

**Black Earth Farming Limited  
and Subsidiaries**

Consolidated Interim Condensed Financial Information  
as at and for the six-month period ended 30 June 2007

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**Black Earth Farming Limited**  
*Consolidated Interim Condensed Financial Information*  
*as at and for the six-month period ended 30 June 2007*

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## **Independent Auditors' Report**

Board of Directors  
Black Earth Farming Limited

### **Report on Review of the Interim Financial Information**

#### *Introduction*

We have reviewed the accompanying consolidated interim condensed balance sheet of Black Earth Farming Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2007, and the related consolidated interim condensed statements of income, changes in equity and cash flows for the six-month period then ended (the "consolidated interim financial information"). Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information as at 30 June 2007 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

#### *Emphasis of Matter*

Without qualifying our conclusion, we draw attention to the fact that the US dollar amounts in the consolidated interim financial information, which are presented solely for the convenience of users as described in Note 2(d), do not form part of the consolidated interim financial information and are unreviewed.

KPMG Limited  
20 August 2007

**CONSOLIDATED INTERIM CONDENSED STATEMENT OF INCOME**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007**

<i>In thousand of</i>		<i>RUR</i>	<i>RUR</i>	<i>USD*</i>	<i>USD*</i>
	Note	Six months ended 30 June 2007	Six months ended 30 June 2006	Six months ended 30 June 2007	Six months ended 30 June 2006
Revenue		14 159	-	548	-
Cost of goods sold		(12 374)	-	(479)	-
Other revenues		117	525	5	20
Change in value of biological assets	4	199 606	-	7 732	-
Gross profit		201 508	525	7 806	20
General and administrative expenses	5	(141 510)	(42 172)	(5 482)	(1 634)
Selling expenses		(138)	-	(5)	-
Taxes other than on income		(2 280)	(55)	(88)	(2)
Other expenses		(38 706)	(4 143)	(1 498)	(161)
Financial income	7	33 765	6 684	1 308	259
Financial expenses	7	(66 100)	(18 339)	(2 562)	(710)
Loss before income tax		(13 461)	(57 500)	(521)	(2 228)
Income tax (expense) / benefit	8	(56 150)	3 562	(2 176)	138
Net loss for the period		(69 611)	(53 938)	(2 697)	(2 090)

The consolidated interim condensed statement of income is to be read in conjunction with the selected explanatory notes to and forming part of the consolidated interim condensed financial information set out on pages 9-17.

The consolidated interim condensed financial information as at and for the six-month period ended 30 June 2007 was approved by the Board of Directors on 20 August 2007 and signed on its behalf by:

Michel Orloff

Member of the Board of Directors

Alexander Polischuk

Chief Financial Officer

**Black Earth Farming Limited**  
*Consolidated Interim Condensed Financial Information*  
as at and for the six-month period ended 30 June 2007

CONSOLIDATED INTERIM CONDENSED BALANCE SHEET AS AT 30 JUNE 2007

<i>In thousand of</i>		<i>RUR</i>	<i>RUR</i>	<i>USD*</i>	<i>USD*</i>
	Note	30 June 2007	1 January 2007	30 June 2007	1 January 2006
<b>ASSETS</b>					
<i>Non-current assets</i>					
Property, plant and equipment	9	1 801 949	775 386	69 799	30 035
Intangible assets		10 850	9 502	420	368
Financial assets		7 533	2 660	292	103
Other non-current assets	11	662 081	34 390	25 646	1 332
Deferred tax assets		11 337	4 542	439	176
		<u>2 493 750</u>	<u>826 480</u>	<u>96 596</u>	<u>32 014</u>
<i>Current assets</i>					
Inventories	12	584 099	143 064	22 625	5 542
Trade and other receivables	13	246 468	136 472	9 548	5 287
Current financial assets		1 763	21 177	68	820
Cash and cash equivalents	14	1 466 364	1 913 118	56 800	74 105
		<u>2 298 694</u>	<u>2 213 831</u>	<u>89 041</u>	<u>85 754</u>
Total assets		<u>4 792 444</u>	<u>3 040 311</u>	<u>185 637</u>	<u>117 768</u>
<b>EQUITY AND LIABILITIES</b>					
<i>Equity</i>					
	15				
Share capital		20 967	20 967	812	812
Share premium		3 210 780	3 210 780	124 370	124 370
Retained earnings		(290 793)	(221 182)	(11 264)	(8 567)
Total equity		<u>2 940 954</u>	<u>3 010 565</u>	<u>113 918</u>	<u>116 615</u>
<b>LIABILITIES</b>					
<i>Non-current liabilities</i>					
Non-current loans and borrowings	16	1 701 061	-	65 891	-
Deferred tax liabilities		62 275	127	2 411	5
		<u>1 763 336</u>	<u>127</u>	<u>68 302</u>	<u>5</u>
<i>Current liabilities</i>					
Trade and other payables		88 154	29 619	3 417	1 148
Total liabilities		<u>1 851 490</u>	<u>29 746</u>	<u>71 719</u>	<u>1 153</u>
Total equity and liabilities		<u>4 792 444</u>	<u>3 040 311</u>	<u>185 637</u>	<u>117 768</u>

