



Industrial Milk Company S.A. and its subsidiaries
Condensed Consolidated Interim Financial Statements
For the nine months ended 30 September 2012

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CONSOLIDATED MANAGEMENT REPORT

Operational and Financial Results

The following table sets forth the Company's results of operations for the 9-month period ended 30 September 2012 and 2011 derived from the Condensed Consolidated Interim Financial Statements:

(in thousand USD)

	Notes	For the nine months ended		Change in %
		30 September 2012	30 September 2011	
		Unaudited	Unaudited	Unaudited
CONTINUING OPERATIONS				
Revenue	6	54 292	14 769	268%
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	7	33 995	28 553	19%
Cost of sales	8	(55 365)	(18 092)	206%
GROSS INCOME		32 922	25 230	30%
Administrative expenses	9	(3 413)	(2 263)	51%
Selling and distribution expenses	10	(1 485)	(569)	161%
Other operating income	11	1 470	858	71%
Income from the exchange of property certificates	12	130	91	43%
Other operating expenses	13	(4 266)	(1 376)	210%
Write-offs of property, plant and equipment		(995)	(868)	15%
OPERATING INCOME		24 363	21 103	15%
Financial expenses, net	16	(3 761)	(1 224)	207%
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		20 602	19 879	4%
Income tax benefit (expenses)	17	7	(61)	-112%
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		20 609	19 818	4%
Normalised EBITDA		30 552	25 570	19%
Normalised EBIT		25 227	21 880	15%
Normalised Net profit		21 474	20 595	4%
Depreciation and amortization		(5 323)	(3 690)	44%
Income from the exchange of property certificates		130	91	43%
Write-offs of property, plant and equipment		(995)	(868)	15%

Normalisation adjustments to EBITDA, EBIT and Net profit exclude effects of non-recurring expenditure from operating segments such as income from the exchange of property certificates and write-offs of property, plant and equipment resulting from an isolated, non-recurring event.

Revenue

The Company's revenue from sales of finished products increased year-on-year by 268% primarily as a consequence of the change in stock of agricultural produce: as of 31 December 2011 the stock of agricultural produce had a book value of USD 33,8 million, compared to USD 10,0 million on 31 December of the previous year. The following table sets forth the Company's sales revenue by products for the 9-month periods indicated:

(in thousand USD)

	For the nine months ended		Change in %
	30 September 2012	30 September 2011	
	Unaudited	Unaudited	Unaudited
Cattle	1 104	687	61%
Corn	17 570	5 153	241%
Milk	4 853	4 782	1%
Wheat	9 443	574	1545%
Sunflower	16 071	105	15206%
Soy beans	1 777	318	459%
Other	2 502	1 873	34%
	53 320	13 492	295%

The most significant portion of the Company's revenue comes from selling corn, which represented 33% and 38% of total revenue for the 9-month periods ended 30 September 2012 and 2011, respectively, and from selling sunflower, which represented 30% of total revenue for the 9-month periods ended 30 September 2012. The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

(in thousand USD)

	For the nine months ended	
	30 September 2012	30 September 2011
Corn		
Sales of produced corn (<i>in tonnes</i>)	74 183	21 533
Realization price (U.S. \$ per ton)	237	239
Revenue from produced corn (<i>U.S. \$ in thousands</i>)	17 570	5 153
Wheat		
Sales of produced wheat (<i>in tonnes</i>)	44 380	3 450
Realization price (U.S. \$ per ton)	213	166
Revenue from produced wheat (<i>U.S. \$ in thousands</i>)	9 443	574
Rye		
Sales of produced rye (<i>in tonnes</i>)	3 741	210
Realization price (U.S. \$ per ton)	168	167
Revenue from produced rye (<i>U.S. \$ in thousands</i>)	627	35
Soy beans		
Sales of produced soy beans (<i>in tonnes</i>)	4 267	960
Realization price (U.S. \$ per ton)	416	331
Revenue from produced soy beans (<i>U.S. \$ in thousands</i>)	1 777	318
Sunflower		
Sales of produced sunflower (<i>in tonnes</i>)	34 904	270
Realization price (U.S. \$ per ton)	460	389
Revenue from produced sunflower (<i>U.S. \$ in thousands</i>)	16 071	105
Rape seed		
Sales of produced rye (<i>in tonnes</i>)	36	642
Realization price (U.S. \$ per ton)	389	503
Revenue from produced rye (<i>U.S. \$ in thousands</i>)	14	323
Lupin		
Sales of produced lupin (<i>in tonnes</i>)	1 962	2 631
Realization price (U.S. \$ per ton)	226	240
Revenue from produced lupin (<i>U.S. \$ in thousands</i>)	443	632

Potatoes

Sales of produced potatoes (<i>in tonnes</i>)	8 734	3 342
Realization price (U.S. \$ per ton)	72	193
Revenue from produced potatoes (<i>U.S. \$ in thousands</i>)	628	645

Other (produced only)

Total sales volume (<i>in tonnes</i>)	1 538	2 665
Total revenues (<i>U.S. \$ in thousands</i>)	790	238

Total sales volume (<i>in tonnes</i>)	173 745	35 703
Total revenue from sale of crops (<i>U.S. \$ in thousands</i>)	47 364	8 023

Revenue relating to sales of corn increased by 241% to USD 17,6 million for the 9-month period ended 30 September 2012 from USD 5,2 million for the 9-month period ended 30 September 2011, primarily due to an increase in sales volume (tonnes) in 2012.

Revenue relating to sales of sunflower increased by 15 206% to USD 16,0 million for the 9-month period ended 30 September 2012 from USD 0,1 million for the 9-month period ended 30 September 2011, primarily due to an increase in the prices and in sales volume (tonnes) in 2012.

Revenue relating to sales of soy beans increased by 459% to USD 1,8 million for the 9-month period ended 30 September 2012 from USD 0,3 million for the 9-month period ended 30 September 2011, primarily due to an increase in the prices and in sales volume (tonnes) in 2012.

Revenue relating to the sale of wheat increased by 1 545% to USD 9,4 million for the 9-month periods ended 30 September 2012 from USD 0,6 million for the 9-month period ended 30 September, primarily due to an increase in the prices and in sales volume (tonnes) in 2012.

Cost of sales

The Company's cost of sales increased by 206% to USD 55,3 million for the 9-month period ended 30 September 2012 from USD 18,1 million for the 9-month period ended 30 September 2011. The following table sets forth the principal components of the Company's cost of sales for the periods indicated:

(in thousand USD)

	Notes	For the nine months ended		Change in %
		30 September 2012	30 September 2011	
		Unaudited	Unaudited	Unaudited
Raw materials		(21 211)	(11 437)	85%
Change in inventories and work-in-progress	a)	(13 537)	7 705	-276%
Wages and salaries of operating personnel and related charges	15	(5 820)	(4 116)	41%
Depreciation and amortization	14	(4 628)	(3 389)	37%
Third parties' services		(2 141)	(1 198)	79%
Fuel and energy supply		(4 524)	(3 329)	36%
Rent		(2 991)	(1 967)	52%
Repairs and maintenance		(422)	(260)	62%
Taxes and other statutory charges		(68)	(93)	-27%
Other expenses		(23)	(8)	189%
		(55 365)	(18 092)	206%

Raw materials increased by 85% to USD 21,2 million for the 9-month period ended 30 September 2012 from USD 11,4 million for the 9-month period ended 30 September 2011. This increase was primarily due to an increase in arable land in 2012.

Depreciation and amortisation increased by 37% to USD 4,6 million for the 9-month period ended 30 September 2012 from USD 3,4 million for the 9-month period ended 30 September 2011. This increase was primarily due to effect of acquisition of subsidiaries.

Wages and salaries of operational personnel and related charges increased by 41% to USD 5,8 million for the 9-month period ended 30 September 2012 from USD 4,1 million for the 9-month period ended 30 September 2011. This increase was primarily due to an increase in arable land in 2012.

Rent increased by 52% to USD 3,0 million for the 9-month period ended 30 September 2012 from USD 2,0 million for the 9-month period ended 30 September 2011. This increase was primarily due to effect of acquisition of subsidiaries.

Gross income

The Company's gross income increased to USD 32,9 million for the 9-month period ended 30 September 2012 from USD 25,2 million for the 9-month period ended 30 September 2011, an 30% year-on-year increase. Such increase is primarily related to an increase in gain (loss) from changes in fair value of biological assets and agricultural produce, net.

Administrative expenses

Administrative expenses increased year-on-year to USD 3,4 million for the 9-month period ended 30 September 2012 from USD 2,3 million for the 9-month period ended 30 September 2011, reflecting an increase in the wages and salaries of administrative personnel year-on-year to USD 1,7 million from USD 1,1 million, and professional (audit and legal) services to USD 0,5 million from USD 0,3 million.

Selling and distribution expenses

Selling and distribution expenses increased by 161% to USD 1,5 million for the 9-month period ended 30 September 2012 from USD 0,6 million for the 9-month period ended 30 September 2011, primarily due to the increase in delivery costs to USD 1,2 million from USD 0,4 million.

Other operating income

The Company's other operating income increased by 71% to USD 1,5 million for the 9-month period ended 30 September 2012 from USD 0,9 million for the 9-month period ended 30 September 2011, primarily due to the increase in government grants and subsidies recognised as income to USD 0,5 million from USD 0 million.

Other operating expenses

The Company's other operating expenses increased by 210% to USD 4,3 million for the 9-month period ended 30 September 2012 from USD 1,4 million for the 9-month period ended 30 September 2011, primarily due to the increase in loss from VAT on export operations to USD 1,8 million from USD 0 million and due to the increase in expenses for doubtful accounts receivable to USD 0,5 million from USD 0 million.

Financial expenses, net

The Company's financial expenses, net increased by 207% to USD 3,8 million for the 9-month period ended 30 September 2012 from USD 1,2 million for the 9-month period ended 30 September 2011. This increase was primarily due to an increase in interest expenses on loans and borrowings and other financial expenses related to the attraction new loans for the 9-month period ended 30 September 2012.

Net profit for the period from continuing operations

Net profit for the period from continuing operations increased by 4% to USD 20,6 million for the 9-month period ended 30 September 2012 from USD 19,9 million for the 9-month period ended 30 September 2011, primarily due to an increase in income from changes in fair value of biological assets and agricultural produce, net.

Cash flows

The following table sets out a summary of the Company's cash flows for the periods indicated:

(in thousand USD)

	For the nine months ended	
	30 September 2012	30 September 2011
	Unaudited	Unaudited
Net cash flows from operating activities	(12 132)	(9 344)
Net cash flows from investing activities	(24 683)	(13 165)
Net cash flows from financing activities	42 175	34 269
Net increase in cash and cash equivalents	5 360	11 760

Net cash flow from operating activities

The Company's net cash outflow from operating activities decreased to USD 12,1 million for the 9-month period ended 30 September 2012 compared to net cash outflow of USD 9,3 million for the 9-month period ended 30 September 2011. The decrease in 2012 was primarily attributable to increase in prepayments and other current assets and increase in current biological assets.

Net cash flow from investing activities

The Company's net cash outflow from investing activities increased to USD 24,7 million for the 9-month period ended 30 September 2012 compared to net cash outflow of USD 13,2 million for the 9-month period ended 30 September 2011. The increase in 2012 was primarily attributable to acquisition of subsidiaries and purchase of agricultural equipment.

Net cash flow from financing activities

Net cash inflow from financing activities increased to USD 42,2 million for the 9-month period ended 30 September 2012 from a net cash inflow of USD 34,3 million for the 9-month period ended 30 September 2011. The increase in 2012 was primarily due to proceeds from loans, borrowings and bonds issued.

