Industrial Milk Company S.A. and its subsidiaries

Consolidated Financial Statements
For the year ended 31 December 2012

CONTENTS

Statement of management responsibilities for preparation and approval of consolidated financial statements for the year ended 31 December 2012

Management of the Group of companies "IMC S.A." (Group) is responsible for preparing the consolidated financial statements which reflect in all material aspects the financial position of the Group as at 31 December 2012, as well as the results of its activities, cash flows and changes in equity for the year ended in accordance with International Financial Reporting Standards (IFRS).

In preparing consolidated financial statements the Group's Management is responsible for:

- selecting appropriate accounting policies and their consistent application;

- making reasonable measurement and calculation;

- following principles of IFRS or disclosing all considerable deviations from IFRS in the notes to consolidated financial statements;

- preparing consolidated financial statements of the Group on the going concern basis, except for the cases when such assumption is illegal.

- accounting and disclosing in the consolidated financial statements all the relations and transactions between related parties;

- accounting and disclosing in the consolidated financial statements all subsequent events that need to be adjusted or disclosed;

- disclosing all claims related to previous or potential legal proceedings;

- disclosing in the consolidated financial statements all the loans or guarantees on behalf of the management.

The Group's Management is also responsible for:

- development, implementation and control over effective and reliable internal control system in the Group;

- keeping accounting records in compliance with the legislation and accounting standards of the respective country of the Group's registration;

- taking reasonable steps within its cognizance to safeguard the assets of the Group;

- detecting and preventing from fraud and other irregularities.

These consolidated financial statements as at 31 December 2012 prepared in compliance with IFRS are approved on behalf of the Group's Management on 18 April 2013.

On behalf of the Management:

Chief Executive Officer IEVGEN OSYPOV

Chief Financial Officer DMYTRO MARTYNIUK

Consolidated management report

1 .Business and General Conditions

Macro-economic development

- **World economy**

In 2012 according to the estimates of the World Bank the growth in global GDP amounted to 2.3%. GDP growth in Europe and Central Asia is estimated to have eased to 3.0 percent in 2012 from 5.5 percent in 2011 as the region faced significant headwinds including: weak external demand, deleveraging by European banks, a poor harvest and inflationary pressures. Growth slowed most in countries with strong economic linkages to the Euro-area, while it was relatively robust in most resource-rich economies that have benefited from high commodity prices.

Consistent with the weakness in the global economy, global trade volume growth decelerated to about 3.8 percent in 2012, down from 6.1 percent in 2011.Reflecting subdued growth in the global economy, trade in industrial goods was weaker than that of agricultural goods.

Food prices increased marginally as well, though during 2012Q3 grains reached record highs. Following a sharp decline from their 2011 peaks, agricultural prices diverged in the summer of 2012. Agricultural prices rose sharply as hot weather and dry conditions in the US, Eastern Europe, and Central Asia reduced the corn and wheat outlook. The summer drought not only reduced the corn stock-to-use ratio to historical lows, but brought the wheat-to-corn price premium to historical lows as well.

- **Ukrainian economy**

Regardless the unfavorable economic situation and unstable recovery of the world economy the Ukrainian government managed to preserve the microeconomic stability and sustained operation of the national budget system:

In 2012 the Ukrainian Real Gross Domestic Product was 0.2% up as compared with 2011.

The agrarian sector in Ukraine positively influences the balance of payments and is the filler of the national budget. The share of agriculture in the GDP of Ukraine continues to occupy one of the leading positions in its structure – 8%.

Over recent years, the agricultural products traditionally have occupied a considerable part in the Ukrainian foreign trade. This is the only sector of the Ukrainian economy which has a positive balance of foreign trade. In 2012 Ukraine exported agricultural products worth $17.9 billion, while imports of goods amounted to $7.4 billion. In 2012 the export of the agrarian products was increased by 38,4% as compared with 2011, import – by 17,7%. The trade surplus grew by 58,9% (USD 3,9 billion).

In 2012 the Parliament of Ukraine passed the Law of Ukraine "On Amending Ukrainian laws and the Land Code of Ukraine (Regarding Circulation of the Agricultural Lands)". The law extended the moratorium on sale, contribution to the charter capital and rezoning of certain types of agricultural lands until 1 January 2016.

Development of Industrial Milk Company S.A. and its Subsidiaries (the hereinafter «the Group » or «IMC)»

- **Corporate structure**

The parent company of the Group of companies "Industrial Milk Company" is Industrial Milk Company S.A. It is a limited company registered in accordance with the legislation of Luxembourg.

Unigrain Holding Limited is a direct subsidiary company of Industrial Milk Company S.A. and the parent company of Burat-Agro LLC, Burat LLC, Chernihiv Industrial Milk Company LLC, PJSC Mlibor. In addition, PJSC PKZ belongs directly to Burat LLC and the subsidiary company ZKCP belongs directly to Chernihiv Industrial Milk Company LLC.

In 2011 Industrial Milk Company S.A. purchased (indirectly, through its direct subsidiary company Unigrain Holding Limited) the silo OJSC Vyryvske HPP and the following agrarian companies:

- PAE Slavutich
- PE Progress 2010
- PAE Promin
- AF Kalynivska-2005, Ltd
- AF Zhovtneva, Ltd
- AF Shid-2005, Ltd

- AIE Vyrynske, Ltd
- Pisky, Ltd
- SE Vyry-Agro

On November 30, 2011 to decrease expenses and to improve management quality the agrarian companies PAE Slavutich and PE Progress 2010 were joined to Chernihiv Industrial Milk Company LLC, and PAE Promin was joined to Burat-Agro LLC.

On August 30, 2011 owing to increase of volumes of export sales of the Group the direct subsidiary company Unigrain Holding Limited established Aristo Eurotrading Ltd (BVI).

During the 12-month period ended 31 December 2012 Industrial Milk Company S.A. purchased (indirectly, through its direct subsidiary company Unigrain Holding Limited and Burat-Agro LLC belongs directly to Unigrain Holding Limited) the following agrarian companies:

- Ukragrosouz KSM, Ltd
- PAC Slobozhanschina Agro
- Bluerice Limited

- **Group strategy**

In 2012 the Group of companies "Industrial Milk Company" (hereinafter "the Group") actively implemented its development strategy announced during IPO

Strategy	Strategy implementation results in 2012.
Land bank expansion • Focus on land bank expansion via acquisition of agricultural entities with land lease rights as well as on organic growth through attracting new land owners • Development of land bank as land cluster model, which assumes highly concentrated location of fields and self-sufficiency in farming infrastructure of each cluster • Land bank expansion in prime quality agricultural areas, in the so-called black earth belt, with favourable weather conditions adding to its operational efficiency	In 2012 the Group increased its Land Bank under processing by 102%, from 59,64 ths ha as of 31.12.2011 to 120,69 ths ha as of 31.12.2012 via acquisition of agricultural companies as well as via concluding the direct land lease agreements with land plots owners. The Land Bank under processing expansion was in existing clusters of the Group (Poltava, Sumy and Chernihiv). New land is located in regions which are rich in black soil, warmth and moisture which last years has become one of the determinant factors of high crop yield. The Group's Land Bank under processing is logistically concentrated that enables to maintain high level of operational efficiency.
Operational efficiency • Specialization in limited number of high marginal crops, which are optimal for effective crop rotation and suitable for land and climate specifics • Focus on increasing of yields and decreasing of production costs by use of high performance machinery and equipment, modern agricultural technologies, as well as controlling systems • Sustaining sufficient level of grain and potato storage capacities with purpose to get optimal prices and have control over processing and storing process	The Group continued its specialization in 4 crops: corn, sunflower, soybean, wheat. In 2012 IMC tripled planted area under highly marginal crops – corn and sunflower (about 58 ths ha, 71% in crop mix). In 2012 the Group's yields were higher than Ukraine average: • wheat +58% vs. Ukraine average • sunflower +12% vs. Ukraine average • corn +25% vs. Ukraine average • potato+112% vs. Ukraine average Within the Group's Integrated Efficiency Management System - IMC Compass, the third stage Satellite Management system based on spectral analysis of accurate satellite images of fields was implemented. This system enables the Group: • to control of required technologies observation during sowing campaign • to analyze crop's condition • to adjust usage of fertilizers • to forecast yields & plan logistics and consequently to increase yields and decrease production costs. Following the strategic focus on sustaining sufficient level of grain storage capacities The Group increased the storage capacities by 60% from 211 ths tons in 2011 to 338 ths tons in 2012.

Diversification • Diversification of operations with purpose to reduce risk exposure related to crop farming. In line with this strategy, the Group support and develops dairy farming segment • Sales geography diversification	The Group increased milk production by 17% vs. 2011. The Group's milk yields were 26% higher than Ukraine average. Sales geography diversification was supported. Export sales accounted 51% of total sales in 2012.

- **The internal control system**

IMC's control system relies on daily resource planning analyses which are detailed by cost centre and cost article, department, thus providing all the necessary information for controlling inventories and products.

IMC established internal controlling instruments to secure proper accounting in compliance with legal requirements.

IMC's accounting procedures are governed by standardized guidelines and rules as well as a clearly defined course of action in different situation. Therefore, standard account parameters and booking directions for various production operations were established. Another control tool is the clear allocation of functions regarding various accounting processes. For Group consolidation and accounting purposes all book-keeping data of the consolidated companies may be accessed automatically.

The internal control system of IMC is based on the accounting data base thus integrating all controlling processes. Accounting processes are carried out on a high level basis and are monitored and adjusted by specialists.

IMC's accounting-related risk management system is set up in a way that the risk of misrepresentation could mainly ensue from new business processes or amendments to legal provisions. Risks are contained by transferring decisions on accounting-relevant data resulting from new business processes to the management level. Ongoing continuation training regarding the applicable accounting provisions from time to time is provided to the management.

- **Personnel**

Trained and motivated employees are the most precious success resource for an enterprise dedicated to agricultural production. Motivation and professionalism are prerequisites for excellent results. IMC can always rely on its qualified and motivated staff. Future-oriented technologies, trained personnel and continuation training of the company's employees are vital to secure quality and low cost of agricultural products.

As IMC is a vocational training provider, the company is able to train its qualified skilled workers and executives mainly from its own staff. Specialized training programs are aimed at the improvement of employees professional skills. Open communication channels on all levels, short decision-making processes are values applied and lived.

Number of employees as at 31 December

	2012	**2011**	**Change in %**
Total number of employees	2 180	1 747	24,79%
operating personnel	1 705	1 361	25,28%
administrative personnel	437	353	23,80%
sales personnel	27	24	12,50%
non-operating personnel	11	9	22,22%
Wages and salaries and related charges per employee (USD, for 12 months ended 31 December)	10 571	7 495	41,04%

2. Operational and Financial Results

The following table sets forth the Company's results of operations for the 12-month period ended 31 December 2012 and 2011 derived from the Consolidated Financial Statements:

(in thousand USD)

	Notes	For the year ended 31 December 2012	31 December 2011	Change in %
CONTINUING OPERATIONS				
Revenue	6	75 249	29 084	159%
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	7	33 038	24 158	37%
Cost of sales	8	(73 480)	(25 506)	188%
GROSS PROFIT		**34 807**	**27 736**	**25%**
Administrative expenses	9	(4 723)	(3 049)	55%
Selling and distribution expenses	10	(2 002)	(730)	174%
Other operating income	11	2 621	1 167	125%
Income from the exchange of property certificates	12	202	192	5%
Other operating expenses	13	(6 153)	(4 548)	35%
Write-offs of property, plant and equipment		(1 010)	(1 600)	-37%
OPERATING PROFIT		**23 742**	**19 168**	**24%**
Financial expenses, net	16	(5 112)	(1 763)	190%
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**18 630**	**17 405**	**7%**
Income tax benefit (expenses)	17	85	(69)	-223%
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**18 715**	**17 336**	**8%**

Normalised EBITDA	**32 014**	**25 671**	25%
Normalised EBIT	**24 550**	**20 576**	19%
Normalised Net profit	**19 523**	**18 744**	4%
Depreciation and amortization	(7 465)	(5 095)	47%
Income from the exchange of property certificates	202	192	5%
Write-offs of property, plant and equipment	(1 010)	(1 600)	-37%

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 167% 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 12-month periods indicated:

(in thousand USD)

	For the year ended		
	31 December 2012	**31 December 2011**	**Change in %**
Cattle	1 416	1 026	38%
Milk	6 381	6 654	-4%
Corn	30 815	16 202	90%
Wheat	9 772	593	1548%
Sunflower	19 190	132	14438%
Soy beans	1 849	317	483%
Other	4 024	2 569	57%
	73 447	**27 493**	**167%**

The most significant portion of the Company's revenue comes from selling corn, which represented 42% and 59% of total revenue for the 12-month periods ended 31 December 2012 and 2011, respectively. 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 year ended	
	31 December 2012	**31 December 2011**
Corn		
Sales of produced corn *(in tonnes)*	128 246	62 009
Realization price (U.S. $ per ton)	240	261
Revenue from produced corn *(U.S. $ in thousands)*	30 815	16 202
Wheat		
Sales of produced wheat *(in tonnes)*	46 218	3 471
Realization price (U.S. $ per ton)	211	171
Revenue from produced wheat *(U.S. $ in thousands)*	9 772	593
Rye		
Sales of produced rye *(in tonnes)*	4 551	211
Realization price (U.S. $ per ton)	163	171
Revenue from produced rye *(U.S. $ in thousands)*	742	36
Soy beans		
Sales of produced soy beans *(in tonnes)*	4 390	905
Realization price (U.S. $ per ton)	421	350
Revenue from produced soy beans *(U.S. $ in thousands)*	1 849	317
Sunflower		
Sales of produced sunflower *(in tonnes)*	41 433	326
Realization price (U.S. $ per ton)	463	405
Revenue from produced sunflower *(U.S. $ in thousands)*	19 190	132
Rape seed		
Sales of produced rye *(in tonnes)*	36	642
Realization price (U.S. $ per ton)	390	503
Revenue from produced rye *(U.S. $ in thousands)*	14	323

Lupin		
Sales of produced lupin *(in tonnes)*	3 962	2 631
Realization price (U.S. $ per ton)	248	240
Revenue from produced lupin *(U.S. $ in thousands)*	985	632
Potatoes		
Sales of produced potatoes *(in tonnes)*	16 773	6 941
Realization price (U.S. $ per ton)	85	173
Revenue from produced potatoes *(U.S. $ in thousands)*	1 418	1 199
Other (produced only)		
Total sales volume *(in tonnes)*	2 282	2 765
Total revenues *(U.S. $ in thousands)*	864	379
Total sales volume (in *tonnes)*	**247 891**	**79 901**
Total revenue from sale of crops *(U.S. $ in thousands)*	**65 650**	**19 813**

Revenue relating to sales of corn increased by 90% to USD 30,8 million for the 12-month period ended 31 December 2012 from USD 16,2 million for the 12-month period ended 31 December 2011, primarily due to an increase in sales volume (tones) in 2012.