The consolidated interim condensed balance sheet is to be read in conjunction with the selected explanatory notes to and forming part of the consolidated interim condensed financial information set out on pages 9-17.

**CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007**

<i>In thousand of</i>	<i>RUR</i> Six months ended 30 June 2007	<i>RUR</i> Six months ended 30 June 2006	<i>USD*</i> Six months ended 30 June 2007	<i>USD*</i> Six months ended 30 June 2006
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	(69 611)	(53 938)	(2 697)	(2 090)
Adjustments for:				
Depreciation and amortisation	32 604	2 707	1 263	105
Loss on foreign exchange differences	2 213	18 339	85	710
Interest income	(33 765)	(6 684)	(1 308)	(259)
Interest expense	46 540	-	1 803	-
Income tax expense / (benefit)	56 150	(3 562)	2 176	(138)
Loss on disposal of property, plant and equipment	886	-	31	-
Change in value of biological assets	(199 606)	-	(7 732)	-
Operating loss before changes in working capital	(164 589)	(43 138)	(6 379)	(1 672)
Increase in other inventories	(280 285)	(35 351)	(10 857)	(1 369)
Increase in trade and other receivables	(109 996)	(91 470)	(4 261)	(3 543)
Increase in trade payables and other liabilities	58 535	19 692	2 267	763
Cash flows used by operating activities	(496 335)	(150 267)	(19 230)	(5 821)
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(1 648 550)	(304 486)	(63 857)	(11 794)
Repayment of loans	19 414	-	752	-
Purchase of intangible assets	(2 483)	(112)	(96)	(3)
Purchases of investments available for sale	(4 873)	-	(189)	-
Cash flows used by investing activities	(1 636 492)	(304 598)	(63 390)	(11 797)

**Black Earth Farming Limited**  
*Consolidated Interim Condensed Financial Information*  
as at and for the six-month period ended 30 June 2007

*In thousand of*

	<i>RUR</i> Six months ended 30 June 2007	<i>RUR</i> Six months ended 30 June 2006	<i>USD*</i> Six months ended 30 June 2007	<i>USD*</i> Six months ended 30 June 2006
<b>FINANCING ACTIVITIES</b>				
Interest income	33 765	6 684	1 308	259
Proceeds from the issue of share capital	-	1 189 444	-	46 074
Proceeds from the issue of bonds	1 654 521	-	64 088	-
Cash flows from financing activities	<u>1 688 286</u>	<u>1 196 128</u>	<u>65 396</u>	<u>46 333</u>
		-		
Net (decrease) / increase in cash and cash equivalents	(444 541)	741 263	(17 219)	28 715
Cash and cash equivalents at beginning of period	1 913 118	170 540	74 105	6 606
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(2 213)</u>	<u>5 082</u>	<u>(86)</u>	<u>197</u>
Cash and cash equivalents at end of period	<u>1 466 364</u>	<u>916 885</u>	<u>56 800</u>	<u>35 518</u>

The consolidated interim condensed statement of cash flows is to be read in conjunction with the selected explanatory notes to and forming part of the consolidated interim condensed financial information set out on pages 9-17.

