

**Annual accounts
and Report of the auditor**

31 December 2011

For the year beginning 1 January 2011 and ending 31 December 2011

KSG Agro S.A. (formerly Borquest S.A.)

Société anonyme

46A, Avenue J.F. Kennedy
L-1855 Luxembourg
Luxembourg
R.C.S. Luxembourg: B 156864
Share capital: USD 149,255.00

KSG Agro S.A.
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For the year beginning 1 January 2011 and ending 31 December 2011

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Annual accounts
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BALANCE SHEET		from 01 Jan 2011	from 16 Nov 2010	from 16 Nov 2010
As at	Notes	to 31 Dec 2011	to 31 Dec 2010	to 31 Dec 2010
<i>(expressed in US Dollar)</i>		USD	USD	EUR
ASSETS				
Fixed assets	3			
Tangible assets		3,629.13	-	-
Financial assets				
Shares in affiliated undertakings		36,002,800.00	-	-
Loans to affiliated undertakings		1,000,000.00	-	-
Total fixed assets		37,006,429.13	-	-
Current assets				
Debtors	4			
Amounts owed by affiliated undertakings due within one year		7,750.00	-	-
Other debtors due within one year		5,285.03	-	-
due in more than one year		-	-	-
Cash at bank, cash in postal cheque accounts, cheques and cash in hand		398,925.50	41,299.85	30,958.25
Total current assets		411,960.53	41,299.85	30,958.25
TOTAL ASSETS		37,418,389.66	41,299.85	30,958.25

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BALANCE SHEET		from 01 Jan 2011	from 16 Nov 2010	from 16 Nov 2010
As at	Notes	to 31 Dec 2011	to 31 Dec 2010	to 31 Dec 2010
<i>(expressed in US Dollar)</i>		USD	USD	EUR
LIABILITIES				
Capital and reserves	5			
Subscribed capital		149,255.00	41,355.55	31,000.00
Share premium and similar premiums		39,884,778.54	-	-
Revaluation reserves		(164.13)	-	-
Profit or (loss) brought forward		(6,960.38)	-	-
Profit or (loss) for the financial year/period		(2,724,247.39)	(6,725.95)	(5,041.75)
Total capital and reserves		37,302,661.64	34,629.60	25,958.25
Non subordinated debts	6			
Trade creditors				
due within one year		28,559.53	-	-
Amounts owed to affiliated undertakings				
due within one year		2,930.00	-	-
Creditors for tax		2,499.95	-	-
Other creditors		81,738.54	6,670.25	5,000.00
Total non subordinated debts		115,728.02	6,670.25	5,000.00
TOTAL LIABILITIES		37,418,389.66	41,299.85	30,958.25



Sergiy Kasianov, Director A

G.B.A.D. Cousin, Director B

, Director A

J. Mudde, Director B

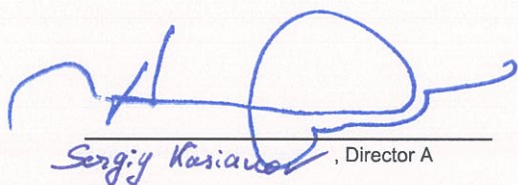
, Director A

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PROFIT AND LOSS ACCOUNT		from 01 Jan 2011	from 16 Nov 2010	from 16 Nov 2010
For the year	Notes	to 31 Dec 2011	to 31 Dec 2010	to 31 Dec 2010
<i>(expressed in US Dollar)</i>		USD	USD	EUR
CHARGES				
Other external charges	7	3,463,995.06	6,725.95	5,041.75
Other operating charges	8	42,197.40	-	-
Interest and other financial charges				
other interest and charges		102,701.48	-	-
Total interest and other financial charges		102,701.48	-	-
Income tax	9	2,244.61	-	-
Other taxes not included in the previous caption		7,042.97	-	-
TOTAL CHARGES		3,618,181.52	6,725.95	5,041.75

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PROFIT AND LOSS ACCOUNT		from 01 Jan 2011	from 16 Nov 2010	from 16 Nov 2010
For the year	Notes	to 31 Dec 2011	to 31 Dec 2010	to 31 Dec 2010
<i>(expressed in US Dollar)</i>		USD	USD	EUR
INCOME				
Other interest and other financial income				
affiliated undertakings		7,750.00	-	-
other interest and financial income		886,184.13	-	-
Total interest and other financial income		893,934.13	-	-
Loss for the financial year/period		2,724,247.39	6,725.95	5,041.75
TOTAL INCOME		3,618,181.52	6,725.95	5,041.75



 Sergiy Kasianov, Director A

 G.B.A.D. Cousin, Director B

 , Director A

 J. Mudde, Director B

 , Director A

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Notes to the Annual accounts

For the year beginning 1 January 2011 and ending 31 December 2011

(expressed in US Dollar)

1 General information

KSG Agro S.A. (hereafter the "Company") was incorporated on 16 November 2010 under the name "Borquest S.A." and organised under the laws of Luxembourg as a Société anonyme for an unlimited period. On 08 March 2011, the Company's name was changed into the current denomination.

