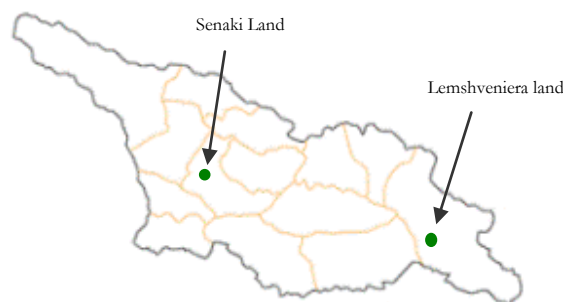




Domicile	Georgia
Status	Joint Stock Company
Inception	14 May 2008
Geographic Focus	Georgia
Focus Sectors	Plant-growing Cattle-breeding Poultry production Silkworm and fish breeding
Investment	Abbey Asset Management Ltd
Registrar	JSC Kavkasreestri
Base Currency	Georgian Lari (GEL)
Management Fee	1.5% of Market Cap less Net Cash, payable quarterly in arrears
Performance Fee	15% of annual share price appreciation over the Hurdle Rate, payable annually in arrears
Hurdle Rate	Equal to Bank of Georgia's one-year GEL term deposit, set annually



Basic climate indicators

	Lemshveniera Lands	Senaki Land
Av. level of rainfall	422 mm	1,831 mm
Av. relative air humidity	68%	74%
Av. air temperature	+12.9 °C	+14.5 °C
Max. number of hail days	3	12
Av. wind speed	2.1 m/sec	2.7 m/sec

This report provides CAD's investors with an overview of significant developments in the company, its operating and financial activities in Q3 2010.

News

- JSC UniFarm, CAD's venture with the Alania dairy farm in Senaki, entered the closing stages of farm expansion and renovation. The construction works of a 240 cattle capacity barn (28x90m) and a milking section are expected to be completed in December 2010.
- The company has concluded negotiations with a Dutch dairy cattle exporting company Firma Schaap on a purchase of Holstein breed cows from the Friesland region of the Netherlands. Holstein breed cows are among the world's best, with the milk yield 6 times higher than that of Georgian cows, on average. In November, 64 pregnant heifers will be imported and added to the current herd of 160. The purchase of the remaining 128 heifers is planned in two stages within the next two years.
- In January 2010, CAD and the Alania farm signed a Memorandum of Understanding (MoU) in which the parties agreed on the consolidation of their assets into JSC UniFarm. In line with the MoU, the consolidation of assets is expected to be finalised in December. CAD has already transferred 190 ha of its agricultural land in Senaki and GEL 3.0 million in cash to the venture. The most of the Alania farm's assets (225 ha of agricultural land, 160 Holstein cattle, farm building, processing and agricultural equipment) have already been contributed to JSC UniFarm, leaving just a small fraction of the farm's assets to be consolidated. According to the MoU, CAD is expected to enjoy a controlling stake in the venture and to assume a full financial and accounting control.
- CAD has introduced some changes in the management structure of JSC UniFarm. The former owners of the Alania farm, Kakha Alania and Mamuka Alania were appointed as JSC UniFarm's Deputy CEO and COO, respectively reporting to the CEO Rati Mekvabishvili, who also serves as CEO of CAD. JSC UniFarm has also hired an accountant reporting directly to the chief accountant of CAD. The company has adopted the International Financial Reporting Standards (IFRS) and introduced monthly reporting system.
- A senior agriculture expert Paulus Hettinga from a Dutch organization PUM which offers specialized know-how consultancy to small and medium size enterprises visited the farm in August. Mr Hettinga provided JSC UniFarm



consultancy services in milking systems, herd management and nutrition specifics. After reviewing milking system models together with the expert, JSC UniFarm placed an order for a 2x10 milking parlor with a leading Swedish dairy business solutions company DeLaval. The parlor is expected to be installed in December.

- JSC UniFarm has started working to create a new brand for marketing its dairy product range. Cottage cheese, sour cream, matsoni and Gauda cheese will be sold under the new brand in West Georgia from early next year.
- The company has already hired 31 employees on the farm fulfilling one of its important obligations set out in the Sales and Purchase Agreement (SPA) with the Georgian authorities. In Q2 CAD signed the SPA with the Ministry of Sustainable Economic Development when purchasing agricultural land in Senaki in which it undertook an obligation to employ at least 30 people within the next 3 years and to make a GEL 3.0 million investment.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION, (IFRS based)

As at 30 September 2010

(Amounts in Georgian Lari, unless otherwise stated)