**Black Earth Farming Limited**  
*Consolidated Interim Condensed Financial Information*  
*as at and for the six-month period ended 30 June 2007*

**CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007**

<i>In Thousand of RUR</i>	Share capital	Share premium	Retained earnings	Total
Balance as at 1 January 2006	3 323	192 896	(15 730)	180 489
Net loss and total recognised income and expenses for the period	-	-	(53 938)	(53 938)
Balance as at 30 June 2006	3 323	192 896	(69 668)	126 551
Balance as at 1 January 2007	20 967	3 210 780	(221 182)	3 010 565
Net loss and total recognised income and expenses for the period	-	-	(69 611)	(69 611)
Balance as at 30 June 2007	20 967	3 210 780	(290 793)	2 940 954

<i>In Thousand of USD*</i>	Share capital	Share premium	Retained earnings	Total
Balance as at 1 January 2006	129	7 472	(609)	6 992
Net loss and total recognised income and expenses for the period	-	-	(2 090)	(2 090)
Balance as at 30 June 2006	129	7 472	(2 699)	4 902
Balance as at 1 January 2007	812	124 370	(8 567)	116 615
Net loss and total recognised income and expenses for the period	-	-	(2 697)	(2 697)
Balance as at 30 June 2007	812	124 370	(11 264)	113 918

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the selected explanatory notes to and forming part of the consolidated interim condensed financial information set out on pages 9-17.



*SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED INTERIM  
CONDENSED FINANCIAL INFORMATION AS AT AND FOR THE SIX-MONTH PERIOD  
ENDED 30 JUNE 2007*

**1. Background**

**(a) Organization and operations**

Black Earth Farming Limited (the "Company") is a limited liability company incorporated in Jersey, Channel Islands, on 20 April 2005. The Company is the holding company for a number of legal entities established under the legislation of Cyprus and the Russian Federation. Those entities are together referred to as the "Group".

The Company's registered office is 8 Church Street, St. Helier, Jersey.

The Group is involved in the acquisition and subsequent management of agricultural assets in Russia. The Company's activities include farming, production of crops and dairy produce and distribution of products in the Russian Federation.

The Group commenced operations in 2005. The majority of its subsidiaries were established in 2006 and had limited activities until 2007. Several newly formed subsidiaries had no agricultural operations as at 30 June 2007.

The Group is involved in arable farming in Russia. Crops are usually harvested during July and August. Although the Group's investment in growing crops are valued at fair value less point-of-sale costs, the Group's business is subject to seasonal fluctuations.

**(b) Russian business environment**

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The condensed consolidated interim financial information for the six-month period ended 30 June 2007 reflects management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

**2. Basis of preparation**

**(a) Statement of compliance**

This consolidated interim condensed financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The consolidated interim financial information as of and for the six-month period ended 30 June 2007 has been prepared on a condensed basis, and therefore should be read in conjunction with the consolidated financial statements as of and for the year ended 31 December 2006, as this financial information provides an update of previously reported financial information.

All accounting policies described in the consolidated financial statements as of and for the year ended 31 December 2006 have been consistently applied in preparing this condensed consolidated interim financial information.

**(b) Basis of measurement**

The consolidated interim condensed financial information as of and for the six-month period ended 30 June 2007 is prepared on the historical cost basis, except that biological assets are measured at fair value less point-of sales costs.

**(c) Functional and presentation currency**

The national currency of the Russian Federation is the Russian Ruble ("RUR"), which is the Company's functional currency and the currency in which the consolidated interim condensed financial information is presented. All financial information presented in RUR has been rounded to the nearest thousand.

**(d) Convenience translation**

In addition to presenting the condensed consolidated financial information in RUR, supplementary information in USD has been presented for the convenience of the users of the consolidated interim condensed financial information.

All amounts in the consolidated interim condensed financial information, including comparatives, are translated from RUR to USD at the closing exchange rate at 30 June 2007 of RUR 25.8162 to USD 1.00. All financial information presented in USD has been rounded to the nearest thousand.