The registered office of the Company is established in Luxembourg, 46A, Avenue J.F. Kennedy, L-1855 Luxembourg and the Company number with the Registre de Commerce is B 156864. The financial year of the Company starts on 1 January 2011 and ends on 31 December 2011.

The Company set up a representative office in Poland.

The purpose of the Company shall be the acquisition of ownership interests, in Luxembourg or abroad, in any companies or enterprises in any form whatsoever and the management of such ownership interests. The Company may in particular acquire by way of subscription, purchase and exchange or in any other manner any stock, shares and securities of whatever nature, including bonds, debentures, certificates of deposit and other debt instruments and more generally any securities and financial instruments issued by any public or private entity whatsoever. It may participate in the creation, development and control of any company or enterprise. It may further invest in the acquisition and management of a portfolio of patents and other intellectual property rights.

The Company also prepares consolidated financial statements, which are published according to the Luxembourg legal requirements.

2 Summary of significant accounting policies

Basis of preparation

The annual accounts of the Company are prepared in accordance with Luxembourg legal and regulatory requirements.

Accounting policies and valuation rules follow the historical cost convention and are, besides the ones laid down by the law, determined and applied by the Board of Directors.

The layout of the balance sheet and profit and loss accounts has been modified as compared to 2010 in order to comply with the law of 10 December 2010 on the Introduction of IFRS for undertakings (the "Law of 2010"). The 2010 comparative figures in the balance sheet and the profit and loss accounts have been modified accordingly.

Financial assets

Shares in affiliated undertakings and participating interests are valued at purchase price including the expenses incidental thereto.

Shares in affiliated undertakings and participating interests are valued at net asset value and the expenses incidental thereto upon acquisition are expensed. The difference between the purchase price and the net asset value upon acquisition is classified as Goodwill acquired for consideration in Fixed intangible assets and depreciated accordingly. Each year the net asset value is adjusted on the basis of the profit or loss of the affiliated undertaking or participation. Any increase in value is recognised in profit only to the extent of dividends declared. The difference between the increase in value and the dividend declared is booked in a non-distributable reserve under Revaluation reserves in equity.

Loans to affiliated undertakings, participating interests and other loans are valued at nominal value including the expenses incidental thereto.

In case of a durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Prepayments and accrued income

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year.

Provisions

Provisions are intended to cover losses or debts of which the nature is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

Provisions may also be created in order to cover charges which have their origin in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

Creditors

Accruals and deferred income

This liability item includes income received during the financial year but relating to a subsequent financial year.

Value adjustments

Value adjustments are deducted directly from the related asset.

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Notes to the Annual accounts

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(expressed in US Dollar)

Fair value

Fair value is determined by reference to a market value where a reliable market can readily be identified; a market is a reliable market that can be readily identified where prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Where a market value is not readily identifiable for an instrument but can be identified for its components or for a similar instrument, the market value may be derived from that of its components or of the similar instrument. The quoted market price used for assets held by the company is the current bid price.

The fair value for those instruments for which a reliable market cannot be readily identified (for example, over-the-counter derivatives) is determined by using generally accepted valuation models and techniques. These valuation models and techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates to ensure a reasonable approximation of the market value.

Foreign currency translation

The Company maintains its accounts in US Dollar ("USD"). Transactions expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction.

Formation expenses and fixed assets expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank and all items subject to fair value valuation are translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the moment of their realisation. Consequently, only realised exchange gains and losses and unrealised exchange losses are reflected in the profit and loss account.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and only the net unrealised loss is recorded in the profit and loss account.

For comparative purposes only, the assets, liabilities and profit and loss accounts as of 31 December 2010 officially expressed in EUR have been converted into USD at the 31 December 2010 exchange rate of 1 EUR for 1.3340499 USD.

