AGROLIGA GROUP PLC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

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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 66 Acropolis Avenue Acropolis Tower 2012 Strovolos Nicosia
Registered office:	11 Boumpoulinas Street 1st floor 1060 Nicosia, Cyprus
Registration number:	269325

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 2011.

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 financial statements are considered satisfactory.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results and Dividends
The Group's results for the year are set out on page6. 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 2011 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 2011.

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.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 25 to the financial statements.

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

Bizserve Secretarial Services Limited
Secretary

Nicosia, 15 June 2012

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66 Acropolis Avenue
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Nicosia, Cyprus

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Independent auditor's report (continued)

To the Members of Agroliga Group Plc.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Agroliga Group Plc. (the "Company") 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 2011, and the consolidated statements of 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. Except as discussed in the basis for qualified opinion paragraph, 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 audit opinion.

Independent auditor's report (continued)

To the Members of Agroliga Group Plc.

Basis for qualified opinion

These financial statements aggregate the consolidated financial statements of the Agroliga Group Plc and its subsidiaries, together with the financial statements of LLC Vostokagrokontract, registered in Ukraine, which is under the control of the Company's shareholders. Due to the fact that the Company itself has not gained control of LLC Vostokagrokontract, this aggregation was not prepared on the basis of the acquisition method, as per IFRS 3 "Business Combinations".

Further to the above, we did not observe the counting of inventories as at 31 December 2011. It was impracticable to satisfy ourselves as to those inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to inventories, cost of revenues, taxation expense, net profit and retained earnings as at and for the year ended 31 December 2011.

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 financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, 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 requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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, 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 Group's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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, 15 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	Note	2011 €'000	23/06/2010 - 31/12/2010 €'000
Revenue	5	**7.063**	2.884
Cost of sales		**(4.905)**	(2.208)
Gross profit		**2.158**	676
Other income	6	**191**	2.928
Selling and distribution expenses		**(118)**	(65)
Administration expenses		**(353)**	(165)
Other expenses	7	**(1)**	(107)
Operating profit		**1.877**	3.267
Finance costs	10	**(184)**	(78)
Profit before tax		**1.693**	3.189
Tax	11	**34**	(72)
Net profit for the year / period		**1.727**	3.117
Other comprehensive income		**-**	-
Total comprehensive income for the year / period		**1.727**	3.117
Attributable to:			
Equity holders of the parent		**1.704**	3.108
Non controlling interests		**23**	9
		1.727	3.117

The notes on pages 10 to 29 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011

	Note	2011 €'000	2010 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**1.220**	567
Biological assets	13	**171**	245
Non-current loans receivable	14	**225**	181
Deferred tax assets	19	**24**	36
		1.640	1.029
Current assets			
Inventories and work in progress	15	**3.477**	2.069
Biological assets	13	**1.076**	172
Trade and other receivables	16	**2.122**	2.095
Cash at bank and in hand		**103**	193
		6.778	4.529
Total assets		**8.418**	5.558
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**32**	31
Share premium		**1.046**	1.046
Translation reserve		**40**	(72)
Retained earnings		**4.951**	3.108
		6.069	4.113
Non controlling interests		**86**	63
Total equity		**6.155**	4.176
Non-current liabilities			
Borrowings	18	**198**	-
Deferred tax liabilities	19	**73**	70
		271	70
Current liabilities			
Trade and other payables	20	**1.392**	778
Borrowings	18	**591**	516
Current tax liabilities	21	**9**	18
		1.992	1.312
Total liabilities		**2.263**	1.382
Total equity and liabilities		**8.418**	5.558

On 15 June 2012 the Board of Directors of Agroliga Group Plc. authorised these financial statements for issue.

BIZSERVE INVESTMENTS LIMITED BIZSERVE MANAGEMENT LIMITED

Oleksandr Berdnyk Director	Bizserve Investments Limited Director	Bizserve Management Limited Director

The notes on pages 10 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		Attributable to equity holders of the Company					
	Note	Share capital €'000	Share premium €'000	Translation reserve €'000	Retained earnings €'000	Non controlling interests €'000	Total €'000
Net profit for the period		-	-	-	3.108	9	3.117
Issue of share capital	17	31	1.046	-	-	-	1.077
Exchange difference on the translation and consolidation of foreign companies' financial statements		-	-	(72)	-	-	(72)
Balance at 31 December 2010		**31**	**1.046**	**(72)**	**3.108**	**63**	**4.176**
Balance at 31 December 2010/ 1 January 2011		**31**	**1.046**	**(72)**	**3.108**	**63**	**4.176**
Net profit for the year		-	-	-	1.704	23	1.727
Issue of share capital	17	-	-	-	(1)	-	(1)
Exchange difference on the translation and consolidation of foreign companies' financial statements		-	-	112	-	-	112
Result of aggregation with Ukrainian entity LLC Vostokagrokontract		1	-	-	140	-	141
Balance at 31 December 2011		**32**	**1.046**	**40**	**4.951**	**86**	**6.155**