Revenue relating to sales of sunflower increased by 14 438% to USD 19,2 million for the 12-month period ended 31 December 2012 from USD 0,1 million for the 12-month period ended 31 December 2011, primarily due to an increase in sales volume (tones) in 2012.

Revenue relating to sales of soy beans increased by 483% to USD 1,8 million for the 12-month period ended 31 December 2012 from USD 0,3 million for the 12-month period ended 31 December 2011, primarily due to an increase in the prices and in sales volume (tones) in 2012.

Cost of sales

The Company's cost of sales increased by 188% to USD 73,4 million for the 12-month period ended 31 December 2012 from USD 25,6 million for the 12-month period ended 31 December 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 year ended 31 December 2012	31 December 2011	Change in %
Raw materials		(46 689)	(12 661)	269%
Change in inventories and work-in-progress	a)	9 206	8 397	10%
Wages and salaries of operating personnel and related charges	15	(7 946)	(5 775)	38%
Depreciation and amortization	14	(6 511)	(4 326)	50%
Third parties' services		(4 717)	(2 405)	96%
Fuel and energy supply		(8 598)	(6 151)	40%
Rent		(7 416)	(2 086)	256%
Repairs and maintenance		(692)	(349)	98%
Taxes and other statutory charges		(88)	(137)	-36%
Other expenses		(29)	(13)	126%
		(73 480)	**(25 506)**	**188%**

Raw materials increased by 269% to USD 46.7 million for the 12-month period ended 31 December 2012 from USD 12.7million for the 12-month period ended 31 December 2011. This increase was primarily due to an increase in arable land in 2012.

Depreciation and amortisation increased by 50% to USD 6.5 million for the 12-month period ended 31 December 2012 from USD 4.3 million for the 12-month period ended 31 December 2011. This increase was primarily due to effect of acquisition of subsidiaries.

Third parties' services increased by 96% to USD 4.7 million for the 12-month period ended 31 December 2012 from USD 2.4 million for the 12-month period ended 31 December. This increase was primarily due to an increase in arable land in 2012.

Rent increased by 256% to USD 7.4 million for the 12-month period ended 31 December 2012 from USD 2.0 million for the 12-month period ended 31 December 2011. This increase was primarily due to effect of acquisition of subsidiaries.

Gross income

The Company's gross income increased to USD 34.8 million for the 12-month period ended 31 December 2012 from USD 27.7 million for the 12-month period ended 31 December 2011, an 25% year-on-year increase. In relative terms, the total revenue went up 159% year-on-year.

Administrative expenses

Administrative expenses increased year-on-year to USD 4.7 million for the 12-month period ended 31 December 2012 from USD 3.0 million for the 12-month period ended 31 December 2011, reflecting an increase in the wages and salaries of administrative personnel year-on-year to USD 2.4 million from USD 1.5 million, and professional (audit and legal) services to USD 0.6 million from USD 0.4 million.

Selling and distribution expenses

Selling and distribution expenses increased year-on-year to USD 2.0 million for the 12-month period ended 31 December 2012 from USD 0.7 million for the 12-month period ended 31 December 2011, reflecting an increase in the volume of realization in 0212.

Other operating income

The Company's other operating income increased by 125% to USD 2.6 million for the 12-month period ended 31 December 2012 from USD 1.1 million for the 12-month period ended 31 December 2011 due to increase in government grants and subsides recognised as income.

Financial expenses, net

The Company's financial expenses, net increased by 190% to USD 5.1 million for the 12-month period ended 31 December 2012 from USD 1.8 million for the 12-month period ended 31 December 2011. This increase was due primarily to a increase in interest expenses on short-term and long-term loans and borrowings and other financial expenses related to the attraction new loans for the 12-month period ended 31 December 2012.

Cash flows

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

(in thousand USD)

	For the year ended	
	31 December 2012	**31 December 2011**
Net cash flows from operating activities	10 565	(9 680)
Net cash flows from investing activities	(58 297)	(17 659)
Net cash flows from financing activities	44 752	30 311
Net increase in cash and cash equivalents	**(2 980)**	**2 972**

Net cash flow from operating activities

The Company's net cash inflow from operating activities decreased to USD 10.6 million for the 12-month period ended 31 December 2012 compared to net cash outflow of USD 9.7 million for the 12-month period ended 31 December 2011. The increase in 2012 was primarily attributable changes in stock of agricultural produce and biological assets.

Net cash flow from investing activities

The Company's net cash outflow from investing activities increased to USD 58.3 million for the 12-month period ended 31 December compared to net cash outflow of USD 17.7 million for the 12-month period ended 31 December 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 44.8 million for the 12-month period ended 31 December 2012 from a net cash inflow of USD 30.3 million for the 12-month period ended 31 December 2011. The increase in 2012 was primarily due to proceeds from short-term and long-term borrowings. Weighted average costs of debt financing equaled to 10,5% for the 12-month period ended 31 December 2012.

3. Events after the Balance sheet Date

The following essential subsequent events took place after the Balance Sheet Date:

Loans and borrowings are repaid in the amount of th USD 13 615.

Loans and borrowings are received in the amount of th USD 23 375.

Agricultural machinery are acquired in the amount of th USD 7 165, including finance lease agreements in the amount of th USD 4 750.

Accounts payable for investments are repaid in the amount of th USD 1 161.

4. Risk Report

Risks relating to the Group's business and Industry are as follows:

- Failure to generate or raise sufficient capital may restrict the group's development strategy

  To decrease an influence of this risk the Group works on several sources of financing: bank crediting, bonds issue, financing by international financial organizations.

- The Group's financial results are sensitive to fluctuations in market prices of its products

  To decrease an influence of this risk the Group on permanent basis researches the international and Ukrainian agricultural markets, monitoring price fluctuations and factors affecting these fluctuations (stocks, production, consumption, export, import, forecasts). On the basis of an analysis of the above mentioned information the management of the Group makes decisions regarding crop rotation structure and production plans.

- Poor and unexpected weather conditions may disrupt the Group's production of crops

  To decrease an influence of this risk the Group is using the following practices:

  - Application of mini-till and no-till technologies on 70% of cultivated lands enables the Group to decrease the risk of disruption of a general production of crops and increase yields during rainless season;
  - Cultivation of relatively small share (10%) of winter crops in the general crop rotation structure enables to decrease the risk of disruption of a general production of crops during unfavourable winter conditions;
  - Examination of introduction of irrigation to increase potato yields.

- The Group's operating costs could increase

  The risk of Group's operating costs increase is basically connected to a possible price growth for fuel, seeds, fertilizers and crop protection materials.

  To reduce the above mentioned risks the Group:

  - has implemented the fuel consumption and machinery usage controlling systems using GPS-trackers;
  - uses no-till and mini-till technologies that allow to reduce general fuel consumption;
  - follows the land bank development strategy based on principle of fields' close proximity to each other that allows to reduce fuel consumption;
  - is focused on limited number of crops (not more than 4) that allows to use and purchase seeds, fertilizers and crop protection materials more efficiently;
  - has built long-term and mutually benefit relationships with suppliers of seeds, fertilizers and crop protection materials.

5. Forecast Report

The Group will focus on efficiency of crop rotation and technological crop production, animal husbandry as well as reduction of general and administrative costs.

In accordance with its strategy of development the Group is going to increase a farming land bank up to 285,000 ha during next 7 years by 2019.

In consequence of the above-mentioned factors the management expects the Group will have EBITDA of USD 185 million by 2019.

6. Selected Financial Data

(in thousand USD)

	for the year ended 31 December	2012	2011
I.	Revenue	75 249	29 084
II.	Operating profit/(loss)	23 742	19 168
III.	Profit/(loss) before income tax	18 630	17 405
IV.	Net profit/(loss)	18 715	17 336
V.	Net cash flow from operating activity	10 565	(9 680)
VI.	Net cash flow from investing activity	(58 297)	(17 659)
VII.	Net cash flow from financing activity	44 752	30 311
VIII.	Total net cash flow	(2 980)	2 972
IX.	Total assets	244 497	138 714
X.	Share capital	56	56
XI.	Total equity	128 013	108 988
XII.	Non-current liabilities	48 091	17 189
XIII.	Current liabilities	68 393	12 537
XIV.	Weighted average number of shares	31 300 000	31 300 000
XV.	Profit/(loss) per ordinary share (in USD)	0,60	0,56
XVI.	Book value per share (in USD)	4,02	3,42

INDUSTRIAL MILK COMPANY S.A.
Société anonyme
Registered office: 26-28 Rue Edward Steichen
L-2540 Luxembourg, Grand Duchy of Luxembourg
R.C.S Luxembourg: B 157843
(the **Company**)

Corporate governance statement

Directors:

Name	**Date of appointment**	**Date of resignation**
1. Mr Alex Lissitsa, non-executive director	**29 March 2012**	**2016**
2. Mr Dmytro Martyniuk, executive director	**09 March 2011**	**2016**
3. Mr Ievgen Osypov, executive director;	**09 March 2011**	**2016**
4. Mr Oleksandr Petrov, executive director.	**09 March 2011**	**2016**
Mr Carl Olof Richard Sturen, non-executive director;	**09 March 2011**	**2016**
5. Mr Michael Peter Lee, non executive director	**09 March 2011**	**March 29, 2012**

The Board of Directors (the "Board") states its application of Warsaw Stock Exchange corporate governance rules Included in the "Code of 8est Practice for WSE Listed Compartes" to the form and extent determined by the Resolution No. 20/1287/2011 of the Exchange Supervisory Board dated 19 October 2011. Code of Best Practice for WSE Listed Companies Is available at the official website of the Warsaw Stock Exchange: www.corp-gov.gpw.pl.

The Board is responsible for establishing and maintaining adequate internal and risk management systems for the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing an independent administrator (the "Administrator") to maintain the accounting records of the Company independent of IMC S. A. The Administrator has a duty of care to maintain proper books and records and prepare for review and approval by the Board the financial statements intended to give a true and far view. The Board has appointed Totalserve Management (Luxembourg) S.a.r.l. as Administrator.

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in finance reporting and ensuring that the processes are in place for the timely identification of Internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements.

The Board maintains control structures designed and aimed to manage the risks which are significant tor internal control over financial reporting. These control structures include segregation of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in finance reporting for every significant account In the financial statements and the related notes in the Company's annual report.

The Company's policies and the Board's instructions with relevance for financial reporting are updated and communicated via approbate channels, such as e-mail, correspondence and meetings to ensure that all financial reporting information requirements are met in a complete and accurate manner. The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

There are no restrictions on voting rights.

The company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of financial records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements In accordance with Luxembourg legal and regulatory requirements, arc that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposals of the company's assets that could have a material effect on the financial statements.

In order to ensure, that established controls over financial reporting system worked effectively during 2011, a summary of the work performed by the internal audit department was reviewed by the Audit Committee.

Besides, the Internal Audit plan for 2012 was also analyzed and approved by the Board of Directors, in order to make sure, that

- Existing information system is able to identify and manage risk of misstatement in financial data once occurred, including override of controls and fraud;
- Information Is communicated to management regularly and timely;
- No person has any special rights of control over the Company's share capital.

Appointment and replacement of Directors and amendments to the Articles of Association

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association (hereafter referred Articles of Association and Luxembourg Companies Law 1915. The Articles of Association may be amended from time to time by a general meeting of the shareholders under the quorum and majority requirement provided for by the law of 10 August 1915 on commercial companies in Luxembourg, as amended.

Powers of Directors

The board is responsible for managing the business affairs of the Company within the clauses of the Article of Association. The directors may only act at duly convened meetings of the board of Directors or by written consent in accordance with article 10 of Articles of Association.

The Board of Directors is vested with the broadest powers to act on behalf of the Company and to perform or authorize all acts of administrative or disposal nature, necessary or useful for accomplishing the Company's object. All powers not expressly reserved by the Law to the sole shareholder or, as the case may be, to the general meeting of shareholders, fall within the competence of the Board of Directors.

Transfer of Shares

Transfer of shares is governing by the Articles of Association of the Company.

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

interaudit

Cabinet de révision agréé

To the Shareholders of
Industrial Milk Company S.A.
26-28, rue Edward Steichen
L-2540 Luxembourg

Independent auditor's report (Réviseur d'Entreprises Agréé) on the consolidated financial statements as at December 31, 2012

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Industrial Milk Company S.A. and its subsidiaries (the «Group» hereinafter), which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the consolidated financial statements

The Board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the independent auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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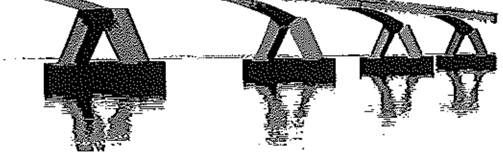

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2012, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of directors, is consistent with the consolidated financial statements.