Selected Financial Data

(in thousand USD)

	for the 9-month period ended 30 September	2012	2011
I.	Revenue	54 292	14 769
II.	Operating profit/(loss)	24 363	21 103
III.	Profit/(loss) before income tax	20 602	19 879
IV.	Net profit/(loss)	20 609	19 818
V.	Net cash flow from operating activity	(12 132)	(9 344)
VI.	Net cash flow from investing activity	(24 683)	(13 165)
VII.	Net cash flow from financing activity	42 175	34 269
VIII.	Total net cash flow	5 360	11 760
IX.	Total assets	208 492	144 494
X.	Share capital	56	56
XI.	Total equity	129 691	111 050
XII.	Non-current liabilities	44 191	21 303
XIII.	Current liabilities	34 610	12 141
XIV.	Weighted average number of shares	31 300 000	31 300 000
XV.	Profit/(loss) per ordinary share (in USD)	0,66	0,64
XVI.	Book value per share (in USD)	4,09	3,64

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2012

(in thousand USD, unless otherwise stated)

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
CONTINUING OPERATIONS			
Revenue	6	54 292	14 769
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	7	33 995	28 553
Cost of sales	8	(55 365)	(18 092)
GROSS INCOME		32 922	25 230
Administrative expenses	9	(3 413)	(2 263)
Selling and distribution expenses	10	(1 485)	(569)
Other operating income	11	1 470	858
Income from the exchange of property certificates	12	130	91
Other operating expenses	13	(4 266)	(1 376)
Write-offs of property, plant and equipment		(995)	(868)
OPERATING INCOME		24 363	21 103
Financial expenses, net	16	(3 761)	(1 224)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		20 602	19 879
Income tax benefit (expenses)	17	7	(61)
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		20 609	19 818
Net profit for the period attributable to:			
Owners of the parent company		20 773	20 029
Non-controlling interests		(164)	(211)
Weighted average number of shares		31 300 000	31 300 000
Profit per ordinary share (in USD)		0,66	0,63
OTHER COMPREHENSIVE INCOME			
Deferred tax charged directly to revaluation reserve		142	90
Effect of foreign currency translation		(48)	(458)
TOTAL OTHER COMPREHENSIVE INCOME		94	(368)
TOTAL COMPREHENSIVE INCOME		20 703	19 450
Comprehensive income attributable to:			
Owners of the parent company		20 867	19 661
Non-controlling interests		(164)	(211)

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

(in thousand USD, unless otherwise stated)

	Notes	30 September 2012	31 December 2011	30 September 2011	31 December 2010
		Unaudited	Audited	Unaudited	Audited
ASSETS					
Non-current assets					
Property, plant and equipment	18	70 350	61 607	58 231	54 025
Intangible assets	19	6 988	3 294	2 083	306
Non-current biological assets	20	9 134	9 057	6 859	4 657
Deferred tax assets	21	40	120	133	203
Other non-current assets	22	2 485	790	201	203
Total non-current assets		88 997	74 868	67 507	59 394
Current assets					
Inventories	23	16 300	40 637	21 971	13 030
Current biological assets	24	68 038	11 093	35 439	6 100
Trade accounts receivable, net	25	2 941	1 447	1 208	3 780
Prepayments and other current assets, net	26	22 186	6 074	5 013	3 147
Prepayments for income tax		18	-	-	-
Cash and cash equivalents	28	10 012	4 595	13 356	1 989
Total current assets		119 495	63 846	76 987	28 046
TOTAL ASSETS		208 492	138 714	144 494	87 440
LIABILITIES AND EQUITY					
Equity attributable to the owners of parent company					
Share capital	29	56	56	56	46
Share premium		24 387	24 387	24 387	-
Revaluation reserve		12 239	13 862	13 509	15 829
Retained earnings		107 661	85 123	92 129	63 540
Effect of foreign currency translation		(16 456)	(16 408)	(16 264)	(15 806)
Total equity attributable to the owners of parent company		127 887	107 020	113 817	63 609
Non-controlling interests		1 804	1 968	(2 767)	3 594
Total equity		129 691	108 988	111 050	67 203
Non-current liabilities					
Long-term loans and borrowings	30	41 325	14 068	18 083	8 676
Deferred tax liabilities	21	2 866	3 121	3 220	3 322
Total non-current liabilities		44 191	17 189	21 303	11 998
Current liabilities					
Current portion of long-term borrowings	30	5 788	4 486	532	1 802
Short-term loans and borrowings	31	17 084	3 467	3 451	1 716
Trade accounts payable	32	9 118	1 473	4 745	504
Other current liabilities and accrued expenses	33	2 618	3 099	3 413	4 217
Income tax payable		2	12	-	-
Total current liabilities		34 610	12 537	12 141	8 239
TOTAL LIABILITIES AND EQUITY		208 492	138 714	144 494	87 440

Ievgen Osyrov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

INDUSTRIAL MILK COMPANY S.A. AND ITS SUBSIDIARIES
Condensed Consolidated Interim Financial Statements



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2012

(in thousand USD, unless otherwise stated)

	Share capital	Share premium	Revaluation reserve	Retained earnings	Effect of foreign currency translation	Total	Non-controlling interests	Total equity
31 December 2010 (restated) (audited)	46	-	15 829	63 540	(15 806)	63 609	3 594	67 203
Profit for the period	-	-	-	20 029	-	20 029	(211)	19 818
Amortization of revaluation reserve	-	-	(2 203)	2 203	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	90	-	-	90	-	90
Other comprehensive income	-	-	-	-	(458)	(458)	-	(458)
Total comprehensive income	46	-	13 716	85 772	(16 264)	83 270	3 383	86 653
Issue of share capital	10	24 387	-	-	-	24 397	-	24 397
30 September 2011 (unaudited)	56	24 387	13 716	85 772	(16 264)	107 667	3 383	111 050
31 December 2011 (audited)	56	24 387	13 862	85 123	(16 408)	107 020	1 968	108 988
Profit for the period	-	-	-	20 773	-	20 773	(164)	20 609
Amortization of revaluation reserve	-	-	(1 765)	1 765	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	142	-	-	142	-	142
Other comprehensive income	-	-	-	-	(48)	(48)	-	(48)
Total comprehensive income	56	24 387	12 239	107 661	(16 456)	127 887	1 804	129 691
30 September 2012 (unaudited)	56	24 387	12 239	107 661	(16 456)	127 887	1 804	129 691

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

Notes on pages 13-51 form an integral part of these Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the nine months ended 30 September 2012
(in thousand USD, unless otherwise stated)

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax from continuing operations		20 602	19 879
Adjusted to reconcile profit before tax with net cash used in operating activities:			
Depreciation and amortization	14	5 323	3 690
Gain on disposal of inventories	11	-	(15)
Loss on disposal of other property, plant and equipment	13	4	45
Write-offs of property, plant and equipment		995	868
Write-offs of VAT	13	304	82
Loss from VAT on export operations	13	1 804	-
Interest income	16	(374)	(56)
Interest expenses	16	4 132	1 300
Lost crops	13	396	526
Allowance for doubtful accounts receivable	13	523	-
Loss from exchange differences	16	24	22
Shortages and losses due to impairment of inventories	13	264	478
Provision for vacations		180	88
Income from the exchange of property certificates	12	(130)	(91)
(Gain) loss from changes in fair value of biological assets and agricultural produce, net	7	(33 995)	(28 553)
Cash flows from operating activities before changes in working capital		52	(1 737)
Increase / decrease in accounts receivable		(2 031)	2 584
Increase in prepayments and other current assets		(17 184)	(1 881)
Decrease / increase in inventories		28 057	(1 803)
Decrease / increase in current biological assets		(16 983)	(8 003)
Decrease/ increase in accounts payable		2 131	4 241
Decrease/ increase in other non-current assets		(1 457)	2
Increase in other current liabilities and accrued expenses		(787)	(1 523)
Cash flows from operations		(8 202)	(8 120)
Interest paid		(3 885)	(1 224)
Income tax paid		(45)	-
Net cash flows from operating activities		(12 132)	(9 344)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(10 537)	(7 890)
Purchase of non-current biological assets		(743)	-
Purchase of intangible assets		(7)	(27)
Proceeds from disposal of property, plant and equipment		16	52
Cash (acquisition of the subsidiary)	5	90	17
Acquisition of the subsidiary	5	(13 502)	(5 317)
Net cash flows from investing activities		(24 683)	(13 165)

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)

For the nine months ended 30 September 2012

(in thousand USD, unless otherwise stated)

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of share capital		-	24 397
Proceeds from long-term and short-term borrowings		43 280	11 408
Repayment of long-term and short-term borrowings		(1 105)	(1 536)
Net cash flows from financing activities		42 175	34 269
NET CASH FLOWS		5 360	11 760
Cash and cash equivalents as at the beginning of the period	28	4 595	1 989
Effect of translation into presentation currency		57	(393)
Cash and cash equivalents as at the end of the period	28	10 012	13 356

Ievgen Osyrov

Chief Executive Officer

Dmytro Martyniuk

Chief Financial Officer

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

1. Description of formation and business.

For the purposes of these condensed consolidated interim financial statements the term the "Operating group" (or the "Group" or the "Company") has been taken to indicate the companies listed below.

The financial year begins on January 1 of each year and terminates on December 31 of each year. It's register number within the Registre de Commerce et des Sociétés du Luxembourg is RCS Lu B157843.

The Group consolidated accounts are public and available for consultation at <http://imcagro.com.ua/index.php/uk/dlya-investoriv/regulatory-filings/financial-reports> or at its registered office.

Description of formation: Industrial Milk Company S.A. (the "Parent or "Industrial Milk Company S.A." or "IMC"), a limited liability company registered under the laws of Luxembourg, was formed on 28 December 2010 for an unlimited period of time. Industrial Milk Company S.A. was formed to serve as the ultimate holding company of Unigrain Holding Limited and its subsidiaries. The registered address of Industrial Milk Company S.A. is 16, Avenue Pasteur, L-2310, Luxembourg.

In the course of the corporate reorganization a sub-holding company under Industrial Milk Company S.A., Unigrain Holding Limited, was established and through a series of transactions became the immediate parent of trading company Aristo Eurotrading, Burat-Agro, Ltd., Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor and OJSC Poltava Kombilormoviy Zavod belong directly to Burat, Ltd., Zemelnij Kadaastroviy Centr SA belongs directly to Chernihiv Industrial Milk Company, Ltd., Agrofirma «Kalynivska-2005», Ltd., Agrofirma «Govtneva», Ltd., Agrofirma «Shid», Ltd., APP «Virynske», Ltd., Pisky, Ltd., Viry-Agro, SC and 80,61% of the voting shares in the company PSJC Viryvske HPP.

Unigrain Holding Limited acquired 100% of the voting shares in the company Ukragrosouz, Ltd in March 2012 and 100% of the voting shares in the company PAC Slobozhanschina Agro in June 2012.

The subsidiaries and the principal activities of the companies comprising the Group are as follows:

Operating entity	Principal activity	Country of registration	Year established/ acquired	Cumulative ownership ratio, %	
				30 September 2012	30 September 2011
Industrial Milk Company S.A.	Holding company	Luxembourg	28.12.2010	100,00	100,00
Unigrain Holding Limited	Subholding company	Cyprus	02.06.2009	100,00	100,00
Burat-Agro, Ltd.	Production of cattle milk and meat, oil-yielding and grain crops cultivation	Ukraine	31.12.2007	100,00	100,00
Burat, Ltd.	Agricultural products processing	Ukraine	31.12.2007	100,00	100,00
Chernihiv Industrial Milk Company, Ltd.	Production of cattle milk and meat, oil-yielding and grain crops cultivation	Ukraine	31.12.2007	100,00	100,00
PJSC Mlibor	Flour grinding	Ukraine	31.05.2008	71,82	71,82
PJSC Poltava Kombilormoviy Zavod	Granting of PPE into finance lease	Ukraine	31.12.2007	87,56	87,56
Zemelnij Kadaastroviy Centr SA	Preparation of technical documentation concerning land issues	Ukraine	23.11.2010	100,00	100,00
Aristo Eurotrading Limited	Trading company	British Virgin Islands	30.08.2011	100,00	100,00
AF Kalynivska-2005, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
AF Govtneva, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
AF Shid-2005, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

AIE Vyrynske, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
Pisky, Ltd	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
SE "Vyry-Agro"	Agricultural and farming production	Ukraine	26.12.2011	100,00	-
OJSC "Vyryvske HPP"	Agricultural products processing	Ukraine	28.12.2011	80,61	-
Ukragrosouz KSM, Ltd	Agricultural production	Ukraine	29.03.2012	100,00	-
PAC Slobozhanschina Agro	Agricultural production	Ukraine	26.06.2012	100,00	-

Description of the business: Companies comprising the Group are engaged in agricultural production and sale of grain and oil-yielding crops (Ukraine and export); and in farming production and sale of cattle milk and meat (Ukraine).

