

**UKRPRODUCT GROUP LIMITED**

Report and Financial Statements

Period Ended

31 December 2008

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### **Directors**

Dr J Rowell OBE (Non-executive)  
S Evlanchik  
R Prannichuk  
A Slipchuk  
Dr Dmitry Dragun (resigned 27 June 2008)  
Iryna Yevets (resigned 10 April 2008)

### **Secretary and registered office**

Bedell Secretaries Limited, 26 New Street, St Heliers, Jersey, JE2 3RA

### **Company number**

88352

### **Auditors**

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

## DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the period ended 31 December 2008.

### Principal activities, trading review and future developments

The Company was incorporated on the 18 August 2004. Ukrproduct Group Ltd (the Company) is a holding company for a group of dairy based FMCG (fast moving consumer goods) businesses located in Ukraine.

On 11 February 2005 the Company was successfully admitted to the Alternative Investment Market of the London Stock Exchange. On this date, the Company completed the legal acquisition of 100% of the share capital of CJSC Ukrproduct Group (Ukraine), Dairy Trading Corporation Limited (BVI) and LinkStar Limited (Cyprus).

The main activities of CJSC Ukrproduct Group (Ukraine) are the production and distribution of branded dairy foods in Ukraine and the export of milk powders. The Group is one of the largest branded dairy-based food producers in Ukraine with its own nationwide distribution network. Its overall management and production facilities are based in Ukraine, with the headquarters in Kiev. The Group commands leading positions in the Ukrainian processed cheese and packaged butter markets and owns a range of widely recognisable trademarks in Ukraine.

As a holding Company Ukrproduct Group Ltd does not trade directly but it manages the sales through the companies that placed in Ukraine. The Group has further developed its retail presence throughout the country whilst operating seven regional depots as well as a central warehouse. In 2008 the Group continued to sell the majority of its products in Ukraine. During September and October 2008, Ukrproduct conducted a retail audit to measure the presence of its branded products in stores across Ukraine. According to the audit's findings, 'Our Dairyman' branded butter and cheese was found in 50% and 30%, respectively, of Ukrainian retail chains.

The Group's structure is expected to remain the same for foreseeable future

### Dividends

As at 27 April 2009, the Board of Directors proposed the final dividend payment of 0.40 pence per ordinary share for the year ended 31 December 2008 in the amount of £172,000 which would lead to 0.80 pence per ordinary share for the full year in the amount of £344,000. If approved at the AGM, the final dividend will be paid on 27 July 2009 to the shareholders on the register as at 26 June 2009.

### Directors

The directors of the Company and their interest in the Company for the period were:

#### Ordinary shares of 10p each

	2008	2007
S Evlanchik	14,422,383	14,422,383
A Slipchuk	14,487,383	14,487,383
Dr J Rowell OBE	18,690	18,690
Dr D Dragun (resigned)	-	-
I Yevets (resigned)	-	-

The beneficial interests held by S Evlanchik and A Slipchuk are held indirectly via Crensel Finance Limited and Densim Group Management Limited, both companies incorporated in the British Virgin Islands.

## **DIRECTORS' REPORT**

### **Statement of directors' responsibilities**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements which comply with the requirements of the Companies (Jersey) Law 1991 as amended.

The directors have elected to prepare the financial statements for the company in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the directors to:

- select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

### **Going concern**

Following a review of the Company's financial position and its budgets and plans, the directors have concluded that the Company's has sufficient financial resources to meet working capital requirements for a period of up to 12 months from the date of these financial statements.

### **Auditors**

BDO Stoy Hayward LLP served as auditors during the period under review. They have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting on 26 June 2009.

All of the current Directors have taken the necessary steps to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

### **By order of the Board**

Director

Roman Pzannychuk

29 May 2009

## REPORT OF THE INDEPENDENT AUDITORS

### To the shareholders of Ukrproduct Group Limited

We have audited the financial statements of Ukrproduct Group Limited (the "financial statements") for the year ended 31 December 2008 which comprise balance sheet, the income statement, cash flow statement, statement of changes in equity and related notes. These financial statements have been prepared under the accounting policies set out in note 2.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991 as amended. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable Jersey law and International Financial Reporting Standards (IFRSs) as adopted by the EU, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies (Jersey) Law 1991 as amended. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our Report if we become aware of any apparent misstatements within it.