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 (in 2011 the rate was 15% up to 30 August 2011and 17% 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.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2011

	Note	2011 €'000	23/06/2010 - 31/12/2010 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1.693**	3.189
Adjustments for:			
Depreciation of property, plant and equipment	12	**71**	33
Exchange difference arising on the translation of non current assets in foreign currencies		**(29)**	-
Excess of Group's interest in the net fair value of the subsidiaries' assets and liabilities over cost on acquisition		**-**	(2.525)
Impairment charge of property, plant and equipment	12	**1**	106
Interest income	6	**(18)**	(8)
Interest expense	10	**200**	64
Cash flows from operations before working capital changes		**1.918**	859
Increase in inventories and work in progress		**(1.408)**	(946)
Increase in trade and other receivables		**(27)**	(609)
Increase / (decrease) in trade and other payables		**614**	(511)
Decrease in biological assets		**-**	457
Cash flows from/(used in) operations		**1.097**	(750)
Tax refunded/ (paid)		**25**	(35)
Net cash flows from / (used in) operating activities		**1.122**	(785)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	12	**(653)**	(28)
Payment for purchase and cost of rearing biological assets	13	**(2.162)**	-
Proceeds from sales of biological assets		**1.556**	-
Acquisition of subsidiaries, net cash outflow on acquisition		**-**	141
Loans granted		**(44)**	(18)
Interest received		**18**	8
Net cash flows (used in) / from investing activities		**(1.285)**	103
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**-**	1.077
Repayments of borrowings		**-**	(64)
Proceeds from borrowings		**273**	-
Interest paid		**(200)**	(64)
Net cash flows from financing activities		**73**	949
Net (decrease) / increase in cash and cash equivalents		**(90)**	267
Cash and cash equivalents:			
At beginning of the year/ period		**193**	(74)
At end of the year/ period		**103**	193

1. Incorporation and principal activities

Country of incorporation

The Company Agroliga Group Plc. (the "Company") 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

The 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. The 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 judgement 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 2011. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these 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.

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.

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.

- **Rendering of services**

  Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- **Interest income**

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

2. Accounting policies (continued)

Debtors and provisions for bad debts

Bad debts are written off to profit or loss and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

Finance costs

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

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.

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.

2. Accounting policies (continued)

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 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.

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.

Financial assets

(1) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Loans and receivables

  Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

(2) Recognition and measurement

2. Accounting policies (continued)

Financial instruments (continued)

<u>Financial assets</u> (continued)

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

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.

2. Accounting policies (continued)

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 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.

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. Financial risk management (continued)

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. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

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.

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.

4. Critical accounting estimates and judgments (continued)

- **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 judgement 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.

5. Revenue

	2011	23/06/2010 - 31/12/2010
	€'000	€'000
Sales of products	**1.494**	794
Rendering of services	**-**	37
Income from biological assets	**5.569**	2.053
	7.063	2.884

6. Other income

	2011	23/06/2010 - 31/12/2010
	€'000	€'000
Interest income	**18**	8
Government grants	**-**	250
Excess of Group's interest in the net fair value of the subsidiaries' assets and liabilities over cost on acquisition	**-**	2.525
Sundry operating income	**173**	145
	191	2.928

7. Other expenses

	2011	23/06/2010 - 31/12/2010
	€'000	€'000
Incorporation expenses	**-**	1
Impairment charge of property, plant and equipment	**1**	106
	1	107

8. Expenses by nature

	2011	23/06/2010 - 31/12/2010
	€'000	€'000
Raw materials and consumables used	**4.086**	1.910
Staff costs (Note 9)	**386**	176
Depreciation and amortisation expense	**71**	33
Auditors' remuneration	**25**	24
Impairment charge of property, plant and equipment (Note 12)	**1**	106
Trade receivables - impairment charge for bad and doubtful debts	**24**	57
Other expenses	**784**	239
Total expenses	**5.377**	2.545

9. Staff costs

	2011	23/06/2010 - 31/12/2010
	€'000	€'000
Wages and salaries	**386**	176
	386	176

10. Finance costs

	2011	23/06/2010 - 31/12/2010
	€'000	€'000
Net foreign exchange transaction losses	**(41)**	7
Interest expense	**200**	64
Other finance expenses	**25**	7
	184	78

11. Tax

11.1 Tax recognised in profit or loss

	2011	23/06/2010 - 31/12/2010
	€'000	€'000
Overseas tax	**(49)**	35
Defence contribution - current year / period	**-**	3
Deferred tax - charge (Note 19)	**15**	34
Credit/ charge for the year	**(34)**	72

The corporation tax rate varies from 10% to 25%.

