

AGROLIGA GROUP PLC.

REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS

31 December 2013

AGROLIGA GROUP PLC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 31 December 2013

CONTENTS	PAGE
Board of Directors and other Officers	1
Report of the Board of Directors	2
Independent auditor's report	3 - 5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	9 - 10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12 - 29

AGROLIGA GROUP PLC.

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Oleksandr Berdnyk Bizserve Investments Limited Bizserve Management Limited
Company Secretary:	Bizserve Secretarial Services Limited
Independent Auditors:	Markos Drakos & Co Ltd Chartered Accountants Acropolis Tower 66 Acropolis Avenue 2012 Strovolos Nicosia
Registered office:	11 Boumpoulinas Street 1st floor 1060 Nicosia, Cyprus
Registration number:	HE269325

AGROLIGA GROUP PLC.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited consolidated financial statements of Agroliga Group Plc. and its subsidiaries (the Group) for the year ended 31 December 2013.

Principal activities

The principal activities of the Group are the production of vegetable oils, cereals, meat and dairy breeding herd.

Review of current position, future developments and significant risks

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

Additional details that relate to the operating environment of the Group as well as other risks and uncertainties are described in notes 3 and 22 of the consolidated financial statements.

Results

The Group's results for the year are set out on page 6.

Dividends

The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Group's Board of Directors as at 31 December 2013 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2013.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Independent Auditors

The Independent Auditors, Markos Drakos & Co Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Bizserve Secretarial Services Limited
Secretary

Nicosia, 27 June 2014

Independent auditor's report

To the Members of Agroliga Group Plc.

Report on the consolidated financial statements

We have audited the consolidated financial statements of Agroliga Group Plc. (the "Group") and its subsidiaries (together with the Company, the "Group") on pages 6 to 29 which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and 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 of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, 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.

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. 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 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 of consolidated financial statements that give a true and fair view 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 entity'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 qualified audit opinion.

Independent auditor's report (continued)

To the Members of Agroliga Group Plc.

Basis for qualified opinion

These consolidated financial statements contain combined income and expenses, assets and liabilities of LLC Vostokagrocontract, a company registered in Ukraine, which is under common control of the Group's shareholders. Despite the fact that Agroliga Group Plc. does not have control over LLC Vostokagrocontract, this has been combined in the consolidated financial statements of Agroliga Group Plc. This combination was prepared without following the acquisition method which is in breach of IFRS 3, Business Combinations.

We were also unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the costs capitalised for property, plant and equipment and other non-current assets amounting to Euro 0,5 million and Euro 0,8 million as at 31 December 2013, respectively. Furthermore, we are not able to confirm the valuation of property, plant and equipment amounting to Euro 0,8 million and confirm appropriateness of the cost capitalisation for property, plant and equipment as at 31 December 2013 which was incurred during the previous year (2012) amounting to Euro 0,7 million. In the absence of supporting documentation and alternative procedures, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's property, plant and equipment and other non-current assets as at 31 December 2013.

Qualified opinion

In our opinion, except for the effects of such adjustments, as might have been determined to be necessary based on the issues raised above, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit, except that the scope of our work was limited by the matter discussed in the basis for qualified opinion paragraph.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books, except in the case of inventories discussed in the basis for qualified opinion paragraph.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion, and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required, except in the case of inventories discussed in the basis for qualified opinion paragraph.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Independent auditor's report (continued)

To the Members of Agroliga Group Plc.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Andreas Constantinides FCA
Certified Public Accountant and Registered Auditor
for and on behalf of
Markos Drakos & Co Ltd
Chartered Accountants

Nicosia, 27 June 2014

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 €'000	2012 €'000
Revenue	5	15.425	16.020
Cost of sales		<u>(11.155)</u>	<u>(12.369)</u>
Gross profit		4.270	3.651
Other income	6	828	955
Selling and distribution expenses		(108)	(126)
Administration expenses		(443)	(469)
Other expenses	7	<u>(713)</u>	<u>(614)</u>
Operating profit		3.834	3.397
Finance costs	10	<u>(407)</u>	<u>(294)</u>
Profit before tax		3.427	3.103
Tax	11	<u>(36)</u>	<u>58</u>
Net profit for the year/period		3.391	3.161
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year/period		<u>3.391</u>	<u>3.161</u>
Net profit for the year/period attributable to:			
Equity holders of the parent		3.335	3.110
Non controlling interests		<u>56</u>	<u>51</u>
Net profit for the year/period		<u>3.391</u>	<u>3.161</u>
Total comprehensive income attributable to:			
Equity holders of the parent		3.335	3.110
Non controlling interests		<u>56</u>	<u>51</u>
Total comprehensive income		<u>3.391</u>	<u>3.161</u>