### *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Opinion*

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991 as amended.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants and Registered Auditors*

London

29 May 2009

**BALANCE SHEET AS AT 31 DECEMBER 2008**

	Note	£'000 31/12/2008	£'000 31/12/2007
<b>Non-Current Assets</b>			
Investments	12	8,913	7,665
Loans issued	13	3,192	3,294
		<b>12,105</b>	<b>10,959</b>
<b>Current assets</b>			
Cash and cash equivalents		37	373
Other receivables and prepayments	14	-	38
		<b>37</b>	<b>411</b>
<b>Total assets</b>		<b>12,142</b>	<b>11,370</b>
<b>Non-Current Liabilities</b>			
Loans	16	3,642	3,531
		<b>3,642</b>	<b>3,531</b>
<b>Current Liabilities</b>			
Other payables	15	112	481
		<b>112</b>	<b>481</b>
<b>Total Liabilities</b>		<b>3,754</b>	<b>4,012</b>
<b>Capital and reserves</b>			
Share capital	17	4,282	4,164
Other reserves (Options)		24	144
Share premium		4,664	4,154
Retained earnings		(582)	(1,104)
<b>Total equity</b>		<b>8,388</b>	<b>7,358</b>
<b>Total liabilities and equity</b>		<b>12,142</b>	<b>11,370</b>

These financial statements were approved and authorised for issue by the Board of Directors on 29 May 2009 and were signed on its behalf by:

Roman Beanychuk

The notes on pages 10 to 22 form part of these financial statements.

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	£'000 31/12/2008	£'000 31/12/2007
General and administrative expenses	6,7	(458)	(488)
<b>Operating loss</b>		<b>(458)</b>	<b>(488)</b>
Finance income	9	2,243	381
Finance expense	9	(860)	-
Net finance income		<b>1,383</b>	<b>381</b>
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>925</b>	<b>(107)</b>
Taxation on profit from ordinary activities	10	-	-
<b>Profit(Loss) on ordinary activities after taxation</b>		<b>925</b>	<b>(107)</b>

All amounts relate to continuing activities.

The notes on pages 10 to 22 form part of these financial statements.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	£'000 31/12/2008	£'000 31/12/2007
<b>Operating activities</b>			
Profit/(loss) from ordinary activities		925	(107)
<b>Adjustments for:</b>			
Net finance income	9	<u>(1,383)</u>	<u>(381)</u>
<b>Operating loss before changes in working capital</b>		<b>(458)</b>	<b>(488)</b>
Decrease in trade and other receivables		38	351
(Decrease) /Increase in trade and other payables		<u>(369)</u>	<u>99</u>
<b>Cash flows from operating activities</b>		<b>(789)</b>	<b>(38)</b>
<b>Investing Activities</b>			
Purchase of investments	12	(1,249)	(532)
Dividends received	9	1,799	-
Loans repaid	13	102	-
Interest income	9	334	337
<b>Cash flows from investing activities</b>		<b>986</b>	<b>(195)</b>
<b>Financing Activities</b>			
Proceeds from issue of shares, net of issue costs	17	628	241
Distribution of dividends	11	(523)	(459)
Proceeds from issue of non current loans		-	788
Repayments of non current loans		<u>(638)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		<b>(533)</b>	<b>970</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(336)</b>	<b>311</b>
Cash and cash equivalents at beginning of the period		<u>373</u>	<u>36</u>
<b>Cash and cash equivalents at end of the period</b>		<b>37</b>	<b>373</b>

The notes on pages 10 to 22 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2008**