The accompanying Corporate Governance Statement which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, April 18, 2013

INTERAUDIT S.à r.l.
Cabinet de révision agréé

Edward KOSTKA
Managing partner

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012
(in thousand USD, unless otherwise stated)

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
CONTINUING OPERATIONS			
Revenue	6	75 249	29 084
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	7	33 038	24 158
Cost of sales	8	(73 480)	(25 506)
GROSS PROFIT		**34 807**	**27 736**
Administrative expenses	9	(4 723)	(3 049)
Selling and distribution expenses	10	(2 002)	(730)
Other operating income	11	2 621	1 167
Income from the exchange of property certificates	12	202	192
Other operating expenses	13	(6 153)	(4 548)
Write-offs of property, plant and equipment		(1 010)	(1 600)
OPERATING PROFIT		**23 742**	**19 168**
Financial expenses, net	16	(5 112)	(1 763)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**18 630**	**17 405**
Income tax benefit (expenses)	17	85	(69)
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**18 715**	**17 336**
Net profit for the period attributable to:			
Owners of the parent company		18 750	17 641
Non-controlling interests		(35)	(305)
Weighted average number of shares		31 300 000	31 300 000
Profit per ordinary share (in USD)		0,60	0,56
OTHER COMPREHENSIVE INCOME			
Deferred tax charged directly to revaluation reserve		163	167
Effect on deferred tax from revaluation due to the change in income tax rate		86	232
Effect of foreign currency translation		(65)	(602)
TOTAL OTHER COMPREHENSIVE INCOME		**184**	**(203)**
TOTAL COMPREHENSIVE INCOME		**18 899**	**17 133**
Comprehensive income attributable to:			
Owners of the parent company		18 934	17 438
Non-controlling interests		(35)	(305)

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012
(in thousand USD, unless otherwise stated)

	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	18	92 149	61 607
Intangible assets	19	23 264	3 294
Non-current biological assets	20	10 879	9 057
Deferred tax assets	21	266	120
Other non-current assets	22	1 100	790
Total non-current assets		**127 658**	**74 868**
Current assets			
Inventories	23	63 533	40 637
Current biological assets	24	38 598	11 093
Trade accounts receivable, net	25	2 471	1 447
Prepayments and other current assets, net	26	10 460	6 074
Prepayments for income tax		17	-
Cash and cash equivalents	28	1 760	4 595
Total current assets		**116 839**	**63 846**
TOTAL ASSETS		**244 497**	**138 714**
LIABILITIES AND EQUITY			
Equity attributable to the owners of parent company			
Share capital	29	56	56
Share premium		24 387	24 387
Revaluation reserve		11 820	13 862
Retained earnings		106 164	85 123
Effect of foreign currency translation		(16 473)	(16 408)
Total equity attributable to the owners of parent company		**125 954**	**107 020**
Non-controlling interests		2 059	1 968
Total equity		**128 013**	**108 988**
Non-current liabilities			
Long-term loans and borrowings	30	45 099	14 068
Deferred tax liabilities	21	2 992	3 121
Total non-current liabilities		**48 091**	**17 189**
Current liabilities			
Current portion of long-term borrowings	30	4 751	4 486
Short-term loans and borrowings	31	30 793	3 467
Trade accounts payable	32	8 603	1 473
Other current liabilities and accrued expenses	33	24 207	3 099
Income tax payable		39	12
Total current liabilities		**68 393**	**12 537**
TOTAL LIABILITIES AND EQUITY		**244 497**	**138 714**

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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)	**46**	**-**	**15 829**	**63 540**	**(15 806)**	**63 609**	**3 594**	**67 203**
Profit for the period	-	-	-	17 641	-	17 641	(305)	17 336
Amortization of revaluation reserve	-	-	(2 792)	2 792	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	167	-	-	167	-	167
Effect on deferred tax from revaluation due to the change in income tax rate	-	-	232	-	-	232	-	232
Other comprehensive income	-	-	-	-	(602)	(602)	-	(602)
Total comprehensive income	**-**	**-**	**(2 393)**	**20 433**	**(602)**	**17 438**	**(305)**	**17 133**
Issue of share capital	10	24 387	-	-	-	24 397	-	24 397
Changes in equity as a result of acquisition of subsidiaries	-	-	-	-	-	-	255	255
Changes in equity as a result of change in ownership share in the subsidiary	-	-	426	1 150	-	1 576	(1 576)	-
31 December 2011	**56**	**24 387**	**13 862**	**85 123**	**(16 408)**	**107 020**	**1 968**	**108 988**
31 December 2011	**56**	**24 387**	**13 862**	**85 123**	**(16 408)**	**107 020**	**1 968**	**108 988**
Profit for the period	-	-	-	18 750	-	18 750	(35)	18 715
Amortization of revaluation reserve	-	-	(2 291)	2 291	-	-	-	-
Deferred tax charged directly to amortization of revaluation reserve	-	-	163	-	-	163	-	163
Effect on deferred tax from revaluation due to the change in income tax rate			86	-	-	86	-	86
Other comprehensive income	-	-	-	-	(65)	(65)	-	(65)
Total comprehensive income	**-**	**-**	**(2 042)**	**21 041**	**(65)**	**18 934**	**(35)**	**18 899**
Changes in equity as a result of acquisition of subsidiaries	-	-	-	-	-	-	126	**126**
31 December 2012	**56**	**24 387**	**11 820**	**106 164**	**(16 473)**	**125 954**	**2 059**	**128 013**

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

Notes on pages 22-73 form an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012
(in thousand USD, unless otherwise stated)

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax from continuing operations		18 630	17 405
Adjusted to reconcile profit before tax with net cash used in operating activities:			
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	7	(33 038)	(24 158)
Depreciation and amortization	14	7 466	5 095
Gain on disposal of inventories	11	(1)	(1)
Income from the exchange of property certificates	12	(202)	(192)
Write-offs of VAT	13	357	400
Shortages and losses due to impairment of inventories	13	425	2 516
Allowance for doubtful accounts receivable	13	539	32
Loss from VAT on export operations	13	2 801	-
Lost crops	13	556	710
Loss on disposal of property, plant and equipment	13	12	109
Write-offs of property, plant and equipment		1 010	1 600
Accruals for unused vacations		494	126
Accruals for audit services		43	38
Write-offs of goodwill		-	48
Interest income	16	(506)	(78)
Interest expenses	16	5 536	1 884
Loss from exchange differences	16	23	63
Cash flows from operating activities before changes in working capital		**4 145**	**5 597**
Increase / decrease in trade accounts receivable		(469)	3 871
Increase in prepayments and other current assets		(749)	(2 903)
Decrease / increase in inventories		8 445	(13 051)
Decrease / increase in current biological assets		3 392	2 609
Decrease/ increase in trade accounts payable		(2 367)	(1 585)
Increase in other current liabilities and accrued expenses		3 630	(2 343)
Cash flows from operations		**16 027**	**(7 805)**
Interest paid		(5 410)	(1 875)
Income tax paid		(52)	-
Net cash flows from operating activities		**10 565**	**(9 680)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(13 104)	(7 894)
Purchase of non-current biological assets		(943)	(455)
Purchase of intangible assets		(112)	(77)
Proceeds from disposal of property, plant and equipment		20	86
Decrease/ increase in other non-current assets		(18)	(423)
Cash (acquisition of the subsidiary)	5	366	20
Acquisition of the subsidiary	5	(44 506)	(8 916)
Net cash flows from investing activities		**(58 297)**	**(17 659)**

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2012
(in thousand USD, unless otherwise stated)

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of share capital		-	24 397
Proceeds from long-term and short-term borrowings		49 491	18 468
Repayment of long-term and short-term borrowings		(4 739)	(12 554)
Net cash flows from financing activities		**44 752**	**30 311**
NET CASH FLOWS		(2 980)	2 972
Cash and cash equivalents as at the beginning of the period	28	**4 595**	**1 989**
Effect of translation into presentation currency		145	(366)
Cash and cash equivalents as at the end of the period	28	**1 760**	**4 595**

Ievgen Osypov
Chief Executive Officer

Dmytro Martyniuk
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

1. Description of formation and business.

Industrial Milk Company S.A. (the "Parent company") is a limited liability company registered under the laws of Luxembourg 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 L-2540, 26-28 rue Edward Steichen, Luxembourg, Grand Duchy Luxembourg, its register number within the Registre de Commerce et des Sociétés du Luxembourg is RCS Lu B157843.

IMC and its subsidiaries (the "Group" or the "IMC") is an integrated agricultural company in Ukraine. The main areas of Group's activities are:

- cultivation of grain & oilseeds crops, potato production;
- dairy farming;
- storage and processing of grain & oilseeds crops.

The Group is among Ukraine's top-10 industrial milk producers. The grain and oilseeds crops produced by the Group are sold on both the Ukrainian and export markets.

Until December 2010 there was no the holding company of the Group.

In June 2009 in the course of the corporate reorganization Unigrain Holding Limited was established as a sub-holding company of the Group. Through the series of transactions Unigrain Holding Limited became the immediate parent of Burat-Agro, Ltd., Burat, Ltd., Chernihiv Industrial Milk Company, Ltd., CJSC Mlibor, OJSC Poltava Kombilormoviy Zavod and Zemelniy Kadastroviy Centr SA.

In December 2010 Industrial Milk Company S.A. was registered as a holding company of the Group through the ownership of 100% of the voting shares in the company Unigrain Holding Limited.

In June 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company PAE Promin, PE Progress 2010, PAE Slavutich. In November 2011 companies PAE Slavutich and PE Progress 2010 were merged to Chernihiv Industrial Milk Company, Ltd and the company PAE Promin was merged to Burat-Agro, Ltd.

In August 2011 trading company Aristo Eurotrading was formed.

In December 2011 Unigrain Holding Limited acquired 100% of the voting shares in the company AF Kalynivska 2005, Ltd, AF Govtneva, Ltd, AF Shid 2005, Ltd, APP Virynske, Ltd, Pisky, Ltd., SE "Viry-Agro" and 80,61% of the voting shares in the company OJSC "Viryvske HPP".

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

In June 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company PAC Slobozhanschina Agro.

In November 2012 the Group was restructured and 6 companies were joined to PAC Slobozhanschina Agro: AF Kalynivska-2005 Ltd, AF Govtneva Ltd, AF Shid-2005 Ltd, AIE Vyrynske Ltd, Pisky Ltd, SE "Vyry-Agro" (noted * in the column Cumulative ownership ratio, % as at 31 December 2012).

In December 2012 Unigrain Holding Limited acquired 100% of the voting shares in the company Bluerice Limited. The following companies became the part of the Group, as their owner is Bluerice Limited: Agroprogress Holding Ltd, Agroprogress PE, Bobrovitsky Hlebzavod Ltd, Plemzavod Noviy Trostyanets Ltd, PJSC " Bobrovitske HPP", Losinovka-Agro Ltd, Parafiyivka-Progress Ltd, Nosovsky Saharny Zavod Ltd.

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, %	
				31 December 2012	31 December 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Operating entity	Principal activity	Country of registration	Year established /acquired	Cumulative ownership ratio, %	
				31 December 2012	31 December 2011
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
Zemelniy Kadastroviy 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
OJSC "Vyryvske HPP"	Agricultural products processing	Ukraine	28.12.2011	80,61	80,61
AF Kalynivska-2005 Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
AF Govtneva Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
AF Shid-2005 Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
AIE Vyrynske Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
Pisky Ltd	Agricultural products processing	Ukraine	26.12.2011	*	100,00
SE “Vyry-Agro”	Agricultural products processing	Ukraine	26.12.2011	*	100,00
Ukragrosouz KSM Ltd	Agricultural production	Ukraine	29.03.2012	100,00	-
PAC Slobozhanschina Agro	Agricultural production	Ukraine	26.06.2012	100,00	-
Bluerice Limited	Subholding company	Cyprus	28.12.2012	100,00	-
Agroprogress Holding Ltd	Subholding company	Ukraine	28.12.2012	100,00	-
Agroprogress PE	Agricultural and farming production	Ukraine	28.12.2012	99,90	-
Bobrovitsky Hlebzavod Ltd	Bakery production	Ukraine	28.12.2012	99,90	-
Plemzavod Noviy Trostyanets Ltd	Agricultural and farming production	Ukraine	28.12.2012	99,90	
PJSC " Bobrovitske HPP"	Flour grinding	Ukraine	28.12.2012	92,74	-
Losinovka-Agro Ltd	Agricultural and farming production	Ukraine	28.12.2012	99,80	-
Parafiyivka-Progress Ltd	Agricultural production	Ukraine	28.12.2012	99,80	-
Nosovsky Saharny Zavod Ltd	Sugar mill	Ukraine	28.12.2012	99,80	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

Today IMC is the vertically integrated and high-technology group of companies operating in Sumy, Poltava and Chernihiv region (northern and central Ukraine).

The Group controls 124,5 thousand ha (120,7 thousand ha under processing of high quality arable land). As at 31 December 2012 the Group operates in three segments: crop farming, dairy and beef farming and grain and oilseed storage.

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 120,7 thousand ha to 285 thousand ha in 2019.

The financial year of the Group begins on January 1 of each year and terminates on December 31 of each year.

The Group's consolidated financial statements 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.

2. Basis of preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements 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. These consolidated financial statements are based on principal accounting policies and critical accounting estimates and judgments that are set out below. These accounting policies and assumptions have been applied consistently to all periods presented in these consolidated financial statements.

Companies comprising the Group which are incorporated in Ukraine maintain their accounting records in accordance with Ukrainian regulations. Ukrainian statutory accounting principles and procedures differ from those generally accepted under IFRS. Accordingly, the consolidated 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.

In preparation of these consolidated 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.

Going concern

These consolidated 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 consolidated financial statements do not include any adjustments should the Group be unable to continue as going concern.

Basis of measurement

The consolidated 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 consolidated financial statements in United States Dollars ("USD") for the purposes of convenience of users of these financial statements.

Use of estimates

The preparation of these consolidated financial statements involves the use of reasonable accounting estimates and requires the management to make judgments in applying the Group's accounting policies. These estimates and assumptions are based on management's best knowledge of current events, historical experience and other factors that are believed to be reasonable. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

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 consolidated 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 consolidated financial statements are as follows:

Currency	31 December 2012	Average for the year ended 31 December 2012	31 December 2011	Average for the year ended 31 December 2011	31 December 2010
UAH/ USD	7,9930	7,9910	7,9898	7,9677	7,9617

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;

- 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.

Principles of consolidation

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

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 consolidated 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.

3. Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment are stated at their revalued amounts that are the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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.

