				6 630

b) Short-term borrowings as at 31 December 2007 were presented as follows:

Bank	Currency	Interest rate	Repayment period	Amount of liability as at 31 December 2007
OJSC "Raiffeisen Bank Aval"	USD	10,7-12%	February-December 2008	53 886
Total				53 886

As at 31 December 2008 and 31 December 2007 loans to be repaid as follows:

	31 December 2008	31 December 2007
Credit facilities (with maturity less than 3 months)	6 630	11 031
Credit facilities (with maturity from 3 to 6 months)	-	12 203
Credit facilities (with maturity from 6 to 12 months)	-	37 062
Total current portion payable within one year	6 630	60 296
Credit facilities (with maturity within one year)	-	14 877
Credit facilities (with maturity over one year)	70 343	-
Total	76 973	75 173

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

As at 31 December 2008 and 31 December 2007 the Group's loans were secured by the following pledged assets:

	31 December 2008	31 December 2007
Property, plant and equipment	13 248	27 883
Future harvest	-	13 975
Total	13 248	41 858

30 TRADE AND OTHER PAYABLES

As at 31 December 2008 and 31 December 2007 Trade and other payables were presented as follows:

	31 December 2008	31 December 2007
Trade payables	6 334	1 029
Payables for property, plant and equipment	2 154	2 364
Other payables	4 641	1 049
Total	13 129	4 442

31 ADVANCES FROM CUSTOMERS

As at 31 December 2008 and 31 December 2007 advances from customers were presented as follows:

	31 December 2008	31 December 2007
Advances from third parties	4 340	628
Total	4 340	628

32 ACCRUALS AND PROVISIONS

As at 31 December 2008 and 31 December 2007 accruals and provisions were presented as follows:

	31 December 2008	31 December 2007
Salaries and wages payable	4 056	2 142
Provisions for future payments	1 843	287
Total	5 899	2 429

As at 31 December 2008 "Provisions for future payments" includes the provisions for future payments to employees amounting to UAH 1 638 thousand and other provisions amounting to UAH 205 thousands.

33 TAXES PAYABLE

As at 31 December 2008 and 31 December 2007 taxes payable were presented as follows:

	31 December 2008	31 December 2007
VAT payable	51	180
Income tax payable	224	72
Agricultural VAT payable	-	60
Corporation tax payable	3	-
Other taxes payable	130	48
Total	408	360

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

34 CONTINGENT AND CONTRACTUAL LIABILITIES

Economic environment - Main operating activity of the Group is carried out within Ukraine. Laws and other regulatory acts affecting the activities of entities in Ukraine may be subject to changes during short periods of time. As a result, assets and operating activity of the Group may be exposed to the risk in case of any unfavorable changes in political and economical environment.

Taxation - As a result of instable economic situation in Ukraine, tax authorities in Ukraine pay increasing attention to the business circles. In this regard, local and national tax legislation in Ukraine is subject to frequent changes. Moreover, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to significant fines and penalties. As a result of future tax inspections, additional liabilities may be identified that will not comply with the Group's tax reporting. Such liabilities may be taxes, as well as fines and penalties, and their amounts may be significant.

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

Legal matters - In the course of its economic activity the Group is subject to legal claims and actions. The Group's management considers that ultimate liabilities, which may arise as a result of such legal proceedings, will not have any significant influence on the Group's financial position or the results of its future activities.

Liabilities under the contracts of operating lease of land and property, plant and equipment - The Group had the following liabilities under the contracts of operating lease of land, property, vehicles and agricultural equipment as at 31 December 2008 and 31 December 2007:

	31 December 2008		31 December 2007	
	Lease of land	Lease of property, plant and equipment	Lease of land	Lease of property, plant and equipment
Within one year	16 441	1 691	7 642	103
From two to five years	48 921	2 163	22 574	188
Over five years	33 793	1 067	14 531	46
Total	99 155	4 921	44 747	337

35 RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements under IFRS, the parties are considered to be related, if one of the parties has the ability to exercise control over the other party or influence significantly the other party in making financial and operating decisions. In considering the transactions with each possible related party, the particular attention is paid to the essence of relationships, not merely their legal form.

Related parties may enter into transactions, which may not always be available to unrelated parties, and they may be subject to such conditions and such amounts that are impossible in transactions with unrelated parties.