**(e) Use of judgments, estimates and assumptions**

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare this consolidated interim condensed financial information in conformity with International Financial Reporting Standards. Actual results may differ from those estimates.

**3. Changes in the Group structure**

During the period from 1 January to 30 June 2007 the Company established a number of new subsidiaries including:

OOO Olym AGRO-Invest (region of Kursk);  
 OOO Rashivez AGRO-Invest (region of Kursk);  
 OOO Volga AGRO-Invest (region of Samara);  
 OOO Starojurjevo AGRO-Invest (Region of Tambov);  
 OOO Novohopersk AGRO-Invest (Region of Voronezh).

**4. Gain on revaluation of biological assets**

The gain on revaluation of biological assets represents the difference between the cost and the fair value less point-of-sale costs of finished goods and investments in growing crops on 30 June 2007.

**5. General and administrative expenses**

<i>In Thousand of</i>	<i>RUR</i> Six months ended 30 June 2007	<i>RUR</i> Six months ended 30 June 2006	<i>USD*</i> Six months ended 30 June 2007	<i>USD*</i> Six months ended 30 June 2006
Office and administration expenses	60 118	11 350	2 330	440
Personnel expenses	56 005	16 930	2 169	656
Professional services	19 108	11 185	740	433
Depreciation and amortization	6 279	2 707	243	105
	141 510	42 172	5 482	1 634

**6. Personnel costs**

Personnel costs are included in cost of sales and work in progress, and selling, general and administrative expenses as follows:

<i>In Thousand of</i>	<i>RUR</i> Six months ended 30 June 2007	<i>RUR</i> Six months ended 30 June 2006	<i>USD*</i> Six months ended 30 June 2007	<i>USD*</i> Six months ended 30 June 2006
Cost of sales / work in progress	25 197	1 132	977	44
General and administrative	56 005	16 930	2 169	656
Selling	11	-	-	-
	81 213	18 062	3 146	700

\* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information – refer to note 2 (d). 11

**Black Earth Farming Limited**  
*Consolidated Interim Condensed Financial Information  
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**7. Financial income and expenses**

<i>In Thousand of</i>	<i>RUR</i> Six months ended 30 June 2007	<i>RUR</i> Six months ended 30 June 2006	<i>USD*</i> Six months ended 30 June 2007	<i>USD*</i> Six months ended 30 June 2006
Financial Income				
Interest income on deposits	33 765	6 684	1 308	259
Financial Expenses				
Interest expense	(46 540)	-	(1 802)	-
Bond issue and discount costs	(17 437)	-	(675)	-
Loss on foreign exchange differences	(2 123)	(18 339)	(85)	(710)
	<u>(66 100)</u>	<u>(18 339)</u>	<u>(2 562)</u>	<u>(710)</u>

**8. Income tax expense / (benefit)**

The applicable corporate profits tax rate for the Company is 0% (2006: 0%).

Companies domiciled in Russia that do not have a status of agricultural producer are subject to a 24% (2006: 24%) corporate profits tax. Companies domiciled in Russia that do have a status of agricultural producer are exempt from corporate profits tax on profit realised from the sale of agricultural produce. Starting from 2008, companies with the status of agricultural producer in Russia are expected to be subject to a 6% corporate profit tax on profit realized from sale of agricultural produce.

<i>In Thousand of</i>	<i>RUR</i> Six months ended 30 June 2007	<i>RUR</i> Six months ended 30 June 2006	<i>USD*</i> Six months ended 30 June 2007	<i>USD*</i> Six months ended 30 June 2006
Current tax expense	31	-	1	-
Deferred tax expense / (benefit)	56 119	(3 562)	2 175	(138)
	<u>56 150</u>	<u>(3 562)</u>	<u>2 176</u>	<u>(138)</u>