Property, plant and equipment of acquired subsidiaries are initially recognised at their fair value which is based on valuations performed by independent professionally appraisers.

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in equity under the line Revaluation reserve. Decreases in the carrying amount as a result of a revaluation are in profit or loss. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decrease related to previous increase of the same asset is recognized against other reserves directly in equity.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is used by an entity (in the amount that is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost) and when the asset is derecognized (in the full amount).

Subsequent major costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that these replacements will materially extend the life of property, plant and equipment or result in future economic benefits. The carrying amount of the replaced part is derecognized. All other day-to-day repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment or their essential component are written-off in a case of their disposal or if future economic benefits from use or disposal of such asset are not 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 statement of comprehensive income 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.

Depreciation on 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

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

Land is not depreciated.

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.

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.

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.

Amortisation of intangible assets is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The following estimated useful lives, which are re-assessed annually, have been determined for classes of finite-lived intangible assets:

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

Impairment of property, plant and equipment and intangible assets

The carrying amounts of property, plant and equipment and intangible 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 in order to determine the extent of the impairment loss, if any. 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. Value in use is the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money.

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 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.

Biological assets

The biological assets are classified as non-current and current depending on the expected pattern of consumption of the economic benefits embodied in the 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.

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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.

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 in the statement of comprehensive income as Gain (loss) from changes in fair value of biological assets and agricultural produce, net.

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

- Biological assets of plant-breeding

  The capitalized expenses include all the direct costs and overhead costs related to the farming division. Such costs may include the following costs: raw materials (seeds, mineral fertilizers, fuel and other materials), wages and salaries expenses of production personnel and related charges, amortization and depreciation, land lease expenses and other taxes, third parties' services and other expenses related to the cultivation and harvesting of biological assets of plant-breeding.

- Biological assets of animal-breeding

  The capitalized expenses include all the direct costs and overhead costs related to the live-stock breeding. The types of costs that are capitalized in the current biological assets of animal breeding are the following: fodder, means of protection of animals and artificial insemination, fuel and other materials, wages and salaries expenses of production personnel and related charges, amortization and depreciation, third parties' services and other expenses related to the current biological assets of animal breeding.

All expenses related to the non-current biological assets of cattle breeding are included into the cost of milk. Respectively the note 20 of non-current biological assets does not include any capitalized costs.

The expenses on works connected with preparation of the lands for future harvest are included in to the Inventories as work-in-progress. After works on seeding on these lands the cost of field preparation is reclassified as biological assets held at fair value.

Agricultural produce

The Group classifies the harvested product of the biological assests as agricultural produce. Agricultural produce is measured at its fair value less costs to sell at the point of harvest. The difference between the cost and fair value less costs to sell at the point of harvest of harvested agricultural produce is recognized in the statement of comprehensive income as Gain (loss) from changes in fair value of biological assets and agricultural produce, net.

After the initial recognising as at the date of harvesting agricultural produce is treated as inventories. Agricultural produce measurement as at the date of harvest becomes inventories' cost to account.

Inventories

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

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 agriculture produce is its fair value less costs to sell at the point of harvesting.

The cost of work in progress and finished goods includes costs of direct materials and labor and other direct productions costs and related production overheads (based on normal operating capacity). Costs are capitalized in work in progress for preparing and treating land prior to seeding in the next period. Work in progress is transferred to biological assets once the land is seeded.

The cost of inventories is assigned by using FIFO method.

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

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.

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Financial assets

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

Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every balance sheet date. Financial assets are classified in the following category at the time of initial recognition based on the purpose for which the financial assets were acquired:

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

Financial assets are recognized initially at fair value plus directly attributable transaction costs.

The category of financial assets "Loans and receivables" are subsequently measured as follows:

- Receivables are measured at amortized cost using the effective interest method, less allowance for impairment.
- Borrowings issued are measured at amortized cost less impairment losses.

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.

Financial assets of the Group are assessed for indications of impairment at each reporting date. A financial asset is deemed to be impaired if there is objective evidence indicating that a loss event has occurred after initial recognition of the financial asset, and that the loss event has a negative effect on the estimated future cash flows of the financial asset that can be reliably estimated.

For "Loans and receivables" the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. For trade and other receivables the carrying amount is reduced through the use of an allowance account and for borrowings the carrying amount is reduced directly by the impairment loss. If there is objective evidence that the Group is not able to collect all amounts due to the original terms of the receivables, the allowance for impairment is established. When a receivable is determined to be uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Forming of the allowance account is recognized in statement of comprehensive income as other operating expenses.

Prepayments and other non-financial assets

Prepayments are reflected at nominal value less VAT and accumulated impairment losses, other non-financial assets are reflected at nominal value less accumulated impairment losses.

Prepayment are classified as non-current assets when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised as a part of other expenses in statement of comprehensive income.

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities are recognized initially at fair value minus directly attributable transaction costs.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method.

Any difference between amount of received resources and sum to repayment is recorded as interest expenses in statement of comprehensive income at effective interest rate method during the period, when borrowings were received.

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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.

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.

- 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 statement of comprehensive income on a straight line basis over the lease term.
- Group as a lessor
  Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the statement of comprehensive income in the period in which they are earned. Costs, including depreciation, incurred in earning the lease income are recognized as an expense.

Government grants

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, the Ministry of Agrarian Policy, Ministry of Finance and local authorities.

- Government grants related to plant-breeding
  Amount of such benefit is determined based on the number of hectares planted for the future harvest, taking into account the crop expected to be bred. The Group of companies recognizes this type of benefits upon the receipt of funds as other operating income in the statement of comprehensive income.
- 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.
- 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. Correspondingly above, VAT amounts payable are not transferred into the budget by the entities, but credited to the entity's separate special account to support the agriculture; the amount of tax credit is used as a reduction in tax liabilities of the next period. As a result of these operations tax amounts are recognized in the statements of comprehensive income as other operating income.

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Taxation

- 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.
  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.
- Fixed agricultural tax
  According to effective legislation, the Ukrainian consolidated companies of the Group involved in production, processing and sale of agricultural products may opt for paying fixed agricultural tax (FAT) in lieu of income tax, land tax and some other local taxes if the revenues from sale of their own agricultural products constitute not less than 75% of their total (gross) revenues. The FAT is assessed at 0,15% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). As at 31 December 2012, 8 of the companies comprising the Group were elected to pay FAT (2011: 8).
- 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.

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- Other taxes payable
  Other taxes payable comprise liabilities for taxes other than above, accrued in accordance with legislation enacted or substantively enacted by the end of the reporting period.

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.

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.

Share capital

Ordinary shares issued are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction. Any excess of the fair value of consideration received over the par value of shares issued is presented in financial statements as Share premium.

Dividends

Dividends are recognized as a liability and deducted from shareholders' equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorized for issue.

Earnings per share

Earnings per share are determined by dividing the net profit or loss attributable to the owners of parent company by the weighted average number of shares outstanding during the reporting period.

Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

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 returns.

- Sales of goods
  Revenue from sales of goods is recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The Group uses standardised INCOTERMS which define the point of risks and reward transfers.
- 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.

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Income from the exchange of property certificates

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.

Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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. 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.

All other borrowing costs are expensed in the period they occur.

4. Critical accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and 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.

Used estimates and assumptions are reviewed by the management of the Group on a continuous basis, by reference to past experiences, current trends and all available information that is relevant at the time of preparation of financial statements. Adjustments to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both periods are affected.

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 consolidated financial statements:

Fair value of property, plant and equipment

The Group engages an independent appraiser to determine the fair value of property, plant and equipment on a regular basis.

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

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 is determined on the basis of their market value.

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 is determined in the amount of the replacement of these items. 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.

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.

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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.

Impairment of property, plant and equipment and intangible assets

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 is conducted at the balance sheet date. To test property, plant and equipment and intangible assets for impairment, the Group's business is treated as three cash generating units: farming division, live-stock breeding and storage and processing. The recoverable amount of the cash-generating unit is determined on the basis of value in use. The amount of value in use for the cash generating unit is determined on the basis of the most recent budget estimates prepared by management and application of the income approach of valuation.

Fair value of biological assets

Due to an absence of an active market for non-current biological assets for cattle-breeding and biological assets of plants-breeding in Ukraine, to determine the fair value of these biological assets, the Group used the discounted value of net cash flows expected from assets as at reporting date. Fair value is determined based on market prices and a current market-determinated pre-tax rate as at the date of valuation.

The fair value of current biological assets of cattle-breeding is measured using market prices as at reporting date. The fair value is determined based on market prices of livestock of similar age, breed and genetic merit.

Fair value of agricultural produce

The Group estimates the fair value of agricultural produce at the date of harvesting using the current quoted prices in an active market. Costs to sell at the point of harvest are estimated based on expected future selling costs that depend on conditions of sales agreements. The fair value less costs to sell becomes the carrying value of inventories at the date of harvesting.

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.

Fair value of acquisition of subsidiaries

The Group engages an independent appraiser to determine the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. Acquisitions often result in significant intangible benefits for the Group, some of which qualify for recognition as intangible assets. Significant judgement is required in the assessment and valuation of these intangible assets, often with reference to internal data and models.

The estimation of fair value of assets and liabilities is based upon quoted market prices and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. Such estimates include assumptions about inputs to our discounted cash flow calculations, industry economic factors and business strategies.

Fair value of financial instruments

The fair value of financial assets and liabilities is determined by applying various valuation methodologies. Management uses its judgment to make assumptions based on market conditions existing at each balance sheet date. 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. Management uses discounted cash flow analysis for various loans and receivables as well as debt instruments that are not traded in active markets. The effective interest rate is determined by reference to the interest rates of instruments available to the Group in active markets. In the absence of such instruments, the effective interest rate is determined by reference to the interest rates of active market instruments available adjusted for the Group's specific risk premium estimated by management.

Impairment of trade and other accounts receivable

Management evaluates the recoverability of trade and other accounts receivable by estimating the likelihood of its collection. These estimations are based on an analysis of individual accounts. The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Management estimates the future cash flow by taking into consideration the following: analysis of trade and other accounts receivable in accordance with the contractual credit terms allowed to customers; the collection history of customers; the general economic conditions, the specifics of industry and the financial position of customers.

Impairment of other financial and non-financial assets

Management assesses whether there are any indicators of possible impairment of other financial and non-financial assets at each reporting date. If any events or changes in circumstances indicate that the current value of the assets may not be recoverable or the assets, goods or services relating to a prepayment will not be received, the Group estimates the recoverable amount of assets. If there is objective evidence that the Group is not able to collect all amounts due to the original terms of the agreement, the corresponding amount of the asset is reduced directly by the impairment loss in the statement of comprehensive income. Subsequent and unforeseen changes in assumptions and estimates used in testing for impairment may lead to the result different from the one presented in the financial statements.

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.

Legal proceedings

The Group's management makes significant assumptions in estimation and reflection of the 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.

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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.

New and amended standards and interpretations

Adoption of new IFRS standards, amendments and interpretations applicable in 2012:
Amendments to IFRS 7, "Financial Instruments: Disclosures" were adopted by the Company on January 1, 2012. The amendments increase the disclosure requirements for transactions involving transfer of financial assets and did not have a material impact on the consolidated financial statements of the Group.

New IFRS standards and interpretations applicable from 2013 onward
The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2012. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.
Standards and Interpretations adopted by the EU

- IFRS 7 (Amendments) "Financial Instruments: Disclosures" - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendments) "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012). (Impact that the standard will have on the entity's financial statements in the period of initial application)
- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).

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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 carring amounts directly before the acquisition were as follows:

	Fair value at the date of acquisition	Balance value at the date of acquisition
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	**2 995**	**101**
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	-	

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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, Summy 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 carring amounts directly before the acquisition were as follows:

	Fair value at the date of acquisition	Balance value at the date of acquisition
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	**10 507**	**(86)**
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	-	

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Acquisition of Bluerice Limited

On December, 28, 2012 the Group acquired 100% of the voting shares in the company Bluerice Limited.

Bluerice Limited (Cyprus) is the owner of the following Ukrainian companies: Agroprogress Holding Ltd, Agroprogress PE, Bobrovitsky Hlebzavod Ltd, Plemzavod Noviy Trostyanets Ltd, PJSC " Bobrovitske HPP, Losinovka-Agro Ltd, Parafiyivka-Progress Ltd, Nosovsky Saharny Zavod Ltd. Companies are located in Ukraine, Chernigiv region. The subsidiary owns the books of lease contracts for 39 170 hectares of land under processing.

The fair value of identifiable assets and liabilities of Bluerice Limited at the acquisition date and corresponding carring amounts directly before the acquisition were as follows:

	Fair value at the date of acquisition	Balance value at the date of acquisition
Non-current assets		
Property, plant and equipment	21 015	13 657
Intangible assets	16 574	-
Non-current biological assets	386	492
Deferred tax assets	132	-
Other non-current assets	54	54
Current assets		
Inventories	13 568	13 568
Current biological assets	7 426	2 953
Trade accounts receivable, net	1 084	1 084
Prepayments and other current assets, net	5 649	5 649
Cash and cash equivalents	276	276
Non-current liabilities		
Long-term loans and borrowings	(6 351)	(6 351)
Deferred tax liabilities	(247)	-
Current liabilities		
Current portion of long-term borrowings	(1 009)	(1 009)
Short-term loans and borrowings	(6 511)	(6 511)
Trade accounts payable	(4 228)	(4 228)
Other current liabilities and accrued expenses	(7 892)	(7 892)
Net assets	**39 926**	**11 742**
Non-controlling interests	126	
Owners of the parent company	**39 800**	
Cost of acquisition	39 800	
Excess of the Group's share in the fair value of the net assets acquired over the cost of acquisition	-	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. Revenue

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Revenue from sales of finished products	a)	73 447	27 493
Revenue from services rendered	b)	1 802	1 591
		75 249	**29 084**

a) Revenue from sales of finished products for the year ended 31 December was as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011
Cattle	1 416	1 026
Milk	6 381	6 654
Corn	30 815	16 202
Wheat	9 772	593
Sunflower	19 190	132
Soy beans	1 849	317
Other	4 024	2 569
	73 447	**27 493**

b) Revenue from services rended for the year ended 31 December was as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011
Storage	558	369
Drying and shelling	404	274
Processing	291	241
Transport	342	509
Other	207	198
	1 802	**1 591**

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

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Non-current biological assets	20	474	3 241
Current biological assets	24	15 708	5 261
Agricultural produce	24	16 856	15 656
		33 038	**24 158**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. Cost of sales

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Raw materials		(46 689)	(12 661)
Change in inventories and work-in-progress	a)	9 206	8 397
Wages and salaries of operating personnel and related charges	15	(7 946)	(5 775)
Depreciation and amortization	14	(6 511)	(4 326)
Third parties' services		(4 717)	(2 405)
Fuel and energy supply		(8 598)	(6 151)
Rent		(7 416)	(2 086)
Repairs and maintenance		(692)	(349)
Taxes and other statutory charges		(88)	(137)
Other expenses		(29)	(13)
		(73 480)	**(25 506)**

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.

