KSG Agro S.A.

Results for the first quarter of 2012

The Group's revenue has increased six times for the three-month period ended March 31, 2012 comparably to the respective period in 2011. The sales growth is the result of successful implementation of the Group's diversification strategy and increase of share of non-farming segments sales in total revenues.

The Group's management wants to draw this financial reports users' attention on the fact that the farming segment remains the core business segment for KSG Agro and the financial result for the first quarter is influenced by seasonality factor implying that the major part of crops is harvested and sold during second half of the year.

Financial highlights for the three-month period ended 31 March 2012

The Group's sales revenue increased 519% to USD 4,597 thousand for the three-month period ended March 31, 2012 comparably to USD 743 thousand for the three-month period ended March 31, 2011.

The Group's result from operation activities increased 62% to USD 2,395 thousand for the three-month period ended March 31, 2012 comparably to USD 1,475 thousand for the three-month period ended March 31, 2011.

The Group's net profit increased 65% to USD 1,794 thousand for the three-month period ended March 31, 2012 comparably to USD 1,086 thousand for the three-month period ended March 31, 2011.

1. Sales

The increase in Group's sales revenue by 519% for the three-month period ended March 31, 2012 in comparison with the three-month period ended March 31, 2011 is explained by the fact that the Group significantly increased sales of food-processing segment which is not influenced by seasonal factor to such extend as farming segment.

2. Financial results

The change in Group's financial result for the three-month period ended March 31, 2012 in comparison with the three-month period ended March 31, 2011 is mainly explained by following:

- Increase in sales revenue by USD 3,854 thousand;
- Increase in cost of goods sold by USD 2,888 thousand. The main driver of the increase is overall increase in sales;
- Increase in income from changes in fair value of biological assets by USD 246 thousand, from USD 1,457 thousand for the three-month period ended March 31, 2011 to USD 1,703 thousand for the three-month period ended March 31, 2012. The increase in income from changes in fair value of biological assets is the result of the increase in the Group's land bank in 2011.

GROUP OF COMPANIES
KSG AGRO S.A.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2012

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2012
(in thousand US dollars)

Contents:

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

(in thousand US dollars)

	Notes	31 March 2012 (not audited)	31 December 2011 (draft)	31 March 2011 (not audited)
Assets				
Non-current assets				
Property, plant and equipment	6	52,615	53,982	5,509
Intangible assets		-	52	-
Long-term biological assets	7	1,404	1,540	226
Goodwill		17,944	17,936	7,514
Total non-current assets		**71,963**	**73,510**	**13,249**
Current assets				
Current biological assets	9	17,829	13,363	10,933
Inventories	8	14,937	14,800	6,071
Trade and other accounts receivable	10	11,980	14,141	3,397
Taxes prepaid		1,836	1,400	1,221
Cash and cash equivalents	11	5,467	5,502	797
Total current assets		**52,049**	**49,206**	**22,419**
TOTAL ASSETS		**124,012**	**122,716**	**35,668**
LIABILITIES AND EQUITY				
EQUITY:				
Share capital	14	149	149	41
Share premium	14	36,829	36,813	-
Retained earnings		37,262	35,507	11,466
Total equity		**74,240**	**72,469**	**11,507**
Non-controlling interest		18,357	18,302	1,826
Total equity		**92,597**	**90,771**	**13,333**
Non-current liabilities				
Loans and borrowings	12	5,596	5,201	8,199
Long-term promissory notes issued		393	579	-
Deferred tax liability		565	565	-
Total non-current liabilities		**6,554**	**6,345**	**8,199**
Current liabilities				
Loans and borrowings	12	13,907	13,078	7,606
Trade and other accounts payable	13	10,552	11,971	6,335
Promissory notes issued		288	313	
Tax liabilities		114	238	195
Total current liabilities		**24,861**	**25,600**	**14,136**
TOTAL LIABILITIES		**124,012**	**122,716**	**35,668**

*As at 31.03.2011 the holding company KSG Agro S.A. has already been incorporated. However the current group structure as such has not been established at that date. Therefore comparative figures for the period ended 31.03.2011 are the pro forma consolidated financial statements prepared as if KSG Agro S.A.'s establishment of current group structure took place before 31.03.2011.

____________________/ S.V. Mazin/ (General director)

_____________________/ L.V. Velichko/ (Financial director)

Notes on pages 7- 34 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For three months ended 31 March 2012

(in thousand US dollars)

	Notes	3 months ended 31 March 2012 (not audited)	3 months ended 31 March 2011 (not audited)
Income	15	4,597	743
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs	7,9	1,703	1,457
Cost of sales	16	(3,312)	(424)
Gross profit		**2,988**	**1,776**
General and administrative expenses	17	(995)	(285)
Other operating income (expense), net	18	402	(16)
Result from operating activities		**2,395**	**1,475**
Finance expenses, net	19	(572)	(388)
Profit before tax		**1,823**	**1,087**
Income tax expenses		(29)	(1)
Profit for the year		**1,794**	**1,086**
Profit attributable to:			
Participants		1,746	622
Non-controlling interest		48	464
Profit for the period		**1,794**	**1,086**
Other comprehensive income			
Foreign currency translation differences for foreign operations		32	(2)
Other comprehensive income for the period , net of income tax		**32**	**(2)**
Total comprehensive income for the period		**1,826**	**1,084**
Total comprehensive income attributable to			
Participants		**28**	**621**
Non-controlling interest		**4**	**463**
Total comprehensive income for the period		**1,826**	**1,084**
Number of shares, million pieces		**12,21**	**12,21****
Earnings per share, USD		**0,15**	**0,09**

*As at 31.03.2011 the holding company KSG Agro S.A. has already been incorporated. However the current group structure as such has not been established at that date. Therefore comparative figures for the period ended 31.03.2011 are the pro forma consolidated financial statements prepared as if KSG Agro S.A.'s establishment of current group structure took place before 31.03.2011.

**As at 31.03.2011 the holding company KSG Agro S.A. has already been incorporated. However the current group structure as such has not been established at that date. Therefore, pro forma financial information was used as comparatives and the average-weighted number of outstanding common shares at 31.03.2011 was used for the calculation of earnings per share for the period ended 31.03.11.

____________________/ S.V. Mazin/ ____________________/ L.V. Velichko/

(General director) (Financial director)

Notes on pages 7- 34 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD

For three months ended 31 March 2012

(in thousand US dollars)

	3 months ended 31 March 2012 (not audited)	**3 months ended 31 March 2011 (not audited)**
Cash flows from operating activities		
Profit for the period	1,823	1,087
Adjustments to:		
Depreciation and amortization	-	204
(Reversal)/increase of loss from impairment of doubtful accounts receivable	-	(1,336)
Amortization of discount	-	-
Fair value of biological assets	(1,708)	(1,457)
Finance lease expenses	23	148
Loss from retirement of property, plant and equipment	-	(7)
Interest expense	751	461
Interest income	(147)	(1)
Cash received from operating activities before changes in working capital	**742**	**(901)**
Change of trade and other accounts receivable	1,752	(598)
Change of other assets	(2,707)	(2,750)
Change of trade and other accounts payable	(101)	829
Income tax paid	(29)	(1)
Net cash flows received from (used in) operating activities	**(370)**	**(3,421)**
Cash flow from investment activities		
Acquisition of property, plant and equipment	(286)	(1)
Acquisition of companies	-	(3,168)
Interest received	147	1
Net cash flow received from (used in) in investment activities	**(139)**	**(3,168)**
Cash flow from financing activities		
Inflows from bank loans	829	10,106
Repayment of bank loans	-	(1,679)
Repayment financial lease commitments	(183)	(610)
Interest payment	(751)	(461)
Contribution of equity	-	-
Net cash flow received from (used in) financing activities	**(105)**	**7,356**
Net cash flow for the period	**(615)**	**767**
Cash at the beginning of period	5,502	30
Cash at the end of period	5,467	797
Foreign exchange difference	29	**-**

*As at 31.03.2011 the holding company KSG Agro S.A. has already been incorporated. However the current group structure as such has not been established at that date. Therefore comparative figures for the period ended 31.03.2011 are the pro forma consolidated financial statements prepared as if KSG Agro S.A.'s establishment of current group structure took place before 31.03.2011.