**9. Property, plant and equipment**

<i>In thousand of RUR</i>	Land		Buildings		Machinery, equipment		Vehicles		Fixtures and fittings		Construction in progress		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<i>Cost</i>														
As at 1 January	434 467	-	34 701	-	261 607	-	39 503	487	7 947	325	13 512	-	791 737	812
Additions	344 001	-	42 160	-	614 197	190 365	14 973	7 907	4 488	1 895	39 896	-	1 059 715	200 167
Disposals	-	-	(298)	-	(706)	-	-	-	(35)	-	-	-	(1 039)	-
Transfers between groups of fixed assets	-	-	3 749	-	20 362	-	(20 821)	-	424	-	(3 714)	-	-	-
As at 30 June	778 468	-	80 312	-	895 460	190 365	33 655	8 394	12 824	2 220	49 694	-	1 850 413	200 979
<i>Accumulated depreciation</i>														
As at 1 January	-	-	(23)	-	(12 337)	-	(3 585)	(27)	(406)	-	-	-	(16 351)	(27)
Depreciation charge	-	-	(1 819)	-	(25 551)	(2 031)	(3 566)	(108)	(1 330)	(514)	-	-	(32 266)	(2 653)
Adjustment to depreciation of disposed fixed assets	-	-	81	-	69	-	-	-	3	-	-	-	153	-
Adjustment to depreciation transferred between groups of fixed assets	-	-	-	-	(1 893)	-	1 893	-	-	-	-	-	-	-
As at 30 June	-	-	(1 761)	-	(39 712)	(2 031)	(5 258)	(135)	(1 733)	(514)	-	-	(48 464)	(2 680)
<i>Net book value</i>														
As at 1 January	434 467	-	34 678	-	249 270	-	35 918	460	7 541	325	13 512	-	775 386	785
As at 30 June	778 468	-	78 551	-	855 748	188 334	28 397	8 259	11 091	1 706	49 694	-	1 801 949	198 299

\* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information – refer to note 2 (d).

**Property, plant and equipment (continued)**

<i>In thousand of USD*</i>	Land		Buildings		Machinery, equipment		Vehicles		Fixtures and fittings		Construction in progress		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<i>Cost</i>														
As at 1 January	16 829	-	1 345	-	10 133	-	1 530	19	308	13	523	-	30 668	32
Additions	13 325	-	1 633	-	23 791	7 371	580	306	174	73	1 545	-	41 048	7 750
Disposals	-	-	(12)	-	(27)	-	-	-	(1)	-	-	-	(40)	-
Transfers between groups of fixed assets	-	-	145	-	789	-	(806)	-	16	-	(144)	-	-	-
As at 30 June	30 154	-	3 111	-	34 686	7 371	1 304	325	497	86	1 924	-	71 676	7 782
<i>Accumulated depreciation</i>														
As at 1 January	-	-	-	-	(478)	-	(139)	(1)	(16)	-	-	-	(633)	(1)
Depreciation charge	-	-	(70)	-	(990)	(79)	(138)	(4)	(53)	(20)	-	-	(1 251)	(103)
Adjustment to depreciation of disposed fixed assets	-	-	3	-	3	-	-	-	1	-	-	-	7	-
Adjustment to depreciation transferred between groups of fixed assets	-	-	-	-	(73)	-	73	-	-	-	-	-	-	-
As at 30 June	-	-	(67)	-	(1 538)	(79)	(204)	(5)	(68)	(20)	-	-	(1 877)	(104)
<i>Net book value</i>														
As at 1 January	16 829	-	1 345	-	9 655	-	1 391	18	292	13	523	-	30 035	31
As at 30 June	30 154	-	3 044	-	33 148	7 292	1 100	320	429	66	1 924	-	69 799	7 678

In 2007 the Group pledged machinery and equipment in favor of one of its suppliers. As at 30 June 2007 the amount of pledged assets totaled RUR 45 421 thousand. Pledging periods vary from four to six months and will terminate in November 2007.

\* The USD equivalent figures are provided for information purposes only and do not form part of the reviewed Consolidated Interim Condensed Financial Information – refer to note 2 (d).