Under certain conditions interest income in Cyprus may be subject to defence contribution at the rate of 10%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends 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 (in 2011 the rate was 15% up to 30 August 2011and 17% thereafter).

12. Property, plant and equipment

	Buildings	Property under construction	Agricultural equipment	Motor vehicles and other fixed assets	Production equipment	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cost						
Acquisitions through business combinations	116	-	313	7	241	677
Additions	5	-	12	1	10	28
Exchange differences	-	-	2	-	1	3
Impairment charge	-	-	(59)	(1)	(46)	(106)
Transfers	(18)	-	-	-	18	-
Balance at 31 December 2010/ 1 January 2011	**103**	**-**	**268**	**7**	**224**	**602**
Result of aggregation with Ukrainian entity LLC Vostokagrokontract	22	-	119	5	14	160
Additions	21	15	305	6	306	653
Exchange differences	8	1	16	12	13	50
Balance at 31 December 2011	**154**	**16**	**708**	**30**	**557**	**1.465**
Depreciation						
Charge for the period	5	-	20	1	7	33
Exchange differences	-	-	2	-	-	2
Balance at 31 December 2010/ 1 January 2011	**5**	**-**	**22**	**1**	**7**	**35**
Result of aggregation with Ukrainian entity LLC Vostokagrokontract	22	-	91	5	-	118
Charge for the year	11	-	44	2	14	71
Exchange differences	-	-	14	-	7	21
Balance at 31 December 2011	**38**	**-**	**171**	**8**	**28**	**245**
Net book amount						
Balance at 31 December 2011	**116**	**16**	**537**	**22**	**529**	**1.220**
Balance at 31 December 2010	**98**	**-**	**246**	**6**	**217**	**567**

13. Biological assets

	2011	2010
	€'000	€'000
Balance at 1 January / 23 June	**417**	-
Increases due to purchases	**2.534**	997
Decreases due to sales	**(1.556)**	(561)
Exchange differences	**(148)**	(19)
Balance at 31 December	**1.247**	417
Less current portion	**(1.076)**	(172)
Non-current portion	**171**	245

14. Non-current loans receivable

	2011	2010
	€'000	€'000
Loans to parent (Note 22)	**225**	-
Loans to employees (Note 22)	**-**	181
	225	181

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

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

15. Inventories and work in progress

	2011	2010
	€'000	€'000
Materials of agricultural purpose	**377**	56
Work in progress	**-**	152
Agricultural products	**2.543**	1.597
Fuel	**97**	22
Spare parts and building materials	**105**	34
Other inventories	**355**	208
	3.477	2.069

Inventories are stated at cost.

16. Trade and other receivables

	2011	2010
	€'000	€'000
Trade receivables	**422**	307
Less: Provision for impairment of receivables	**(81)**	(57)
Trade receivables - net	**341**	250
Receivables from related parties (Note 22)	**852**	565
Directors' current accounts - debit balances (Note 22)	**185**	-
Shareholders' current accounts - debit balances (Note 22)	**93**	1.044
Deposits and prepayments	**490**	178
Other receivables	**39**	35
Refundable VAT	**122**	23
	2.122	2.095

16. Trade and other receivables (continued)

The Group has recognized a loss of € 24 thousand (2010: €57 thousand) for the impairment of its trade receivables during the year ended 31 December 2011. The loss has been included in selling and distribution costs in profit or loss.

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 financial statements.

17. Share capital

	2011 Number of shares	**2011 €'000**	2010 Number of shares	2010 €'000
Authorised				
Ordinary shares of €0,10 each	**307.560**	**31**	307.560	31
Issued and fully paid				
Balance at 1 January / 23 June	**307.560**	**31**	-	-
Result of aggregation with Ukrainian entity LLC Vostokagrokontract	**-**	**1**	-	-
Issue of shares	**-**	**-**	307.560	31
Balance at 31 December	**307.560**	**32**	307.560	31

18. Borrowings

	2011 €'000	2010 €'000
Current borrowings		
Bank loans	**591**	516
Non current borrowings		
Bank loans	**79**	-
Loans from related companies (Note 22)	**119**	-
	198	-
Total	**789**	516

The bank loans are secured as follows:
- By floating charge on the Group's vehicles.
- By mortgage against immovable property of the Group.
- By floating charge on the Group's equipment.