____________________/ S.V. Mazin/ ____________________/ L.V. Velichko/

(General director) (Financial director)

Notes on pages 7- 34 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For three months ended 31 March 2012

(in thousand US dollars)

	Statutory capital	Share premium	Retained earnings	Non-controlled participation shares	Total equity
Balance as at 31 December 2010	**2,628**	**-**	**7,671**	**1,363**	**11,662**
Net profit for the period	-	-	622	464	1,086
Integration of interests – reorganization	(2,587)	-	3,174	-	587
Foreign exchange difference	-	-	**(1)**	**(1)**	**(2)**
Balance as at 31 March 2011 (not audited)	**41**	**-**	**11,466**	**1,826**	**13,333**
Balance as at 31 December 2011	**149**	**36,813**	**35,507**	**18,302**	**90,771**
Net profit for the period	-	-	1,746	48	1,794
Foreign exchange difference	-	**16**	**9**	**7**	**32**
Balance as at 31 March 2012 (not audited)	**149**	**36,829**	**37,262**	**18,357**	**92,597**

*As at 31.03.2011 the holding company KSG Agro S.A. has already been incorporated. However the current group structure as such has not been established at that date. Therefore comparative figures for the period ended 31.03.2011 are the pro forma consolidated financial statements prepared as if KSG Agro S.A.'s establishment of current group structure took place before 31.03.2011.

____________________/ S.V. Mazin/
(General director)

____________________/ L.V. Velichko/
(Financial director)

Notes on pages 7- 34 are an integral part of these interim consolidated financial statements.

(in thousand US dollars)

1. Background

KSG Agro S.A. (the "Company") was incorporated under the name Borquest S.A. on 16 November 2010 (date of incorporation) as a "Société Anonyme" under Luxembourg company law for an unlimited period. On 8 March 2011 the Company's name was changed into the current denomination.
The registered office of the Company is established in Luxembourg, 46A avenue J.F. Kennedy, L-1855 Luxembourg and the Company number with the Registre de Commerce is B 156 864. The Company's financial year begins on 1st January and closes on 31st December, except for the first year which started on 16 November 2010 and ended on 31st December 2010.

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

Company	Activity	Registered office	Basis to be included into Group	Share as at 31 March 2012	Share as at 31 March 2011
KSG Agro S.A. (Luxemburg)	Parent company	46A avenue J.F. Kennedy, L-1855 Luxembourg	Parent company to the Group		
KSG Agricultural and Industrial Holding Limited (Cyprus)	Intermediate holding company	Lampousas Street, 1095, Nicosia, Cyprus.	Parent company to Ukrainian subsidiaries	100%	100%
Poland representative office of KSG Agro SA	Representative office	37, Domaniewska Str.,02-672, Warszawa	Branch of KSG Agro S.A.		
Enterprise №2 of Ukrainian agricultural and industrial holding LLC (Ukraine) [PUAIH-2 LLC]	Agriculture	40b, Komsomolskaya Str., Dnepropetrovsk	Subsidiary	100%	100%
Scorpio Agro LLC (Ukraine)	Agriculture	40b, Komsomolskaya Str., Dnepropetrovsk	Subsidiary	100%	99.9%
Souz-3 LLC (Ukraine)	Agriculture	40b, Komsomolskaya Str., Dnepropetrovsk	Subsidiary	100%	100%
Goncharovo Agricultural LLC (Ukraine)	Agriculture	40b, Komsomolskaya Str., Dnepropetrovsk	Subsidiary	100%	99.9%
Agro-Trade House Dniprovsky LLC (Ukraine) [ATD Dniprovsky LLC]	Agriculture	6, Abhaskaya Str., Dnepropetrovsk	Subsidiary	100%	68.3%
Ukrainian agricultural and industrial holding LLC (Ukraine) [UAIH LLC]	Trade of agricultural products	7, Grushevskogo Str., Kiev	Parent company	100%	100%
Agro-Dnister LLC (Ukraine)	Agriculture	26, Podolsk,. Str., New Ushica Village	Subsidiary	100%	100%
Trade House of the Ukrainian Agroindustrial Holding LLC (Ukraine) [TH UAIH LLC]	Agriculture	40b, Komsomolskaya Str., Dnepropetrovsk	Subsidiary	100%	99.9%
Pivdenne Agricultural LLC (Ukraine)	Agriculture	6, Lenin Str., Kachkarovka Village	Subsidiary	100%	100%
Unirem Agro Plus LLC (Ukraine)	Agriculture	40b, Komsomolskaya Str., Dnepropetrovsk	Subsidiary	100%	100%
Askoninteks LLC (Ukraine)	Agriculture	81, Karl Marx Avenue, Dnepropetrovsk	Subsidiary	100%	100%
Agro Golden LLC	Agriculture	67, Bishkin Kosinova Str.,	Subsidiary	100%	100%

(in thousand US dollars)

Company	Activity	Registered office	Basis to be included into Group	Share as at 31 March 2012	Share as at 31 March 2011
(Ukraine)		Verhnay Bishkin Village			
Agro LLC (Ukraine)	Lessor of equipment	38-A Heroes of Stalingrad Str., Dnepropetrovsk	Subsidiary	100%	-
SPE Promvok LLC (Ukraine)	Lessor of equipment	38-A Heroes of Stalingrad Str., Dnepropetrovsk	Subsidiary	100%	-
Dniproagrostandard LLC (Ukraine)	Agriculture	18, Gagarin Str., Pismennoe Village	Subsidiary	100%	-
Dniproagroprogress LLC (Ukraine)	Agriculture	146, Golondiya Shevchenkovo Village	Subsidiary	100%	-
Meat plant Dnipro LLC (Ukraine)	Manufacture	31, Krasnopol'skaya Str., Dnipropetrovsk	Subsidiary	100%	-
Kovbasna Liga LLC (Ukraine)	Trader	38-A Heroes of Stalingrad Str., Dnepropetrovsk	Subsidiary	100%	-
Agrofirm Vesna LLC (Ukraine)	Agriculture	56, Komsomolskaya Str., Pavlopillya Village	Subsidiary	100%	-
Vidrodzhennya LLC (Ukraine)	Agriculture		Subsidiary	100%	-
Dnipro LLC (Ukraine)	Agriculture	2, Verhnaya Str., Novopokrovka	Subsidiary	100%	-
Parisifia ltd (Cyprus)	Intermediate holding company	Arch. Makariou III, 155 Proteas House, Limassol Cyprus	Parent company to 3 of Ukrainian subsidiaries	50%	-
Agrotrade LLC (Ukraine)	Agriculture	40b, Komsomolskaya Str., Dnepropetrovsk	Subsidiary	50%	-
Factor D (Ukraine)	Agriculture	40b, Komsomolskaya Str., Dnepropetrovsk	Subsidiary	50%	-
Rantye (Ukraine)	Agriculture	40b, Komsomolskaya Str., Dnepropetrovsk	Subsidiary	50%	-

*As at 31.03.2011 the holding company KSG Agro S.A. has already been incorporated. However the current group structure as such has not been established at that date. Therefore comparative figures for the period ended 31.03.2011 are the pro forma consolidated financial statements prepared as if KSG Agro S.A.'s establishment of current group structure took place before 31.03.2011.

This group structure has been legally finalized in March 2011. As at 31.03.2011 the structure of the Group comprised two holding companies under common control, but there was no formal ownership structure, namely «KSG Agricultural and Industrial Holding Limited» and "Ukrainian agro-industrial holding." As of March 31, 2011 the Group prepared combined financial statements which comprised the consolidated financial statements of «KSG Agricultural and Industrial Holding Limited» and its subsidiaries, as well as the consolidated financial statements of the "Ukrainian agro-industrial holding." As such, comparative figures for the period ended March 31, 2011 are the pro forma consolidated financial statements prepared as if KSG Agro S.A. and its acquisition of ownership in the companies listed in the Note 1, took place before 31 March 2011.

Group's core activity areas are: production and realization of agricultural products, providing complex of agricultural services. The Group performs its business activities mainly in Ukraine.

2. Basis for preparation of consolidated financial statements

Statement of compliance

These consolidated financial statements are prepared in compliance with International Financial Reporting Standards as adopted by the European Union (further IFRS).

(in thousand US dollars)

Basis for preparation of financial statements

These consolidated financial statements are prepared on the historical cost basis, except for the following material items in the consolidated statement of financial position:

- current and non-current biological assets are measured at fair value less costs to sell,
- ***agricultural products*** are measured at fair value less costs to sell.