3 Fixed assets

Fixed tangible assets by valuation method 2011	Gross book value - opening balance	Additions	Disposals	Gross book value - closing balance	Total 2011	Total 2010 USD	Total 2010 EUR
Plant and machinery	-	3,629.13	-	3,629.13	3,629.13	-	-
Total	-	3,629.13	-	3,629.13	3,629.13	-	-

Fixed financial assets

Fixed financial assets held at cost less impairment - movements gross book value	Gross book value - opening balance	Additions	Disposals	Transfers	Gross book value - closing balance
Shares in affiliated undertakings	-	36,002,800.00	-	-	36,002,800.00
Loans to affiliated undertakings	-	1,000,000.00	-	-	1,000,000.00
Total	-	37,002,800.00	-	-	37,002,800.00

Shares in affiliated undertakings

Undertakings in which the Company holds at least 20% in their share capital or in which it is a general partner are as follows:

Name	Registered Office	% holding	Date of last approved accounts	Net equity in last approved accounts	Net result in last approved accounts
KSG Agricultural and Industrial Holding Ltd	Cyprus	100%	N/A	N/A	N/A
				-	-

Loans to affiliated undertakings

Counterparty	Currency	Amount USD	Interest rate	Maturity date
KSG Agricultural and Industrial Holding Ltd	USD	1,000,000.00	3.00%	27/09/2013
Total		1,000,000.00		

4 Debtors

Debtors	Within one year	More than one year	More than five years	Total 2011	Total 2010 USD	Total 2010 EUR
Amounts owed by affiliated undertakings	7,750.00	-	-	7,750.00	-	-
Other debtors	5,285.03	-	-	5,285.03	-	-
Total	13,035.03	-	-	13,035.03	-	-

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Notes to the Annual accounts

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(expressed in US Dollar)

Debtors by category	Within one year	More than one year	Total 2011	Total 2010 USD	Total 2010 EUR
Accrued interest receivable	7,750.00	-	7,750.00	-	-
Other debtors	5,285.03	-	5,285.03	-	-
Total	13,035.03	-	13,035.03	-	-

Accrued interest receivable receivable from affiliated undertakings and participating interests

Due within one year	Counterparty	Currency	Amount USD	Interest rate	Maturity date
	Int. KSG Agricultural and Industrial Holding Ltd	USD	7,750.00	3.00%	31/12/2011
Total			7,750.00		

Other debtors	Total 2011	Total 2010 USD	Total 2010 EUR
Due within one year			
Advances CIT	2,041.52	-	-
Other short-term receivables	3,243.51	-	-
Total	5,285.03	-	-

5 Capital and reserves

Movements in capital and reserves	Balance as at 1 January 2011 EUR	Balance as at 1 January 2011 USD	Allocation of preceding year result	Other movements	Net result for current year	Balance as at the end of 2011
Subscribed capital	31,000.00	41,355.55		106,458.01		149,255.00
Share premium and similar premiums				39,884,778.54		39,884,778.54
Revaluation reserves						(164.13)
Profit or (loss) brought forward			(6,725.95)	(234.43)		(6,960.38)
Profit or (loss) for the financial year/period	(5,041.75)	(6,725.95)	6,725.95	234.43	(2,724,481.82)	(2,724,247.39)
Total	25,958.25	34,629.60	-	39,991,236.55	(2,724,481.82)	37,302,661.64

At the date of incorporation, the Company's share capital amounted to EUR 31,000.00 and was divided into 3,100,000 shares with a nominal value of 0.01, issued and paid up at 31 December 2010. On 8 March 2011, the board of directors decided to adopt the USD as accounting and reference currency at the USD/EUR exchange rate of 0.72435, prevailing on 3 March 2011 and to convert all accounts in the books of the Company from EUR to USD. The meeting decided to increase the share capital by an amount of USD 57,203.01 by the issue of 5,720,301.00 new shares with a nominal value of USD 0.01. On 13 April 2011, the board of directors approved the increase of the share capital from USD 100,000.00 to USD 149,255.00 by the issuance of 4,925,500 new shares with a nominal value of USD 0.01.

Authorised capital amounts to USD 150,745.00, represented by 15,074,500.00 shares with a nominal value of USD 0.01 as at 31 December 2011.

Share premium and similar premiums

The activity for the year on the "Share premium" item corresponds to 13 April 2011 resolution taken by the Board of Directors.

Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

6 Non subordinated debts

Creditors	Within one year	More than one year	More than five years	Total 2011	Total 2010 USD	Total 2010 EUR
Trade creditors	28,559.53	-	-	28,559.53	-	-
Amounts owed to affiliated undertakings	2,930.00	-	-	2,930.00	-	-
Creditors for tax and social security	80.36	2,419.59	-	2,499.95	-	-
Other creditors	81,738.37	-	-	81,738.37	6,670.25	5,000.00
Payroll payable	0.19	-	-	0.19	-	-
Total	113,308.45	2,419.59	-	115,728.04	6,670.25	5,000.00

Trade creditors	Within one year	More than one year	More than five years	Total 2011	Total 2010 USD	Total 2010 EUR
CSSF	3,240.50	-	-	3,240.50	-	-
Dom Maklerski BZ WBK	2,057.79	-	-	2,057.79	-	-
Equity Trust Co. (Luxembourg) S.A. - TMF	19,745.77	-	-	19,745.77	-	-
Polska Agencja Prasowa	536.63	-	-	536.63	-	-
Other creditors - rep office	2,978.84	-	-	2,978.84	-	-
Total	28,559.53	-	-	28,559.53	-	-

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For the year beginning 1 January 2011 and ending 31 December 2011

(expressed in US Dollar)

Amount owed to affiliated undertakings	Total 2011	Total 2010 USD	Total 2010 EUR
Argentum Investments Limited	96.00	-	-
Hillpeak Inc.	40.00	-	-
ICD Investments S.A.	2,794.00	-	-
Total	2,930.00	-	-

7 Other external charges

Other external charges	Total 2011	Total 2010 USD	Total 2010 EUR
Bank account charges	3,294.00	55.70	41.75
Depreciation	587.39	-	-
Materials and energy	10,864.08	-	-
Salaries	4,459.76	-	-
Legal fees	396,741.01	-	-
Insurance	824.16	-	-
Legal fees notary	2,776.08	-	-
Accounting fees	239,337.26	5,336.20	4,000.00
Other professional fees	2,719,738.54	-	-
Other professional fees office disbursements	9,890.06	-	-
Other professional fees responsibility fees	6,516.81	-	-
Other professional fees domiciliation fees	1,498.87	-	-
Other professional fees consultancy fees	14,045.16	-	-
Other professional expenses agency fees	83.69	-	-
Other commissions and professional fees	47,923.65	-	-
Other miscellaneous external charges	5,414.54	-	-
Tax filing fees	-	1,334.05	1,000.00
Total	3,463,995.06	6,725.95	5,041.75

8 Other operating income and charges

Other operating charges	Total 2011	Total 2010 USD	Total 2010 EUR
Non-deductible VAT	41,696.67	-	-
Registration duties	500.73	-	-
Total	42,197.40	-	-

9 Taxation

Other taxes	Total 2011	Total 2010 USD	Total 2010 EUR
Net wealth tax	85.59	-	-
Withholding tax	6,957.38	-	-
Total	7,042.97	-	-

The tax position of years until 2011 has not been assessed by the Luxembourg tax authorities and may still be subject to a review by the authorities within five years following the date of the provisional tax assessment. The issuance of a final tax assessment could result in additional tax payable/ receivable.

10 Off balance sheet commitments and transactions

On 15 July 2011, the Company entered into a guarantee agreement with Scorpion Agricultural Enterprise Limited Liability (the Issuer) to act as a guarantor under which the Company undertakes to provide the Issuer with the services regarding the provision of guarantee to each holder of the Bonds (of total size UAH 200,000,000.00), issued by the Issuer.

11 Related party transactions

There were no transactions with related parties.

KSG Agro S.A. - 31 December 2011

Notes to the Annual accounts

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(expressed in US Dollar)

12 Emoluments granted to the members of the managing and supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

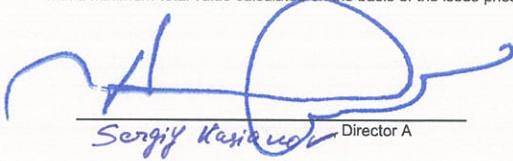
In 2011 the directors of the Company received no remuneration (2010: nil).

13 Advances and loans granted to the members of the managing and supervisory bodies

There are no advances, loans or commitments given on their behalf by way of guarantee of any kind granted to the members of the management and supervisory bodies during the financial year (2010: nil).

14 Subsequent events

The Company intends to execute the Bond issue programme on the territory of the Republic of Poland, addressing the bonds offering exclusively to investors ready to purchase the securities with a minimum total value calculated on the basis of the issue price of EUR 50,000.00 as at the price fixing date.



Sergiy Kasianov, Director A

, Director A

, Director A

G.B.A.D. Cousin, Director B

J. Mudde, Director B