Cost of sales for the year ended 31 December 2012 includes disposal of revaluation of agriculture produce and biological assets in the amount of th USD 23 338 (th USD 6 044 for the year ended 31 December 2011).

9. Administrative expenses

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Wages and salaries of administrative personnel and related charges	15	(2 399)	(1 548)
Third parties' services		(199)	(168)
Repairs and maintenance		(198)	(133)
Depreciation and amortisation	14	(210)	(158)
Bank services		(336)	(167)
Professional services	a)	(647)	(402)
Transport expenses		(388)	(289)
Other expenses		(346)	(184)
		(4 723)	**(3 049)**

a) Professional services for the year ended 31 December include he following audit and releted fees:

	For the year ended 31 December 2012	For the year ended 31 December 2011
Audit fees	(170)	(181)
Audit related fees	(16)	(17)
Other	(2)	(2)
	(188)	(200)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. Selling and distribution expenses

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Wages and salaries of sales personnel and related charges	15	(138)	(105)
Depreciation	14	(81)	(81)
Delivery costs		(1 570)	(492)
Other expenses		(213)	(52)
		(2 002)	**(730)**

11. Other operating income

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Government grants and subsides recognised as income	a)	736	2
Income from subsidized VAT	b)	874	797
Gain on disposal of inventories		1	1
Other income	c)	1 010	367
		2 621	**1 167**

a) Government grants and subsides recognized as income for the year ended 31 December 2012 amounting to th USD 736 comprise th USD 145 of grants related to the farming division and th USD 591 of grants related to the live-stock breeding.

b) According to the Ukrainian tax legistation, 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 year ended 31 December 2012 amounting to th USD 1 010 comprises th USD 347 of income related to the return of allowances.

12. Income from the exchange of property certificates

	For the year ended 31 December 2012	For the year ended 31 December 2011
Income from the exchange of property certificates	202	192

Income from the acquisition of property certificates represents the difference between the price paid for property certificates and the fair value of received items of property, plant and equipment and recognized as income in the period of the exchange operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. Other operating expenses

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Write-offs of VAT		(357)	(400)
Shortages and losses due to impairment of inventories		(425)	(2 516)
Allowance for doubtful accounts receivable	27	(539)	(32)
Loss from VAT on export operations	a)	(2 801)	-
Lost crops		(556)	(710)
Depreciation	14	(642)	(474)
Wages and salaries of non-operating personnel and related charges	15	(33)	(29)
Loss on disposal of property, plant and equipment		(12)	(109)
Other expenses		(788)	(278)
		(6 153)	**(4 548)**

a) Loss from VAT on export operations for the year ended 31 December 2012 amounting to th USD 2 801 related to changes in Ukrainian tax legislation. According to the Tax Code temporarily till 01 January 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

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Depreciation			
Cost of sales	8	(5 359)	(4 156)
Administrative expenses	9	(206)	(153)
Selling and distribution expenses	10	(81)	(81)
Other operating expenses	13	(642)	(474)
Depreciation as a part of article "Lost crops"		(22)	(56)
		(6 310)	**(4 920)**
Amortisation			
Cost of sales	8	(1 152)	(170)
Administrative expenses	9	(4)	(5)
		(1 156)	**(175)**
		(7 466)	**(5 095)**

15. Wages and salaries expenses

	Note	For the year ended 31 December 2012	For the year ended 31 December 2011
Wages and salaries		(7 756)	(5 530)
Related charges		(2 816)	(1 966)
		(10 572)	**(7 496)**
The average number of employees, persons		2 180	1 747
Remuneration of management		519	519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Wages and salaries of operating personnel and related charges	8	(7 946)	(5 775)
Wages and salaries of administrative personnel and related charges	9	(2 399)	(1 548)
Wages and salaries of sales personnel and related charges	10	(138)	(105)
Wages and salaries of non-operating personnel and related charges	13	(33)	(29)
Wages and salaries as a part of article "Lost crops" and related charges		(14)	(18)
Wages and salaries as a part of article "Construction in progress" and related charges		(42)	(20)
		(10 572)	**(7 495)**

16. Financial (expenses)/income, net

	For the year ended 31 December 2012	For the year ended 31 December 2011
Interest income on bank deposits	506	78
Loss from sale of currency	(59)	106
Loss from exchange differences	(23)	(63)
Interest expenses on loans and borrowings	(3 432)	(1 884)
Bond interest expenses	(1 833)	-
Other expenses	(271)	-
	(5 112)	**(1 763)**

17. Income tax expenses

The corporate income tax rate in Ukraine was 21% as at 31 December 2012 and 23% as at 31 December 2011.

The new Tax Code of Ukraine effective as of 1 January 2011, introduced gradual decreases in income tax rates over the future years (from 23% effective from 1 April 2011 to 16% effective from 1 January 2014), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The components of income tax expenses for the year ended 31 December 2012 and 2011 were as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011
Current income tax	(53)	(12)
Deferred tax	138	(57)
Income tax benefit (expenses) reported in the statement of comprehensive income	**85**	**(69)**
Consolidated statement of other comprehensive income		
Deferred tax related to item charged or credited directly to other comprehensive income during year:		
Net gain on revaluation of property, plant and equipment	249	399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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A reconciliation between tax expenses and the product of accounting multiplied by Ukrainian domestic tax rate for the year ended 31 December 2012 and 2011 was as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011
01 January	**(3 001)**	**(3 119)**
Income tax benefit (expenses) for the period recognized in profit or loss	138	(57)
Income tax benefit (expenses) for the period recognized in other comprehensive income	249	399
Changes due to the acquisition of subsidiaries	(115)	(251)
Effect of foreign currency translation	3	27
31 December	**(2 726)**	**(3 001)**

	For the year ended 31 December 2012	For the year ended 31 December 2011
Profit before tax from continuing operations	18 630	17 405
Profit before tax from continuing operations of companies non-payers of income tax	(19 230)	(19 600)
Loss before tax from continuing operations of companies payers of income tax	(600)	(2 195)
Tax in statutory tax rate 21% (2011: 23%)	(126)	(505)
Effect due to the change in tax rate	-	30
Allowances for unrecognized tax assets	(195)	439
Non-taxable items	236	105
Income tax (benefit) expenses	**(85)**	**69**

NOTES TO THE CONSOLIDATED 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	**39 042**	**17 418**	**6 592**	**1 022**	**1 006**	**65 080**
Additions	1 786	4 110	1 507	202	445	8 050
Additions from acquisition of subsidiaries	4 742	1 236	466	25	1	6 470
Disposals	(1 078)	(1 188)	(287)	(112)	-	(2 665)
Transfer	5	355	-	-	(360)	-
Effect from translation into presentation currency	(152)	(74)	(28)	(4)	(5)	(263)
31 December 2011	**44 345**	**21 857**	**8 250**	**1 133**	**1 087**	**76 672**
31 December 2011	**44 345**	**21 857**	**8 250**	**1 133**	**1 087**	**76 672**
Additions	656	6 763	4 036	191	1 572	13 218
Additions from acquisition of subsidiaries	11 430	6 522	2 910	113	3 817	24 792
Disposals	(857)	(520)	(135)	(130)	-	(1 642)
Transfer	55	378	1	1	(435)	-
Effect from translation into presentation currency	(18)	(12)	(4)	-	-	(34)
31 December 2012	**55 611**	**34 988**	**15 058**	**1 308**	**6 041**	**113 006**
Accumulated depreciation						
31 December 2010	**(3 189)**	**(5 049)**	**(2 037)**	**(780)**	**-**	**(11 055)**
Depreciation for the period	(1 498)	(2 300)	(846)	(276)	-	(4 920)
Additions from acquisition of subsidiaries	-	-	-	(10)	-	(10)
Disposals	103	534	140	93	-	870
Effect from translation into presentation currency	15	23	9	3	-	50
31 December 2011	**(4 569)**	**(6 792)**	**(2 734)**	**(970)**	**-**	**(15 065)**
31 December 2011	**(4 569)**	**(6 792)**	**(2 734)**	**(970)**		**(15 065)**
Depreciation for the period	(2 025)	(2 845)	(1 169)	(271)	-	(6 310)
Additions from acquisition of subsidiaries	-	-	-	(2)	-	(2)
Disposals	107	236	55	115	-	513
Effect from translation into presentation currency	2	3	1	1	-	7
31 December 2012	**(6 485)**	**(9 398)**	**(3 847)**	**(1 127)**	**-**	**(20 857)**
Net book value						
As at 31 December 2010	**35 853**	**12 369**	**4 555**	**242**	**1 006**	**54 025**
As at 31 December 2011	**39 766**	**15 065**	**5 516**	**163**	**1 087**	**61 607**
As at 31 December 2012	**49 126**	**25 590**	**11 211**	**181**	**6 041**	**92 149**

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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). The fair values as at the date of acquisition of new subsidiaries were determined by an independent appraisers FDI "Bureau Veritas Ukraine".

As at 31 December 2012 and 2011 an impairment review was conducted by the management of the Group.

Impairment test has been performed for the following Cash Generating Units: Farming division, Live-stock breeding, Storage and processing. As of 31 December 2012 no impairment of PPE, allocated to Farming division, Live-stock breeding, Storage and processing was identified. The recoverable amount was estimated based on the value in use model. The key assumptions used in the most recent value in use projection as of 31 December 2012 were as follows:

• The projections were based on most recent budget covering 7 year period;

• The projections are USD-denominated

• The prices and expenses were adjusted for inflation on the basis of respective CPI/PPI in hryvna terms and translated into USD using projected currency exchange rate

The detailed key assumptions are listed below:

	2013E	2014E	2015E	2016E	2017E	2018E	2019E
USD/UAH av	8	8	8	8	8	8	8
WACC in USD							
Farming division	18,72%	18,72%	18,72%	18,72%	18,72%	18,72%	18,72%
Live-stock breeding	18,72%	18,72%	18,72%	18,72%	18,72%	18,72%	18,72%
Storage and processing	17,86%	17,94%	18,06%	18,06%	18,06%	18,06%	18,06%

If property, plant and equipment are measured at cost their book value would be the following:

	Land and buildings	Machinery	Motor vehicles	Other	Construction in progress	Total
As at 31 December 2010	5 635	5 262	854	186	1 006	**12 943**
As at 31 December 2011	7 324	9 031	2 983	308	1 087	**20 733**
As at 31 December 2012	12 671	19 721	8 029	202	6 041	**46 664**

The amount of property, plant and equipment pledged to secure bank loans was as follows:

	As at 31 December 2012	As at 31 December 2011
Land and buildings	18 498	17 015
Machinery	12 473	5 590
Motor vehicles	5 017	2 390
Other	75	52
	36 063	**25 047**

Leased assets, where the Group is a lessee under finance lease agreements, comprise the following items:

	As at 31 December 2012	As at 31 December 2011
Machinery	2 949	57
Motor vehicles	260	-
	3 209	**57**

There were no borrowing costs capitalized as a part of costs of property, plant and equipment during the year ended 31 December 2012 and 2011.

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19. Intangible assets

	Computer software	Property certificates	Land lease rights	Total
Initial cost				
31 December 2010	**31**	**298**	-	**329**
Additions	-	269	-	269
Additions from acquisition of subsidiaries	-	173	2 850	3 023
Disposals	-	(120)	-	(120)
Effect from translation into presentation currency	1	(2)	(8)	(9)
31 December 2011	**32**	**618**	**2 842**	**3 492**
31 December 2011	**32**	**618**	**2 842**	**3 492**
Additions	3	270	-	273
Additions from acquisition of subsidiaries	-	-	21 013	21 013
Disposals	-	(160)	-	(160)
Effect from translation into presentation currency	-	-	-	-
31 December 2012	**35**	**728**	**23 855**	**24 618**
Accumulated amortisation				
31 December 2010	**(15)**	**(8)**	**-**	**(23)**
Amortisation for the period	(5)	-	(170)	(175)
Effect from translation into presentation currency	-	-	-	-
31 December 2011	**(20)**	**(8)**	**(170)**	**(198)**
31 December 2011	**(20)**	**(8)**	**(170)**	**(198)**
Amortisation for the period	(4)	-	(1 152)	(1 156)
Disposal	-	-	-	-
Effect from translation into presentation currency	-	-	-	-
31 December 2012	**(24)**	**(8)**	**(1 322)**	**(1 354)**
Net book value				
As at 31 December 2010	**16**	**290**	**-**	**306**
As at 31 December 2011	**12**	**610**	**2 672**	**3 294**
As at 31 December 2012	**11**	**720**	**22 533**	**23 264**

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.