Functional and presentation currency

Based on the economic substance of the transactions and the operating environment, the Group has determined UAH as a functional currency. Transactions in other currencies are deemed foreign currency transactions. Despite the fact that the functional currency of the major companies of the Group is the national currency of Ukraine, UAH, these financial statements are presented in USD. All information in USD has been rounded to the nearest thousand, except when otherwise indicated. As the Group's management uses USD when monitoring operating results and financial conditions of the Group, the presentation currency of the financial statements is USD. At the reporting date assets and liabilities of subsidiaries are translated into presentation currency at the rate effective at the reporting date. Items of the statement of comprehensive income are translated at the average annual rate. Exchange differences arising at translation refer directly to a separate equity item.

Operations in other currencies are treated as foreign currency operations. Transactions in foreign currency are recorded initially in its functional currency at the rate effective as at transaction date. Monetary assets and liabilities reported in foreign currency are translated into functional currency at the rate effective as at reporting date. Any exchange rate differences are reported in the consolidated statement of comprehensive income for the period .

Exchange rates for the basic currencies are presented below:

		31 March 2012	31 March 2011
Euro	EUR/UAH	10.60	11.21
US dollar	USD/UAH	7.99	7.96

Basis of consolidation and combination

As at 31 March 2011 the structure of the Group comprised two holding companies namely «KSG Agricultural and Industrial Holding Limited» and "Ukrainian agro-industrial holding." under common control, but there was no formal ownership structure. As of 31 March 2011 the Group prepared combined financial statements which comprised the consolidated financial statements of «KSG Agricultural and Industrial Holding Limited» and its subsidiaries, as well as the consolidated financial statements of the "Ukrainian agro-industrial holding."

KSG Agricultural and Industrial Holding Limited is a limited liability company. As at 31 March 2011 statutory capital of KSG Agricultural and Industrial Holding Limited amounted to USD 3,000 presented as one non-nominal share. Ukrainian agro-industrial holding is also a limited liability company with a statutory capital of USD 2,625 as at 31 March 2011.

During restructuration in April 2011, KSG Agro S.A. acquired 100 percent of statutory capital, and KSG Agricultural and Industrial Holding Limited acquired 99.9 percent of statutory capital of Ukrainian agro-industrial holding. Accordingly, KSG Agro S.A. became the parent company of the Group.

As the companies were under common control at the restructuring date, there has been no fair value adjustments of assets and liabilities, except for any adjustments required to align the accounting policies. Any goodwill is not recognized. All intra-group balances, transactions, as well as non-realized profits and losses resulting from intra-group transactions are eliminated.

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Non-controlling interests represent the portion of profit, loss or net assets not held by the Group and are presented separately in the statement of comprehensive income for the period and within net assets attributable to participants in the consolidated statement of financial position, separately from the net assets that belong to parent's owners. Acquisition of non-controlling interests is accounted for using the Acquisition method, whereby the difference between consideration paid and the book value of the share of the net assets acquired is recognized as goodwill.

Going concern assumption

Stability of the Ukrainian economy in 2011 was largely affected by the subsequences of the global economic crisis, which manifested itself in a significant reduction in production in many sectors of the economy of Ukraine and the devaluation of the currency. Improvement of the economic situation in Ukraine will also depend upon the effectiveness of fiscal and other measures undertaken by the Government of Ukraine. These financial statements reflect the current management's assessment regarding the possible effect of economic conditions on the operations and financial position of the Group. Future conditions may differ materially from the management's estimates. These financial statements do not include any adjustments that might occur as a result of this uncertainty. Such adjustments will be made aware if they become known and can be reliably estimated.

3. Essential accounting estimations and assumptions

The Group has a number of estimations and assumptions about its future activities. These assessments and resulted assumptions are based on past experience of the management as well as other factors, including such expectations of the future events, which are considered to be grounded in existing circumstances. In future, actual results might differ from these estimations and assumptions. The most significant estimations and assumptions, which can be effected by significant risks of adjustments of carrying amounts of assets and liabilities during the next financial year, are set forth below.

- **Biological assets.** Biological assets are carried at fair value less costs to sell. Gains and losses arising from changes in the fair values of biological assets are recognized in the consolidated statement of comprehensive income. The fair value of biological assets is determined as the present value of future cash outflows relating to costs that would be necessary to grow and harvest biological assets in order to transform them to agricultural produce, and future expected cash inflows as sales revenue less estimated selling costs.

- **Agricultural produce.** Agricultural produce is the harvested product of the Group's biological assets. It is recorded at its fair value less costs to sell at the point of harvest. The determination of fair value for a biological asset or agricultural produce may be facilitated by grouping biological assets or agricultural produce according to significant attributes; for example, by type or quality. Fair value of each group of agricultural produce at the year end is determined as lower of the available average market price for similar products at the point of harvest or net realizable value.

- **Useful life of intangible assets and property, plant and equipment.** Depreciation or amortization of intangibles and property, plant and equipment is charged during their useful lives. Useful lives are based upon management estimates of the period during which an asset is going to generate profit. These estimates are periodically reviewed for their further compliance.

  Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Acquisition cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

- Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

- **Inventories.** The Group examines a net realizable value and demand for its inventories quarterly in order to ascertain that accounted inventories are assessed at least at cost or net realizable value. The factors that may affect the estimated demand and selling price are computation of time and success of future technological innovations, competitors' actions, prices of suppliers and economic trends.
- **Income tax.** Subsidiary agricultural companies of the Group have chosen the simplified taxation system and are flat-sum agricultural tax payers. The mentioned companies according to the Ukrainian legislation are not income tax payers. The Group does not account a deferred tax of the parent company as these amounts according to management estimation are insignificant.
- **Litigation.** In compliance with IFRS, the Group recognizes the provision only when there is current liability related to the prior event, the possibility of transfer of economic benefits, and reliable valuation of the transfer expenses. In case of failure to meet these requirements, the information on the contingent liability can be disclosed in the notes to consolidated financial statements. The realization of any contingent liability, which was not recognized or disclosed in consolidated financial statements for the current moment, can considerably affect the Group's financial position. Application of these principles regarding litigation requires management's estimations of different actual and legal issues that are beyond its control. The Group revises unsettled litigation, following the events of the litigation for each consolidated statement of financial position date to estimate the necessity for provisions in its consolidated financial statements. Among the factors considered when making a decision about a provision charge, there are the following: nature of the litigation; requirements or estimations; legal process and the potential level of losses in the jurisdiction of the litigation, requirement or estimation (including litigation subsequent to the date of consolidated financial statements preparation, but before their approving); opinions of legal advisers; experience acquired in connection with similar cases; any decision of the Group management regarding its reaction on the litigation, requirement or estimation.

4. Summary of significant accounting policy

The accounting policies adopted in the consolidated financial statements are consistent with principles applied in the financial statements for the period ended 31 March 2011. The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements and all Group companies, except for disclosed in the Note 2 changes in the accounting policies. Certain comparative figures have been assigned to another classification to conform to current period presentation.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of depreciation and accumulated provision for impairment loss.

Depreciation is calculated on the straight-line basis over the estimated useful life of assets as follows:

	Useful life period (years)
Buildings and constructions	30
Machinery and equipment, vehicles	10-15
Other	5-8

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as replacement if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on retirement of the asset (calculated as the difference between the net disposals proceeds and the carrying amount of the asset) is included in the statement of comprehensive income for the period in the year the asset is derecognized.

The asset's residual values, useful life and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets

The Group's intangible assets include mainly software and licenses for the licensable types of activity.

The acquired licenses for software are capitalized on the basis of the software acquisition price and the related implementation expenses. The capitalized software is amortized over 5 years which is the expected useful life.Licenses are amortized over the contract period..

Impairment of non-financial asset

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the Statement of comprehensive income for the period in those expense categories consistent with the function of the impaired asset.

An assessment is made by the Group at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income for the period . After such a reversal the depreciation charge is adjusted in future periods to amortize the asset's revised carrying amount, less any residual value, on regular basis over its remaining useful life.

Recognition of financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when, and only when, it becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

In compliance with IAS 39, financial assets are divided into four categories as follows:

- financial assets at fair value through profit or loss;
- loans and receivables;
- investments held to maturity; and
- financial assets available for sale.

When a financial asset or financial liability is recognized initially, it is measured at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. When the Group becomes a contractual party, it determines embedded derivatives in the contract, if any. Embedded derivatives are separated from the host contract that is not assessed at fair value through profit or loss in case the economic character and risks of embedded derivatives materially differ from similar quotients of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed or appropriate, reevaluates this designation at each financial year-end.