	<b>Attributable to equity holders</b>				
	<b>Share capital</b>	<b>Share Premium</b>	<b>Share Option reserve</b>	<b>Retained earnings</b>	
<b>Balance at 31 December 2006</b>	<b>4,121</b>	<b>3,956</b>	<b>216</b>	<b>(610)</b>	<b>7,683</b>
Loss for the year	-	-	-	(107)	(107)
<b>Total recognized income and expenses of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(107)</b>	<b>(107)</b>
Issue of shares	43	198	-	-	241
Share option exercise	-	-	(72)	72	0
Dividends paid	-	-	-	(459)	(459)
<b>Balance at 31 December 2007</b>	<b>4,164</b>	<b>4,154</b>	<b>144</b>	<b>(1,104)</b>	<b>7,358</b>
Profit for the year	-	-	-	925	925
<b>Total recognized income and expenses of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>925</b>	<b>925</b>
Issue of shares	17	118	510	-	628
Exercise of warrants	-	-	(120)	120	-
Dividends paid	11	-	-	(523)	(523)
<b>Balance at 31 December 2008</b>	<b>4,282</b>	<b>4,664</b>	<b>24</b>	<b>(582)</b>	<b>8,388</b>

The following describes the nature and purpose of each reserve within equity.

<b>Reserve</b>	<b>Description and purpose</b>
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Share option reserve	Amount arising from share based payments.
Retained earnings	Cumulative net gains and losses recognized in the income statement.

The notes on pages 10 to 22 form part of these financial statements.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1 General information

#### *(a) Company description*

The Company was incorporated in Jersey on 18 August 2004 as an investment holding company for the Ukrproduct Group.

#### *(b) Definitions*

In these financial statements:

The Company	- Ukrproduct Group Limited
The Group	- Includes all subsidiaries of the Company.
Related parties	- As defined in International Accounting Standard 24 - "Related Party Disclosures".

#### *(c) Operating Environment of the Group*

The main activities of the Group are concentrated in Ukraine, a country which continues to display characteristics of an emerging market. The prospects for future economic stability in Ukraine are largely dependent upon the effectiveness of the economic measures and reforms undertaken by the government, together with legal, regulatory and political developments, which are beyond the control of the Company.

### 2 Significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are as follows:

#### *(a) Basis of preparation*

The policies set out below have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board and with those parts of the Companies (Jersey) Law 1991 applicable to companies preparing their accounts under IFRS.

The financial information has been prepared in British pounds sterling (hereinafter GBP or £) being the Company's functional currency.

#### *(b) Foreign currency*

Monetary assets and liabilities denominated in non-Sterling currencies are translated into Sterling equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated into sterling using exchange rates prevailing at the dates of the transactions. Exchange rate differences on foreign currency transactions are included in net finance income/expense.

#### *(c) Financial Instruments*

The Company classifies its financial instrument as follows:  
Financial assets, such as

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Significant accounting policies (*continued*)

- **loans and receivables:** these are financial assets with fixed or determinable payments and they are principally through the rendering facilities to related parties. They arise principally through the provision of loans to the related parties. They are carried at amortised cost.

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

- **Available for sale investment** - mainly investments in entities qualifying as subsidiaries. They are carried at fair value and the full amount of the impairment, including any amount previously charged to equity, is recognised in the Income statement.

Financial liabilities such as

- **financial liabilities held at amortised cost:**

Long-term monetary liabilities, such as interest expense and loans. Loans initially held at amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such liabilities measured at amortised cost using effective interest method, which ensures that any interest expense over the period to repayment is at constant rate on the balance of liability carried in the balance sheet. Interest expense includes initial transaction costs and interest payable on redemption.

#### (d) *Capital*

The Company's definition of the capital is an ordinary share capital, share premium, accumulated retained earnings and other equity reserves.

#### (e) *Share-based payments*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

#### (f) *Dividends*

Equity dividends are recognised when they become legally payable. In the case of interim dividends are recognised when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

#### (h) *Share issue costs*

All qualifying transaction costs in respect of the issue of shares are accounted for as a deduction from equity, net of any related tax deduction. Qualifying transaction costs include:

- Costs of preparing the prospectus
- Accounting, tax and legal expenses
- Underwriting fees
- Valuation fees in respect of the shares and of other assets

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Segment information

The Company is a holding company and did not conduct any sales or purchases activities during the period. The Company's assets are comprised of investments in Ukraine.

### 4 Directors and employees

There were no employees other than directors during the period (2007:1). Employee salaries and directors' remuneration is detailed in Note 7.

### 5 Financial risk management objectives and policies

The principal risks facing the Company's business are credit risk, liquidity risk and market risk, including fair value or cash flow interest-rate risk and foreign exchange risk. The main purpose of the Company's risk management programme is to evaluate, monitor and manage these risks and to minimise potential adverse effects on the Company's financial performance and shareholders. The Chief Financial Officer of the Company is in charge of risk management and introduction of all policies as approved by the Board of Directors.