**10. Land**

As of 30 June 2007 the Group had about 236 thousand hectares of land under its management (129 thousand on 1 January 2007), of which:

	30 June 2007	1 January 2007
Land in the process of ownership registration with the relevant authorities, hectares	217	115
Land in registered ownership, hectares	11	7
Land under long-term lease agreements, hectares <sup>(1)</sup>	8	7

<sup>(1)</sup> Long-term lease agreements are cancellable lease agreements up to 49 years. Since the leases do not provide the transfer of the title to the plots at the end of the lease term or any preferential purchase options, the Group classifies contracts as operating leases. I

**11. Other non-current assets**

<i>In thousand of</i>	<i>RUR</i>	<i>RUR</i>	<i>USD*</i>	<i>USD*</i>
	30 June 2007	1 January 2007	30 June 2007	1 January 2007
Prepayments for property, plant and equipment	599 477	10 642	23 221	413
Investment in growing crops – 2008, 2009 harvests	39 760	2 790	1 540	108
Dairy livestock	22 019	20 845	853	807
Other non-current assets	825	113	32	4
	662 081	34 390	25 646	1 332

**12. Inventories**

<i>In thousand of</i>	<i>RUR</i>	<i>RUR</i>	<i>USD*</i>	<i>USD*</i>
	30 June 2007	1 January 2007	30 June 2007	1 January 2007
Work in progress, investment in growing crops	488 757	106 385	18 932	4 121
Raw materials and consumables	90 978	24 974	3 524	967
Finished goods	2 264	3 726	88	145
Other inventories	2 100	7 979	81	309
	584 099	143 064	22 625	5 542

**13. Trade and other receivables**

<i>In thousand of</i>	<i>RUR</i>	<i>RUR</i>	<i>USD*</i>	<i>USD*</i>
	30 June 2007	1 January 2007	30 June 2007	1 January 2007
VAT receivables	200 941	84 265	7 784	3 264
Advances paid for goods and services	15 175	9 669	588	375
Trade receivables	1 417	17 871	55	692
Other prepayments and receivables	28 935	24 667	1 121	956
	<u>246 468</u>	<u>136 472</u>	<u>9 548</u>	<u>5 287</u>

**14. Cash and cash equivalents**

<i>In thousand of</i>	<i>RUR</i>	<i>RUR</i>	<i>USD*</i>	<i>USD*</i>
	30 June 2007	1 January 2007	30 June 2007	1 January 2007
Call deposits, overnight EURO denominated at 3-4% per annum	1 167 889	-	45 238	-
Call deposits, overnight USD denominated at approximately 4% per annum	239 952	1 319 957	9 294	51 128
Call deposits, overnight RUR denominated at 1-3% per annum	19 300	-	748	-
Bank balances, RUR denominated accounts	32 907	60 816	1 275	2 356
Bank balances, USD denominated accounts	2 914	530 001	113	20 530
Bank balances, EURO denominated accounts	2 782	-	108	-
Other cash	620	2 344	24	91
	<u>1 466 364</u>	<u>1 913 118</u>	<u>56 800</u>	<u>74 105</u>

**15. Equity**

**Share capital**

The authorized share capital of the Company as at 1 January and 30 June 2007 comprised of 100 000 000 shares (1 January and 30 June 2006: 50 000 000 shares) with a par value of USD 0.01 per share. All ordinary shares rank equally with regard to the Group's residual assets. The issued share capital of the Company as at 1 January and 30 June 2007 was 76 666 667 shares (1 January 2006: 11,666,667 shares, 30 June 2006: 41,666,667 shares).

**16. Bonds issued**

On 15 March 2007 the Group issued 5 500 bonds with a par value of EUR 10 thousand each maturing in May 2011. The bonds were issued at a discount of RUR 219 572 thousand /USD\* 8 505 thousand of the nominal value or RUR 39.92 thousand/ USD\* 1.55 thousand per bond. In addition, the Group incurred RUR 52 219 thousand / USD\* 2 023 thousand as direct costs for the bond issue.

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The bonds bear no interest in year one and will accrue 13% per annum in years 2-4. As at 30 June 2007 interest on bonds issued amounted to RUR 46 540 Thousand/ USD\* 1 802 thousand. The fair value of the bonds as at 30 June 2007 approximated their book value.

The Group is required to maintain debt to equity ratio of 75% or lower and not have any debt that would rank preferent in right of payment to the bonds in excess of RUR 774 486 thousand / USD\* 30 000 thousand.