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20. Non-current biological assets

	31 December 2012	31 December 2011
Non-current biological assets - animal-breeding		
Cattle	10 688	8 947
Pigs	39	24
Other	2	-
Total non-current biological assets - animal - breeding	**10 729**	**8 971**
Non-current biological assets - plant-breeding		
Perennial grasses	150	86
Total non-current biological assets	**10 879**	**9 057**

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

	31 December 2012	31 December 2011
Cattle		
Cattle, units	4 484	3 905
Live weight, kg	1 823 240	1 601 171
Book value	**10 688**	**8 947**
Pigs		
Pigs, units	107	56
Live weight, kg	15 758	8 894
Book value	**39**	**24**
Other		**-**
Other, units	21	**-**
Live weight, kg	1 037	**-**
Book value	**2**	**-**

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

	31 December 2012	31 December 2011
Perennial grasses		
Area, ha	1 407	1 562
Book value	150	86

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Following changes took place in the non-current biological assets of animal-breeding for the year ended 31 December 2012 and 2011:

	Cattle	Pigs	Other	Total
31 December 2010	**4 607**	**-**	**-**	**4 607**
Additions from acquisition of subsidiaries	706	24	-	**730**
Transfer (from (to) current biological assets)	419	-	-	**419**
Change in fair value	3 241	-	-	**3 241**
Effect from translation into presentation currency	(26)	-	-	**(26)**
31 December 2011	**8 947**	**24**	**-**	**8 971**
31 December 2011	**8 947**	**24**	**-**	**8 971**
Acquisitions for the period	25	-	-	**25**
Additions from acquisition of subsidiaries	354	30	2	**386**
Transfer (from (to) current biological assets)	893	(15)	-	**878**
Change in fair value	474	-	-	**474**
Effect from translation into presentation currency	(5)	-	-	**(5)**
31 December 2012	**10 688**	**39**	**2**	**10 729**

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 21,3% prevailing as at 31 December 2012 (2011: 21,3%) was applied for cattle.

Following changes took place in the non-current biological assets of plant-breeding for the year ended 31 December 2012 and 2011:

	Perennial grasses
31 December 2010	**50**
Capitalized expenses	40
Harvesting	(4)
Effect from translation into presentation currency	-
31 December 2011	**86**
31 December 2011	**86**
Additions from acquisition of subsidiaries	19
Capitalized expenses	41
Harvesting	7
Harvesting failure	(3)
Effect from translation into presentation currency	-
31 December 2012	**150**

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21. Deferred tax assets and liabilities

The major components of deferred tax assets and liabilities were as follows:

Deferred tax assets

	Property, plant and equipment	Tax losses	Allowances for recognized tax assets	Prepayments and accounts payable	Provisions	Total
31 December 2010	**-**	**-**	**-**	**121**	**82**	**203**
Considering profit (loss)	-	439	(439)	(89)	(4)	**(93)**
Effect from translation into presentation currency	-	-	-	10	-	**10**
31 December 2011	**-**	**439**	**(439)**	**42**	**78**	**120**
31 December 2011	**-**	**439**	**(439)**	**42**	**78**	**120**
Considering profit (loss)	-	(195)	195	71	(57)	**14**
Acquisition of subsidiaries	132	-	-	-	-	**132**
Effect from translation into presentation currency	-	-	-	-	-	**-**
31 December 2012	**132**	**244**	**(244)**	**113**	**21**	**266**

Deferred tax liabilities

	Property, plant and equipment	Inventories	Prepayments and accounts payable	Other	Total
31 December 2010	**(3 308)**	**(3)**	**(10)**	**(1)**	**(3 322)**
Considering profit (loss)	23	3	9	1	**36**
Considering equity	399	-	-	-	**399**
Acquisition of subsidiaries	(251)	-	-	-	**(251)**
Effect of foreign currency translation	17	-	-	-	**17**
31 December 2011	**(3 120)**	**-**	**(1)**	**-**	**(3 121)**
31 December 2011	**(3 120)**	**-**	**(1)**	**-**	**(3 121)**
Considering profit (loss)	123	-	1	-	**124**
Considering equity	249	-	-	-	**249**
Acquisition of subsidiaries	(247)	-	-	-	**(247)**
Effect of foreign currency translation	3	-	-	-	**3**
31 December 2012	**(2 992)**	**-**	**-**	**-**	**(2 992)**

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22. Other non-current assets

	31 December 2012	31 December 2011
Prepayments for property, plant and equipment	1 100	790

Prepayments for property, plant and equipment as at 31 December 2012 amounting to th USD 1 100 comprise th USD 568 according to the contract concluded with Ag Growth International and th USD 256 according to the contract concluded with Novofarm Ltd.

Prepayments for property, plant and equipment as at 31 December 2011 amounting to th USD 790 comprise th USD 394 according to the contract concluded with Agrotek Ltd, th USD 138 according to the contract concluded with Donsnab TD Ltd.

23. Inventories

	Note	31 December 2012	31 December 2011
Work-in-progress	a)	7 281	3 587
Agricultural produce	b)	43 019	33 824
Finished goods	c)	8 034	41
Agricultural materials		1 891	1 212
Raw materials		981	473
Spare parts		758	784
Fuel		724	342
Other inventories		845	374
		63 533	**40 637**

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:

	31 December 2012	31 December 2011
Corn	32 064	17 592
Wheat	582	5 437
Sunflower	55	5 484
Potato	1 930	1 112
Lupin	19	510
Hay	217	657
Silage	4 033	584
Soya	2 313	2 021
Other	1 806	427
	43 019	**33 824**

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As at the reporting dates agricultural produce was impaired as follows:

	Initial amount	Amount of impairment	Book value
Corn	32 064	-	32 064
Wheat	582	-	582
Sunflower	55	-	55
Potato	1 930	-	1 930
Lupin	19	-	19
Hay	217	-	217
Silage	4 033	-	4 033
Soya	2 402	(89)	2 313
Other	1 806	-	1 806
	43 108	**(89)**	**43 019**

c) As at 31 December 2012 finished goods was include sugar in the amount of th USD 7 946.

As at 31 December 2012 long-term loans (note 30) and short-term loans (note 31) were secured by agricultural produce and finished goods:

	31 December 2012
Corn	18 469
Sugar	3 436
	21 905

24. Current biological assets

	31 December 2012	31 December 2011
Current biological assets of animal-breeding		
Cattle	8 642	6 907
Pigs	215	8
Other	50	43
	8 907	**6 958**
Current biological assets of plant-breeding		
Corn	22 953	-
Wheat	6 689	3 150
Rye	22	741
Grasses	27	173
Other	-	71
Total current biological assets of plant-breeding	**29 691**	**4 135**
Total current biological assets	**38 598**	**11 093**

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

	31 December 2012	31 December 2011
Cattle		
Cattle, units	5 700	3 477
Live weight, kg	1 355 429	897 570
Book value	**8 642**	**6 907**
Pigs		
Pigs, units	1 713	129
Live weight, kg	80 109	4 961
Book value	**215**	**8**
Other		
Number of animals, units	151	74
Live weight, kg	31 073	27 442
Book value	**50**	**43**
Total book value	**8 907**	**6 958**

Following changes took place in the current biological assets of animal-breeding for the year ended 31 December2012 and 2011:

	Cattle	Pigs	Other	Total
31 December 2010	**3 082**	**-**	**21**	**3 103**
Acquisitions for the period	17	-	-	**17**
Additions from acquisition of subsidiaries	428	8	21	**457**
Capitalized expenses	2 882	-	1	**2 883**
Transfer (from (to) non-current biological assets)	(419)	-	-	**(419)**
Sale	(2 231)	-	(4)	**(2 235)**
Slaughter	(242)	-	-	**(242)**
Change in fair value	3 409	-	6	**3 415**
Effect from translation into presentation currency	(19)	-	(2)	**(21)**
31 December 2011	**6 907**	**8**	**43**	**6 958**
31 December 2011	**6 907**	**8**	**43**	**6 958**
Acquisitions for the period	2	-	3	**5**
Additions from acquisition of subsidiaries	972	204	6	**1 182**
Capitalized expenses	3 576	28	1	**3 605**
Transfer (from (to) non-current biological assets)	(893)	15	-	**(878)**
Sale	(4 639)	(32)	(5)	**(4 676)**
Slaughter	(364)	(8)	-	**(372)**
Change in fair value	3 086	-	2	**3 088**
Effect from translation into presentation currency	(5)	-	-	**(5)**
31 December 2012	**8 642**	**215**	**50**	**8 907**

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

	31 December 2012	31 December 2011
Corn		
Area, ha	14 234	-
Book value	**22 953**	**-**
Wheat		
Area, ha	9 927	5 213
Book value	**6 689**	**3 150**
Rye		
Area, ha	556	1 806
Book value	**22**	**741**
Grasses		
Area, ha	2 140	1 561
Book value	**27**	**173**
Other		
Area, ha	-	181
Book value	**-**	**71**
Total book value	**29 691**	**4 135**

Harvest was presented as follows

	For the year ended 31 December 2012	For the year ended 31 December 2011
	in tones	*in tones*
Corn	168 140	116 121
Sunflower	28 685	12 509
Wheat	25 895	31 151
Potato	25 304	18 099
Hay	6 492	6 714
Silage	47 107	51 090
Soya	5 542	3 910
Rye	5 126	1 408
Lupin	2 016	2 176
Other	23 318	29 565
	337 625	**272 743**

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Following changes took place in the current biological assets of plant-breeding for the year ended 31 December 2012 and 2011:

	Corn	Wheat	Rye	Grasses	Sunflower	Other	Total
31 December 2010	**-**	**2 445**	**54**	**187**	**-**	**311**	**2 997**
Additions from acquisitions of subsidiaries as at 31 May 2011	654	292	70	120	431	49	**1 616**
Capitalized expenses (harvesting 2011)	8 978	2 324	81	1 699	2 532	3 939	**19 553**
Revaluation at fair value at the date of harvest	9 482	1 218	-	190	3 312	1 454	**15 656**
Harvesting (2011)	(19 113)	(6 249)	(204)	(2 057)	(6 192)	(5 425)	**(39 240)**
Harvest failure (harvesting 2011)	(1)	(30)	(1)	(139)	(83)	(328)	**(582)**
Additions from acquisitions of subsidiaries as at 31 December 2011	-	638	362	1	-	10	**1 011**
Capitalized expenses (harvesting 2012)	-	978	167	183	-	61	**1 389**
Harvest failure (harvesting 2012)	-	(89)	-	(9)	-	-	**(98)**
Change in fair value (harvesting 2012)	-	1 632	214	-	-	-	**1 846**
Effect of foreign currency translation	-	(9)	(2)	(2)	-	-	**(13)**
31 December 2011	**-**	**3 150**	**741**	**173**	**-**	**71**	**4 135**
31 December 2011	**-**	**3 150**	**741**	**173**	**-**	**71**	**4 135**
Additions from acquisitions of subsidiaries as at 31 March 2012	-	396	-	3	-	-	**399**
Additions from acquisitions of subsidiaries as at 30 June 2012	6 778	-	-	-	3 318	-	**10 096**
Capitalized expenses (harvesting 2012)	23 446	1 740	177	2 297	6 581	4 468	**38 709**
Revaluation at fair value at the date of harvest	12 850	146	85	2 598	20	1 157	**16 856**
Harvesting (2012)	(33 960)	(5 408)	(998)	(5 040)	(9 781)	(5 642)	**(60 829)**
Harvest failure (harvesting 2012)	(235)	(24)	(5)	(31)	(138)	(54)	**(487)**
Additions from acquisitions of subsidiaries as at 31 December 2012	4 297	1 908	22	18	-	-	**6 245**
Capitalized expenses (harvesting 2013)	-	1 940	-	10	-	-	**1 950**
Harvest failure (harvesting 2013)	-	-	-	-	-	-	**-**
Change in fair value (harvesting 2013)	9 778	2 842	-	-	-	-	**12 620**
Effect of foreign currency translation	(1)	(1)	-	(1)	-	-	**(3)**
31 December 2012	**22 953**	**6 689**	**22**	**27**	**-**	**-**	**29 691**

25. Trade accounts receivable, net

	Note	31 December 2012	31 December 2011
Trade accounts receivable		2 880	2 185
Allowances for accounts receivable	27	(409)	(738)
		2 471	**1 447**

Trade accounts receivable as at 31 December 2012 amounting to th USD 2 471 comprise th USD 382 according to the contract concluded with Obolon PJSC, th USD 316 according to the contract concluded with Molochnuy Soyuz-Agro Ltd, th USD 257 according to the contract concluded with Losinovka AF, th USD 208 according to the contract concluded with Drujba-Nova Ltd.

Trade accounts receivable as at 31 December 2011 amounting to th USD 1 447 comprise th USD 365 according to the contract concluded with Nibulon S.A., th USD 188 according to the contract concluded with Molochnuy Soyuz-Agro, Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. Prepayments and other current assets, net

	Note	31 December 2012	31 December 2011
Prepayments and other non-financial assets:			
Advances to suppliers		827	1 243
Allowances for advances to suppliers	27	(81)	(60)
VAT for reimbursement		3 650	4 265
		4 396	**5 448**
Other financial assets:			
Non-bank accomodations interest free		5 613	206
Other accounts receivable		476	443
Allowances for other accounts receivable	27	(25)	(23)
		6 064	**626**
		10 460	**6 074**

Non-bank accomodations interest free as at 31 December 2012 amounting to th USD 5 613 comprise th USD 4 030 according to the contract concluded with Jytlo-Bud Ltd.
Advances to suppliers as at 31 December 2011 amounting to th USD 1 183 comprise th USD 987 according to the contract concluded with Agropartner Ltd, th USD 394 according to the contract concluded with Agrotek Ltd.

27. Changes in allowances made

	Note	31 December 2012	31 December 2011
Allowances for trade accounts receivable	25	(409)	(738)
Allowances for advances to suppliers	26	(81)	(60)
Allowances for other accounts receivable	26	(25)	(23)
		(515)	**(821)**

The movements of the allowances were as follows:

		For the year ended 31 December 2012	For the year ended 31 December 2011
As at the beginning of the period	**Note**	**(821)**	**(378)**
Accruals	13	(539)	(32)
Additions from acquisition of subsidiaries		(224)	(470)
Use of allowances		721	56
Return of allowances		347	-
Effect from translation into presentation currency		1	3
As at the end of the period		**(515)**	**(821)**

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28. Cash and cash equivalents

	Currency	31 December 2012	31 December 2011
Cash in bank and hand	USD	1 385	2 501
Cash in bank and hand	UAH	367	2 049
Cash in bank and hand	EUR	7	42
Cash in bank and hand	PLN	1	3
		1 760	**4 595**

There were no restrictions on the use of cash and cash equivalents during the year ended 31 December 2012 and 2011.