#### *Principal financial instruments*

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- 1 *loans issued*
- 2 *loans from subsidiaries*
- 3 *cash and cash equivalents.*
- 4 *investments*
- 5 *other receivables*
- 6 *other payables*

The Company's overall risk management programme recognises the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the Group Chief Financial Officer (CFO) under policies approved by the Board of Directors. The Group CFO identifies and evaluates financial risks in close co-operation with the Company's operating units. The management board provides broad guidance and operating principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, and investing excess liquidity.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The Board receives monthly updates from the Company CFO through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's internal operating auditors review the risk management policies and processes and report their

Findings to CEO and the Audit Committee, if and when necessary. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are laid out below.

#### *Credit risk*

Credit risk is the risk that a counterparty will not be able to meet its obligations in full when due. Quantitative disclosures of the credit risk exposure in relation to loans issued, which are neither past due nor impaired, are made in note 13. The Company attempts to reduce credit risk by conducting periodic review which includes obtaining external ratings and in certain cases bank references.

## NOTES TO THE FINANCIAL STATEMENTS

### **5 Financial risk management objectives and policies (continued).**

Cash and cash equivalents and deposits with banks and financial institution also give a rise to credit risk. While the Company undertakes, at all times, to assess the quality and creditworthiness of the banks it deals with, the risk of bank defaulting on its obligations to the Company remains material, in the Company's view. This risk is partially mitigated by the Group's policy of dealing only with world's largest bank. The Company does not hold any term deposits with the banks. Maximum exposure to the cash and cash equivalents and deposits with banks and financial institutions component of credit risk at the reporting date is fair value of the cash balances due from such banks and financial institutions at the balance sheet date. There is no collateral held as security or other credit enhancements.

The Company does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it sufficiently concentrated.

As a result of the credit control risk assessment procedures, the Company does not expect any losses from non-performance by the counterparties at the reporting date from any of the financial instruments currently employed in the business.

#### ***Liquidity risk***

Liquidity risk is a function of the possible difficulty to be encountered in raising funds to meet financial obligations. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due by maintaining the minimum cash balances and agreed overdraft facilities. The Company also seeks to reduce liquidity risk by fixing interest rates and hence cash flows on substantially all of its borrowings.

#### ***Market risk***

Market risk may arise from the Company's use of interest bearing, tradable and foreign currency financial instruments. Market risk comprises fair value interest rate and foreign exchange rate risks.

#### ***Cash flow and fair value interest-rate risk***

The Company's interest-rate risk arises from medium to long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest-risk. The Company policy is to maintain at least 80% of its borrowings in fixed rate instruments. At 31 December 2008, all borrowing were at fixed rates (note 16)

The Company analyses the interest rate exposure on a monthly basis. A sensitivity analysis is performed by applying various interest rate scenarios to the borrowings at fixed rates. Various methods and assumptions are used in the analysis, in particular the likelihood of the change in interest rates, supplementary (alternative) funding and the cost of arranging the back-up funding facilities. Based on the sensitivity analysis performed, the maximum exposure (impact on profit or loss and net assets) of a 700 basis-point shift (being the maximum reasonably possible expectation of changes in interest rates) would be an increase of GBP 80,000 (2007: GBP 70,000) or a decrease of GBP 80,000 (2007: GBP 70,000).

#### ***Foreign exchange risk***

The management believes that as a holding entity with no operations the Company is not exposed to any foreign exchange risk other than on loan denominated in USD from related party.

The effect of a 25c strengthening of the USD against Sterling at the balance sheet date on the USD-denominated loan carried at that date would, all other variables held constant, have resulted in a decrease in post-tax profit for the year and decrease of net assets of £263,000 (2007 - £200,000). A 25c weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £338,000 (2007 - £258'000).

## NOTES TO THE FINANCIAL STATEMENTS

### 5 Financial risk management objectives and policies (continued)

#### Capital disclosures

The Company's definition of the capital is in ordinary share capital, share premium, accumulated retained earnings and other equity reserves. The Directors view their role as that of corporate guardians responsible for preservation and growth of the capital, as well as for generation of the adequate returns to shareholders.