IMC is the group that was founded from the consolidation of mid-sized agricultural companies in 2007. The Group harvests 82,7 thousand ha of high quality arable land and operates in three segments: crop farming, dairy and beef farming and grain and oilseed storage as at 30 September 2012.

The Group's business model is focused on efficiency and a manageable growth strategy.

Today IMC is the vertically integrated and high-technology group of companies engaged in crop farming, dairy farming, feed and flour production, storage services, operating in Sumy, Poltava and Chernihiv region (northern and central Ukraine). IMC was ranked as a top five Ukrainian milk producer and a top eight Ukrainian meat producer in terms of herd headcount as of November 2009. The Group controlled 86 thousand ha in the most fertile regions of Ukraine (Poltava, Chernihiv and Sumy) as at 30 September 2012.

IMC is strategically focused on the development of its crop operations due to high gross marginality in the segment. The Group plans to increase cultivated land from its current 82,7 thousand ha to 285 thousand ha in 2019.

2. Basis of preparation of the condensed consolidated interim financial statements

Statement of compliance

The condensed consolidated interim financial statements as at and for the nine months ended 30 September 2012 and 2011 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") No.34 "Interim Financial Reporting". They should be read in conjunction with the annual consolidated financial statements and the notes thereto in the Company's Annual Report for the year ended December 31, 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union.

The interim financial statements are unaudited.

Companies comprising the Group which are incorporated in Ukraine maintain their accounting records in accordance with Ukrainian regulations. The financial information has been prepared from those accounting records and adjusted as management considers necessary in order to comply with IFRS.

In preparation of these condensed consolidated interim financial statements the management used their best knowledge of International Financial Reporting Standards and interpretations, facts and circumstances that can affect these consolidated financial statements.

Basis of measurement

The condensed consolidated interim financial statements are prepared under historical cost basis except for the revalued amounts of property, plant and equipment, biological assets and agricultural produce.

The Group's management has decided to present and measure these condensed consolidated interim financial statements in US Dollars for the purposes of convenience of users of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Ukrainian statutory accounting principals and procedures differ from those generally accepted under IFRS. Accordingly, the condensed consolidated interim financial statements, which have been prepared from the Ukrainian statutory accounting records for the entities of the Group domiciled in Ukraine, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

Use of estimates

The preparation of these condensed consolidated interim financial statements involves the use of reasonable accounting estimates and requires the management to make judgments in applying the Group's accounting policies. Note 4 contains areas, related to a high degree of importance or complexity in decision-making, or areas where assumptions and estimates are important for amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). For the companies of the Group operating in Ukraine the Ukrainian Hryvna ("UAH") is the functional currency. For the companies operating in Cyprus and Luxembourg the functional currency is Euro ("EUR").

These condensed consolidated interim financial statements are presented in the United States Dollars ("USD"), unless otherwise indicated.

Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All exchange differences are taken to the statement of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The principal exchange rates used in the preparation of these condensed consolidated interim financial statements are as follows:

Currency	30 September 2012	Average for 9 months ended 30 September 2012	31 December 2011	30 September 2011	Average for 9 months ended 30 September 2011	31 December 2010
UAH/ USD	7,99300	7,99038	7,98980	7,97270	11,19864	7,9617
UAH/EUR	10,29019	10,23454	10,29800	10,85483	7,96276	10,57310

Translation into presentation currency

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the official rate at the date of the balance sheet;
- income and expenses are translated at average exchange rate for the period, unless fluctuations in exchange rates during that period are significant, in which case income and expenses are translated at the rate on the dates of the transactions;
- all the equity and provision items are translated at the rate on the dates of the transactions;
- all resulting exchange differences are recognized as a separate component of other comprehensive income;

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- in the consolidated statement of cash flows cash balances at the beginning and end of each presented period are translated at rates prevailing at corresponding dates. All cash flows are translated at average exchange rates for the periods presented. Exchange differences arising from the translation are presented as the effect of translation into presentation currency.

Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the disposal of assets and the settlement of liabilities in the normal course of business. The recoverability of Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. Management believes that Group has reliable access to sources of financing capable to support appropriate operating activity of Group entities. These condensed consolidated interim financial statements do not include any adjustments should the Group be unable to continue as going concern.

Principles of consolidation

Restructuring

In 2010, the Group was restructured as shown in Note 1. During the restructuring, all the ownership rights for the Group's companies were concentrated in the established parent company, holder of investments.

In preparation of these condensed consolidated interim financial statements the assumption was used that parent company, which was legally incorporated on 28 December 2010, and subsidiary companies comprising the Group existed with the same structure prior to restructuring, starting from 31 December 2007.

Until 28 December 2010, the parent company had no direct or indirect participation in equity of the companies included into these condensed consolidated interim financial statements. Shares in the equities of these companies belonged to companies and individuals, controlled by the direct owners of the parent company. During the restructuring, all rights of control over the subsidiaries were transferred to the parent company.

The following key assumptions were made in the preparation of consolidated statement of comprehensive income:

- Restructuring of the Group was completed before 31 December 2010;
- The parent company owned a share in equities of subsidiary companies;
- Rights of control over the subsidiaries were determined on the basis of cumulative ownership ratio of all the companies which are controlled by the direct owners of the parent company.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Financial statements of parent company and its subsidiaries, which are used while preparing the condensed consolidated interim financial statements, should be prepared as at the same date on the basis of consistent application of accounting policy for all companies of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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3. Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment are shown at revalued price, based on regular valuations by external independent values, less subsequent accumulated depreciation. The Group conducts a full valuation exercise if there is an indication of impairment. An impairment review was conducted at the balance sheet date. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

If there is no data about the market value of property, plant and equipment due to the nature of highly specialized machinery and equipment, such objects are evaluated according to acquisition expenses under present-day conditions, adjusted by an ageing percentage.

Valuations are performed frequently enough to ensure that the fair value of a remeasured asset does not differ materially from its carrying amount.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Previously recognized property, plant and equipment or their essential component is written-off on their disposal or in case if future economic benefits from use or disposal of such asset are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included to the other incomes (expenses) in the income statement when the asset is derecognized.

Depreciation of an asset begins when it is available for use, ie, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings 15-35 years
- Machinery 5-15 years
- Motor vehicles 5-15 years
- Other assets 5-10 years

Construction in progress comprises costs directly related to the construction of property, plant and equipment, as well as the relevant variable and fixed overhead costs related to the construction. These assets are depreciated from the moment when they are ready for operation.

Income from the exchange of property certificates

According to IAS 16 "Property, Plant and Equipment" in the case when the items of property, plant and equipment are acquired in exchange for non-cash asset (property certificate), the initial value of such assets is estimated at fair value. The difference between the price paid for property certificates and the fair value of received items of property, plant and equipment is recognized as income in the period of the exchange operation.

Biological assets

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

- Non-current biological assets of plant-breeding at fair value;
- Non-current biological assets of cattle-breeding at fair value;
- Current biological assets of plant-breeding measured at fair value;
- Current biological assets of cattle-breeding measured at fair value.

The Group assesses a biological asset at initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs, except for the cases where the fair value cannot be determined with reasonable assurance.

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Determination of fair value of biological assets

Due to an absence of an active market for cattle and pigs, and biological assets-plants in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets as at reporting date.

The carrying amount of biological assets is determined at each balance sheet date as their fair value less estimated selling and distribution expenses. Fair value is determined based on market prices at each balance sheet date.

Gains or losses from movements in the fair value of biological assets, less estimated selling and distribution expenses of the Group are recorded in the period they incurred.

The Group capitalizes cattle-breeding expenses between the reporting dates into the cost of biological assets.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in other expenses in the year in which the expenditure is incurred.

Research costs are recognized as an expense as incurred. Costs incurred on development (relating to the design, construction and testing of new or improved devices, products, processes or systems) are recognized as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of adequate resources to complete the development, and the ability to measure reliably the expenditure during the development. Other development expenditures are recognized as an expense as incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income in other income (expenses) when the asset is derecognized.

The Group determines whether the useful life of an intangible asset is finite or indefinite.

Useful life of intangible assets is indefinite if the Group suggests that the period during which it is expected that the object of intangible assets will generate net cash inflows to the organization has no foreseeable limit. Intangible assets with indefinite useful lives are not amortized, but reviewed for impairment.

The amount of amortization of an intangible asset with finite useful life is systematically allocated over its useful life as follows:

- Land lease rights 5-15 years
- Computer software 5 years

Inventories

Inventories are measured at the lower of cost or net realizable value.

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.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods includes costs of raw materials, direct labor and other direct productions costs and related production overheads (based on normal operating capacity).

The Group periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realizable value has declined, and makes an allowance for such inventories. If such situation occurred, the sum remissive the cost of inventories should be reflected as a part of other expenses in statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

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Leases

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

i) Group as a lessee

Leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are classified as finance leases. Assets held under finance lease are included in property, plant and equipment since the commencement of lease at the lower of the fair value of leased property and present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of comprehensive income.

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

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

ii) Group as a lessor

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

Financial assets

Initial recognition and measurement

The Group classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every balance sheet date.

The Group's financial assets include cash, trade and other accounts receivable, other receivables, quoted financial instruments.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading category if acquired for the purpose of sale in the nearest future.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value with fair value changes recognized in financing income or financing expenses within income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables include trade and other accounts receivable. Lendings given are financial assets, that appeared owing to issuance of means to debtor.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Borrowings issued are measured at amortized cost less impairment losses.

Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These assets are included in non-current assets unless Group has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Available-for-sale financial assets are accounted at fair value through equity.

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Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity, other than loan and receivables originated by the Group, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the balance sheet date, which are classified as current assets. Held-to-maturity investments are accounted at amortized cost.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Prepayments issued and other accounts receivable that are not financial assets

Prepayments issued are reflected at nominal value less VAT and accumulated impairment losses, other current assets are reflected at nominal value less accumulated impairment losses.

Impairment of prepayments issued is recognized under objective evidences that total amount of liability will not be repaid in compliance with terms of financial lease agreements, including while receiving the information about the significant financial straits of the debtor, possibility of composition in bankruptcy or probability of debtor's reorganization, while delivery breakdown and etc.

Taxes

Depending on the nature of activity, companies of the Group incorporated in Ukraine fall under different taxation systems:

The Group's company	Taxation system
Burat-Agro, Ltd.	Simplified taxation system (fixed agricultural tax)
Burat, Ltd.	Common taxation system
Chernihiv Industrial Milk Company, Ltd.	Simplified taxation system (fixed agricultural tax)
PJSC Mlibor	Common taxation system
PJSC Poltava Kombilormoviy Zavod	Common taxation system
Zemelniy Kadaastroviy Centr SA	Common taxation system
AF «Kalynivska-2005», Ltd	Simplified taxation system (fixed agricultural tax)
AF «Jovtneva», Ltd	Simplified taxation system (fixed agricultural tax)
AF «Shid-2005», Ltd	Simplified taxation system (fixed agricultural tax)
AIE Vyrinske, Ltd	Simplified taxation system (fixed agricultural tax)
Pisky, Ltd	Simplified taxation system (fixed agricultural tax)
SE "Vry-Agro"	Simplified taxation system (fixed agricultural tax)
OJSC "Vryvske HPP"	Common taxation system
Ukragosouz KSM, Ltd	Simplified taxation system (fixed agricultural tax)
PAC Slobozhanschina Agro	Simplified taxation system (fixed agricultural tax)

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

Income tax

Income tax expense represents the amount of the tax currently payable and deferred tax.