All acquisition or sale transactions related to financial assets on `standard terms` are recognized at the transaction date, i.e. at the date when the Group undertakes an obligation to acquire an asset. Acquisition or sale transactions on `standard terms` mean acquisition or sale of financial assets that requires to supply an asset within the term determined by legislation or rules accepted in a certain market.

As at year end the Group held only loans and receivables as financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. Such assets are reflected at amortized cost using the effective interest method, net of provision for impairment after their initial evaluation. Amortized cost is calculated taking into account all discounts or bonuses that arose at acquisition and includes commissions being an integral part of the efficient interest rate as well as transaction costs. Gains and expenses incurring in result of asset derecognition are recognized in the statement of comprehensive income for the period, when those assets are derecognized or impaired, as well as through the amortization process.

After initial recognition, extended loans are measured at fair value of the funds granted that is determined using the effective market rate for such instruments, if they materially differ from the interest rate on such loan granted. In future loans are measured at amortized cost using the effective interest rate method. Difference between the fair value of the funds granted and loan reimbursement amount is reported as interest receivable during the whole period of the loan. Amortized cost is calculated taking into account all transaction expenses and discounts or bonuses that arose at repayment.

Loans that mature more than 12 months after the consolidated statement of financial position date are included into non-current assets.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Financial assets and financial liabilities of the Group include cash and cash equivalents, receivables and payables, other liabilities and loans. Accounting policy as to their recognition and evaluation are presented in the relevant sections of these Notes.

During the reporting period the Group did not use any financial derivatives, interest rate swaps or forward contracts to reduce currency or interest rate risks.

Non-derivative financial liabilities

At initial recognition financial liabilities can be attributed to those estimated at fair value through profit and loss, if the following criteria are met: (i) attributing to this category excludes or materially reduces inconsistence in accounting methods that might otherwise arise at liability assessment or recognition of profit or loss related to such liability; (ii) liabilities comprise a part of financial liability group that is being managed and results of which are assessed at fair value in compliance with risks management policy; (iii) financial liability includes an embedded derivative that should be reported separately in the consolidated financial statements.

As at 31 March 2012 the Group had no financial liabilities that could be attributed to those estimated at fair value through profit and loss. Trade payables and other short-term monetary liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense in this context includes initial transaction costs and discount payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets reported at amortized cost

If there is objective evidence that an impairment loss has been incurred in loans and accounts receivable that are reported at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at initial effective interest rate for such financial asset (i.e. at the effective interest rate calculated at initial recognition). The carrying amount of the asset is reduced directly or using the reserve. The loss amount is recognized in the statement of comprehensive income for the period.

The Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exist for an individually assessed financial asset, whether significant or not, it includes the asset into a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is recovered. Any subsequent loss recovery is recognized in the statement of comprehensive income in the amount that the carrying amount of an asset should not exceed its amortized cost at the recovery date.

Provision for impairment loss is charged in receivables in case there is objective evidence (e.g. a possibility of the debtor's insolvency or other financial difficulties) that the Group might not gain all amounts due to the delivery terms. Carrying amount of receivables is then reduced through the allowance account. Impaired debts are derecognized as soon as they are considered to be uncollectible.

De-recognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be requested to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognized and a new liability is recognized with recognition of the difference in the respective carrying amounts in the statement of comprehensive income for the period.

Biological assets and agricultural products

Generally, biological assets are measured at fair value less costs to sell with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets.

Arable crops are initially recognized at their fair value less estimated point-of-sale costs at the time of harvesting. The fair value of arable crops is determined based on market prices in the local region. A gain or loss arising on initial recognition of arable crops at fair value less estimated point-of-sale costs is recognized in the period in which it originated.

Un-harvested crops are valued at fair value, being the present value of the expected net cash flows from the asset in its present condition discounted at a current market determined pre-tax rate. The assessment of the present condition of un-harvested crops excludes any increases in value from additional biological transformation and future activities of the Group.

Inventories

Inventories are stated at the lower of cost or net realizable value. For agricultural produce, fair value less estimated point-of-sale costs at the point of harvest is considered to be the cost. Subsequent to initial recognition agricultural produce is stated at the lower of cost or estimated net realizable value. Cost is assigned using the FIFO method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories are periodically reviewed and provisions established for deteriorated, excess and obsolete items.

Pension liabilities

The Group does not have any pension arrangements separate from the State pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to the statement of comprehensive income in the period the related salaries are earned. In addition, the Group has no post-retirement benefits or significant other compensated benefits requiring accrual.

Borrowing costs

The Group capitalizes borrowing costs directly attributable to acquisition, construction or production of qualified assets as a part of the asset cost. Other borrowing costs are recognized as expenditure as incurred.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the cash amount received less loan related costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at an amortized cost using the effective interest rate method.

Gains and losses are recognized in net profit or loss when liabilities retired, as well as through the amortization process.

Lease

Lease where the lessor retains all risks and rewards related to ownership of the asset is classified as operating lease. Payments made under operating lease are recognized as expenses in the statement of comprehensive income for the period using the straight-line write off method of these expenses over the lease term.

Finance lease under which the Group assumes almost all the risks and rewards related to ownership of leased assets are capitalized at the inception of the lease relations at the fair value of the leased property or, if this amount is less — at the discounted value of minimum lease payments. Lease payments are allocated between finance costs and decrease in principal amount of the lease obligation so as to achieve a constant interest rate on the outstanding amount of the obligation. Financing costs are reported directly in the statement of comprehensive income.

Leased assets are depreciated over the asset's useful life period. However, if there is no reasonable certainty that the Group will obtain the right of the ownership of the asset at the end of the lease term, the asset is depreciated over the shorter of the following periods: the estimated useful life of the asset and the lease term.

Contingent liabilities

Contingent liabilities are not reflected in the consolidated financial statements, unless it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimation of the amount of such obligations is probable. Information on contingent liabilities is disclosed in notes to the financial statements, unless an outflow of resources, which constitute the economic benefits, is remote.

Provisions

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

Revenue and expense recognition

Revenue is recognized when the title of the product passes to the customer and it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

The cost of products sold is recognized at the same time as the corresponding revenue.

Expenses are accounted for when incurred and reported in the statement of comprehensive income in the period to which they relate.

5. New Standards and Interpretations issued but not yet effective

At the moment of the preparation of these consolidated financial statements there is a number of new Standards, amendments and interpretations to them that are not effective yet and therefore were not applied to these consolidated financial statements. Following is the standard that might potentially influence the Group's consolidated financial statements.

In November 2009 IFRS 9 *Financial instruments, part 1: Classification and Measurement,* which replaces IAS 39 *Recognition and Measurement* in part of classification and measurement of financial instruments was issued. This new standard is effective starting from 1 January 2015.

The Group management has assessed the impact of these standards on the Group's consolidated financial statements and believes that it is insignificant.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

► *IAS 24* Related Party Transactions *(Amendment)*

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

► *IAS 32* Financial Instruments: Presentation *(Amendment)*

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

► *IFRIC 14* Prepayments of a Minimum Funding Requirement *(Amendment)*

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements in Euroland. The amendment to the interpretation therefore had no effect on the financial position or performance of the Group.

► Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- ► IFRS 3 *Business Combinations:* The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- ► IFRS 7 *Financial Instruments - Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Note 12.
- ► IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in Note 9.
- ► IAS 34 *Interim Financial Statements*: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. The Group has illustrated those amendments in Note 12.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- *IFRS 3* Business Combinations - Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005)
- IFRS 3 *Business Combinations* - Unreplaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination.