The Company's objectives when maintaining and growing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders,
- to control for and mitigate the risk imposed by the operation and competitive environment on the Company's asset base thereby preserving the integrity and manufacturing capacity of the Company's operations, and,
- to provide an adequate return to shareholders by delivering the products in demand by the customers at prices commensurate with the level of risk and expectations of shareholders.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the current trading environment. The Company's core assets consist predominantly of the unquoted investment in Ukraine and other countries, loans issued to the related parties and cash balances.

In order to maintain or adjust the capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders, repay debt, return capital to shareholders or sell assets to improve the cash position. Historically, the first three methods were used to achieve and support the desired capital structure. The Company monitors capital on the basis of the net debt equity ratio (D/E ratio). This ratio is calculated as net debt to shareholder equity. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Shareholders equity comprises all components of equity i.e. share capital, share premium, minority interest, retained earnings, and revaluation reserve.

The D/E ratios at 31 December 2008 and at 31 December 2007 were as follows.

	As at 31 December 2008	As at 31 December 2007
	£'000	£'000
Total debt	3,642	3,531
Less: Cash and cash equivalents	(37)	(373)
Net debt	3,605	3,158
Total equity	8,388	7,385
<b>D/E ratio</b>	<b>43.0%</b>	<b>42.8%</b>

### 6 Loss from operations

This has been arrived at after charging:

	Year ended 31 December 2008	Year ended 31 December 2007
	£'000	£'000
Auditors' remuneration	15	27
Directors' remuneration	276	385
Employee salaries and other benefits	-	5
Marketing and PR expenses	20	2
Nominated advisor and broker fees	43	23
Other expenses	104	46
	<b>458</b>	<b>488</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Employee benefit expense

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Wages and salaries	-	5
	-	5

### Remuneration of key management personnel

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Directors – Salaries	276	230
Directors – Bonuses	-	155
	276	385

### 8 Share-based payment

The Company operates an equity-settled share based remuneration scheme for employees. During the period under review the Company did not grant share options to the Directors. All options granted to the Directors in the prior periods and outstanding as at 31 December 2008 vested on 11 February and expired on February 11, 2009.

	2008 Weighted average exercise price (£)	2008 Number	2007 Weighted average exercise price (£)	2007 Number
Outstanding at beginning of the year	0.570	612,028	0.570	912,028
Granted during the year	-	-	-	-
Forfeited during the year	0.570	481,738	-	-
Exercised during the year	-	-	0.570	300,000
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	0.570	130,290	0.570	612,028
Exercisable at the end of the year	0.570	130,290	0.570	612,028

The fair value of options granted in 2005 has been calculated based on the following data.

Item	2005 Adjusted Black- Scholes
Option pricing model used	0.545
Weighted average share price at the grant date	0.535
Exercise price	3.947
Weighted-average contractual life, years	25%
Expected volatility	5%
Expected dividend yield	0%
Expected dividend growth rate	4.44%
Weighted-average risk-free interest rate	

## NOTES TO THE FINANCIAL STATEMENTS

### 8 Share-based payment *(continued)*.

To account for dividend yield in the Black-Scholes model, the modified current stock prices were calculated at option grant dates by subtracting present value of future dividend payments from the actual stock price at those dates.

Dividends were assumed to be paid in two half-yearly instalments.

Expected volatility was approximated by an average historical volatility of the peer group companies. The latter was calculated from daily standard deviations of the peer group stock returns during last 4 years.

### 9 Net finance income

*Recognised in the Income statement*

	As at 31 December 2008 £'000	As at 31 December 2007 £'000
<b>Finance income</b>		
Dividends received	1,799	-
Interest income on loans to related parties	328	334
Other financial income	6	3
Income from foreign exchange differences	110	44
	<b>2,243</b>	<b>381</b>
<b>Finance expense</b>		
Loss from foreign exchange differences	(860)	-
<b>Net finance income</b>	<b>1,383</b>	<b>381</b>

£1,799,000 is the dividend received from Dairy Trading Corporation. Interest received on the loan issued to the Company's subsidiary Linkstar Limited was £328,000 (2007: £334,000).