Income tax expenses are recorded as expenses or income in the consolidated statement of comprehensive income, except when they relate to items directly attributable to other comprehensive income (in which case the amount of tax is taken to other comprehensive income), or when they arise at initial recognition of company acquisition.

i) Current income tax

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

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ii) Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (VAT)

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

Revenue, expenses and assets are recognized less VAT amount, except cases, when VAT arising on purchases of assets or services, is not recoverable by tax authority; in this case VAT is recognized as part of purchase costs or part of item of expenses respectively. Net amount of VAT, recoverable by tax authority or paid, is included into accounts receivable and payable, reflected in consolidated statement of financial position.

Government grants related to VAT

According to the Ukrainian tax legislation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) receive benefits regarding VAT payment on agricultural operations. These tax amounts are not paid to the budget, but recognized as an income in the other operating income.

Government grants related to plant-breeding

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

Amount of such benefit is determined based on the number of hectares planted for the future harvest, taking into account the crop expected to be bred. The Group of companies recognizes this type of benefits upon the receipt of funds as other operating income.

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Government grants related to cattle-breeding

Agricultural producers of poultry and livestock are eligible for government grants, depending on quantity of meat in live weight delivered to processing enterprises. The Group of companies recognizes these grants upon entitlement to them as other operating income.

Agricultural producers of poultry and livestock are also eligible for government grants for each animal unit of poultry and livestock, including slaughter for own needs or transfer to slaughter. The Group recognizes these grants upon the receipt of funds due to the uncertainty in amounts and timeframes of receipt.

Share capital

Ordinary shares are classified as equity. Nominal value of share capital of Parent company is specified in Note 29.

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Financial liabilities are initially recognized at fair value, adjusted in case of borrowings at costs that are directly attributed to transaction expenses.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

Borrowings initially recognized at fair value less transaction costs, are subsequently recorded at amortized cost; any difference between amount of received resources and sum to repayment is recorded as interest cost at effective interest rate method during the period, when borrowings were received.

Borrowings are classified as current liabilities except the cases, when Group has vested right reschedule liability payments at least for 12 months since the reporting date.

Derecognition

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

When 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, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at fair value of consideration amount received or receivable for the sale of goods and services in the ordinary course of the Group's business activities. Revenue is recorded excluding taxes and duties on sales, discounts and intercompany transactions.

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i) Sales of goods

The Group manufactures and sells a range of products stated in Note 1. Revenue from sales of goods are recognized when a Group entity has delivered products to the purchaser and there is no unfulfilled obligation that could affect the purchaser's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the purchaser, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

ii) Rendering of services

Revenue from rendering services is recognized on the basis of the stage of work completion under each contract. When financial result can be measured reliably, revenue is recognized only to the extent of the amount of incurred charges, which can be recovered.

Borrowing costs

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

Investment income resulting from temporary investment of received borrowing costs, until their expensing for the purchase of capital construction objects, shall be deducted from the cost of raising borrowing costs that may be capitalized.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of a cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. The Group discloses information about contingent liabilities in the Notes to financial statements, except in cases where fulfillment of contingent liabilities is unlikely; because of the remoteness of the event (possible repayment period is more than 12 months).

The Group constantly analyzes contingent liabilities to determine the possibility of their repayment. If the repayment of a liability, which was previously characterized as contingent, becomes probable, the Group records the provision for the period in which repayment of the obligation has become probable.

Contingent assets are not recognized in the financial statements, but disclosed in the Notes where there is a reasonable possibility of future economic benefits.

4. Critical accounting estimates and judgments

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts reflected in the condensed consolidated interim financial statements:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Value of property, plant and equipment

The Group engaged an independent appraiser to determine the fair value of property, plant and equipment as at 31 December 2010. In respect of portion of property, plant and equipment, the cost plus method was used due to lack of comparable market data, because of the nature of real estate. The cost plus method is adjusted by the income method data, which is based on the discounted cash flow model. This model is most sensitive to the discount rate, as well as to the expected cash flows and growth rates used for the extrapolation purposes. Judgments of the Group in determining the indices used in the appraisers' calculations may have a significant effect on the determination of fair value of property, plant and equipment, and hence on their carrying amount.

In accordance with IAS 16, the Group carries out revaluations on a regular basis and conducts a full valuation exercise if there is an indication of impairment. An impairment review was conducted at the balance sheet date. To test property, plant and equipment for impairment, the Group's business is treated as a single cash generating unit. The recoverable amount of the cash-generating unit was determined on the basis of value-in use. The amount of value in use for the cash generating unit was determined on the basis of the most recent budget estimates prepared by management and application of the income approach of valuation. Under the income approach, the discounted cash flow method has been applied with discount rate of 17,12 %. No impairment was detected following the results of impairment test.

Useful lives of property, plant and equipment

Items of property, plant and equipment owned by the Group are depreciated using the straight-line method over their useful lives, which are calculated in accordance with business plans and operating calculations of the Group's management with respect to those assets.

The estimated useful life and residual value of non-current assets are influenced by the rate of exploitation of assets, servicing technologies, changes in legislation, unforeseen operational circumstances. The Group's management periodically reviews the applicable useful lives. This analysis is based on the current technical condition of assets and the expected period in which they will generate economic benefits to the Group.

Any of the above factors may affect the future rates of depreciation, as well as carrying and residual value of property, plant and equipment.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Value of biological assets

The Group classifies crop-bearing fields and livestock as biological assets. Biological assets are carried at their fair value less estimated costs to sell, except for the case where the fair value cannot be measured reliably. Change of biological assets is recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets.

Livestock

Livestock held for regeneration of livestock population and animals raised for milk production. The fair value of live stock is determined based on market prices of livestock of similar age, breed and genetic merit.

Crop-bearing fields

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

Inventories

As at the reporting date the Group assesses the need to reduce the carrying amount of inventories to their net realizable value. The measurement of impairment is based on the analysis of market prices for similar inventories existing at the reporting date and published in official sources. Such assessments can have a significant impact on the carrying amount of inventories.

Besides, at each balance sheet date, the Group assesses inventories for surplus and obsolescence and determines the allowance for obsolete and slow moving inventories. Changes in assessment can influence the amount of required allowance for obsolete and slow moving inventories either positively or negatively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Trade and other accounts receivable

Accounts receivable are recorded in the financial statements at net realizable value, less allowance for doubtful debts. Allowance for doubtful debts is calculated on the basis of the assessment of possible losses in existing balances of accounts receivable. In forming the allowance, management takes into account many factors, including general economic conditions, specifics of industry and history of customer servicing. Uncertainties associated with changes in financial position of customers, both positive and negative, can also affect the amount and timing of allowance for doubtful debts.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

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

Since 01 January 2011 a new Tax Code of Ukraine has been adopted. Tax Code regulates relationships evolving in process of adoption, altering and cancellation of taxes and charges in Ukraine; it specifies full list of taxes and charges collected in Ukraine, administration procedure for taxes, payers of taxes and charges, their rights and obligations, power of controlling authorities, credentials and responsibilities of their officials in the exercise of tax control, and also liability for the infringement of tax law.

Adoption of the Tax Code changes taxation system in Ukraine entirely. Quantity of taxes decreases almost twofold. Gradual decrease of base rates for all fiscal charges is stipulated within several years. Additional rate for tax on income of physical persons is adopted. Regulations settling procedure of taxation covered by the Tax Code are cancelled. These changes substantially increase risks of incorrect interpretation of adopted Tax Code. As a result of future tax inspections additional liabilities may be revealed, which will not comply with tax statements of the Company. Such liabilities may comprise taxes themselves, and also fines and penalties, and their amounts may be material.

Impairment of assets

The carrying amount of the Group's assets is reviewed for evidence of impairment of such assets. If any events or changes in circumstances indicate that the current value of the assets may not be recoverable, the Group estimates the recoverable amount of assets. Such estimate results in a number of judgments in respect of long-range forecast of future revenue and expenses associated with the assets. In turn, these forecasts are uncertain, since they are based on assumptions about the product demand level and future market conditions.

Subsequent and unforeseen changes in such assumptions and estimates used in testing for impairment may lead to the result different from the one presented in the condensed consolidated interim financial statements.

Legal proceedings

The Group's management makes significant assumptions in estimation and reflection of inventories and risk of exposure to contingent liabilities related to current legal proceedings and other unliquidated claims, as well as other contingent liabilities. Management's judgments are required in assessing the possibility of a secured claim against the Group or material obligations, as well as in determining probable amounts of final payment or obligations. Due to the uncertainties inherent in the evaluation process, actual expenses may differ from the initial calculations. These preliminary estimates are subject to changes as new information becomes available from the Group's internal specialists, if any, or from third parties, such as lawyers. Revisions of such estimates may have a significant impact on future operating results.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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New and amended standards and interpretations

The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group (become effective after 1 January 2012):

- IFRS 7 - Disclosures - Transfers of financial assets (Amendment)
- IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)
- IAS 12 - Deferred Tax: Recovery of Underlying Assets (Amendment)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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5. Business combination

Acquisition of Ukragrosouz KSM, Ltd

On March, 29, 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company Ukragrosouz KSM, Ltd.

Ukragrosouz KSM, Ltd is located in Ukraine, Poltava region. The subsidiary owns the books of lease contracts for 4 447 hectares of land under processing.

The fair value of identifiable assets and liabilities of Ukragrosouz KSM, Ltd at the acquisition date and corresponding carrying amounts directly before the acquisition were as follows:

	<u>Fair value at the date of acquisition</u>	<u>Balance value at the date of acquisition</u>
Non-current assets		
Property, plant and equipment	2 612	1 402
Intangible assets	1 490	-
Non-current biological assets	19	19
Other non-current assets	14	-
Current assets		
Inventories	703	877
Current biological assets	399	1
Trade accounts receivable, net	2	2
Prepayments and other current assets, net	205	251
Cash and cash equivalents	87	87
Non-current liabilities		
Long-term loans and borrowings	(2 299)	(2 299)
Current liabilities		
Trade accounts payable	(175)	(175)
Other current liabilities and accrued expenses	(62)	(64)
Net assets	<u>2 995</u>	<u>101</u>
Non-controlling interests	-	
Owners of the parent company	2 995	
Cost of acquisition	2 995	
Excess of the Group's share in the fair value of the net assets acquired over the cost of acquisition	-	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Acquisition of PAC Slobozhanschina Agro

On June, 26, 2012 the Group acquired 100% of the voting shares in the company PAC Slobozhanschina-Agro.

PAC Slobozhanschina-Agro is located in Ukraine, Sumy region. The subsidiary owns the books of lease contracts for 14 234 hectares of land under processing.