The notes on pages 12 to 29 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Note	2013 €'000	2012 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	3.909	1.699
Biological assets	13	145	183
Non-current loans receivable	14	1.101	225
Deferred tax assets	19	17	75
		<u>5.172</u>	<u>2.182</u>
Current assets			
Inventories and work in progress	15	5.545	4.677
Biological assets	13	797	669
Trade and other receivables	16	3.394	3.643
Cash at bank and in hand		109	103
		<u>9.845</u>	<u>9.092</u>
Total assets		<u>15.017</u>	<u>11.274</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	51	51
Share premium		953	953
Translation reserve		(598)	(126)
Retained earnings		<u>11.692</u>	<u>8.452</u>
		12.098	9.330
Non controlling interests		<u>193</u>	<u>137</u>
Total equity		<u>12.291</u>	<u>9.467</u>
Non-current liabilities			
Borrowings	18	122	137
Deferred tax liabilities	19	-	42
		<u>122</u>	<u>179</u>
Current liabilities			
Trade and other payables	20	470	1.114
Borrowings	18	2.133	505
Current tax liabilities	21	1	9
		<u>2.604</u>	<u>1.628</u>
Total liabilities		<u>2.726</u>	<u>1.807</u>
Total equity and liabilities		<u>15.017</u>	<u>11.274</u>

The notes on pages 12 to 29 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

On 27 June 2014 the Board of Directors of Agroliga Group Plc. authorised these consolidated financial statements for issue.

.....
Oleksandr Berdnyk
Director

.....
Bizserve Investments Limited
Director

.....
Bizserve Management Limited
Director

The notes on pages 12 to 29 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to equity holders of the Company				Non	
	Share capital	Share	Translation	Retained	controlling	Total
	€'000	premium	reserve	earnings	interests	€'000
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2012	32	1.046	40	4.952	86	6.156
Net profit for the period	-	-	-	3.110	51	3.161
Transactions with owners						
Exchange difference on the translation and consolidation of foreign companies' financial statements	-	-	(166)	-	-	(166)
Result of aggregation with Ukrainian entity LLC Vostokagrokontract	19	-	-	390	-	409
Share issue cost	-	(93)	-	-	-	(93)
Balance at 31 December 2012	51	953	(126)	8.452	137	9.467
Balance at 1 January 2013 as previously reported	51	953	(126)	8.452	137	9.467
Comprehensive income						
Net profit for the year	-	-	-	3.335	56	3.391
Exchange difference on the translation and consolidation of foreign companies' financial statements	-	-	(472)	-	-	(472)
Result of aggregation with Ukrainian entity LLC Vostokagrokontract	-	-	-	(95)	-	(95)
Balance at 31 December 2013	51	953	(598)	11.692	193	12.291

The notes on pages 12 to 29 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 12 to 29 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 €'000	2012 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3.427	3.103
Adjustments for:			
Depreciation of property, plant and equipment	12	168	61
Exchange difference arising on the translation of assets & liabilities in foreign currencies		(431)	82
Interest income	6	(5)	(21)
Interest expense	10	286	228
		3.445	3.453
Cash flows from operations before working capital changes		3.445	3.453
Increase in inventories and work in progress		(868)	(1.200)
Decrease/(increase) in trade and other receivables		249	(1.521)
(Increase)/decrease/ (increase) in biological assets		(90)	419
Decrease in trade and other payables		(644)	(278)
Cash flows from operations		2.092	873
Tax (paid)/refunded		(44)	58
Net cash flows from operating activities		2.048	931
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	12	(2.829)	(578)
Loans granted		(876)	-
Proceeds from disposal of property, plant and equipment	12	331	-
Interest received		5	21
Net cash flows used in investing activities		(3.369)	(557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		-	(147)
Proceeds from borrowings		1.613	-
Interest paid		(286)	(228)
Net cash flows from/(used in) financing activities		1.327	(375)
Net increase /(decrease) in cash and cash equivalents		6	(1)
Cash and cash equivalents:			
At beginning of the year/period		103	104
At end of the year/period		109	103

The notes on pages 12 to 29 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

1. Incorporation and principal activities

Country of incorporation

The Group Agroliga Group Plc. (the "Group") was incorporated in Cyprus on 23 June 2010 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 11 Boumpoulinas Street, 1st floor, 1060 Nicosia, Cyprus.

Principal activities

The principal activities of the Group are the production of vegetable oils, cereals, meat and dairy breeding herd.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these consolidated financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the consolidated financial statements of the Group.