### 10 Taxation

There is no tax charge arising for the Company for the period.(2007: nil).

### 11 Dividends

As at 27 April 2009, the Board of Directors proposed the final dividend payment of 0.40 pence per ordinary share for the year ended 31 December 2008 which would lead to 0.80 pence per ordinary share for the full year. If approved at the AGM, the final dividend will be paid on 27 July 2009 to the shareholders on the register as at 26 June 2009. No tax consequences for the Group will arise out of this transaction as the Group's parent company is an entity registered under the Jersey laws.

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Final dividend for 2007 of 0.82 pence (2006 – 0.51 pence) per ordinary share proposed and paid during the year relating to the previous year's results	351	210
Interim dividend of 0.40 pence (2007 – 0.60 pence) per ordinary share paid during the year	172	249
Total	<b>523</b>	<b>459</b>

The directors are proposing a final dividend of 0.40 pence (2007 – 0.82 pence) per share totalling £172,000 (2007: £351,000). This dividend has not been accrued at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

### 12 Investments

Due to the lack of a developed market all investments have been valued at cost. The directors believe that the carrying value of investments is not significantly different from fair value.

Details of investments of the Company are as follows:

	Country of incorporation	As at 31 December 2008 £'000	As at 31 December 2007 £'000
Ukrproduct Group CJSC	Ukraine	8,315	7,067
Dairy Trading Corporation Limited	BVI	-	-
LinkStar Limited	Cyprus	-	-
Jmerinsky Maslosyrzavod LLC*	Ukraine	325	325
Letichevsky Maslozavod OJSC**	Ukraine	273	273
<b>Total Investments</b>		<b>8,913</b>	<b>7,655</b>

During the period the Company paid £1,249,000 for increased share capital in Ukrproduct Group CJSC.

Ukrproduct Group CJSC is the holding company of all Ukrainian subsidiaries of the Group. The following table discloses the Group's Ukrainian subsidiaries controlled by Ukrproduct Group CJSC and the subsidiaries in other jurisdictions controlled directly by the Company.

		Proportion of the Group's ownership interest	
		2008	2007
Molochnik OJSC**	Ukraine	97.6%	97.6%
Starokonstantinovskiy Molochniy Zavod SC**	Ukraine	100%	100%
Starkon-Moloko LLC**	Ukraine	100%	100%
Krasilovsky Molochny Zavod Private Enterprise SC**	Ukraine	100%	100%
Jmerinsky Maslosyrzavod LLC**	Ukraine	100%	100%
Letichevsky Maslozavod OJSC***	Ukraine	92.7%	92.7%
Teofipolskiy Dairy Plant Private Enterprise SC**	Ukraine	100%	100%
Podilskiy Dairy Plant Private Enterprise SC****	Ukraine	100%	-
Avtopark Starokonstantinov LLS***	Ukraine	100%	-
Ukrprodexpo SC**	Ukraine	100%	100%
Ukrprodexport Private Enterprise SC**	Ukraine	100%	100%
Ukrproduct-Logistic LLC **	Ukraine	100%	100%
Agrospetsresursy LLC**	Ukraine	100%	100%
Nash Molochnik Private Enterprise SC*	Ukraine	100%	100%
Ukreuroprodukt SC*	Ukraine	100%	100%
Agrospetsresursy Dnipro SC*	Ukraine	100%	100%
Torgoviy Dom Maslayana SC*	Ukraine	100%	100%
Torgoviy Dom Milko SC*	Ukraine	100%	100%
Agrospetsresursy Lviv SC*	Ukraine	100%	100%
Ukrproduct - Kharkov SC*	Ukraine	100%	100%
Ukrproduct Group CJSC	Ukraine	100%	100%
LinkStar Limited	Cyprus	100%	100%
Dairy Trading Corporation Limited	BVI	100%	100%

## NOTES TO THE FINANCIAL STATEMENTS

### 12 Investments (continued).

\* Subsidiaries of Agrospletsresursy LLC, the Operating Group's specialised distribution companies.