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As at 31 March 2012 and for three months then ended
(in thousand US dollars)

6. Property, plant and equipment

Movement of property, plant and equipment for the period ended 31 March 2012 and 2011 was as follows:

	Buildings and construction	Agricultural equipment	Vehicles and office equipment	Total
Initial cost				
As at 31 December 2009	**514**	**5,249**	**303**	**6,066**
Addition	22	686	235	**943**
Disposal	(1)	(212)	(121)	**(334)**
Exchange difference	1	14	-	**15**
As at 31 December 2010	**536**	**5,737**	**417**	**6,690**
Addition	108	510	88	**706**
Disposal	-	(16)	(4)	**(20)**
Exchange difference	-	(1)	-	**(1)**
As at 31 March 2011	**644**	**6,230**	**501**	**7,375**
Accumulated depreciation				
As at 31 December 2009	**(89)**	**(1,030)**	**(126)**	**(1,245)**
Accrued during the year	(17)	(549)	(34)	**(600)**
Disposal	-	137	33	**170**
Exchange difference	-	(2)	-	**(2)**
As at 31 December 2010	**(106)**	**(1,444)**	**(127)**	**(1,677)**
Accrued during the year	(5)	(191)	(8)	**(204)**
Disposal	-	13	-	**13**
Exchange difference	-	2	-	**2**
As at 31 March 2011	**(111)**	**(1,620)**	**(135)**	**(1,866)**
Initial cost				
As at 31 December 2010	**536**	**5,737**	**417**	**6,690**
Addition	456	4,091	3,236	**7,783**
Disposal	(108)	(393)	(40)	**(541)**
Increases resulting from business combinations	37,679	5,200	2,176	**45,055**
Exchange difference	(107)	(44)	(17)	**(168)**
As at 31 December 2011	**38,456**	**14,591**	**5,772**	**58,819**
Addition	-	276	10	**286**
Disposal	-	-	-	**-**
Exchange difference	15	5	2	**22**
As at 31 March 2012	**38,471**	**14,872**	**5,784**	**59,127**
Accumulated depreciation				
As at 31 December 2010	**(106)**	**(1,444)**	**(127)**	**(1,677)**
Accrued during the year	(897)	(1,739)	(541)	**(881)**
Disposal	-	-	-	**1**
Exchange difference	3	11	2	**16**

(in thousand US dollars)

As at 31 December 2011	**(1,000)**	**(3,172)**	**(665)**	**(4,837)**
Accrued during the year	(334)	(1,034)	(309)	**(1,676)**
Disposal				
Exchange difference	-	1	-	**1**
As at 31 March 2012	**(1,334)**	**(4,205)**	**(974)**	**(6,512)**
As at 31 December 2010	**430**	**4,293**	**290**	**5,013**
As at 31 March 2011	**533**	**4,610**	**366**	**5,509**
As at 31 December 2011	**37,456**	**11,419**	**5,107**	**53,982**
As at 31 March 2012	**37,138**	**10,667**	**4,810**	**52,615**

Carrying amount of vehicles and equipment used by the Group under agreements of financial lease and deferred payment purchase as at 31 March 2012 comprised USD 2, 217 thous. (31 March, 2011: USD 2,274 thous.) Leased assets and assets acquired in instalments, act as collateral for the relevant obligations under finance lease agreements and hire-purchase agreements (Note 12).

7. Long-term biological assets

As at 31 March 2012 and 2011 long-term biological assets can be presented as follows:

	Cows (diary)	**Perennial plantings**	**Total non-current biological assets**
Cost as at 31 December 2010		**247**	**247**
Additions	-	-	-
Disposal	-	-	-
Revaluation at fair value	-	(27)	(27)
Foreign exchange difference	-	6	6
Cost as at 31 March 2011	**-**	**226**	**226**
Cost as at 31 December 2011	**1,363**	**177**	**1,540**
Additions	-	-	-
Disposal	(109)	-	(109)
Revaluation at fair value	38	(62)	(24)
Foreign exchange difference	(3)	-	(3)
Cost as at 31 March 2012	**1,289**	**115**	**1,404**

8. Inventories

As at 31 March 2012 and 2011 inventories include:

	31.03.2012 (not audited)	**31.12.2011 (draft)**	**31.03.2011 (not audited)**
Agricultural produce	5,746	6,302	2,343
Work in process	5,518	4,349	114
Agricultural stock	2,676	3,281	222
Fuel	403	260	2,044
Spare parts to agricultural machinery	55	50	1,028
Other	540	558	320
	14,937	**14,800**	**6,071**

(in thousand US dollars)

Work in process includes expenses incurred by agricultural companies at the reporting date for improving and supporting land out of crop (dead fallow, recultivation, disking, fertilizing). These improvements refer mainly to the harvest of the following year.

9. Current biological assets

As at 31 March 2012 and 2011 current biological assets include:

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Current biological assets (crop products)	16,188	11,692	10,668
Current biological assets (livestock husbandry)	1,641	1,671	265
	17,829	**13,363**	**10,933**

Current biological assets of livestock husbandry can be presented as follows:

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Replacement gilts	597	320	25
Heifers	348	319	-
Piggery 6-9 months	-	294	38
Sows and boars	-	184	-
Piggery 2-4 months	161	165	22
Foundation	337	165	157
Calves	104	147	-
Sheep	46	42	-
Newborn piggery under 2 months	48	32	5
Horses and stallions	-	3	-
Piggery 4-6 months	-	-	18
	1,641	**1,671**	**265**

Reconciliation of changes in carrying amount of biological assets as at 31 March 2012 and 2011 is as follows:

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Carrying amount as at 1 January	**1,671**	**169**	**169**
Additions	606	1,396	64
Disposal	(645)	(423)	(46)
Change in fair value of biological assets	10	528	79
Exchange difference	(1)	1	(1)
Carrying amount as at 31 December	**1,641**	**1,671**	**265**

As at 31 March 2012 and 2011 current biological assets of crop production can be presented as follows:

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Carrying amount as at 1 January	**11,692**	**7,452**	**7,452**
Costs incurred during a period, including spring crops	2,875	19,325	1,243
Additions from new companies	-	3,816	602

(in thousand US dollars)

Income from changes in “fair value less expected distribution costs”	1,658	14,375	1,405
Harvest gathered during the year	-	(33,249)	-
Exchange difference	(37)	(26)	(34)
Carrying amount as at 31	**16,188**	**11,692**	**10,668**

As at 31 March 2012 and 2011 current biological assets include:

	Area, hectare	31.03.2012 (not audited)	Area, hectare	31.12.2011 (draft)	Area, hectare	31.03.2011 (not audited)
Wheat	19,954	11,684	19,954	9,151	5 805	7 463
Barley	10,411	3,327	6,070	1,865	3 091	1 252
Rape	1,929	1,177	1,142	676	1 722	1 953
	32,294	**16,188**	**27,166**	**11,692**	**10 618**	**10 668**

Total area of agricultural land leased by the Group is over 61 thousand hectares (31 March 2011: around 34 thousand hectares).

During the reporting period the Group increased costs of soil preparation and application of new sowing technologies for winter crops. The Group’s management believes that this will lead to significant crop yield growth of winter crops.

For discounting cash flows on current biological assets the rate was applied of 21.3%.

To determine discounting rate the following factors and assumptions were considered:

		31.03.2012	31.03.2011
Risk free rate	Earnings from medium-term internal state loan bonds (rotation period of 2-3 years) issued in UAH are taken as the basis for risk free rate in Ukraine. Rotation period for securities includes 2009 – 2011.	14.2%	12.3%
Market premium	Currently, the most adequate representation of the equity markets in Ukraine can be presented by such financial instrument as corporate bonds. Outcome of stock and OTC markets trading show 22% of current earnings from repayment of corporate bonds issued in UAH (in average for the market). The difference between the average earnings from Ukrainian corporate and state bonds is the indicator of market premium value.	5.1%	5.0%
Additional premiums for the risk, typical for the Group	Risk of Group business. Land use territory is within the zone of risk land tenure. Such zone is characterized by significant temperature jumping during vegetation period of grain crops.	2.0%	2.0%
		21.3%	**19.3%**

10. Trade and other accounts receivable

As at 31 March 2012 and 2011 trade and other accounts receivable included:

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Trade accounts receivable	9,734	11,893	829
Advances made	2,540	2,730	1,256
Other accounts receivable	406	218	1,730
Provision for doubtful debts	(700)	(700)	(418)
	11,980	**14,141**	**3,397**

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(in thousand US dollars)

As at 31 March 2012 and 2011 trade accounts receivable included:

	31.03.2012 (not audited)	**31.12.2011 (draft)**	**31.03.2011 (not audited)**
Trade accounts receivable	9,734	11,893	829
Provision for doubtful debts	(220)	(220)	(221)
	9,514	**11,673**	**608**

Trade accounts receivable according to their ageing are presented as follows:

	31.03.2012 (not audited)		**31.12.2011 (draft)**		**31.03.2011 (not audited)**	
	Total carrying amount	Provision for impairment	Total carrying amount	Provision for impairment	Total carrying amount	Provision for impairment
Up to 90 days	8,307	-	10,498	-	170	-
From 91 to 180 days	235	-	481	-	145	-
From 181 to 270 days	972	-	507	-	157	-
From 271 to 365 days	-	-	187	-	136	-
Over 1 year	220	(220)	220	(220)	221	(221)
	9,734	**(220)**	**11,893**	**(220)**	**829**	**(221)**

As at 31 March 2012 and 2011 other current accounts receivable included:

	31.03.2012 (not audited)	**31.12.2011 (draft)**	**31.03.2011 (not audited)**
Advances paid	2,540	2,730	1,256
Settlements with other debtors	406	218	1,730
Provision for doubtful debts	(480)	(480)	(197)
	2,466	**2,468**	**2,789**

Advances made and other receivables by ageing are stated as follows:

	31.03.2012 (not audited)		**31.12.2011 (draft)**		**31.03.2011 (not audited)**	
	Total carrying amount	Provision for impairment	Total carrying amount	Provision for impairment	Total carrying amount	Provision for impairment
Up to 90 days	1,394	-	1,394	-	1,692	-
From 91 to 180 days	34	-	87	-	639	-
From 181 to 270 days	760	-	707	-	98	-
From 271 to 365 days	278	-	280	-	360	-
Over 1 year	480	(480)	480	(480)	197	(197)
	2,946	**(480)**				

(in thousand US dollars)

11. Cash and cash equivalents

As at 31 March 2011, 2010 cash and cash equivalents included balances on current bank accounts.

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Cash and cash equivalents	5,467	5,502	797
	5,467	**5,502**	**797**

12. Loans and borrowings

As at 31 March 2011, 2010 loans and borrowings are represented as follows:

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Long-term			
Financial lease liabilities	322	482	99
Loans	5,274	4,719	8,100
	5,596	**5,201**	**8,199**
Current			
Financial lease liabilities	646	885	1,720
Loans	13,261	12,193	5,886
Total	**13,907**	**13,078**	**7,606**

Bank loans as at 31 March 2012 and 2011 were as follows:

Bank	Currency	Annual rate %	Maturi-ty	31.03.2011		31.12.2011		31.03.2011	
				Cur-rent debt	Long-term debt	Cur-rent debt	Long-term debt	Cur-rent debt	Long-term debt
JSC Rodovid bank	UAH	17.00%	2012	1,502	-	1,502	-	1,507	-
CB Credit-Dnepr	UAH	20.25%	2012	2,861	-	2,860	-	-	-
CB Credit-Dnepr	UAH	23.00%	2012	1,502	-	1,502	-	-	-
CB Credit-Dnepr	USD	12.00%	2012	4,000	-	4,000	-	-	
CB Credit-Dnepr	UAH	14.50%	2013	-	4,382	2,219	2,161	-	-
CB Credit-Dnepr	UAH	18.00%	2013	1,861	680	-	2,346	-	-
CB Credit-Dnepr	UAH	18.00%	2011	-	-	-	-	4,379	-
CB Credit-Dnepr	UAH	17.00%	2013	-	-	-	-	-	6 898
Credit Agricole	USD	9.00%	2013	1,425	-	-	-	-	-
Olbis Investments Ltd S.A.	USD	5.00%	2013	-	212	-	212	-	75
ICD Investments S.A.*	USD	5.00%	2012	110	-	110	-	-	1,127
				13,261	**5,274**	**12,193**	**4,719**	**5,886**	**8,100**

* Credit line amounting to 1 million was granted by the main owner of the Group — the company ICD Investments S.A. in US dollars, with fixed rate of 5% annual. The loan is not secured by collateral.

(in thousand US dollars)

Collateral securing the loan commitments are the following Group assets:

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Property (fair value)	19,500	19,500	-
Biological assets (fair value)	499	499	-
Deposits	4,381	4,381	278
Total	**24,380**	**24,380**	**278**

Pledge and guarantee agreements of related parties serve as the collateral for the loan commitments.

As at 31 March 2012 and 2011 obligations under financial lease included:

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Long-term financial lease liabilities	322	482	99
Short-term financial lease liabilities	646	885	1,720
Total	**968**	**1,367**	**1,819**
Total future minimum lease payments	1,146	1,594	1,968
Less: interest expenses	(178)	(227)	(149)
Discounted value of future minimal lease payments	**968**	**1,367**	**1,819**

Future minimum lease payments and their discounted value under financial lease agreements that are not subject to early termination and concluded for a term exceeding one year, are as follows:

31.03.2012

By maturity term	2012	2013	2014	2015	Total
Future minimum lease payments	718	360	68	-	**1,146**
Less: interest expenses	(71)	(88)	(19)	-	**(178)**
Discounted value of future minimal lease payments	**647**	**272**	**49**	**-**	**968**

31.12.2011

By maturity term	2012	2013	2014	2015	Total
Future minimum lease payments	955	572	67	**-**	**1,594**
Less: interest expenses	(70)	(137)	(20)	**-**	**(227)**
Discounted value of future minimal lease payments	**885**	**435**	**47**	**-**	**1,367**

31.03.2011

By maturity term	2012	2013	2014	2015	Total
Future minimum lease payments	1,865	103	-	-	**1,968**
Less: interest expenses	(145)	(4)	-	-	**(149)**
Discounted value of future minimal lease payments	**1,720**	**99**	**-**	**-**	**1,819**

(in thousand US dollars)

13. Trade and other accounts payable

As at 31 March 2012 and 2011, trade and other accounts payable included:

	31.03.2012 (not audited)	31.12.2011 (draft)	31.03.2011 (not audited)
Payables to bank	4,113	4,111	4,127
Trade payables	2,195	5,060	1,024
Prepayments received	2,939	845	82
Interest payable	572	956	979
Land share lease payables	270	330	90
Wage arrears	139	151	33
Other accounts payable	324	518	-
	10,552	**11,971**	**6,335**

14. Share capital

The structure of the Group's equity as at 31 March 2012 and 2011 can be represented as follows:

	31.03.2012 (not audited)		31.12.2011 (draft)		31.03.2011 (not audited)	
	Ownership share	**Thous. USD**	**Ownership share**	**Thous. USD**	**Ownership share**	**Thous. USD**
KSG Agro S.A.	100%	36,978	100%	36,962	100%	41
KSG	-	-	-	-	-	-
LLC Ukrainian Agricultural and Industrial Holding	-	-	-	-	-	-
		36,978		**36,962**		**41**

15. Income

For three months ended 31 March 2012 and 2011 the Group's income included:

	31.03.2012 (not audited)	31.03.2011 (not audited)
Sale of agricultural products	4,565	683
Sale of services	32	22
Other sales	-	38
	4,597	**743**

16. Cost of sales

For three months ended 31 March 2012 and 2011, cost of sales of the Group included:

	31.03.2012 (not audited)	31.03.2011 (not audited)
Material costs	3,304	353
Services	8	3
Other	-	68
	3,312	**424**

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As at 31 March 2012 and for three months then ended
(in thousand US dollars)

The cost includes:

	31.03.2012 (not audited)	**31.03.2011 (not audited)**
Social charges	76	14
Salary	229	40
	305	**54**

The effect of changes in the fair value of biological assets to the cost of sold products can be stated as follows:

	31.03.2012 (not audited)	**31.03.2011 (not audited)**
Incurred costs included in the cost of sold products	2,436	250
Changes of fair value net of preliminary estimated point of sale expenses	876	174
	3,312	**424**

17. General and administrative expenses

For three months ended 31 March 2012 and 2011, Group general and administrative expenses included:

	31.03.2012 (not audited)	**31.03.2011 (not audited)**
Transport services	166	19
Services of crop storage and refining	220	35
Salary and social taxes	350	78
Taxes	29	38
Informational, expert and consulting services	70	73
POL	13	-
Lease	14	7
Bank services	21	21
Depreciation	62	2
Repairs and maintenance of fixed assets	17	3
Communication costs	7	2
Materials	-	2
Insurance	2	-
Other expenses	24	5
	995	**285**

18. Other operating income (expenses)

For three months ended 31 March 2012 and 2011 other operating expenses of the Group included:

	31.03.2012 (not audited)	**31.03.2011 (not audited)**
State subsidies (VAT)	580	-
Write-off of accounts receivable	(395)	(1,083)
Provision for doubtful debts on accounts receivable	-	1,336
(Expenses)/income from sale of non-current assets	-	1
Income from sale of current assets	-	(137)
Penalties, fines and forfeits	(17)	(11)
(Expenses)/income from exchange differences	-	(153)
Income from sale of foreign currency	-	(1)
Other (expenses) / income	234	32
	402	**(16)**

(in thousand US dollars)

19. Financial income (expenses), net

For three months ended 31 March 2012 and 2011, net financial income (expenses) of the Group included:

	31.03.2012 (not audited)	**31.03.2011 (not audited)**
Loan interest	(728)	(461)
Interest on the financial lease	(23)	(148)
Financial lease commitments	-	220
(Loss)/income from exchange differences	32	-
Interest received	147	1
	(572)	**(388)**

20. Related parties

Control relationships

The Group's owners are legal entities, which prepare financial statements available for public use. The main participant of the Group is its ultimate controlling party.