29. Equity

Share capital

Industrial Milk Company S.A. has one class of ordinary shares. The number of authorized, issued and fully paid shares as at 31 December 2012 is th USD 31 300 (31 December 2011 – th USD 31 300). All shares have equal voting rights. Par value of one share is USD 0,0018.

Shareholders structure as at 31 December was as follows:

	31 December 2012		31 December 2011	
	%	Amount	%	Amount
AGROVALLEY LIMITED	59	33	68	38
Russian Commercial Bank (Cyprus) Ltd	9	5	-	-
Amplico Powszechne 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
	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 since 19 December 2013. The transfer was made to secure receipt of financing from VTB Bank in the amount of th USD 5 078 (see Note 31).

Share premium

In 2011 Industrial Milk Company S.A. completed initial public offering of own shares on Warsaw Stock Exchange. Issue of share capital of Industrial Milk Company S.A. brought to the increase of share capital equaling to th USD 10 and share premium in amount of th USD 24 387.

Revaluation reserve

The fair value of Group's property, plant and equipment has been measured as at 31 December 2009 and 2010 by an independent appraiser. As at 31 December 2009 the related revaluation surplus of th USD 14 766 was initialy recognized in equity, as at 31 December 2010 it was additionally recognized in the amount of th USD 4 326.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings as the asset is used by an entity (in the amount that is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost) and when the asset is derecognized (in the full amount).

Effect of foreign currency translation

Effect of foreign currency translation comprises all foreign exchange differences arising from the translation of the financial statements into presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Dividend policy

The Croup's policy is to pay dividends at a level consistent with the Group's growth and development plans, while maintaining a reasonable level of liquidity. The current intention of the Management is to recommend to the General Meeting of Shareholders not to declare dividends for the year ended 31 December 2012 and 2011.

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	31 December 2012	31 December 2011
Secured			
Long-term bank loans	USD	25 235	18 501
Finance lease liabilities	UAH, USD, EUR	2 329	49
Bonds issued	UAH	22 286	-
		49 850	**18 550**
Unsecured			
Long-term loans from related parties	UAH	-	4
		-	**4**
		49 850	**18 554**
Current portion of long-term loans and borrowings	USD	(3 575)	(4 450)
Current portion of finance lease liabilities	UAH	(1 176)	(36)
		(4 751)	**(4 486)**
Total long-term loans		**45 099**	**14 068**

Amount of long-term loans and borrowings outstanding as at 31 December 2012 comprises following loans:

— 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 3 809 received by Burat-Agro, 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 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 500 received by Agroprogress PE in USD according to the credit contract concluded with PJSC "Credit Agricole Bank" with credit limit equaling to th USD 500. Annual interest rate is 10,00%. Maturity date is 26 April 2015. Obligations under the contract are guaranteed by property rights of Agroprogress PE.

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— 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. 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 813.

— 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. 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 4 000 received by Agroprogress PE in USD according to the credit contract concluded with PJSC “Credit Agricole Bank" with credit limit equaling to th USD 4 000. Annual interest rate is 9,00%. Maturity date is 26 April 2015. Obligations under the contract are guaranteed by property rights of Agroprogress PE.

— credit amounting to th USD 1 350 received by Agroprogress PE in USD according to the credit contract concluded with PJSC “Credit Agricole Bank" with credit limit equaling to th USD 1 500. Annual interest rate is 9,00%. Maturity date is 26 April 2017. Obligations under the contract are guaranteed by property rights of Agroprogress PE. The current portion of long-term obligation equals to th USD 300.

— 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. Annual interest rate is 9,00%. 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.

Amount of long-term loans and borrowings outstanding as at 31 December 2011 comprises following loans:

— credit line amounting to th USD 9 590 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, 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 3 857 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 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 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 thUSD 2 000. Annual interest rate is Libor 3M +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.

— 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 thUSD 2 000. Annual interest rate is Libor 3M+ 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 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 thUSD 300.

— credit amounting to th USD 20 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 20.

— 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 thUSD 130.

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— long-term liabilities under bonds issued amounting to th USD 22 286 includes obligations under bonds of series A at nominal value of th USD 22 832 (equivalent in currency of issue comprises th UAH 182 500). Annual interest rate is 14%. Circulation period of the series A bonds is completed by 26 June 2014. Obligations under bonds are guaranteed by the suretyships of Industrial Milk Company S.A. and Chernihiv Industrial Milk Company, Ltd.

Essential terms of credit contracts:

	Currency	31 December 2012	Nominal interest rate	Effective interest rate
OJSC "Prominvestbank"	USD	9 590	1Y Libor+10%	-
OJSC "Prominvestbank"	USD	3 809	1Y Libor+10%	-
OJSC "Privatbank"	USD	150	11,50%	12,02%
OJSC "Credit Agricole Bank"	USD	4 000	9,00%	9,41%
OJSC "Credit Agricole Bank"	USD	3 663	8,75%	9,14%
OJSC "Credit Agricole Bank"	USD	1 719	8,75%	9,14%
OJSC "Credit Agricole Bank"	USD	1 350	9,00%	9,41%
OJSC "Credit Agricole Bank"	USD	500	10,00%	10,45%
OJSC "Credit Agricole Bank"	USD	454	9,00%	9,41%
	-	**25 235**	-	-
Bonds issued	UAH	22 286	14,00%	14,90%
	-	**47 521**	**-**	**-**

	Currency	31 December 2011	Nominal interest rate	Effective interest rate
OJSC "Prominvestbank"	USD	9 590	1Y Libor+10%	-
OJSC "Prominvestbank"	USD	3 857	1Y Libor+10%	-
OJSC "Prominvestbank"	USD	2 000	3M Libor+8,5%	-
OJSC "Prominvestbank"	USD	2 000	3M Libor+8,5%	-
OJSC "Privatbank"	USD	451	11,50%	12,13%
OJSC "Privatbank"	USD	20	11,00%	11,57%
OJSC "Credit Agricole Bank"	USD	583	9,00%	9,38%
		18 501		**-**

Long-term loans and borrowings outstanding as at 31 December 2012 and 2011 were repayable as follows:

	31 December 2012	31 December 2011
Within one year	4 751	4 486
In the second to fifth year inclusive	45 099	14 068
Later than fifth year	-	-
	49 850	**18 554**

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Finance lease liabilities as at 31 December 2012 and 2011 were presented as follows:

	As at 31 December 2012		As at 31 December 2011	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	1 314	1 176	39	36
In the second to fifth year inclusive	1 410	1 153	17	13
Later than fifth year	-		-	-
	2 724	2 329	56	49
Less future finance charges	(395)		(7)	
Present value of minimum lease payments	**2 329**	**2 329**	**49**	**49**

31. Short-term loans and borrowings

	Currency	31 December 2012	31 December 2011
Secured			
Short-term bank loans	UAH	6 506	-
Short-term bank loans	USD	24 287	3 415
		30 793	**3 415**
Unsecured			
Short-term borrowings from related parties	UAH	-	52
		-	**52**
Total short-term borrowings		**30 793**	**3 467**

Amount of short-term loans and borrowings outstanding as at 31 December 2012 comprises following loans:

— credit line amounting to th USD 2 415 received by Burat-Agro, Ltd in USD according to the credit contract concluded with OJSC "Prominvestbank" with credit limit equaling to th USD 3 915. Annual interest rate is 3M Libor+8,5%. Maturity date is 30 November 2013. 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 Vyryvske 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 line amounting to th USD 5 500 received by Burat-Agro, Ltd in USD according to the credit contract concluded with PJSC "Bank Kredit Dnepr" with credit limit equaling to th USD 5 500. Annual interest rate is 10,5%. Maturity date is 01 June 2013. Obligations under credit contract are guaranteed by property and goods rights of Chernihiv Industrial Milk Company, Ltd, property and goods rights of Burat-Agro Ltd, corporate rights of Burat-Agro, Ltd.

— credit line amounting to th USD 3 500 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 3 500. Annual interest rate is 3M Libor+8,5%. Maturity date is 30 November 2013. 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.

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— credit line amounting to th USD 2 525 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 2013. 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 2 123 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 Vyryvske 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 5 078 received by Unigrain Holding Limited in USD according to the credit contract concluded with Russian Commercial Bank Limited (a member of VTB Group) with credit limit equaling to th USD 5 078. Annual interest rate is 3M Libor+12%. Maturity date is 19 December 2013. 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.

— credit line amounting to th USD 6 506 received by Agroprogress PE in UAH according to the credit contract concluded with PJSC "Raiffeisen Bank Aval" with credit limit equaling to th UAH 52 000. Annual interest rate is 19,50%. Maturity date is 29 March 2013. Obligations under credit contract are guaranteed by property rights of Karpatsky kapital, Ltd and property rights of Kurovsky I.I.

Amount of short-term loans and borrowings outstanding as at 31 December 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 thUSD 1 500. Annual interest rate is Libor 3M+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 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 Libor 3M+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.

32. Trade accounts payable

	31 December 2012	31 December 2011
Trade accounts payable	8 603	1 473

Trade accounts payable as at 31 December 2012 amounting to th USD 8 603 comprise th USD 1 045 according to the contract concluded with Ukrainian Agro-Chemical company Ltd, th USD 766 according to the contract concluded with Fontex-Agro PE, th USD 732 according to the contract concluded with Novofarm Ltd, th USD 578 according to the contract concluded with Agroskop Ukraine Ltd.

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33. Other current liabilities and accrued expenses

	31 December 2012	31 December 2011
Other liabilities:		
Advances from clients	4 991	128
	4 991	128
Other accounts payable:		
Interest payable on bank loans	85	9
Interest payable on finance lease	-	5
Interest payable on bonds	54	-
Accounts payable for the lease of land and property rights	5 931	355
Accounts payable for property, plant and equipment	581	802
Taxes payable	105	35
Wages, salaries and related charges payable	2 211	477
Accruals for unused vacations	904	410
Accruals for audit services	43	38
Accounts payable for investments	8 796	749
Other accounts payable	506	91
	19 216	2 971
	24 207	**3 099**

Advances from clients as at 31 December 2012 amounting to th USD 4 991 comprise th USD 3 359 according to the contract concluded with Jytlo-Bud Ltd, th USD 517 according to the contract concluded with Louis Dreyfus Commodities Suisse S.A., th USD 495 according to the contract concluded with CHS Europe SA, Switzerland.

Accounts payable for investments as at 31 December 2012 amounting to th USD 8 796 comprise th USD 8 796 according to the contract concluded with Fuderof Ltd.

Accounts payable for property, plant and equipment as at 31 December 2011 amounting to th USD 802 comprise th USD 650 according to the contract concluded with Landmaschinen Vertrieb Altenweddingen GmbH.

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;

c) Key management personnel.

The Group performs transactions with related parties in the ordinary course of business. During the reporting period the Group did not perform any related parties transactions made outside the market conditions (non market basis related parties transactions).

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

	Note	31 December 2012	31 December 2011
Trade accounts receivable, net			
a) Entities - related parties under common control with the Companies of the Group		316	317
b) Entities-related parties, in equity of which Companies of the Group have an interest		9	14
Total trade accounts receivable from related parties, net		**325**	**331**
Total trade accounts receivable, net	25	**2 471**	**1 447**

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Advances to suppliers			
a) Entities - related parties under common control with the Companies of the Group		20	-
b) Entities-related parties, in equity of which Companies of the Group have an interest		-	-
Total advances to related parties		**20**	**-**
Total advances to suppliers	26	**746**	**-**
Non-bank accomodations interest free			
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
Total non-bank accomodations interest free to related parties		**104**	**104**
Total non-bank accomodations interest free	26	**5 613**	**206**
Other accounts receivable			
a) Entities - related parties under common control with the Companies of the Group		-	20
b) Entities-related parties, in equity of which Companies of the Group have an interest		-	3
Total other accounts receivable to related parties		**-**	**23**
Total other accounts receivable	26	**451**	**420**
Long-term borrowings from related parties			
a) Entities - related parties under common control with the Companies of the Group		-	4
Total long-term borrowings from related parties		**-**	**4**
Total long-term loans and borrowings	30	**45 099**	**14 068**
Short-term borrowings from related parties			
a) Entities - related parties under common control with the Companies of the Group		-	52
Total short-term borrowings from related parties		**-**	**52**
Total short-term loans and borrowings	31	**30 793**	**3 467**
Trade accounts payable			
a) Entities - related parties under common control with the Companies of the Group		20	25
b) Entities-related parties, in equity of which Companies of the Group have an interest		239	116
Total trade accounts payable to related parties		**259**	**141**
Total trade accounts payable	32	**8 603**	**1 473**

Remuneration of key management personnel for the year ended 31 December 2012 and 2011 was as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011
Wages and salaries	383	383
Related charges	136	136
	519	**519**
The average number of employees, persons	7	7

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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.