The fair value of identifiable assets and liabilities of PAC Slobozhanschina-Agro at the acquisition date and corresponding carrying amounts directly before the acquisition were as follows:

	<u>Fair value at the date of acquisition</u>	<u>Balance value at the date of acquisition</u>
Non-current assets		
Property, plant and equipment	1 163	340
Intangible assets	2 949	-
Other non-current assets	224	224
Current assets		
Inventories	639	639
Current biological assets	10 096	3 268
Trade accounts receivable, net	8	8
Prepayments and other current assets, net	458	458
Cash and cash equivalents	3	3
Non-current liabilities		
Long-term loans and borrowings	(2 176)	(2 176)
Current liabilities		
Trade accounts payable	(2 793)	(2 793)
Other current liabilities and accrued expenses	(64)	(57)
Net assets	<u>10 507</u>	<u>(86)</u>
Non-controlling interests	-	
Owners of the parent company	10 507	
Cost of acquisition	10 507	
Excess of the Group's share in the fair value of the net assets acquired over the cost of acquisition	-	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

6. Revenue

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
Revenue from sales of finished products	a)	53 320	13 492
Revenue from services rendered	b)	972	1 277
		54 292	14 769

a) Revenue from sales of finished products for the 9-month period ended 30 September was as follows:

	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
	Unaudited	Unaudited
Cattle	1 104	687
Corn	17 570	5 153
Milk	4 853	4 782
Wheat	9 443	574
Sunflower	16 071	105
Soy beans	1 777	318
Other	2 502	1 873
	53 320	13 492

b) Revenue from services rendered for the 9-month period ended 30 September was as follows:

	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
	Unaudited	Unaudited
Storage	355	561
Processing	238	221
Transport	234	433
Other	145	62
	972	1 277

7. Gain / (loss) from changes in fair value of biological assets and agricultural produce, net

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
Non-current biological assets	20	(685)	1 300
Current biological assets	24	32 039	20 758
Agricultural produce		2 641	6 495
		33 995	28 553

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

8. Cost of sales

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
Raw materials		(21 211)	(11 437)
Change in inventories and work-in-progress	a)	(13 537)	7 705
Wages and salaries of operating personnel and related charges	15	(5 820)	(4 116)
Depreciation and amortization	14	(4 628)	(3 389)
Third parties' services		(2 141)	(1 198)
Fuel and energy supply		(4 524)	(3 329)
Rent		(2 991)	(1 967)
Repairs and maintenance		(422)	(260)
Taxes and other statutory charges		(68)	(93)
Other expenses		(23)	(8)
		(55 365)	(18 092)

a) Change in inventories and work-in-progress comprises changes in work-in-progress, agricultural produce and current biological assets. Book values of agricultural produce and biological assets as at the end of the reporting periods comprise fair value component stemming from revaluation conducted for the purposes of initial recognition of agricultural produce and biological assets at fair value.

9. Administrative expenses

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
Wages and salaries of administrative personnel and related charges	15	(1 757)	(1 131)
Third parties' services		(155)	(119)
Repairs and maintenance		(147)	(94)
Depreciation and amortisation	14	(140)	(123)
Bank services		(217)	(123)
Professional services		(519)	(349)
Transport expenses		(281)	(202)
Other expenses		(197)	(122)
		(3 413)	(2 263)

10. Selling and distribution expenses

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
Wages and salaries of sales personnel and related charges	15	(97)	(74)
Depreciation	14	(60)	(38)
Delivery costs		(1 173)	(433)
Other expenses		(155)	(24)
		(1 485)	(569)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

11. Other operating income

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
Government grants and subsidies recognised as income	a)	487	1
Income from subsidized VAT	b)	338	614
Gain on disposal of inventories		-	15
Other	c)	645	228
		1 470	858

a) Government grants and subsidies recognized as income for the nine months ended 30 September 2012 amounting to th USD 487 comprise th USD 27 of grants related to the farming division and th USD 460 of grants related to the live-stock breeding.

b) According to the Ukrainian tax legislation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) receive benefits regarding VAT payment on agricultural operations. These tax amounts are not paid to the budget, but recognized as net result of income or expenses in the other operating income.

c) Other operating income for the nine months ended 30 September 2012 amounting to th USD 645 comprises th USD 334 of income related to the return of allowances.

12. Income from the exchange of property certificates

	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
	Unaudited	Unaudited
Income from the exchange of property certificates	130	91

Income from the acquisition of property certificates represents the difference between the nominal value of the certificate and the cost of purchasing a certificate from individuals on the property certificate of collective farms.

13. Other operating expenses

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
Write-offs of VAT		(304)	(82)
Shortages and losses due to impairment of inventories		(264)	(478)
Allowance for doubtful accounts receivable	27	(523)	-
Loss from VAT on export operations	a)	(1 804)	-
Lost crops		(396)	(526)
Depreciation	14	(482)	(86)
Wages and salaries of non-operating personnel and related charges	15	(25)	(21)
Loss on disposal of other property, plant and equipment		(4)	(45)
Other		(464)	(138)
		(4 266)	(1 376)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

a) Loss from VAT on export operations for the nine months ended 30 September 2012 amounting to th USD 1 804 related to changes in Ukrainian tax legislation. According to the Tax Code temporarily till 01 April 2014 sales operations on export of certain agricultural crops are exempted from VAT. Consequently, the Company loses the right on VAT credit for expenses incurred for cultivation of these crops.

14. Depreciation and amortisation

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
Depreciation			
Cost of sales	8	(3 878)	(3 292)
Administrative expenses	9	(138)	(119)
Selling and distribution expenses	10	(60)	(38)
Depreciation of non-operating property, plant and equipment	13	(482)	(86)
Depreciation as a part of article "Lost crops"		(13)	(54)
		(4 571)	(3 589)
Amortisation			
Cost of sales	8	(750)	(97)
Administrative expenses	9	(2)	(4)
		(752)	(101)
Total depreciation and amortisation		(5 323)	(3 690)

15. Wages and salaries expenses

	Notes	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
Wages and salaries		(5 685)	(3 958)
Related charges		(2 062)	(1 410)
		(7 747)	(5 368)
The average number of employees, persons		2 318	1 583
Remuneration of management		389	389
Wages and salaries of operating personnel and related charges	8	(5 820)	(4 116)
Wages and salaries of administrative personnel and related charges	9	(1 757)	(1 131)
Wages and salaries of sales personnel and related charges	10	(97)	(74)
Wages and salaries of non-operating personnel and related charges	13	(25)	(21)
Wages and salaries as a part of article "Lost crops" and related charges		(7)	(14)
Wages and salaries as a part of article "Construction in progress" and related charges		(41)	(12)
		(7 747)	(5 368)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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16. Financial (expenses)/income, net

	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
	Unaudited	Unaudited
Interest income on bank deposits	374	56
Income from sale of currency	21	42
Loss from exchange differences	(24)	(22)
Interest expenses on loans and borrowings	(2 265)	(1 300)
Bond interest expenses	(926)	-
Other financial expenses	(941)	-
	(3 761)	(1 224)

Other financial expenses as for the nine months ended 30 September 2012 amounting to th USD 941 comprise th USD 729 commission expenses related to the bonds issued.

17. Income tax expenses

	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
	Unaudited	Unaudited
Current income tax	(24)	-
Deferred tax	31	(61)
Income tax expenses reported in the statement of comprehensive income	7	(61)

Consolidated statement of other comprehensive income

Deferred tax related to item charged or credit directly to other comprehensive income during year:

Net gain on revaluation of property, plant and equipment	142	90
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A reconciliation between tax expenses and the product of accounting multiplied by Ukrainian domestic tax rate for the 9-month periods ended 30 September 2012 and 2011 is as follows:

	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
	(3 001)	(3 119)
Opening balance as of 01 January		
Tax income (expenses) during the period recognized in profit or loss	31	(61)
Tax income (expenses) during the period recognized in other comprehensive income	142	90
Effect of foreign currency translation	2	3
Closing balance as at 30 September	(2 826)	(3 087)

Since 01 January 2011 a new Tax Code of Ukraine has been adopted. Under new Tax Code, income tax rate in the subsequent periods will be decreased annually from 25% to 16%. For the purposes of calculation of deferred tax stemming from long-term items rates were applied in compliance with new rates specified in Tax Code.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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18. Property, plant and equipment

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
Initial cost						
31 December 2010 (audited)	39 042	17 418	6 592	1 022	1 006	65 080
Additions	203	3 617	1 544	83	1 718	7 165
Additions from acquisition of subsidiaries	775	601	288	9	-	1 673
Disposals	(637)	(482)	(59)	(13)	-	(1 191)
Transfer	-	355	-	-	(355)	-
Effect from translation into presentation currency	(53)	(28)	(11)	(1)	(3)	(96)
30 September 2011 (unaudited)	39 330	21 481	8 354	1 100	2 366	72 631
31 December 2011 (audited)	44 345	21 857	8 250	1 133	1 087	76 672
Additions	362	5 346	3 769	189	917	10 583
Additions from acquisition of subsidiaries	2 360	797	575	25	20	3 777
Disposals	(747)	(482)	(124)	(40)	-	(1 393)
Transfer	55	45	1	3	(104)	-
Effect from translation into presentation currency	(18)	(11)	(5)	(1)	(1)	(36)
30 September 2012 (unaudited)	46 357	27 552	12 466	1 309	1 919	89 603
Accumulated depreciation						
31 December 2010 (audited)	(3 189)	(5 049)	(2 037)	(780)	-	(11 055)
Depreciation for the period	(1 078)	(1 743)	(648)	(120)	-	(3 589)
Additions from acquisition of subsidiaries	-	-	-	(1)	-	(1)
Disposals	59	136	20	10	-	225
Effect from translation into presentation currency	6	9	4	1	-	20
30 September 2011 (unaudited)	(4 202)	(6 647)	(2 661)	(890)	-	(14 400)
31 December 2011 (audited)	(4 569)	(6 792)	(2 734)	(970)		(15 065)
Depreciation for the period	(1 500)	(2 039)	(824)	(208)	-	(4 571)
Additions from acquisition of subsidiaries	-	-	-	(2)	-	(2)
Disposals	89	207	53	30	-	379
Effect from translation into presentation currency	2	3	1	-	-	6
30 September 2012 (unaudited)	(5 978)	(8 621)	(3 504)	(1 150)	-	(19 253)
Net book value						
As at 31 December 2010 (audited)	35 853	12 369	4 555	242	1 006	54 025
As at 30 September 2011 (unaudited)	35 128	14 834	5 693	210	2 366	58 231
As at 31 December 2011 (audited)	39 776	15 065	5 516	163	1 087	61 607
As at 30 September 2012 (unaudited)	40 379	18 931	8 962	159	1 919	70 350

The fair value of property, plant and equipment of all the Group's companies has been measured as at 31 December 2010 by an independent appraiser FDI "Bureau Veritas Ukraine" (ODS Certificate No.7100/08 as of 26 May 2008 issued by State Property Fund of Ukraine). While acquisition of the subsidiaries, values of property, plant and equipment in acquired companies were adjusted to their fair value as at the date of consolidation. The fair values as at the date of acquisition of new subsidiaries were determined by an independent appraisers FDI "Bureau Veritas Ukraine".

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

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

The net book value of the leased assets, where the Group is a lessee under finance leased arrangements, as at 30 September 2012 was th USD 989 (30 September 2011 – th USD 30).

19. Intangible assets

	Computer software	Property certificates	Land lease rights	Total
Initial cost				
31 December 2010 (audited)	31	298	-	329
Additions	-	134	-	134
Additions from acquisition of subsidiaries	-	173	1 592	1 765
Disposals	-	(19)	-	(19)
Effect from translation into presentation currency	-	-	(2)	(2)
30 September 2011 (unaudited)	31	586	1 590	2 207
Initial cost				
31 December 2011 (audited)	32	618	2 842	3 492
Additions	-	169	-	169
Additions from acquisition of subsidiaries	-	-	4 439	4 439
Disposals	-	(159)	-	(159)
Effect from translation into presentation currency	-	-	(3)	(3)
30 September 2012 (unaudited)	32	628	7 278	7 938
Accumulated amortisation				
31 December 2010 (audited)	(15)	(8)	-	(23)
Amortisation for the period	(4)	-	(97)	(101)
Effect from translation into presentation currency	-	-	-	-
30 September 2011 (unaudited)	(19)	(8)	(97)	(124)
Accumulated amortisation				
31 December 2011 (audited)	(20)	(8)	(170)	(198)
Amortisation for the period	(3)	-	(749)	(752)
Disposal	-	-	-	-
Effect from translation into presentation currency	-	-	-	-
30 September 2012 (unaudited)	(23)	(8)	(919)	(950)
Net book value				
As at 31 December 2010 (audited)	16	290	-	306
As at 30 September 2011 (unaudited)	12	578	1 493	2 083
As at 31 December 2011 (audited)	12	610	2 672	3 294
As at 30 September 2012 (unaudited)	9	620	6 359	6 988

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Property certificates represent deeds supporting ownership right for property units of members of agricultural entity, which are intended for exchange by the Group companies on the property objects of this agricultural entity.