Related parties include:

- shareholders
- key management personnel and their close family members
- companies that are controlled or significantly influenced by shareholders

Information on interest rates and maturity dates of long-term loans from shareholders is disclosed in Note 12.

The following Companies that are controlled or significantly influenced by shareholders:

ICD INVESTMENTS SA (Switzerland)
Fortholding (Switzerland)
Zemivor Holding Limited (Cyprus)
KSG Export Limited (Cyprus)
Vernilia Holding Limited (Cyprus)
KS Retail Limited (Cyprus)
LLC ICD UA (Ukraine)
LLC KS Development (Ukraine
LLC Niko Plaza (Ukraine)
LLC Newfort (Ukraine)
LLC K.Marx (Ukraine)
LLC Innovative City Development Investments (Ukraine)
LLC Berezinka (Ukraine)
LLC SPAR-Center (Ukraine)
LLC SPAR-Ukraine (Ukraine)
LLC Business Management Group (Ukraine)

Transactions with the key management

Remuneration of key management personnel for the three months ended 31 March 2011 is in the form of short-term employee benefits amounting to US dollars 106 thousand (31 March 2011: US dollars 52 thousand).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2012 and for three months then ended

(in thousand US dollars)

The key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

As at 31 March 2012 and 2011 the Group's indebtedness on transactions with related parties can be represented as follows:

	31.03.2012 (not audited)	31.12.2011 (audited)	31.03.2011 (not audited)
Assets			
Trade accounts receivable	3,091	2,171	164
Other accounts receivable	-	117	1
Liabilities			
Trade accounts payable	1,030	852	6
Loans	322	322	-

For three months ended 31 March 2012 and 2011 income of the Group from the transactions with related parties is as follows:

	31.03.2012 (not audited)	31.03.2011 (not audited)
Sales of agricultural products	1,889	530
Other sales	5	
Other services (rent of premises)	72	1
Other services	-	4

21. Commitments and contingencies

Commitments

The Group has operational lease liability to individuals. These liabilities mainly refer to farm land, where the Group performs its activity. Structure of leased agricultural land by lenders and geographical location can be presented as follows:

Group company	Geographical location (region)	31 March 2012 in ha	31 December 2011 in ha	31 March 2011 in ha
Agro-Dnister LLC	Khmelnitsk	1,531	1,531	1,607
Agro-Trade House Dniprovsky LLC	Dnepropetrovsk	4,372	4,372	3,500
Goncharovo Agricultural LLC	Dnepropetrovsk	2,495	2,495	2,494
Pivdenne Agricultural LLC	Kherson	1,517	1,517	1,671
Enterprise №2 of Ukrainian agricultural and industrial holding LLC	Dnepropetrovsk	1,960	1,960	2,194
Scorpio Agro LLC	Dnepropetrovsk	5,915	5,915	6,011
SOUZ-3 LTD	Dnepropetrovsk, Kharkov	9,829	9,829	9,776
Unirem Agro Plus LLC (Ukraine)	Dnepropetrovsk	5,404	5,404	5,787
Askoninteks LLC (Ukraine)	Dnepropetrovsk region	-	-	-
Agro Golden LLC (Ukraine)	Kharkov	577	577	611
Agro LLC	Dnepropetrovsk	-	-	-
SPE Promvok LLC	Dnepropetrovsk	-	-	-
Dniproagrostandard LLC	Dnepropetrovsk region	2,851	2,851	-
Dniproagroprogress LLC	Dnepropetrovsk region	2,678	2,678	-
Meat plant Dnipro LLC	Dnepropetrovsk region	-	-	-
Kovbasna Liga LLC	Dnepropetrovsk region	-	-	-
Agrofirm Vesna LLC	Dnepropetrovsk region	3,837	3,837	-

(in thousand US dollars)

Vidrodzhennya LLC	Dnepropetrovsk region	9,428	9,428	-
Agrotrade LLC	Dnepropetrovsk region	4,027	4,027	-
Rantye LLC	Kharkov region	-	-	-
Factor D LLC	Dnepropetrovsk region	4,596	4,596	-
Representative office of KSG Agro S.A.	Warsaw (Poland)	-	-	-
		61,018	**61,018**	**33,651**

Lease payments for the land are preliminary agreed between the Group and a respective lessor. The Group increased areas of leased land; due to that it incurred additional one-time expenses related to legalization of lease relations. The Group did not capitalize such expenses and referred them to expenses in these periods.

Contingent liabilities

Legal aspects

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect to the financial position or the results of future operations of the Group.

Tax risks

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and customs regulations, continue to evolve due to transitional period in the economy. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not single.

The Group's operations and financial position will continue to be affected by Ukrainian political developments including the application of existing and future legislation and tax regulations. The Group does not believe that these contingencies, as relating to its operations, are any more significant than those of similar enterprises in Ukraine.

22. Financial risk management: objectives and policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings, cash and cash equivalents and short-term deposits. The Group has various other financial instruments, such as trade receivables and trade payables, which arise directly from its operations.

The Group has not entered into any derivative transactions. It is the Group's policy not to trade in financial instruments. The Group’s overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The main risks, arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The management reviews and agrees policies for managing each of these risks. The essence of these approaches is disclosed below.

Interest rate risk

Risk of changes in interest rate is generally related to interest-bearing loans and other debt obligations of the Group. The Group's management analyses market interest rates to minimize interest rate risk of the Group.

The table below represents the Group's profit before tax sensitivity to a possible moderate interest rates change, when all other variable remain constant (as the effect to loans at variable interest rate). There is no effect to the net assets attributable to the Group’s participants.

(in thousand US dollars)

	Increase / decrease of basis points	*Effect on profit before tax*
For the period ended 31 March 2012		
Change in interest rate	20	(15)
Change in interest rate	(20)	15
For the period ended 31 December 2011		
Change in interest rate	20	(47)
Change in interest rate	(20)	47
For the period ended 31 March 2011		
Change in interest rate	20	(9)
Change in interest rate	(20)	9
For the period ended 31 December 2010		
Change in interest rate	20	(34)
Change in interest rate	(20)	34

Foreign currency risk

Like for many other companies having their activities in Ukraine, foreign currencies, particularly US dollar, take a sufficient part in the Group's operations. The Group performs its operations mainly in the following currencies: Ukrainian hryvnya (UAH), US dollars (USD), Euro (EUR).

According to IFRS 7, the currency risk arises on monetary financial instruments in currency, which is not a functional one; risks related to the currency translation are not taken into account. The currency risk arises mainly on non-functional currencies, in which the Group has its financial instruments. The table below represents sensitivity of the Group's profit before tax to a possible moderate change of exchange rates, when other components remain unchangeable.