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the parent company Agroliga Group Plc. and the financial statements of the Ukrainian companies Agroliga Group LLC, PLC Liga-A, Agrokom NV LLC, PLC Mechnikovo and Agroliga LLC. In addition, they aggregate the financial statements of LLC Vostokagrokontract, registered in Ukraine, which is under the control of the shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

2. Accounting policies (continued)

Basis of consolidation (continued)

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

2. Accounting policies (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Revenue recognition

Revenue comprises the invoiced amount for the sale of products net of Value Added Tax, rebates and discounts. Revenues earned by the Group are recognised on the following bases:

- **Sale of products**

Sales of products are recognised when significant risks and rewards of ownership of the products have been transferred to the customer, which is usually when the Group has sold or delivered the products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

2. Accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€'000), which is the Group's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

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

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Group's shareholders.

Biological assets

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

2. Accounting policies (continued)

Property, plant and equipment (continued)

and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Property under construction	
Buildings	2-5
Agricultural equipment	7-10
Motor vehicles and other fixed assets	10-20
Production equipment	5-10

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Deferred income from government grants

Government grants on non-current assets acquisitions are credited to profit or loss in instalments over the estimated useful economic lives of the corresponding assets. This is achieved by deducting grants from the book value of these assets and the recognition of income through the reduced depreciation charge. Grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that relate to expenses are recognised in profit or loss as revenue.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments (continued)

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Prepayments from clients

Payments received in advance on sale contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities.

Loans granted

Loans originated by the Group by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

2. Accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised 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 recognised in profit or loss.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the first-in-first-out basis with the exception of Vostokagrokontrakt which uses the weighted average method. The costs of finished goods and semi finished goods comprises materials, direct labour, other direct costs and related production overheads (based on normal operating activity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

2. Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

3. Financial risk management

Financial risk factors

The Group is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.5 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from last year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Provision for bad and doubtful debts**

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Provision for obsolete and slow-moving inventory**

The Group reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on Management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of non-financial assets**

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

5. Revenue

	2013 €'000	2012 €'000
Sales of products	11.225	6.156
Income from biological assets	4.200	9.864
	<u>15.425</u>	<u>16.020</u>

6. Other income

	2013 €'000	2012 €'000
Interest income	5	21
Exchange profit	-	2
Government grants	823	932
	<u>828</u>	<u>955</u>

7. Other expenses

	2013 €'000	2012 €'000
Other operating expenses	713	614
	<u>713</u>	<u>614</u>

8. Expenses by nature

	2013 €'000	2012 €'000
Raw materials and consumables used	8.763	9.585
Staff costs (Note 9)	574	526
Depreciation and amortisation expense	277	61
Auditors' remuneration	15	14
Other expenses	2.790	3.392
Total expenses	<u>12.419</u>	<u>13.578</u>

9. Staff costs

	2013 €'000	2012 €'000
Wages and salaries	574	526
	<u>574</u>	<u>526</u>

10. Finance costs

	2013 €'000	2012 €'000
Net foreign exchange transaction losses	74	31
Interest expense	286	228
Other finance expenses	47	35
	<u>407</u>	<u>294</u>

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

11. Tax

11.1 Tax recognised in profit or loss

	2013 €'000	2012 €'000
Corporation tax - current year/period	-	(1)
Overseas tax	36	(57)
Charge/(credit) for the year/period	36	(58)

The corporation tax rate varies from 12,5% to 19%.

Under certain conditions interest income in Cyprus may be subject to defence contribution at the rate of 30% (2012:15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends in Cyprus received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

12. Property, plant and equipment

	Buildings €'000	Property under construction €'000	Agricultural equipment €'000	Motor vehicles and other fixed assets €'000	Production equipment €'000	Total €'000
Cost						
Balance at 1 January 2012	154	16	708	30	557	1.465
Additions	10	240	140	17	171	578
Exchange differences	(3)	-	(16)	(1)	(13)	(33)
Balance at 31 December 2012/ 1 January 2013	161	256	832	46	715	2.010
Additions	1.174	1.028	427	19	181	2.829
Disposals	-	(331)	-	-	-	(331)
Exchange differences	4	(27)	(29)	(5)	(33)	(90)
Balance at 31 December 2013	1.339	926	1.230	60	863	4.418
Depreciation						
Balance at 1 January 2012	38	-	171	8	28	245
Charge for the period	8	-	25	6	21	60
Exchange differences	1	-	4	-	1	6
Balance at 31 December 2012/ 1 January 2013	47	-	200	14	50	311
Charge for the year	13	-	114	1	40	168
Exchange differences	-	-	23	-	7	30
Balance at 31 December 2013	60	-	337	15	97	509
Net book amount						
Balance at 31 December 2013	1.279	926	893	45	766	3.909
Balance at 31 December 2012	114	256	632	32	665	1.699