20. Non-current biological assets

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Non-current biological assets - animal-breeding		
Cattle	9 001	6 772
Pigs	10	-
Total non-current biological assets - animal - breeding	9 011	6 772
Non-current biological assets - plant-breeding		
Perennial grasses	123	87
Total non-current biological assets	9 134	6 859

As at the reporting dates non-current biological assets of animal-breeding were presented as follows:

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Cattle		
Cattle, units	3 849	3 797
Live weight, kg	1 565 877	1 560 547
Book value	9 001	6 772
Pigs		
Pigs, units	22	-
Live weight, kg	3 102	-
Book value	10	-

As at the reporting dates non-current biological assets of plant-breeding were presented as follows:

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Perennial grasses		
Area, ha	1 506	1 769
Book value	123	87

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(in thousand USD, unless otherwise stated)

Following changes took place in the non-current biological assets of animal-breeding for the 9-month period ended 30 September 2012 and 2011:

	Cattle	Pigs	Total
31 December 2010 (audited)	4 607	-	4 607
Additions from acquisition of subsidiaries	601	-	601
Transfer (from (to) current biological assets)	268	-	268
Change in fair value	1 300	-	1 300
Effect from translation into presentation currency	(4)	-	(4)
30 September 2011 (unaudited)	6 772	-	6 772
31 December 2011 (audited)	8 947	24	8 971
Acquisitions for the period	25	-	25
Transfer (from (to) current biological assets)	718	(14)	704
Change in fair value	(685)	-	(685)
Effect from translation into presentation currency	(4)	-	(4)
30 September 2012 (unaudited)	9 001	10	9 011

Due to the absence of an active market for cattle in Ukraine, to determine the fair value of biological assets, the Group used the discounted value of net cash flows expected from assets. As a discount rate, the rate of 22,92% prevailing as at 30 September 2012 was applied for cattle.

Following changes took place in the non-current biological assets of plant-breeding for the half of years ended 30 September 2012 and 2011:

	Perennial grasses
31 December 2010 (audited)	50
Capitalized expenses	39
Harvesting	(2)
Effect from translation into presentation currency	-
30 September 2011 (unaudited)	87
31 December 2011 (audited)	86
Additions from acquisition of subsidiaries	19
Capitalized expenses	14
Harvesting	7
Harvest failure	(3)
Effect from translation into presentation currency	-
30 September 2012 (unaudited)	123

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

21. Deferred tax assets and liabilities

Deferred tax assets

	Tax losses	Allowances for recognized tax assets	Prepayments and accounts receivable	Provisions	Total
31 December 2010 (audited)	-	-	121	82	203
Considering profit (loss)	-	-	(70)	-	(70)
Effect from translation into presentation currency	-	-	-	-	-
30 September 2011 (unaudited)	-	-	51	82	133
31 December 2011 (audited)	439	(439)	42	78	120
Considering profit (loss)	(439)	439	(42)	(38)	(80)
Effect from translation into presentation currency	-	-	-	-	-
30 September 2012 (unaudited)	-	-	-	40	40

Deferred tax liabilities

	Property, plant and equipment	Inventories	Prepayments and accounts payable	Other	Total
31 December 2010 (audited)	(3 308)	(3)	(10)	(1)	(3 322)
Considering profit (loss)	-	-	9	-	9
Considering equity	90	-	-	-	90
Effect of foreign currency translation	-	3	-	-	3
30 September 2011 (unaudited)	(3 218)	-	(1)	(1)	(3 220)
31 December 2011 (audited)	(3 120)	-	(1)	-	(3 121)
Considering profit (loss)	142	-	1	-	143
Considering equity	110	-	-	-	110
Effect of foreign currency translation	2	-	-	-	2
30 September 2012 (unaudited)	(2 866)	-	-	-	(2 866)

22. Other non-current assets

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Prepayments for property, plant and equipment	2 485	201

Prepayments for property, plant and equipment as at 30 September 2012 amounting to th USD 2 431 comprise th USD 1 472 according to the contract concluded with Ag Growth International, th USD 359 according to the contract concluded with Global Industries, Ins.

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(in thousand USD, unless otherwise stated)

23. Inventories

	Note	30 September 2012	30 September 2011
		Unaudited	Unaudited
Work-in-progress	a)	956	968
Agricultural produce	b)	11 245	17 772
Agricultural materials		1 749	1 215
Raw materials		544	481
Spare parts		933	879
Fuel		585	468
Other inventories		288	188
		16 300	21 971

a) Work-in-progress includes expenses on works connected with preparation of the lands for the future harvest obtained from the biological assets of plant growing.

b) As at the reporting dates agricultural produce was presented as follows:

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Corn	1 039	2 135
Wheat	875	5 625
Sunflower	1 168	4 267
Potatoes	1 996	1 632
Lupin	514	520
Hay	980	962
Silage	1 557	803
Soya	2 435	1 419
Rye	360	129
Other	321	280
	11 245	17 772

24. Current biological assets

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Current biological assets of animal-breeding		
Cattle	6 690	4 951
Pigs	11	-
Other	45	40
	6 746	4 991
Current biological assets of plant-breeding		
Corn	54 425	24 899
Wheat	1 019	1 036
Grasses	34	128
Rye	-	144
Sunflower	4 504	2 285
Soya	49	558
Potatoes	1 228	1 398
Other	33	-
Total current biological assets of plant-breeding	61 292	30 448
Total current biological assets	68 038	35 439

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(in thousand USD, unless otherwise stated)

As at the reporting dates current biological assets of animal-breeding were presented as follows:

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Cattle		
Cattle, units	3 488	3 686
Live weight, kg	896 737	929 107
Book value	6 690	4 951
Pigs		
Pigs, units	143	-
Live weight, kg	2 460	-
Book value	11	-
Other		
Number of animals, units	77	75
Live weight, kg	28 534	27 509
Book value	45	40
Total book value	6 746	4 991

As at the reporting dates current biological assets of plant-breeding were presented as follows:

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Corn		
Area, ha	38 595	14 870
Book value	54 425	24 899
Wheat		
Area, ha	6 899	5 846
Book value	1 019	1 036
Rye		
Area, ha	-	891
Book value	-	144
Grasses		
Area, ha	2 396	2 224
Book value	34	128
Sunflower		
Area, ha	7 580	2 016
Book value	4 504	2 285
Soya		
Area, ha	87	822
Book value	49	558
Potato		
Area, ha	333	324
Book value	1 228	1 398
Other		
Area, ha	22	-
Book value	33	-
Total book value	61 292	30 448

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousand USD, unless otherwise stated)

Following changes took place in the current biological assets of animal-breeding for the 9-month periods ended 30 September 2012 and 2011:

	Cattle	Pigs	Other	Total
31 December 2010 (audited)	3 082	-	21	3 103
Additions from acquisition of subsidiaries	370	-	20	390
Capitalized expenses	2 062	-	2	2 064
Transfer (from (to) non-current biological assets)	(268)	-	-	(268)
Sale	(1 621)	-	(3)	(1 624)
Slaughter	(175)	-	-	(175)
Change in fair value	1 503	-	2	1 505
Effect from translation into presentation currency	(2)	-	(2)	(4)
30 September 2011 (unaudited)	4 951	-	40	4 991
31 December 2011 (audited)	6 907	8	43	6 958
Acquisitions for the period	2	-	1	3
Capitalized expenses	2 702	27	2	2 731
Transfer (from (to) non-current biological assets)	(718)	14	-	(704)
Sale	(3 571)	(31)	(4)	(3 606)
Slaughter	(271)	(7)	-	(278)
Change in fair value	1 642	-	3	1 645
Effect from translation into presentation currency	(3)	-	0	(3)
30 September 2012 (unaudited)	6 690	11	45	6 746

Following changes took place in the current biological assets of plant-breeding for the 9-month periods ended 30 September 2012 and 2011:

	Corn	Wheat	Rye	Grasses	Sunflower	Soya	Potato	Other	Total
31 December 2010 (audited)	-	2 445	54	187	-	-	-	311	2 997
Additions from acquisitions of subsidiaries	654	292	70	120	431	22	-	27	1 616
Capitalized expenses	8 220	3 363	225	1 750	2 453	1 107	1 963	359	19 440
Harvesting	(700)	(5 034)	(204)	(1 784)	(1 945)	(861)	(1 323)	(645)	(12 496)
Harvest failure	(1)	(30)	(1)	(145)	(83)	(50)	-	(52)	(362)
Change in fair value	16 726	-	-	-	1 429	340	758	-	19 253
Effect from translation into presentation currency	-	-	-	-	-	-	-	-	-
30 September 2011 (unaudited)	24 899	1 036	144	128	2 285	558	1 398	-	30 448
31 December 2011 (audited)	-	3 150	741	173	-	-	-	71	4 135
Additions from acquisitions of subsidiaries	6 778	399	-	-	3 318	-	-	-	10 495
Capitalized expenses	19 376	2 654	280	2 295	6 310	2 127	1 927	126	35 095
Harvesting	(369)	(5 159)	(1 016)	(2 423)	(5 789)	(2 056)	(1 503)	(163)	(18 478)
Harvest failure	(235)	(24)	(5)	(10)	(14)	(54)	-	(1)	(343)
Change in fair value	28 877	-	-	-	680	33	804	-	30 394
Effect from translation into presentation currency	(2)	(1)	-	(1)	(1)	(1)	-	-	(6)
30 September 2012 (unaudited)	54 425	1 019	-	34	4 504	49	1 228	33	61 292

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25. Trade accounts receivable, net

	Notes	30 September 2012	30 September 2011
		Unaudited	Unaudited
Trade accounts receivable		4 030	1 513
Allowances for accounts receivable	27	(1 089)	(305)
Trade accounts receivable, net		2 941	1 208

Trade accounts receivable as at 30 September 2012 amounting to th USD 2 941 comprise th USD 1 722 according to the contract concluded with Kernel-Trade, LLC, th USD 316 according to the contract concluded with Molochnuy Soyuz-Agro, Ltd.

Trade accounts receivable as at 30 September 2011 amounting to th USD 1 208 comprise th USD 373 according to the contract concluded with Chips LUXE, Ltd, th USD 317 according to the contract concluded with Molochnuy Soyuz-Agro, Ltd.

26. Prepayments and other current assets, net

	Notes	30 September 2012	30 September 2011
		Unaudited	Unaudited
Advances to suppliers	a)	18 016	564
Allowances for advances to suppliers		(27)	(36)
VAT for reimbursement		3 155	864
Non-bank accommodations interest free short-term		716	188
Other accounts receivable		347	3 457
Allowances for other accounts receivable	27	(21)	(24)
Prepayments and other current assets, net		22 186	5 013

a) Advances to suppliers as at 30 September 2012 amounting to th USD 17 989 comprise th USD 17 000 according to the contract concluded with Winkore Limited.