	Increase / decrease	*Effect on profit before tax*
For the period ended 31 March 2012		
Change in USD exchange rate	5%	(480)
Change in USD exchange rate	-5%	480
For the period ended 31 December 2011		
Change in USD exchange rate	5%	(452)
Change in USD exchange rate	-5%	452
For the period ended 31 March 2011		
Change in USD exchange rate	5%	(15)
Change in USD exchange rate	-5%	15
For the period ended 31 December 2010		
Change in USD exchange rate	5%	(15)
Change in USD exchange rate	-5%	15

The table shows the Group's assets and liabilities at their carrying amounts:

As at 31.03.2012.	**UAH**	**EURO**	**USD**	**Non-monetary items**	**Total**
Property, plant and equipment				52,615	**52,615**

(in thousand US dollars)

Non-current biological assets				1,404	**1,404**
Goodwill				17,944	**17,944**
Inventories				14,937	**14,937**
Current biological assets				17,829	**17,829**
Trade and other receivables	11,980				**11,980**
VAT receivables	1,836				**1,836**
Cash and cash equivalents	5,467				**5,467**
TOTAL	**19,283**	**-**	**-**	**104,729**	**124,012**
Long-term loans	(675)	(5,486)			**(6,161)**
Long-term promissory notes issued	(393)				**(393)**
Short-term loans and borrowings	(9,797)	(4,110)			**(13,907)**
Trade and other payables	(288)				**(288)**
Promissory notes issued	(10,552)				**(10,552)**
Tax payables	(114)				**(114)**
TOTAL	**(21,819)**	**(9,596)**	**-**	**-**	**(31,415)**
Net balance position	**(2,536)**	**(9,596)**	**-**	**104,729**	**92,597**

As at 31.12.2011	**UAH**	**EURO**	**USD**	**Non-monetary items**	**Total**
Property, plant and equipment	-	-	-	53,982	**53,982**
Non-current biological assets	-	-	-	1,592	**1,592**
Goodwill	-	-	-	17,936	**17,936**
Inventories	-	-	-	14,800	**14,800**
Current biological assets	-	-	-	13,363	**13,363**
Trade and other receivables	14,141	-	-	-	**14,141**
VAT receivables	1,400	-	-	-	**1,400**
Cash and cash equivalents	5,502	-	-	-	**5,502**
TOTAL	**21,043**	**-**	**-**	**101,673**	**122,716**
Long-term loans	(835)	-	(4,931)	-	**(5,766)**
Long-term notes	(579)	-		-	**(579)**
Short-term loans and borrowings	(8,968)	-	(4,110)	-	**(13,078)**
Promissory notes	(313)	-		-	**(313)**
Trade and other payables	(11,971)	-		-	**(11,971)**
Tax payables	(238)	-		-	**(238)**
TOTAL	**(22,904)**	**-**	**(9,041)**	**-**	**(31,945)**
Net balance position	**(1,861)**	**-**	**(9,041)**	**101,673**	**90,771**

As at 31.03.2011.	**UAH**	**EURO**	**USD**	**Non-monetary items**	**Total**
Property, plant and equipment				5,509	5,509
Non-current biological assets				226	226
Goodwill				7,514	7,514
Inventories				6,071	6,071
Current biological assets				10,933	10,933
Trade and other receivables	3 397				3 397
VAT receivables	1 221				1,221
Cash and cash equivalents	797				797
TOTAL	**5 415**	**-**	**-**	**30,253**	**35,668**
Long-term loans	(6,997)	(1,202)			(8,199)
Short-term loans and	(7,606)				(7,606)

(in thousand US dollars)

borrowings					
Trade and other payables	(6,335)				(6,335)
Tax payables	(195)				(195)
TOTAL	**(21,133)**	**(1,202)**	**-**	**-**	**(22,335)**
Net balance position	**(15,718)**	**(1,202)**	**-**	**30,253**	**13,333**

Short-term and long-term loans in foreign currency, trade accounts receivable and payable give rise to foreign exchange risk exposure.

Liquidity risk

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

The Group monitors its assets and liabilities as to circulation and mature terms and plans its liquidity depending upon the expected term of obligations fulfillment. When liquidity of individual entities is insufficient or redundant, the Group redistributes its resources and funds to achieve optimal financing of every Group's entity needs.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2011 based on contractual undiscounted payments:

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Total*
For the period ended 31 March 2012 (not audited)				
Long-term liabilities			6,554	**6,554**
Loans and borrowings		13,907		**13,907**
Trade and other payables	114	10,552		**10,666**
For the period ended 31 December 2011 (draft)				
Long-term liabilities	-	-	6,345	**6,345**
Loans and borrowings	-	13,078	-	**13,078**
Trade and other payables	238	11,971	-	**12,209**
For the period ended 31 March 2011 (not audited)				
Long-term loans			8,199	**8,199**
Short-term loans and borrowings		7,606		**7,606**
Trade and other payables	195	6,335		**6,530**

Credit risk

Financial instruments that potentially expose the Group to the concentration of credit risks primarily include trade receivables.

Credit risk related to trade receivables is minimized due to the limited number of customers – grain traders with sound reputation. The Group manages this risk through monitoring of the customers' credit capacity. Cash is placed in financial institutions, which are considered to have minimal risk of default at the time of deposit.

The Group management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Most of the Group's sales are made to the customers with an appropriate credit history or on a prepayment basis. The Group does not require collateral in respect of its financial assets.

The credit risk exposure of the Group is monitored and analyzed on a case-by-case basis and, based on historical collection statistics, the Group's management believes that there is no significant risk of loss to the Group beyond the impairment allowances recognized against the assets of each category.

(in thousand US dollars)

Capital risk management

The Group considers debt and net assets as primary capital sources. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to Group's access to capital markets.

	31.03.2012	**31.12.2011**	**31.03.2011**
Total amount of borrowings	20,184	19,171	15,805
Net of cash and cash equivalents	(5,467)	(5,502)	(1,221)
Net debt	14,717	13,669	14,584
Total capital	92,597	89,949	13,333
Plus – subordinated debt instruments	-	-	-
Adjusted capital	92,597	89,949	13,333
Debt to adjusted net assets ratio	15.89%	15.20%	109,38%

Management monitors on a regular basis the Group's capital structure, and may adjust its capital management policies and targets following changes of its operating environment, market sentiment or its development strategy.

Risk of grain prices change

Apart from the risks arising from the use of financial instruments, the Group is exposed to the risk, connected with grain price changes. The Group did not conclude derivative contracts or other contracts for this risk management. The Group constantly regulates grain prices to evaluate the necessity of active financial risk management.

Classification of financial instruments

As at 31 March 2012 and 2011, financial instruments are classified as follows:

As at 31.03.2012	Loans and accounts receivable	Non-financial instruments	**Total**
Property, plant and equipment	-	52,615	**52,615**
Non-current biological assets	-	1,404	**1,404**
Goodwill	-	17,944	**17,944**
Inventories	-	14,937	**14,937**
Current biological assets	-	17,829	**17,829**
Trade and other receivables	11,980		**11,980**
VAT receivables		1,836	**1,836**
Cash and cash equivalents	5,467		**5,467**
TOTAL	**17,447**	**106,565**	**124,012**
Long-term loans	(6,554)		**(6,554)**
Short-term loans and borrowings	(13,907)		**(13,907)**
Promissory notes	(288)		**(288)**
Trade and other payables		(10,552)	**(10,552)**
Tax payables		(114)	**(114)**
TOTAL	**(20,749)**	**(10,666)**	**(31,415)**
Net balance position	**(3,302)**	**95,899**	**92,597**

As at 31.12.2011	Loans and accounts receivable	Non-financial instruments	**Total**
Property, plant and equipment	-	54,034	**54,034**
Non-current biological assets	-	1,540	**1,540**
Goodwill	-	17,936	**17,936**

(in thousand US dollars)

Inventories	-	14,800	**14,800**
Current biological assets	-	13,363	**13,363**
Trade and other receivables	14,141	-	**14,141**
VAT receivables	-	1,400	**1,400**
Cash and cash equivalents	5,502	-	**5,502**
TOTAL	**19,643**	**103,073**	**122,716**
Long-term loans	(6,345)	**-**	**(6,345)**
Short-term loans and borrowings	(13 078)	-	**(13,078)**
Promissory notes	(313)	-	**(313)**
Trade and other payables	-	(11,971)	**(11,971)**
Tax payables	-	(238)	**(238)**
TOTAL	**(19,736)**	**(12,209)**	**(31,945)**
Net balance position	**(93)**	**90,864**	**90,771**

As at 31.03.2011	Loans and accounts receivable	Non-financial instruments	**TOTAL**
Property, plant and equipment		5,509	**5,509**
Non-current biological assets		226	**226**
Goodwill		7,514	**7,514**
Inventories		6,071	**6,071**
Current biological assets		10,933	**10,933**
Trade and other receivables	3,397		**3,397**
VAT receivables		1,221	**1,221**
Cash and cash equivalents	797		**797**
TOTAL	**4,194**	**31,474**	**35,668**
Long-term loans	(8,199)		**(8,199)**
Short-term loans and borrowings	(7,606)		**(7,606)**
Trade and other payables		(6,335)	**(6,335)**
Tax payables		(195)	**(195)**
TOTAL	**(15,805)**	**(6,530)**	**(22,335)**
Net balance position	**(11,611)**	**24,944**	**13,333**