According to the existing criteria for the identification of related parties, the Group's related parties are divided into the following categories:

- a) Companies under common control together with the Group's companies;
- b) Principal ultimate owners;
- c) Companies having shares in the Group's share capital;
- d) Key management personnel.

The following transactions were performed in the context of each category of related parties.

Balances of trade and other receivables from related parties as at 31 December 2008 and 31 December 2007 and income from sales to related parties for the years ended 31 December 2008 and 31 December 2007 were presented as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

	31 December 2008	31 December 2007
Trade and other receivables from related parties		
a) Companies under common control together with the Group's companies	1 620	23 364
b) Principal ultimate owners	2	-
c) Companies having shares in the Group's share capital	-	64
Total	1 622	23 428
Provision for doubtful accounts receivable from related parties		
a) Companies under common control together with the Group's companies	(843)	(2 914)
Total	(843)	(2 914)
Income from sales to related parties		
a) Companies under common control together with the Group's companies	640	56 876
b) Companies having shares in the Group's share capital	-	40
Total	640	56 916

The balances of trade and other payables to related parties as at 31 December 2008 and 31 December 2007 and acquisitions made from related parties during the years ended 31 December 2008 and 31 December 2007 were presented as follows:

	31 December 2008	31 December 2007
Trade and other payables to related parties		
a) Companies under common control together with the Group's companies	921	443
b) Principal ultimate owners	21	-
c) Companies having shares in the Group's share capital	-	2
Total	942	445
Acquisitions from related parties		
a) Companies under common control together with the Group's companies	(953)	(10 356)
b) Principal ultimate owners	(26)	-
Total	(979)	(10 356)
Advances from related parties		
a) Companies under common control together with the Group's companies	-	613
b) Companies having shares in the Group's share capital	-	2
Total	-	615
Long-term loans		
b) Companies having shares in the Group's share capital	70 343	-
Total	70 343	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

Financial income/(losses) from transactions with related parties	Year ended 31 December 2008	Year ended 31 December 2007
b) Companies having shares in the Group's share capital	(1 873)	-
Total	(1 873)	-

For the year ended 31 December 2008, financial income/(losses) from transactions with related parties are represented by the interest expenses on the long-term loan from MCB Agricole Holding AG in the amount of UAH 1 873 thousand.

The amount of remuneration to key management personnel of the Group for the year ended 31 December 2008 was presented as follows.

Expenses for salaries of key management personnel	Year ended 31 December 2008
Salary	3 971
Contributions to the pension fund	736
Other contributions	106
Total	4 813
Number of key management personnel, persons.	89

The amount of remuneration to the Group's key management personnel for the year ended 31 December 2007 amounted to UAH 280 thousand. Remunerations were made, mainly, in the form of salaries and contributions to the social security fund.

36 PENSIONS AND PENSION PLANS

The Group's employees receive pensions from the State in compliance with the current pension legislation of Ukraine. The Group's contributions to the State Pension Fund for the year ended 31 December 2008 amounted to UAH 6 912 thousand.

38 FINANCIAL RISK MANAGEMENT

The Group's policy regarding the risk management is designed to identify and analyze the risks faced by the Group, establishing acceptable limits of risk and appropriate controls, as well as risk monitoring and compliance with established limits. Risk management policies and systems are regularly reviewed for necessary changes due to changes in sales market conjuncture, financial market conditions and the Group's activities.

The Board of Directors bears full responsibility for the organization of the Group's risk management system.

The Group is exposed to the following risks due to the use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk, price risk and fair value interest rate risk). This explanation provides the information on the Group's objectives, its policies and procedures for risk assessment and risk management. Additional disclosures of quantitative information are presented in several other sections of these financial statements, including:

- information on financial income and expenses is disclosed in Note 11;
- information on cash is disclosed in Note 25;
- information on short-term deposits is disclosed in Note 26;
- information on trade and other receivables, net is disclosed in Note 22;
- information on long-term loans is disclosed in Note 29;
- information on current loans is disclosed in Note 30.

a) Credit risk

Credit risk is the risk of financial loss for the Group in case of customer's non-fulfilment of its obligations to the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

The book value of financial assets represents the maximum level of credit risk for the Group. Maximum level of credit risk as at 31 December 2008 and 2007 was as follows:

	31 December 2008	31 December 2007
Financial assets		
Non-current financial investments	1 469	270
Trade and other receivables, net	13 854	21 682
Short-term deposits	20 000	-
Cash	1 379	1 200
Total financial assets	36 702	23 152

The Group's exposure to credit risk regarding trade receivables, firstly, depends on the characteristics of each client. The Group's policy to manage the credit risk on receivables lays in systematic work with clients including: examination of external ratings (if any) of the counterparty and its goodwill, and in some cases, the bank's recommendations are also taken into account. Upon sales of products to the counterparties, with which the Group had not previously had any relationship, the transaction is performed on a pre-paid basis. A delay in payment is offered only to those counterparties, with which the Group's companies have cooperated for more than 1 year without any delay in payments, agreed in sale contracts.