Information on business segments for the year ended 31 December 2012 was the follow:

	Farming division	Live-stock breeding	Storage and processing	Adjustments	Total
Revenue	96 857	7 821	8 926	-	113 604
Intra-group elimination	(31 207)	(24)	(7 124)	-	(38 355)
Revenue from external buyers	**65 650**	**7 797**	**1 802**	**-**	75 249
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	29 476	3 562		-	33 038
Cost of sales	(61 061)	(10 696)	(1 723)	-	(73 480)
Gross income	**34 065**	**663**	**79**	**-**	**34 807**
Administrative expenses	-	-	-	(4 723)	(4 723)
Selling and distribution expenses	-	-	-	(2 002)	(2 002)
Other income	-	-	-	2 823	2 823
Other expenses	-	-	-	(7 163)	(7 163)
Operating income of a segment	**34 065**	**663**	**79**	**(11 065)**	**23 742**
Financial expenses	**-**	**-**	**-**	(5 112)	(5 112)
Profit before tax	**34 065**	**663**	**79**	**(16 177)**	**18 630**
Income tax benefit (expenses)	**-**	**-**	**-**	85	85
Net profit	**34 065**	**663**	**79**	**(16 092)**	**18 715**
Other segment information:					
Depreciation and amortisation	**5 606**	**780**	**126**	**954**	**7 466**
Additions to non-current assets:					
Property, plant and equipment	**21 461**	**2 581**	**9 502**	**4 466**	**38 010**
Intangible assets	**21 286**	**-**	**-**	**-**	**21 286**
Non-current biological assets	**60**	**411**	**-**	**-**	**471**

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Information on business segments for the year ended 31 December 2011 was the follow:

	Farming division	Live-stock breeding	Storage and processing	Adjustments	Total
Revenue	36 484	7 721	7 062	-	51 267
Intra-group elimination	(16 867)	(22)	(5 294)	-	(22 183)
Revenue from external buyers	**19 617**	**7 699**	**1 768**	**-**	29 084
Gain (loss) from changes in fair value of biological assets and agricultural produce, net	17 502	6 656	-	-	24 158
Cost of sales	(17 677)	(6 302)	(1 527)	-	(25 506)
Gross income	**19 442**	**8 053**	**241**	**-**	**27 736**
Administrative expenses	-	-	-	(3 049)	(3 049)
Selling and distribution expenses	-	-	-	(730)	(730)
Other income	-	-	-	1 359	1 359
Other expenses	-	-	-	(6 148)	(6 148)
Operating income of a segment	**19 442**	**8 053**	**241**	**(8 568)**	**19 168**
Financial expenses	**-**	**-**	**-**	(1 763)	**(1 763)**
Profit before tax	**19 442**	**8 053**	**241**	**(10 331)**	**17 405**
Income tax benefit (expenses)	**-**	**-**	**-**	(69)	**(69)**
Net profit	**19 442**	**8 053**	**241**	**(10 400)**	**17 336**
Other segment information:					
Depreciation and amortisation	**3 220**	**609**	**497**	**769**	**5 095**
Additions to non-current assets:					
Property, plant and equipment	**13 581**	**486**	**453**	**-**	**14 520**
Intangible assets	**3 292**	**-**	**-**	**-**	**3 292**
Non-current biological assets	**40**	**730**	**-**	**-**	**770**

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 as at 31 December considering existing at that date the inflation factor are as follows:

	31 December 2012	31 December 2011
Within one year	11 415	4 486
In the second to fifth year inclusive	37 476	15 019
Later than fifth year	30 791	14 712
	79 682	**34 217**

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Areas of operating leased land as at 31 December 2012 and 2011 were as follows:

Location of land	31 December 2012	31 December 2011
	Hectare	Hectare
Poltava region		
Land under processing	30 079	22 715
Land for grazing, construction, other	2 009	1 638
Chernihiv region		
Land under processing	66 015	26 845
Land for grazing, construction, other	1 681	1 269
Sumy region		
Land under processing	24 584	10 080
Land for grazing, construction, other	113	113
	124 481	**62 660**

37. Financial instruments

Financial instruments as at 31 December 2012 and 2011 were represented by the following categories:

Financial instrument	Category	Measurement
Financial assets		
Accounts receivable	Loans and receivables	Amortized cost
Other financial assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Loans and borrowings	Financial liabilities	Amortized cost
Accounts payable	Financial liabilities	Amortized cost
Other financial liabilities	Financial liabilities	Amortized cost

The fair values of the Group's financial assets and financial liabilities listed hereinbefore reflect the amounts that would be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date. The fair values are based on inputs other than quoted prices that are observable for the asset or liability. These inputs include foreign currency exchange rates and interest rates. The financial assets and financial liabilities are primarily valued using standard calculations / models that use as their basis readily observable market parameters. Industry standard data providers are the primary source for forward and spot rate information for both interest rates and currency rates, with resulting valuations periodically validated through third-party or counterparty quotes.

The Group's non-derivative financial instruments included cash and cash equivalents, accounts receivable, other financial assets, accounts payable, other financial liabilities, loans and borrowings. At 31 December 2012 and 2011, the carrying value of these financial instruments, excluding long-term debt, approximates fair value because of the short-term maturities of these instruments. The major part of the long-term loans and borrowings has floating interest rates and other has fixed interest rates but they are corresponded to the market rate level, so the Management of the Group believes that book value of long-term loans and borrowings approximates their fair value.

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38. Management of financial risks

One of the principal responsibilities of the Financial Department of the Group is to manage the financial risks arising from the Group's underlying operations. On an annual basis, the Financial Department approves a strategic plan that takes into account the opportunities and major risks of our business and mitigation factors to reduce these risks. The Financial Department also reviews risk management policies and procedures on an annual basis and sets upper limits on the transactional exposure to be managed and the time periods over which exposures may be managed. The objective of the policy is to reduce volatility in cash flow and earnings. Risks are managed include:

Type of risk	Affected by	Risk management policies
Credit risk	Ability of counterparties to financial instrument to fulfill their contractual obligations	Credit approval and monitoring practices; counterparties policies
Liquidity risk	Balance of cash flow	Preparation of detailed forecasts of cash flow
Market risk	- Market prices on products sold, materials and services for production - Changes in interest rates - Fluctuation of foreign currency exchange rates	- Foreign currency forward contracts; Long-term cooperation with reliable suppliers - Maintaining a combination of fixed and floating interest rates; USD and UAH interest rates - Foreign currency forward contracts; USD and UAH interest rates

Depending on the type of risks faced by the Group, it is possible to use a single or several methods of minimizing or levelling their negative impact on Group.

The use of the following risk management methods is possible at the Group's companies:

1) risk pooling is a method aimed at reducing the risk by transferring accidental losses into the relatively small fixed expenses (this method is a basis for insurance);

2) limitation is a method involving the development of detailed strategic documentation, which sets the boundary level of risk in each area of the company's activities, as well as clear allocation of functions and responsibilities of personnel;

3) diversification is a method of risk control through the selection of assets, profit on which slightly correlates, if possible;

4) hedging is a balancing transaction, minimizing the negative impact of risk (e.g., selection of assets and liabilities by timing, by currency).

- Credit risk

Credit risk is a risk of financial loss to the Group, which results from failure of a buyer or a contractor under the financial instrument to fulfill its contractual obligations. The risk is primarily related to the Group's accounts receivable and cash and cash equivalent.

Book value of financial assets reflects maximal extent that is subject to credit risk of the Group. Maximal level of credit risk is the following:

	As at 31 December 2012	As at 31 December 2011
Trade accounts receivable, net	2 471	1 447
Other financial assets:		
Non-bank accomodations interest free	5 613	206
Other accounts receivable, net	451	420
Cash and cash equivalents	1 760	4 595
	10 295	**6 668**

The Group manages credit risk through rigorous credit approval and monitoring practices. Financial and Economic Department has developed the credit policy. In accordance with it, all contractors are subjected to careful analysis on ability to pay before the Group offers its standard terms of payment and delivery. If the Group sells goods to a contractor it has never dealt before, transactions are performed on terms of prepayment. Deferred payment is offered only to contractors with work experience with the Group more than 1 year without delays in payment terms established in sale contracts.

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Group's management believes that companies comprising the Group are free in their choice of the customers, have close contacts with the leading global and Ukrainian traders, and may switch without risk to other customer offering better conditions of collaboration.

The Financial Directorate of the Group constantly carries out monitoring over payment terms' deadlines according to goods selling contracts. In case of delay in payment, the personnel of the commercial department deals up with the customer and the decision whether to apply penalties or slightly extend the terms (within 90 days) is taken.

The Group forms estimated provision for trade and other accounts receivable and investments. It corresponds with estimation of amount of already suffered credit losses. The main element of the provision is an element of certain loss, determined for assets considering already suffered but not fixed losses. Estimated amount of losses is determined on the basis of statistical data for previous periods for similar financial assets.

Distribution of trade accounts receivable on time-frames is the following:

			Past due, not impaired		
	Total	**Neither past due nor impaired**	**Within 90 days**	**From 90 to 360 days**	**More than 1 year**
As at 31 December 2011	1 447	1 002	-	129	316
As at 31 December 2012	2 471	2 145	31	43	252

On the basis of analysis of payments for the current period Financial Directorate of the Group considers that there is no need to form provision for overdue, but not impaired trade accounts receivable.

- Liquidity risk

Risk of liquidity - is the risk of inability to meet financial obligations of the Group in due time.

The way the Group manages the liquidity lies in providing the Group with constant availability of liquid facilities, enough to meet the obligation in due time, avoiding unforeseen losses and not to expose the reputation of the Group to risk.

There is system of management accounting and budgeting, which allows to plan and control covering all the expenses from operating activity and related with it financial expenses by means of profit.

The table below summarizes the maturity profile of Group's financial liabilities based on contractual payments at 31 December 2012 and 2011:

	On demand	**Within 30 days**	**From 30 to 90 days**	**From 90 to 180 days**	**From 180 to 360 days**	**From 1 to 5 years**	**Total**
Long-term loans and borrowings	-	-	-	-	-	45 099	**45 099**
Current portion of long-term borrowings	-	337	1 300	88	3 026	-	**4 751**
Short-term loans and borrowings	-	-	11 241	5 500	14 052	-	**30 793**
Trade accounts payable	4 228	4 188	133	11	43	-	**8 603**
Other current liabilities and accrued expenses	904	5 172	5 931	-	12 200	-	**24 207**
	5 132	**9 697**	**18 605**	**5 599**	**29 321**	**45 099**	**113 453**

- Market risk

Market risk arises from fluctuations in market factors, including exchange rates, interest rates and commodity prices. Movements in these factors may affect the Group's income and expenses, or the value of its financial instruments. The objective of the Group's management of market risk is to maintain this risk within acceptable parameters, whilst optimizing returns.

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Market risk is comprised of:

- Commodity price risk
  i) Risk of changes in market prices of products for sale

  The Group Sales Department makes continuous monitoring of market prices of products sold in order to manage exposure to changes in market prices for the products. According to the results of this analysis and subsequent prediction of prices for products, management pricing policy depending on the dynamics of market prices is formed.

  ii) Risk of changes in prices of materials and services

  The Group is exposed to changes in prices of materials and services that are used in the process of production. The Group manages these risks by working with reliable suppliers, business relationships with whom had developed over a long time, and the search for new, more affordable supply of resources.

- Currency risk

  Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

  The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

  The Group's companies manage their foreign currency risk by comparing the volumes of export revenues by currencies and loan portfolio by currencies. The Group avoids borrowing and production sales for export in any currency except for USD. The comparison is carried out as a part of the annual planning and budgeting.

  When the amounts of the expected export revenues is below the level of USD borrowing for the financial year, the decrease in foreign currency borrowings by repayment of such loans or conversion of foreign currency loans into national currency is performed.

  Group avoided realization of risk transactions that are subject to foreign currency risk.

  The table below summaries the Group's exposure to foreign currency risk as at 31 December 2012:

	UAH	USD	EUR	PLN	Total
Trade accounts receivable, net	2 435	36	-	-	**2 471**
Cash and cash equivalents	367	1 385	7	1	**1 760**
Loans and borrowings	29 360	50 440	843	-	**80 643**
Other current liabilities and accrued expenses	15 411	8 796	-	-	**24 207**
	47 573	**60 657**	**850**	**1**	**109 081**

  The Group's exposure to foreign currency risk, based on book value, as at 31 December 2012 was as follows:

	As at 31 December 2012	Increase/decrease in USD exchange rate, %	Effect on profit before tax
Trade accounts receivable, net	36	10	4
		(10)	(4)
Cash and cash equivalents	1 385	10	138
		(10)	(138)
Loans and borrowings	50 440	10	(5 044)
		(10)	5 044
Other current liabilities and accrued expenses	8 796	10	(880)
		(10)	880
General effect	**-**	**10**	**(5 782)**
		(10)	**5 782**

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	As at 31 December 2012	Increase/decrease in EUR exchange rate, %	Effect on profit before tax
Loans and borrowings	843	10	(84)
		(10)	84
General effect	-	**10**	**(84)**
		(10)	**84**

- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Change in interest rates influences the involved loans and borrowings and finance lease transactions. Management of the Group doesn't have formalized policy respecting proportion of interest risk's allocation between the loans with fixed interest rate and floating interest rate. However, when attracting new loans and borrowings, management solves the problem respecting which interest rate, fixed or floating, will be more profitable for the Group during the expected period till the maturity date, based on own professional judgments.

As at 31 December 2012 the Group's interest-bearing financial instuments were formed as follows:

	As at 31 December 2012	As at 31 December 2011
Loans and borrowings		
Fixed rate instruments	42 485	1 107
Variable rate instruments	38 158	20 914
	80 643	**22 021**

39. Capital management

The Group's objectives in the process of capital management are maintaining the Croup's ability to follow the going concern principle to provide benefits to interested parties, and also maintaining the optimal structure of involved and own funds.

The management of the Group regularly analyzes the structure of its capital. On basis of results of this analysis the Group takes measures, which are aimed at maintenance of total structure of the capital balance.

The main financial liabilities of the Group are loans and borrowings, trade and other accounts payable. The main aim of these financial instruments is to involve facilities for the Group's activity.

The Group's strategy in managing capital is to maintain the ratio of net debt to net debt plus equity at approximately 50% or lower.

The Group's gearing ratio as at 31 December 2012 and 2011 was as follows:

	As at 31 December 2012	As at 31 December 2011
Long-term loans and borrowings	45 099	14 068
Current portion of long-term borrowings	4 751	4 486
Short-term loans and borrowings	30 793	3 467
Trade accounts payable	8 603	1 473
Other current liabilities and accrued expenses	24 207	3 099
Cash and cash equivalents	(1 760)	(4 595)
Net debt	111 693	21 998
Total equity	128 013	108 988
Total net debt and equity	239 706	130 986
Gearing ratio	**47%**	**17%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousand USD, unless otherwise stated)

The capital structure of the Group is based on management's judgments of the appropriate balancing of all key elements of its financial strategy in order to meet its strategic and day-to-day needs. The Management of the Group considers the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group will take appropriate steps in order to maintain, or if necessary adjust, the capital structure.

40. Events after the balance sheet date

Loans and borrowings are repaid in the amount of th USD 13 615.

Loans and borrowings are received in the amount of th USD 23 375.

Agricultural machinery are acquired in the amount of th USD 7 165, including finance lease agreements in the amount of th USD 4 750.

Accounts payable for investments are repaid in the amount of th USD 1 161.

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