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

	2011	2010
Bank loans	**16,8%**	22%

18. Borrowings (continued)

The Group borrowings are denominated in the following currencies:

	2011 €'000	2010 €'000
Ukraininan Hryvnia	**789**	516
	789	516

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 10%.

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 23 June 2010	-	-	-	-
Charged / (credited) to:				
Statement of comprehensive income (Note 11)	(5)	5	2	2
Exchange differences	-	1	-	1
Deferred tax on acquisition of subsidiaries	9	37	21	67
Balance at 31 December 2010/ 1 January 2011	**4**	**43**	**23**	**70**
Charged / (credited) to:				
Statement of comprehensive income (Note 11)	(5)	2	5	2
Exchange differences	1	-	-	1
Balance at 31 December 2011	**-**	**45**	**28**	**73**

19. Deferred tax (continued)

Deferred tax assets

	Advances from clients €'000	Reserves and provisions €'000	Total €'000
Balance at 23 June 2010	-	-	-
Charged / (credited) to:			
Statement of comprehensive income (Note 11)	(12)	(2)	(14)
Exchange differences	(1)	-	(1)
Deferred tax on acquisition of subsidiaries	45	6	51
Balance at 31 December 2010/ 1 January 2011	**32**	**4**	**36**
Charged / (credited) to:			
Statement of comprehensive income (Note 11)	(10)	(1)	(11)
Exchange differences	(1)	-	(1)
Balance at 31 December 2011	**21**	**3**	**24**

20. Trade and other payables

	2011 €'000	2010 €'000
Trade payables	**546**	275
Prepayments from clients	**-**	151
Short term notes issued	**2**	30
Directors' current accounts - credit balances (Note 22)	**82**	117
Accruals	**17**	50
Other creditors	**681**	34
Payables to related parties (Note 22)	**64**	121
	1.392	778

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

21. Current tax liabilities

	2011 €'000	2010 €'000
Corporation tax	**6**	15
Special contribution for defence	**3**	3
	9	18

22. Related party transactions

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

22. Related party transactions (continued)

The following transactions were carried out with related parties:

22.1 Sales of goods and services

	Nature of transactions	2011 €'000	23/06/2010 - 31/12/2010 €'000
Praga	Trade	**34**	328
O.Berdnyk	Trade	**15**	-
I. Poplavskaya	Trade	**20**	-
		69	328

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

22.2 Purchases of goods and services

	Nature of transactions	2011 €'000	23/06/2010 - 31/12/2010 €'000
O. Berdnyk	Trade	**103**	-
I. Poplavskaya	Trade	**6**	-
M. Tamaryan	Trade	**-**	1
L. Kazanina	Trade	**-**	4
Praga	Trade	**10**	-
		119	5

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

22.3 Receivables from related parties (Note 16)

Name	Nature of transactions	2011 €'000	2010 €'000
I. Poplavskaya	Trade	**121**	90
M. Tamaryan	Trade	**228**	65
S. Berdnyk	Trade	**-**	74
Y. Poplavskiy	Trade	**71**	23
T. Oleynik	Trade	**5**	5
Praga	Trade	**378**	308
L.Kazanina	Trade	**49**	-
		852	565

22.4 Loans to shareholders (Note 14)

	2011 €'000	2010 €'000
Loan to shareholders	**225**	-
	225	-

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

22. Related party transactions (continued)

22.5 Loans to employees (Note 14)

	2011 €'000	2010 €'000
Loans to employees	-	181
	-	181

The loans were provided interest free, and there was no specified repayment date.

22.6 Payables to related parties (Note 20)

Name	Nature of transactions	2011 €'000	2010 €'000
I. Poplavskaya	Trade	26	20
A. Oleinik	Trade	-	2
Y. Poplavskiy	Trade	20	29
S.Sytnik	Trade	-	70
Praga	Trade	18	-
		64	121

22.7 Loans from related undertakings (Note 18)

	2011 €'000	2010 €'000
Loans from related parties	119	-
	119	-

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

22.8 Directors'/ shareholders' current accounts - debit balances (Note 16)

	2011 €'000	2010 €'000
Shareholders current account	93	1.044
O. Berdnyk	185	-
	278	1.044

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

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

	2011 €'000	2010 €'000
O. Berdnyk	82	117
	82	117

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

23. 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.

24. Commitments

The Group had no capital or other commitments as at 31 December 2011.

25. Events after the reporting period

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 - 5