\*\* The companies are held through Ukrproduct Group CJSC which is a 100%-owned subsidiary of the Company

\*\*\* The company is held through Ukrproduct Group CJSC and LinkStar Limited which are 100%-owned subsidiaries of the Company

\*\*\*\* The company is held through Starkon-Moloko LLC which is 100% - owned subsidiary of the Company

### 13 Loans issued

Loans issued include £3,192,410 (2007: £3,293,552) interest bearing loan issued to the Company's subsidiary Linkstar Limited. The interest rate is fixed at 10%.

#### Interest rate risk

The currency and interest profile of the Company's loans issued are as follows

	Floating rate liabilities £'000	Fixed rate liabilities £'000	As at 31 December 2008 £'000	As at 31 December 2007 £'000
GBP	-	3,192	3,192	3,294
	-	3,192	3,192	3,294

#### Fair values

The book and fair values of non-current liabilities are as follows:

	Book value as at 31 December 2008 £'000	Fair value as at 31 December 2008 £'000	Book value as at 31 December 2007 £'000	Fair value as at 31 December 2007 £'000
Loans	3,192	3,192	3,294	3,294
	3,192	3,192	3,294	3,294

### 14 Other receivables and prepayments

	As at 31 December 2008 £'000	As at 31 December 2007 £'000
Prepayments	-	6
Other Debtors	-	32
	-	38

## NOTES TO THE FINANCIAL STATEMENTS

### 15 Current liabilities

	As at 31 December 2008 £'000	As at 31 December 2007 £'000
Other payables	23	27
Prepayments received	75	299
Employee Benefits	14	155
	112	481

All amounts fall due for payment within one year. Prepayments include £75,000 interest received in advance from Linkstar Limited.

### 16 Non-current liabilities

Non-current liabilities consist of interest-free loan received from the Company's subsidiary Dairy Trading Corporation repayable in 2011.

#### *Maturity of non-current liabilities*

The carrying amounts of non-current liabilities.

	As at 31 December 2008 £'000	As at 31 December 2007 £'000
In less than 1 year	-	-
In more than one year but not less than two years	-	-
In more than two years but not less than five years	3,642	3,531
In more than five years	-	-
	3,642	3,531

#### *Currency profile of non-current liabilities*

The currency profile of the Company's non-current liabilities is as follows

	Floating rate liabilities £'000	Fixed rate liabilities £'000	As at 31 December 2008 £'000	As at 31 December 2007 £'000
GBP	-	1,026	1,026	1,166
USD		2,616	2,616	2,365
		3,642	3,642	3,531

*The book and fair values of non-current liabilities are as follows:*

	Book value as at 31 December 2008 £'000	Fair value as at 31 December 2008 £'000	Book value as at 31 December 2007 £'000	Fair value as at 31 December 2007 £'000
Loans	3,642	3,642	3,531	3,531
	3,642	3,642	3,531	3,531

## NOTES TO THE FINANCIAL STATEMENTS

### 17 Share capital

	Authorised			
	As at 31 December 2008 Number '000	As at 31 December 2008 £'000	As at 31 December 2007 Number '000	As at 31 December 2007 £'000
Ordinary shares of 10p each	50,000		50,000	
		5,000		5,000
		Issued and fully paid		
	2008 Number '000	2008 £'000	2007 Number '000	2007 £'000
<i>Ordinary shares of 10p each</i>				
At beginning of the year	41,645	4,164	41,215	4,121
Shares issued on the exercise of the warrants	1,173	118	430	43
At end of the year	42,818	4,282	41,645	4,164

In January-February of 2008 WH Ireland exercised warrants granted at the date of the Company's initial public offering with an exercise price of 53.5 pence. The total consideration received was £628,000.

### 18 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions and balances between the Group companies and related parties are set out below.

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest received	9	328	334
Loans from related parties		(638)	788
Loans to related parties	13	(102)	744
Remuneration of key personnel	7	276	385

## NOTES TO THE FINANCIAL STATEMENTS

### 18 Related party transactions (*continued*).

	Notes	As at 31 December 2008 £'000	As at 31 December 2007 £'000
Loans issued	13	3,192	3,294
Receivables and prepayments	14	-	32
Other payables	15	89	34
Non-current loans	17	3,642	3,531

The related parties, by category, were subsidiaries Linkstar Limited and Dairy Trading Corp and the employees of the Company.

### 19 Post balance sheet events

There were no significant post balance sheet events.