	30-Sep-10 (Unaudited)	30-Jun-10 (Unaudited)	31-Dec-09 (Audited)	30-Sep-09 (Audited)	Change, % Q-O-Q	YTD
Assets						
Non-current assets						
Biological assets	655,226	446,876	-	-	46.6%	n/a
Exploration and evaluation assets	-	-	-	81,593	n/a	n/a
Property, plant and equipment	2,187,262	1,703,036	1,624,239	1,630,381	28.4%	34.7%
Intangible assets	2,409	2,554	1,903	2,012	-5.7%	26.6%
Total non-current assets	2,844,898	2,152,465	1,626,141	1,713,986	32.2%	74.9%
Current assets						
Current income tax assets	-	-	218,322	159,959	n/a	-100.0%
Receivables and other assets	1,328,240	1,016,356	50,273	55,232	30.7%	2,542%
Amounts due from credit institutions	4,505,151	5,401,220	5,989,370	2,347,940	-16.6%	-24.8%
Cash and cash equivalents	1,080,007	1,238,839	1,331,726	5,046,193	-12.8%	-18.9%
Total current assets	6,913,398	7,656,415	7,589,691	7,609,324	-9.7%	-8.9%
Total assets	9,758,295	9,808,880	9,215,833	9,323,309	-0.5%	5.9%
Equity						
Share capital	7,246,000	7,246,000	7,246,000	7,246,000	0.0%	0.0%
Retained earnings	1,533,256	1,602,316	1,516,178	1,431,411	-4.3%	1.1%
Share premium	598,640	598,640	-	-	0.0%	n/a
Government grants	187,741	187,741	361,166	361,166	0.0%	-48.0%
Equity attributable to shareholders	9,565,638	9,634,697	9,123,343	9,038,577	-0.7%	4.8%
Minority interest	88,178	88,178	-	-	0.0%	n/a
Total equity	9,653,815	9,722,875	9,123,343	9,038,577	-0.7%	5.8%
Liabilities						
Non-current liabilities						
Deferred income tax liability	17,342	17,342	17,342	65,353	0.0%	0.0%
Total non-current liabilities	17,342	17,342	17,342	65,353	0.0%	0.0%
Current liabilities						
Trade and other payables	87,138	68,662	75,147	219,379	26.9%	16.0%
Total current liabilities	87,138	68,662	75,147	219,379	26.9%	16.0%
Total liabilities	104,480	86,005	92,489	284,733	21.5%	13.0%
Total equity and liabilities	9,758,295	9,808,880	9,215,832	9,323,309	-0.5%	5.9%



CONSOLIDATED TOTAL COMPREHENSIVE INCOME, (IFRS based)

As at 30 September 2010

(Amounts in Georgian Lari, unless otherwise stated)

	Q3-2010 (Unaudited)	Q2-2010 (Unaudited)	Q4-2009 (Audited)	Q3-2009 (Audited)	Change, % Q-O-Q	Y-O-Y
Revenue	30,891		-	-	n/a	n/a
Cost of sales	30,784		-	-	n/a	n/a
Gross profit	107		-	-	n/a	n/a
Salaries and other employee benefits	(44,283)	(49,024)	53,103	(38,673)	-9.7%	14.5%
General and administrative expenses	(46,498)	(53,908)	(149,279)	(55,660)	-13.7%	-16.5%
Asset management fees	(16,192)	(29,025)	(7,495)	(8,269)	-44.2%	95.8%
Depreciation and amortization charges	(10,164)	(16,050)	(6,425)	(6,425)	-36.7%	58.2%
Impairment charges	(230,314)	-	-	-	n/a	n/a
Other operating incomes/(expenses), net	(105,927)	6,780	(19,988)	897	n/a	n/a
Net foreign currency gains/(losses)	305,692	(76,039)	(32,774)	250,980	n/a	21.8%
Operating profit/(loss)	(147,686)	(217,265)	(162,858)	142,850	-32.0%	n/a
Finance income	81,077	295,043	156,009	154,480	-72.5%	-47.5%
Profit/(loss) before income tax	(66,609)	77,778	(6,849)	297,330	n/a	n/a
Income tax (expense)/benefit for the period	(2,451)	3,113	91,616	(44,600)	n/a	-94.5%
Profit/(loss) for the period	(69,060)	80,891	84,767	252,731	n/a	n/a
Total comprehensive income for the period	(69,060)	80,891	84,767	252,731	n/a	n/a
Attributable to:						
- shareholders of the Company	(67,358)	80,891	84,767	252,731	n/a	n/a
- minority interest	(1,702)	(3,160)	-	-	-46.2%	n/a



Caucasus AgroDevelopment

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