Below is a summary of the outstanding balances on transactions with the five largest contractors of the Group as at 31 December 2008.

	Client's location	Trade receivables from third parties as at 31 December 2008	Sales revenue for the year ended 31 December 2008	Trade receivables from third parties as at 31 December 2007
LLC "Zernotorg-2004"	Ukraine	8 366	10 418	18 171
CJSC "Obolon"	Ukraine	1 560	1 592	-
CJSC "Pererobnik"	Ukraine	675	-	2 120
CJSC "Pivdennyi elevator"	Ukraine	403	-	403
OJSC "Novomoskovskiy khlebzavod"	Ukraine	385	-	385
Total		11 389	12 010	21 079

Below is a summary of the outstanding balances on transactions with the five largest contractors of the Group as at 31 December 2007.

	Client's location	Trade receivables from third parties as at 31 December 2007	Sales revenue for the year ended 31 December 2007	Trade receivables from third parties as at 31 December 2006
LLC "Zernotorg-2004"	Ukraine	18 171	29 929	5 310
CJSC "Pererobnik"	Ukraine	2 120	1 286	1 320
LLC "Ukr-Petroleum"	Ukraine	1 306	620	1 700
OJSC "Krivorogskiy khlebokombinat № 1"	Ukraine	529	441	6 144
LLC "Alfred S. Toepfer International"	Ukraine	984	4 435	-
Total		23 110	36 711	14 474

Concentration of credit risk on trade receivables from third parties is as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

For the year ended 31 December 2008, UAH 40 317 thousand or 25.86% of the Group's revenue relate to sales transactions conducted with one of the Group's customers (LLC "Alfred S. Toepfer International (Ukraine)"). Of the total trade receivables as at 31 December 2008, UAH 8 366 thousand or 66.36% are attributable to the major debtor LLC "Zernotorg-2004".

The Group of companies also analyzes overdue and impaired assets.

As at 31 December 2008 the distribution of trade and other receivables (Note 22) by limitations was as follows:

	Value of financial instrument as at 31 December 2008	Accrued provision as at 31 December 2008	Value of financial instrument inclusive of impairment
With maturity			
0-3 months	1 764	-	1 764
3-6 months	3 681	-	3 681
6 months - 1 year	129	-	129
over a year	9 304	1 025	8 280
Total	14 878	1 025	13 854

Accounting for reserves is performed to account for trade and other receivables impairment losses, unless the Group considers that the repayment is impossible. In this case, the amount of liability is considered to be irrecoverable and subject to writing-off for expenses of the reporting period.

Credit risk is accounted for upon the placement of funds on deposits in commercial banks. Upon the placement of funds on deposits, the counterparty's credit rating is taken into account, the experience of work with the financial institution (not less than 6 months), as well as the proposed interest rate.

b) Liquidity risk

Liquidity risk is an existing or potential risk of failure of the Group to fulfil its obligations properly and timely without incurring significant costs. The Group's approach to managing the liquidity is to ensure, as far as possible, the regular availability of sufficient liquidity to meet its obligations in due time (both in normal conditions and in non-standard situations), avoiding the emergence of unacceptable losses or the risk of reputation damage.