**17. Financial instruments**

**(a) Foreign currency risk**

The Group incurs foreign currency risk on financial assets and liabilities denominated in a currency other than the functional currencies of the respective Group entities. Currencies giving rise to this risk are Euro and USD. Management does not hedge the Group's exposure to foreign currency risk.

The carrying amounts of the Group's assets and liabilities denominated in USD and Euro as at 30 June 2007 and 31 December 2006 were as follows:

**Financial instruments denominated in USD:**

<i>In Thousand of</i>	RUR		USD*	
	30 June 2007	1 January 2007	30 June 2007	1 January 2007
Cash and equivalents	242 866	1 849 958	9 408	71 659
Trade and other receivables	630	442	24	17
Trade and other payables	(7 589)	(4 838)	(294)	(187)
	<u>235 907</u>	<u>1 845 562</u>	<u>9 138</u>	<u>71 489</u>

**Financial instruments denominated in EURO:**

<i>In Thousand of</i>	RUR		USD*	
	30 June 2007	1 January 2007	30 June 2007	1 January 2007
Cash and equivalents	1 170 671	-	45 346	-
Bonds payable	(1 701 061)	-	(65 891)	-
	<u>(530 390)</u>	<u>-</u>	<u>(20 545)</u>	<u>-</u>

**(b) Fair values**

Management believes that at the balance sheet date the fair values of the Group's financial assets and liabilities approximate their carrying amounts.

**18. Related party transactions**

The Group has a controlling relationship with all of its subsidiaries (refer to the note 20 for the list of significant subsidiaries).

Management remuneration for the six-month period ended 30 June 2007 amounted to RUR 15 609 thousand / USD\* 606 thousand, including salary tax (RUR 4 502 / USD\* 174 thousand for the comparable period of 2006). The amount is included in administrative expenses.

Group accounts payable to related parties as at 30 June 2007 amounted to RUR 8 823 thousand / USD \* 342 thousand.



## 19. Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for all tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these condensed consolidated interim financial information, if the authorities were successful in enforcing their interpretations, could be significant.

## 20. Significant subsidiaries

	Country of incorporation	Ownership and voting interest	
		30 June 2007	31 December 2006
Planalto Enterprises Limited	Cyprus	100%	100%
OOO Managing Company Agro-Invest (Kursk), limited liability company	Russia	100%	100%
OOO Managing Company Agro-Invest (Moscow), limited liability company, limited liability company	Russia	100%	100%
ZAO Dmitriev Agro-Invest, closed joint stock company	Russia	100%	100%
ZAO Gorshechnoje Agro-Invest, joint stock company	Russia	100%	100%
OOO Sosnovka Agro-Invest, limited liability company	Russia	100%	100%
OOO Stanovoje Agro-Invest, limited liability company	Russia	100%	100%
ZAO Kastornoje Agro-Invest, closed joint stock company	Russia	100%	100%
ZAO Agro-Invest Kshen, closed joint stock company	Russia	100%	100%
ZAO Kursk Agro-Invest, closed joint stock company	Russia	100%	100%
OOO Bezenchuk Agro-Invest, limited liability company	Russia	100%	100%
OOO Verhnaja Hava Agro-Invest, limited liability company	Russia	100%	100%
OOO Ostrogorzhszk Agro-Invest, limited liability company	Russia	100%	100%
OOO Podgornoje Agro-Invest, limited liability company	Russia	100%	100%
OOO Rus, limited liability company	Russia	100%	100%
OOO Gribovka Agro-Invest, limited liability company	Russia	100%	100%
OOO Kalach Agro-Invest, limited liability company	Russia	100%	100%
OOO Morshansk Agro-Invest, limited liability company	Russia	100%	100%

## 21. Subsequent events

As at and for the six-month period ending 30 June 2007, the Group continued the restructuring process. In the process of restructuring, the Group started liquidation of one of the subsidiaries, OOO Managing Company Agro-Invest (Kursk). Management does not expect any material losses related to the liquidation since major assets and liabilities of OOO Managing Company Agro-Invest (Kursk) will be transferred to OOO Management Company Agro-Invest (Moscow).

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