27. Changes in allowances made

	Notes	30 September 2012	30 September 2011
		Unaudited	Unaudited
Allowances for trade accounts receivable	25	(1 089)	(305)
Allowances for advances to suppliers	26	(27)	(36)
Allowances for other accounts receivable	26	(21)	(24)
		(1 137)	(365)

The movements of the allowances was as follows:

		For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
		Unaudited	Unaudited
As at the beginning of the period	Notes	(821)	(378)
Accrual	13	(523)	-
Additions from acquisition of subsidiaries		(177)	(10)
Use of allowances		49	13
Return of allowances		334	-
Effect from translation into presentation currency		1	10
As at the end of the period		(1 137)	(365)

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28. Cash and cash equivalents

	Currency	30 September 2012	30 September 2011
		Unaudited	Unaudited
Cash in bank and hand	UAH	9 956	274
Cash in bank and hand	USD	30	13 060
Cash in bank and hand	EUR	24	20
Cash in bank and hand	PLN	2	2
		10 012	13 356

29. Share capital

	30 September 2012		30 September 2011	
	%	Amount	%	Amount
		Unaudited		Unaudited
AGROVALLEY LIMITED	59	33	68	38
Russian Commercial Bank (Cyprus) Ltd	9	5	-	-
Amplico Powszechnie Towarzystwo Emerytalne S.A. (with subsidiaries)	5	3	5	3
Other shareholders (each one less than 5% of the share capital)	27	15	27	15
Total share capital	100	56	100	56

A transfer of shares to Russian Commercial Bank (Cyprus) Ltd (a member of VTB Group) took place under the commitment of the Group to take out these shares during the 6 months since 26 June 2012. The transfer was made to secure receipt of financing from VTB Bank to the amount of th USD 3 771 (see Note 31).

As at 30 September 2012 share capital of Industrial Milk Company SA is divided into 31 300 000 shares. Par value of one share is 0,0018 USD.

As at 30 September 2011 share capital of Industrial Milk Company SA is divided into 31 300 000 shares. Par value of one share is 0,0018 USD.

Legal reserve

From the annual net profits of the parent company, 5% have to be allocated to the legal reserve. This allocation shall cease to be required as soon and as long as such surplus reserve amounts to 10% of the capital. This reserve may not be distributed to the shareholders.

30. Long-term loans and borrowings

	Currency	30 September 2012	30 September 2011
		Unaudited	Unaudited
Secured			
Long-term bank loans	UAH	-	47
Long-term bank loans	USD	23 385	18 521
Finance lease liabilities	UAH	925	43
Bonds issued	UAH	22 771	-
		47 081	18 611
Unsecured			
Long-term loans from related parties	UAH	32	4
		32	4
		47 113	18 615
Current portion of long-term loans and borrowings	UAH	-	(40)
Current portion of long-term loans and borrowings	USD	(5 476)	(470)
Current portion of finance lease liabilities	UAH	(312)	(22)
		(5 788)	(532)
Total long-term loans		41 325	18 083

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(in thousand USD, unless otherwise stated)

Amount of long-term loans and borrowings outstanding as at 30 September 2012 comprises following loans:

— credit line amounting to th USD 3 809 received by Burat-Agro, Ltd, Ltd in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 4 285. Annual interest rate is 1Y Libor+10%. Maturity date is 29 April 2016. Obligations under credit contract are guaranteed by transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd, property rights of Burat-Agro, Ltd, corporate rights of Burat-Agro, Ltd, financial warranty of Burat, Ltd, Chernihiv Industrial Milk Company, Ltd, PJSC Mlibor, Petrov A.L.

— credit line amounting to th USD 9 590 received by Chernihiv Industrial Milk Company, Ltd in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 9 590. Annual interest rate is 1Y Libor+10%. Maturity date is 29 April 2016. Obligations under credit contract are guaranteed by transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd, property rights of Burat-Agro, Ltd, corporate rights of Burat-Agro, Ltd, financial warranty of Burat, Ltd, Burat-Agro, Ltd, PJSC Mlibor, Petrov A.L.

— credit line amounting to th USD 2 000 received by Burat-Agro, Ltd in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 2 000. Annual interest rate is 3M Libor+8,5%. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd, property rights of Burat-Agro, Ltd, corporate rights of Burat-Agro, Ltd, financial warranty of Burat, Ltd, Chernihiv Industrial Milk Company, Ltd, PJSC Mlibor, Petrov A.L. The current portion of long-term obligation equals to th USD 2 000.

— credit line amounting to th USD 2 000 received by Chernihiv Industrial Milk Company, Ltd in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 2 000. Annual interest rate is 3M Libor+8,5%. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd, property rights of Burat-Agro, Ltd, corporate rights of Burat-Agro, Ltd, financial warranty of Burat, Ltd, Burat-Agro, Ltd, PJSC Mlibor, Petrov A.L. The current portion of long-term obligation equals to th USD 2 000.

— credit amounting to th USD 150 received by Burat-Agro, Ltd in USD according to the credit contract concluded with PJSC "Privatbank" with credit limit equaling to th USD 1 502. Annual interest rate is 11,5%. Maturity date is 15 February 2013. Obligations under credit contract are movable property of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 150.

— credit amounting to th USD 454 received by Burat-Agro, Ltd in USD according to the credit contract concluded with OJSC "Credit Agricole Bank" with credit limit equaling to th USD 648 thousand. Annual interest rate is 9%. Maturity date is 01 March 2016. Obligations under the contract are guaranteed by movable property of Burat-Agro Co, Ltd. The current portion of long-term obligation equals to th USD 130.

— credit amounting to th USD 1 719 received by Burat-Agro, Ltd in USD according to the credit contract concluded with OJSC "Credit Agricole Bank" with credit limit equaling to th USD 1 910 thousand. Annual interest rate is 8,75%. Maturity date is 01 March 2017. Obligations under the contract are guaranteed by property rights of Burat-Agro Co, Ltd. The current portion of long-term obligation equals to th USD 382.

— credit amounting to th USD 3 663 received by Chernihiv Industrial Milk Company, Ltd in USD according to the credit contract concluded with PJSC "Credit Agricole Bank" with credit limit equaling to th USD 4 070 thousand. Annual interest rate is 8,75%. Maturity date is 01 March 2017. Obligations under the contract are guaranteed by property rights of Chernihiv Industrial Milk Company, Ltd. The current portion of long-term obligation equals to th USD 814.

— long-term liabilities under bonds issued includes obligations under unsecured bonds of series A at nominal value of th USD 22 771 (equivalent in currency of issue comprises th UAH 182 000). Annual interest rate is 14%. Circulation period of the series A bonds is completed by 26 June 2014. Obligations under credit contract are guaranteed by the suretyships Industrial Milk Company, S.A. and Chernihiv Industrial Milk Company, Ltd. There are some financial covenants under the bonds issued.

Amount of long-term loans and borrowings as at 30 September 2011 comprises following loans:

— credit line amounting to th USD 9 591 received by Chernihiv Industrial Milk Company, Ltd. in USD according to the credit contract concluded with "PJSC Prominvestbank" with credit limit equaling to th USD 9 660. Annual interest rate is 1 Y Libor+10%. Maturity date is 29 April 2016. Obligations under credit contract are guaranteed by transport vehicle, equipment, property rights of Chernihiv Industrial Milk Company, Ltd., shares of PJSC Mlibor; financial warranty of Burat, Ltd., Burat-Agro, Ltd., CJSC Mlibor, Petrov A.L.

— credit line amounting to th USD 3 857 received by Burat-Agro, Ltd., Ltd in USD according to the credit contract concluded with "PJSC Prominvestbank" with credit limit equaling to th USD 4 285. Annual interest rate is 1 Y Libor+10%. Maturity date is 29 April 2016. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, property rights of Burat-Agro, Ltd., shares of OJSC Poltava Kombilormoviy Zavod; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor, Petrov A.L.

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— credit line amounting to th USD 2 000 received by Chernihiv Industrial Milk Company, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 2 000. Annual interest rate is 9%. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by transport vehicle, equipment, property rights of Chernihiv Industrial Milk Company, Ltd., shares of PJSC Mlibor; financial warranty of Burat, Ltd., Burat-Agro, Ltd., CJSC Mlibor, Petrov A.L.

— credit line amounting to th USD 2 000 received by Burat-Agro, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 2 000. Annual interest rate is 9%. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, property rights of Burat-Agro, Ltd., shares of OJSC Poltava Kombilormoviy Zavod; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor, Petrov A.L.

— credit amounting to th USD 451 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Privatbank" with credit limit equaling to th USD 1 502. Annual interest rate is 11,5%. Maturity date is 15 February 2013. Obligations under credit contract are movable property of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 300.

— credit amounting to th USD 40 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Privatbank" with credit limit equaling to th USD 200. Annual interest rate is 11%. Maturity date is 15 June 2012. Obligations under the contract are guaranteed by movable property of Burat-Agro, Ltd. The current portion of long-term obligation equals to th USD 40.

— credit amounting to th USD 583 received by Burat-Agro, Ltd. in USD according to the credit contract concluded with PJSC "Credit Agricole Bank" with credit limit equaling to th USD 648 thousand. Annual interest rate is 9%. Maturity date is 01 March 2016. Obligations under the contract are guaranteed by movable property of Burat-Agro Co, Ltd. The current portion of long-term obligation equals to th USD 130.

— credit amounting to th USD 29 received by Promin, Ltd. in UAH according to the credit contract concluded with "PJSC Prominvestbank" in Poltava with credit limit equaling to th USD 132 thousand. Annual interest rate is 16%. Maturity date is 12 January 2012. Obligations under the contract are guaranteed by movable property of Promin, Ltd. The current portion of long-term obligation equals to th USD 29.

— credit amounting to th USD 17 received by Slavutych, Ltd. in UAH according to the credit contract concluded with PJSC "Derzhavnyi Oschadnyi Bank Ukrainy" in Chernihiv with credit limit equaling to th USD 53 thousand. Annual interest rate is 18%. Maturity date is 23 June 2013. Obligations under the contract are guaranteed by movable property of Promin, Ltd. The current portion of long-term obligation equals to th USD 11.

Essential terms of credit contracts:

	Currency	30 September 2012	Nominal interest rate	Effective interest rate
OJSC "Prominvestbank"	USD	3 809	1Y Libor+10%	-
OJSC "Prominvestbank"	USD	9 590	1Y Libor+10%	-
OJSC "Prominvestbank"	USD	2 000	3M Libor+8,5%	-
OJSC "Prominvestbank"	USD	2 000	3M Libor+8,5%	-
OJSC "Privatbank"	USD	150	11,50%	12,05%
OJSC "Credit Agricole Bank"	USD	454	9,00%	9,43%
OJSC "Credit Agricole Bank"	USD	1 719	8,75%	9,17%
OJSC "Credit Agricole Bank"	USD	3 663	8,75%	9,17%
	-	23 385	-	-
Bonds issued	UAH	22 771	14,00%	14,69%
	-	46 156	-	-

	Currency	30 September 2011	Nominal interest rate	Effective interest rate
OJSC "Prominvestbank"	USD	9 591	1Y Libor+10%	-
OJSC "Prominvestbank"	USD	3 857	1Y Libor+10%	-
OJSC "Prominvestbank"	USD	2 000	9,00%	9,38%
OJSC "Prominvestbank"	USD	2 000	9,00%	9,38%
OJSC "Privatbank"	USD	451	11,50%	12,13%
OJSC "Privatbank"	USD	40	11,00%	11,57%
OJSC "Credit Agricole Bank"	USD	583	9,00%	9,38%
OJSC "Prominvestbank"	UAH	29	16,00%	17,23%
OJSC "derzhavnyi Oschadnyi Bank Ukrainy"	UAH	17	18,00%	19,56
		18 568		-

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Long-term loans and borrowings outstanding as of 30 September 2012 and 2011 were repayable as follows:

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Within 1 year	5 788	532
In the second to fifth year inclusive	41 325	18 083
Later than fifth year	-	-
	47 113	18 615

The future minimum lease payments payable under finance leases as at 30 September 2012 and 2011 are as follows:

	30 September 2012		30 September 2011	
	Unaudited		Unaudited	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within 1 year	350	312	24	22
In the second to fifth year inclusive	719	613	25	21
Later than fifth year	-	-	-	-
	1 069	925	49	43
Less future finance charges on finance leases	(144)	-	(6)	-
Present value of minimum lease payments	925	925	43	43

31. Short-term loans and borrowings

	Currency	30 September 2012	30 September 2011
		Unaudited	Unaudited
Secured			
Short-term bank loans	UAH	-	3
Short-term bank loans	USD	17 084	3 415
		17 084	3 418
Unsecured			
Short-term borrowings from related parties	UAH	-	33
		-	33
Total short-term borrowings		17 084	3 451

Amount of the largest short-term loans and borrowings outstanding as at 30 September 2012 comprises following loans:

— credit line amounting to th USD 1 915 received by Burat-Agro, Ltd in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 915. Annual interest rate is 3M Libor+8,5%. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd, property rights of Burat-Agro Ltd, corporate rights of Burat-Agro, Ltd; financial warranty of Burat, Ltd, Chernihiv Industrial Milk Company, Ltd, PJSC Mlibor, Petrov A.L.