The information on the Group's outstanding financial liabilities by contractual maturities as at 31 December 2008 on the basis of the earliest maturity date is presented as follows:

	31 December 2008				
	Short-term and long-term loans	Trade and other payables	Accruals and provisions	Interest payable on long-term loans	Total
With maturity					
0-3 months	(6 630)	(12 023)	(5 899)	-	(24 552)
3-6 months	-	(4)	-	-	(4)
6 months - 1 year	-	(1 095)	-	-	(1 095)
over one year	(70 343)	(7)	-	(1 873)	(72 223)
Total	(76 973)	(13 129)	(5 899)	(1 873)	(97 874)

The information on the Group's outstanding financial liabilities by contractual maturities as at 31 December 2007 on the basis of the earliest maturity date is presented as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

	31 December 2007			
	Short-term and long-term loans	Trade and other payables	Accruals and provisions	Total
With maturity				
0-3 months	(11 031)	(3 557)	(2 429)	(17 017)
3-6 months	(12 203)	(63)	-	(12 266)
6 months - 1 year	(37 062)	(822)	-	(37 884)
over one year	(14 877)	-	-	(14 877)
Total	(75 173)	(4 442)	(2 429)	(82 044)

As at 31 December 2008 the Group's short-term assets exceeded its short-term liabilities by UAH 198 215 thousand. As at 31 December 2007 the Group's short-term assets exceeded its short-term liabilities by UAH 22 026 thousand.

c) Market risks

Market risk is a risk that changes in market indices, such as foreign exchange rates and interest rates, as well as changes in prices for traded goods, will have a negative impact on the amount of the Group's profit or the value of available financial instruments.

The purpose of market risk management is to manage the Group's exposure to market risk, as well as control its amount within acceptable limits. Below is the description of the Group's exposure to such component of market risk as currency risk, interest rate and price risk.

(i) Foreign currency risk

Foreign currency risk - Foreign currency risk is the risk that the Group's financial results will be exposed to the adverse effects from changes in exchange rates. The Group has substantial loans denominated in foreign currencies. The Group does not use any derivative instruments to manage the level of foreign currency risk.

Exposure to foreign currency risk

The book value of the Group's monetary assets and liabilities denominated: in foreign currencies (USD and EUR), as at the balance sheet date is presented as follows:

	31 December 2008		31 December 2007	
	EUR	USD	EUR	USD
Cash	-	-	-	3
Trade and other payables	(179)	-	(312)	-
Long-term and short-term loans	(6 480)	(861)	(640)	(13 946)
Accruals and provisions	(173)	-	-	-
Total	(6 832)	(861)	(952)	(13 943)

Sensitivity analysis (foreign currency risk)

The table below contains the information on the Group's sensitivity to UAH strengthening against EUR and vice versa by 10%. This analysis was applied to the monetary items as at the balance sheet date, denominated in EUR as at 31 December 2008.

Sensitivity analysis of transactions denominated in foreign currency	31 December 2008	Increase/decrease in EUR exchange rate, %	Effect on profit before tax, EUR thousand
Trade and other receivables	(179)	10	(18)
		(10)	18
Long-term and short-term loans	(6 480)	10	(648)
		(10)	648
Accruals and provisions	(173)	10	(17)
		(10)	17
General effect of exchange rate fluctuations	(6 832)	10	(683)
		(10)	683

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

The table below contains the information on the Group's sensitivity to UAH strengthening against USD and vice versa by 10%. This analysis was applied to the monetary items as at the balance sheet date, denominated in USD as at 31 December 2008.

	31 December 2008	Increase/decrease in USD exchange rate, %	Effect on profit before tax, USD thousand
Long-term and short-term loans	(861)	10 (10)	(86) 86
General effect of exchange rate fluctuations	(861)	(10)	86

(ii) Price risk

In order to manage the risk of changes in market prices for the products the Group's Sales Department constantly monitors market prices of sales. The results of the analysis and subsequent forecasting of prices for products, the Group's management develops the pricing policy depending on the price developments in the market. The general rule is applied: if the price in the market grows, the Group does not fix the price for a period longer than 1 month, if the price of the products falls, the Group fixes the price for a period not less than 3 months.

(iii) Interest rate risk associated with cash flows and fair value interest rate risk.

As at 31 December 2008 and 31 December 2007 the Group has outstanding liabilities on borrowings received under the fixed interest rate.

The Group constantly monitors the development of floating rate, and insists on fixation of the interest rate in the credit conditions if the floating rate increases. Thus, it is possible to minimize losses from the increasing interest rate on borrowed funds.

Structure of interest rate risk

As at the balance sheet date the structure of the Group's interest financial instruments grouped by the type of interest rates was as follows:

	31 December 2008	31 December 2007
Instruments with fixed interest rates:		
Short-term deposits	20 000	-
Long-term loans	(70 343)	(14 877)
Short-term loans	(6 630)	(60 296)
Total	(56 973)	(75 173)

The above table does not include such financial instruments as cash and cash equivalents, accounts receivable, accounts payable, since the possible effect of the interest rate risk (discount rate) on these financial instruments is not significant.