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

12. Property, plant and equipment (continued)

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2013 €'000	2012 €'000
Net book amount	<u>331</u>	-
Proceeds from disposal of property, plant and equipment	<u>331</u>	-

13. Biological assets

	2013 €'000	2012 €'000
Balance at 1 January	852	1,247
Increases due to purchases	1,204	-
Decrease in value due to disposal and products gathering	(1,256)	(760)
Increase in value due to capitalised expenses	224	397
Exchange difference	(31)	(28)
Gains arising from changes in fair value	<u>(51)</u>	<u>(4)</u>
Balance at 31 December	<u>942</u>	<u>852</u>
Non-current portion	145	183
Current portion	<u>797</u>	<u>669</u>
	<u>942</u>	<u>852</u>

14. Non-current loans receivable

	2013 €'000	2012 €'000
Loans to shareholders (Note 23)	<u>1,101</u>	225
	<u>1,101</u>	<u>225</u>

The exposure of the Group to credit risk is reported in note 3 of the consolidated financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

15. Inventories and work in progress

	2013 €'000	2012 €'000
Materials of agricultural purpose	472	346
Work in progress	544	130
Agricultural products	2,797	2,141
Fuel	79	51
Spare parts and building materials	926	1,179
Other inventories	<u>727</u>	<u>830</u>
	<u>5,545</u>	<u>4,677</u>

Inventories are stated at cost.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

16. Trade and other receivables

	2013 €'000	2012 €'000
Trade receivables	1.261	778
Less: Provision for impairment of receivables	(192)	(86)
Trade receivables - net	1.069	692
Receivables from related parties (Note 23)	396	841
Directors' current accounts - debit balances (Note 23)	109	204
Deposits and prepayments	36	408
Other receivables	1.661	1.178
Refundable VAT	123	320
	3.394	3.643

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the consolidated financial statements.

17. Share capital

	2013 Number of shares	2013 €'000	2012 Number of shares	2012 €'000
Authorised				
Ordinary shares of €0,10 each	307.560	31	307.560	31
Issued and fully paid				
Balance at 1 January	307.560	31	307.560	31
Result of aggregation with Ukrainian entity LLC Vostokagrokontract	-	20	-	20
Balance at 31 December	307.560	51	307.560	51

18. Borrowings

	2013 €'000	2012 €'000
Current borrowings		
Bank loans	2.133	505
Non current borrowings		
Bank loans	71	32
Loans from related companies (Note 23)	51	105
	122	137
Total	2.255	642

The bank loans are secured as follows:

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

18. Borrowings (continued)

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Bank loans	19,5%	19,5%

19. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 11). The applicable corporation tax rate in the case of tax losses is 12,5%.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The movement on the deferred taxation account is as follows:

Deferred tax liability

	Non-current assets €'000	Inventories €'000	Prepayments €'000	Total €'000
Balance at 1 January 2012	-	45	28	73
Charged/(credited) to: Statement of profit or loss and other comprehensive income (Note 11)	(12)	(45)	26	(31)
Balance at 31 December 2012/ 1 January 2013	(12)	-	54	42
Charged/(credited) to: Statement of profit or loss and other comprehensive income (Note 11)	(40)	10	(10)	(40)
Exchange differences	2	(1)	(3)	(2)
Balance at 31 December 2013	(50)	9	41	-

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

19. Deferred tax (continued)

Deferred tax assets

	Advances from clients €'000	Reserves & provisions €'000	Total €'000
Balance at 1 January 2012	21	3	24
Charged/(credited) to:			
Statement of profit or loss and other comprehensive income (Note 11)	51	-	51
Balance at 31 December 2012/ 1 January 2013	72	3	75
Charged/(credited) to:			
Statement of profit or loss and other comprehensive income (Note 11)	(68)	14	(54)
Exchange differences	(4)	-	(4)
Balance at 31 December 2013	-	17	17

20. Trade and other payables

	2013 €'000	2012 €'000
Trade payables	185	232
Prepayments from clients	2	45
Directors' current accounts - credit balances (Note 23)	12	10
Accruals	52	49
Other creditors	178	698
Payables to related parties (Note 23)	41	80
	470	1,114

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

21. Current tax liabilities

	2013 €'000	2012 €'000
Corporation tax	1	9
	1	9

22. Operating Environment of the Group

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through "bail in". During 2013 the Cyprus economy contracted further with a decrease in the Gross Domestic Product.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