— credit amounting to th USD 2 612 received by Burat-Agro, Ltd in USD according to the credit contract concluded with JSC "UkrSibbank" with credit limit equaling to th USD 5 345. Annual interest rate is 3M Libor+8,5%. Maturity date is 31 March 2013. Obligations under credit contract are guaranteed by property rights of Vyrivske HPP, OJSC, property rights of Chernihiv Industrial Milk Company, Ltd, property rights of Burat-Agro, Ltd, corporate rights of Chernihiv Industrial Milk Company, Ltd, corporate warranty of Industrial Milk Company S.A., future harvest of corn of Chernihiv Industrial Milk Company, Ltd and Burat-Agro, Ltd.

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— credit line amounting to th USD 1 500 received by Chernihiv Industrial Milk Company, Ltd in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 500. Annual interest rate is 3M Libor+8,5%. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd, property rights of Burat-Agro, Ltd, corporate rights of Burat-Agro, Ltd; financial warranty of Burat, Ltd, Burat-Agro, Ltd, PJSC, Petrov A.L.

— credit line amounting to th USD 3 900 received by Chernihiv Industrial Milk Company, Ltd in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 3 900. Annual interest rate is 3M Libor+10,1%. Maturity date is 30 November 2012. Obligations under credit contract are guaranteed by transport vehicle, equipment, mortgage, property rights of Chernihiv Industrial Milk Company, Ltd, property rights of Burat-Agro, Ltd, corporate rights of Burat-Agro, Ltd; financial warranty of Burat, Ltd, Burat-Agro, Ltd, PJSC, Petrov A.L.

— credit amounting to th USD 2 733 received by Chernihiv Industrial Milk Company, Ltd in USD according to the credit contract concluded with JSC "UkrSibbank" with credit limit equaling to th USD 5 345. Annual interest rate is 3M Libor+8,5%. Maturity date is 31 March 2013. Obligations under credit contract are guaranteed by property rights of Vyrivske HPP, OJSC, property rights of Chernihiv Industrial Milk Company, Ltd, property rights of Burat-Agro, Ltd, corporate rights of Chernihiv Industrial Milk Company, Ltd, corporate warranty of Industrial Milk Company S.A., future harvest of corn of Chernihiv Industrial Milk Company, Ltd and Burat-Agro, Ltd.

— credit amounting to th USD 3 771 received by Unigrain Holding Limited in USD according to the credit contract concluded with Russian Commercial Bank Limited with credit limit equaling to th USD 3 771. Annual interest rate is 3M Libor+12%. Maturity date is 24 December 2012. Obligations under credit contract are guaranteed by corporate rights of Industrial Milk Company S.A.

— credit amounting to th USD 534 received by Ukragrosouz KSM, Ltd in USD according to the credit contract concluded with OJSC "Astra Bank" with credit limit equaling to th USD 937. Annual interest rate is 10%. Maturity date is 10 August 2013. Obligations under credit contract are guaranteed by property rights of Ukragrosouz KSM, financial warranty of Industrial Milk Company S.A., Petrov A.L.

Amount of the largest short-term loans and borrowings outstanding as at 30 September 2011 comprises following loans:

— credit line amounting to th USD 1 500 received by Chernihiv Industrial Milk Company, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 500. Annual interest rate is 11%. Maturity date is 30 November 2011. Obligations under credit contract are guaranteed by transport vehicle, equipment, property rights of Chernihiv Industrial Milk Company, Ltd., shares of PJSC Mlibor; financial warranty of Burat, Ltd., Burat-Agro, Ltd., CJSC Mlibor, Petrov A.L.

— credit line amounting to th USD 1 915 received by Burat-Agro, Ltd. In USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 1 915. Annual interest rate is 11%. Maturity date is 30 November 2011. Obligations under credit contract are guaranteed by goods, transport vehicle, equipment, property rights of Burat-Agro, Ltd., shares of OJSC Poltava Kombilormoviy Zavod; financial warranty of Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor, Petrov A.L.

32. Trade accounts payable

	30 September 2012	30 September 2011
	<u>Unaudited</u>	<u>Unaudited</u>
Trade accounts payable	9 118	4 745

Trade accounts payable as at 30 September 2012 amounting to th USD 9 118 comprise th USD 3 156 according to the contract concluded with Ukrainian agro-chemical company, Ltd, th USD 2 332 according to the contract concluded with Pioneer Seeds Ukraine, Ltd, th USD 1 316 according to the contract concluded with Servisahro-Poltava, Ltd.

Trade accounts payable as at 30 September 2011 amounting to th USD 4 745 comprise th USD 978 according to the contract concluded with Ukrainian agro-chemical company, Ltd, th USD 804 according to the contract concluded with Pioneer Seeds Ukraine, Ltd, th USD 1 030 according to the contract concluded with Servisahro-Poltava, Ltd.

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33. Other current liabilities and accrued expenses

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Advances from clients	291	179
Interest payable on bank loans	200	-
Interest payable on bonds	47	-
Accounts payable for the lease of land and property rights	797	1 357
Accounts payable for property, plant and equipment	2	915
Taxes payable	64	35
Wages, salaries and related charges payable	694	449
Accruals for unused vacations	516	336
Other accounts payable	7	142
	2 618	3 413

34. Related party disclosures

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

- a) Entities - related parties under common control with the Companies of the Group;
- b) Entities- related parties, in equity of which Companies of the Group have an interest;

The information on total amounts of transactions with related parties for the corresponding reporting periods is presented below:

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Trade accounts receivable, net		
a) Entities - related parties under common control with the Companies of the Group	320	317
b) Entities-related parties, in equity of which Companies of the Group have an interest	6	14
	326	331
Non-bank accommodations interest free short-term		
a) Entities - related parties under common control with the Companies of the Group	15	15
b) Entities-related parties, in equity of which Companies of the Group have an interest	89	89
	104	104
Other accounts receivable		
a) Entities - related parties under common control with the Companies of the Group	20	20
b) Entities-related parties, in equity of which Companies of the Group have an interest	3	3
	23	23
Long-term loans and borrowings		
a) Entities - related parties under common control with the Companies of the Group	32	4
Trade accounts payable		
a) Entities - related parties under common control with the Companies of the Group	25	58
b) Entities-related parties, in equity of which Companies of the Group have an interest	232	258
	257	316

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During the reporting period the Group did not perform any related parties transactions made outside the market conditions (non market basis related parties transactions).

Remuneration of key management personnel:

	For the nine months ended 30 September 2012	For the nine months ended 30 September 2011
	Unaudited	Unaudited
Wages and salaries	287	287
Related charges	102	102
	389	389
 The average number of employees, persons	 7	 7

35. Information on segments

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

For the purpose of management the Group is divided into the following business segments on the basis of produced goods and rendered services, and consists of the following 3 operating segments:

Farming division - a segment, which deals with cultivation and sale of such basic agricultural crops as corn and wheat.

Live-stock breeding - a segment which deals with breeding and sale of biological assets and agricultural products of live farming. Basic agricultural product of live farming for sale in this segment is milk.

Storage and processing- a segment which deals with processing of agricultural produce, and also with production of finished goods. Principal goods produced and sold within this segment are flour and fodder.

The Group carries out its economic and financial activity in Ukraine.

Information on business segments for the 9-month period ended 30 September 2012 was follow:

	Farming division	Live-stock breeding	Storage and processing	Adjustments	Total
Revenue	67 871	5 969	4 250	-	78 090
Intra-group elimination	(20 507)	(13)	(3 278)	-	(23 798)
Revenue from external buyers	47 364	5 956	972	-	54 292
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	33 035	960	-	-	33 995
Cost of sales	(47 678)	(6 737)	(950)	-	(55 365)
Gross income	32 721	179	22	-	32 922
Administrative expenses	-	-	-	(3 413)	(3 413)
Selling and distribution expenses	-	-	-	(1 485)	(1 485)
Other income	-	-	-	1 600	1 600
Other expenses	-	-	-	(5 261)	(5 261)
Operating income of a segment	32 721	179	22	(8 559)	24 363
Financial expenses	-	-	-	(3 761)	(3 761)
Profit before tax	32 721	179	22	(12 320)	20 602
Income tax benefit (expenses)	-	-	-	7	7
Net profit	32 721	179	22	(12 313)	20 609

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Other segment information:

Depreciation and amortisation	4 089	472	67	695	5 323
Additions to non-current assets:					
Property, plant and equipment	105	13 080	1 173	-	14 358
Intangible assets	4 608	-	-	-	4 608
Non-current biological assets	33	25	-	-	58

Information on business segments for the 9-month period ended 30 September 2011 was follow:

	Farming division	Live-stock breeding	Storage and processing	Adjustments	Total
Revenue	14 897	5 478	4 102	-	24 477
Intra-group elimination	(7 000)	(3)	(2 705)	-	(9 708)
Revenue from external buyers	7 897	5 475	1 397	-	14 769
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	25 748	2 805	-	-	28 553
Cost of sales	(12 186)	(4 686)	(1 220)	-	(18 092)
Gross income	21 459	3 594	177	-	25 230
Administrative expenses	-	-	-	(2 263)	(2 263)
Selling and distribution expenses	-	-	-	(569)	(569)
Other income	-	-	-	949	949
Other expenses	-	-	-	(2 244)	(2 244)
Operating income of a segment	21 459	3 594	177	(4 127)	21 103
Financial expenses	-	-	-	(1 224)	(1 224)
Profit before tax	21 459	3 594	177	(5 351)	19 879
Income tax benefit (expenses)	-	-	-	(61)	(61)
Net profit	21 459	3 594	177	(5 412)	19 818

Other segment information:

Depreciation and amortisation	2 466	471	452	301	3 690
Additions to non-current assets:					
Property, plant and equipment	8 105	412	323	-	8 840
Intangible assets	1 899	-	-	-	1 899
Non-current biological assets	39	601	-	-	640

36. Lease of land

The Group leases land for agricultural purposes from private individuals. Lease payments are calculated on the basis of monetary valuation of the land considering the inflation factor. The average interest rate for lease of land of the Group is 2-5% and depends on validity of the contract.

Future minimum lease payments for operating leases of land of agricultural designation considering existing at that date the inflation factor are as follows:

	30 September 2012	30 September 2011
	Unaudited	Unaudited
Within 1 year	6 794	11
In the second to fifth year inclusive	21 970	1 849
Later than fifth year	16 420	14 703
	45 184	16 563

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Areas of operating leased land as at 30 September 2012 and 2011 were as follows:

Location of land	30 September 2012	30 September 2011
	Unaudited	Unaudited
	Hectare	Hectare
Poltava region		
Land under processing	31 295	22 357
Land for grazing, construction, other	2 009	1 638
Chernihiv region		
Land under processing	26 759	25 063
Land for grazing, construction, other	1 269	1 269
Sumy region		
Land under processing	24 584	-
Land for grazing, construction, other	113	-
	86 029	50 327

37. Events after the balance sheet date

In October 2012 property, plant and equipment were received from Ag Growth International in the amount of th USD 904.

In October 2012 Kernel-Trade, Llc settled th USD 1 722 of trade accounts receivable due to the Group as at 30 September 2012.

In October 2012 bank loans were repaid in the amount of th USD 1 500 and bank loans were received in the amount of th USD 5 500.

There were no other essential subsequent events that should be disclosed in these condensed consolidated interim financial statements according to the standards or prevailing practice.