Capital risk management

The Group manages its capital to ensure its ability to operate as a going concern, while providing simultaneously maximum profit to the shareholders by optimizing the balance of liabilities and net assets attributable to the shareholders. The Group's management constantly analyzes the capital structure. Based on this analysis the Group's management takes measures regarding the balance of the general capital structure by attracting new funds or repayment of existing liabilities, as well as changes in the shareholders equity and the distributions to the shareholders.

As well as the other companies in the industry, the Group monitors the equity based on the ratio of own and borrowed funds. It is calculated as the ratio of net debt to own funds. The amount of net debt is calculated as the sum of all loans, less cash and cash equivalents. The amount of own funds is equal to the amount of share capital and net debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

The equity ratios as at 31 December 2008 and 31 December 2007 were as follow:

	31 December 2008	31 December 2007
Short-term loans	6 630	60 296
Long-term loans	70 343	14 877
Total loan amount	76 973	75 173
Less: cash and cash equivalents	21 379	1 200
Net debt	55 594	73 973
Share capital	220 700	23 098
Retained earnings	(6 814)	19 847
Minority interest	2 300	985
Total equity	216 186	43 930
Total amount of equity and net debt	271 780	117 903
Equity ratio	20,5%	62,7%

The Group aims to keep lower than 65% of equity to net debt ratio.

Risk of climate fluctuation and other risks

The biological assets are subject to risk of damage as a result of climate fluctuation, diseases, conflagrations and other natural disasters. The Group has a wide range of processes aimed to lower the level of the risks, including: regular field inspections, analysis for diseases' reveal.

Aiming to manage the natural risk factors and to minimize its influence on operational activities, the Group applies geographic diversification by type of crops depending on statistical information by geographic, weather and climate factors of a particular region, and also its influence on different crops. The Group regularly monitors key weather and climate indicators (temperature, moisture, precipitation), in order to control crops' condition and minimize losses by resawing other crops instead, use of different organic means, which allow to reach satisfactory crop yield and quality. Monitoring of fire safety is carried out by regions in summer. In order to exclude fire damage of harvest, the Group carries out works minimizing fire likelihood (antifire strips, etc.).

The Group insures grain and oil-bearing crops against the following risks:

influence of frost, glaze, hail, or thunderbolt, earthquake, avalanche, earth or water torrent, fire (except for forest fire), drill, hurricane, snowstorm, spate, flood, dry or dry on land, which are to be compulsory irrigated or waterflooded, epiphytotic diseases and increase of plant pests, secondary crop diseases, as a result of the risks taking place, unlawful acts of individuals (theft, acts of hooliganism), and also other events, related to unfavourable winter conditions, which prevent from vegetation renewal of the crops after overwinter survival.

39 POST BALANCE SHEET EVENTS

The Group incorporated the following new entities after 31 December 2008:

- LLC "Ukrzernoprom-Pivdenne";
- LLC "Ukrzernoprom-Lan";

Additional agreement to the contract of bank deposit from 8 April 2008 between LLC "Fortuna Bank" and LLC "Ukrzernoprom Agro" was signed on 28 January 2009. It is about decrease in the amount of deposit to UAH 19 440 thousand.

Additional agreement to the contract of bank deposit from 8 April 2008 between LLC "Fortuna Bank" and LLC "Ukrzernoprom Agro" was signed on 10 April 2009. The agreement increased term of the deposit till 14 April 2010.

Additional agreement to the contract of the line of credit dated 30 March 2007 between LLC "Fortuna Bank" and Subsidiary "Zernyatko" was signed on 30 March 2009. The agreement increased term of line of credit till 30 September 2009. At the time of issue of the consolidated financial statements, the loan was repaid in total amount and the liabilities were fulfilled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008, (in UAH thousand, unless otherwise stated)

After 31 December 2008 in the result of unfavourable weather conditions, the crops of grain and rape were damaged for the total amount of UAH 5 398 thousand. With this, the insurance compensation was received for UAH 447 thousand.

In June-July 2009 the receivable from the shareholder MCB Agricole Holding AG was partially realized by investment of agricultural machinery into share capital amounting to UAH 6 791 thousand.