22. Operating Environment of the Group (continued)

Following the positive outcome of the first and second quarterly reviews of Cyprus's economic programme by the European Commission, the European Central Bank and the International Monetary Fund during 2013, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

Since November 2013, Ukraine has been in a political and economic turmoil. The Ukrainian Hryvnia devalued against major world currencies and significant external financing is required to maintain stability of the economy. The National Bank of Ukraine, among other measures, has imposed temporary restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market. In February 2014, Ukraine's sovereign rating has been downgraded to CCC with a negative outlook. In February 2014, the Parliament of Ukraine voted for the reinstatement of the 2004 Constitution and dismissal of the incumbent President. New presidential elections were scheduled for May 2014 and a transitional government has been formed. The presidential elections were won by Petro Poroshenko, who was inaugurated as President of Ukraine on 7 June 2014.

In March 2014, Crimea, an autonomous region of Ukraine, was effectively annexed by the Russian Federation. In the April-May 2014, the Lugansk and Donetsk regions declares themselves as independent republics. The Ukrainian government is currently performing in these regions an Anti-Terrorist operation.

The further political developments are currently unpredictable and may adversely affect the Ukrainian economy. As of the date of this report, operation of the Group's facilities throughout Ukraine continued to operate normally.

The Group's management has assessed:

- (1) Whether any impairment provisions are deemed necessary for the Group's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the incurred loss model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.
- (2) Whether the net realisable value for the Group's inventory exceeds cost.
- (3) The ability of the Group to continue as a going concern (Note 2).

The Group's management is unable to predict all developments which could have an impact on the future financial performance, cash flows and financial position of the Group.

On the basis of the evaluation performed, the Group's management has concluded that no provisions or impairment charges are necessary.

The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

23. Related party transactions

The Company is controlled by Mr Oleksandr Berdnyk and Ms Iryna Poplavska which own 42% of the Company's shares each.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

23. Related party transactions (continued)

The following transactions were carried out with related parties:

23.1 Sales of goods and services

	<u>Nature of transactions</u>	2013 €'000	2012 €'000
Praga	Trade	10	431
O.Berdnyk	Trade	-	(21)
I. Poplavskaya	Trade	-	34
		<u>10</u>	<u>444</u>

Sales to the related parties were made on commercial terms and conditions.

23.2 Purchases of goods and services

	<u>Nature of transactions</u>	2013 €'000	2012 €'000
O. Berdnyk	Trade	-	66
I. Poplavskaya	Trade	193	379
M. Tamaryan	Trade	168	147
L. Kazanina	Trade	173	132
Praga	Trade	5	150
		<u>539</u>	<u>874</u>

Purchases from related parties were made on commercial terms and conditions.

23.3 Receivables from related parties (Note 16)

<u>Name</u>	<u>Nature of transactions</u>	2013 €'000	2012 €'000
I. Poplavskaya	Trade	106	225
M. Tamaryan	Trade	48	223
Praga	Trade	194	345
L.Kazanina	Trade	48	48
		<u>396</u>	<u>841</u>

23.4 Loans to shareholders (Note 14)

	2013 €'000	2012 €'000
Loan to shareholders	1.101	225
	<u>1.101</u>	<u>225</u>

The loan to shareholders was provided interest free, and there was no specified repayment date.

23.5 Payables to related parties (Note 20)

<u>Name</u>	<u>Nature of transactions</u>	2013 €'000	2012 €'000
I. Poplavskaya	Trade	29	20
Y. Poplavskiy	Trade	9	19
Praga	Trade	3	41
		<u>41</u>	<u>80</u>

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

23. Related party transactions (continued)

23.6 Loans from related undertakings (Note 18)

	2013 €'000	2012 €'000
Loans from related parties	51	105
	<u>51</u>	<u>105</u>

The loan from related parties was provided interest free, and there was no specified repayment date.

23.7 Directors' current accounts - debit balances (Note 16)

	2013 €'000	2012 €'000
O. Berdnyk	109	204
	<u>109</u>	<u>204</u>

The directors' current accounts are interest free, and have no specified repayment date.

23.8 Directors' current accounts - credit balances (Note 20)

	2013 €'000	2012 €'000
O. Berdnyk	12	10
	<u>12</u>	<u>10</u>

The directors' current accounts are interest free, and have no specified repayment date.

24. Contingent liabilities

The tax treatment of the Group's overseas operations may be different to the treatment adopted by the relevant tax authorities. This may expose the Group to the risk of tax fines and penalties, their amount of which may be significant. No provision has been made in these financial statements in respect of this matter.

25. Commitments

The Group had no capital or other commitments as at 31 December 2013.

26. Events after the reporting period

Further to the above, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 5