

Independent auditor's report

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 26, which comprise the consolidated statement of financial position as at 31 December 2012, 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.

Basis for qualified opinion

These consolidated financial statements contain combined income and expenses, assets and liabilities of LLC Vostokagrokontract, 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 Vostokagrokontract, 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.

Further to the above, we did not observe the counting of inventories and biological and fixed assets as at 31 December 2012. It was impracticable to satisfy ourselves as to those inventories, biological and fixed assets by other audit procedures. As the inventories and biological and fixed assets are used for calculating financial results, we could not determine whether any adjustments might be necessary to financial results and retained earnings for the year ended 31 December 2012.

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 2012, 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.

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, 12 June 2013

AGROLIGA GROUP PLC.

REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
31 December 2012

AGROLIGA GROUP PLC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

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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
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 2012.

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 page 6. 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 2012 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 2012.

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, 12 June 2013

Independent auditor's report

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Board of Directors' responsibility for the consolidated financial statements

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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

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Independent auditor's report (continued)

To the Members of Agroliga Group Plc.

Qualified opinion

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Other matter

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

Nicosia, 12 June 2013

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Revenue	5	16.020	7.063
Cost of sales		<u>(12.369)</u>	<u>(4.905)</u>
Gross profit		3.651	2.158
Other income	6	341	191
Selling and distribution expenses		(126)	(118)
Administration expenses		(469)	(353)
Other expenses	7	<u>-</u>	<u>(1)</u>
Operating profit		3.397	1.877
Finance costs	10	<u>(294)</u>	<u>(184)</u>
Profit before tax		3.103	1.693
Tax	11	<u>58</u>	<u>34</u>
Net profit for the year / period		3.161	1.727
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year / period		<u>3.161</u>	<u>1.727</u>
Attributable to:			
Equity holders of the parent		3.110	1.704
Non controlling interests		<u>51</u>	<u>23</u>
		<u>3.161</u>	<u>1.727</u>

The notes on pages 10 to 26 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Note	2012 €'000	2011 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,699	1,220
Biological assets	13	183	171
Non-current loans receivable	14	225	225
Deferred tax assets	19	75	24
		<u>2,182</u>	<u>1,640</u>
Current assets			
Inventories and work in progress	15	4,677	3,477
Biological assets	13	669	1,076
Trade and other receivables	16	3,643	2,122
Cash at bank and in hand		103	104
		<u>9,092</u>	<u>6,779</u>
Total assets		<u>11,274</u>	<u>8,419</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	51	32
Share premium		953	1,046
Translation reserve		(126)	40
Retained earnings		8,452	4,952
		<u>9,330</u>	<u>6,070</u>
Non controlling interests		137	86
Total equity		<u>9,467</u>	<u>6,156</u>
Non-current liabilities			
Borrowings	18	137	198
Deferred tax liabilities	19	42	73
		<u>179</u>	<u>271</u>
Current liabilities			
Trade and other payables	20	1,114	1,392
Borrowings	18	505	591
Current tax liabilities	21	9	9
		<u>1,628</u>	<u>1,992</u>
Total liabilities		<u>1,807</u>	<u>2,263</u>
Total equity and liabilities		<u>11,274</u>	<u>8,419</u>

On 12 June 2013 the Board of Directors of Agroliga Group Plc. authorised these financial statements for issue.


 Oleksandr Berdnyk
 Director


 Bizserve Investments Limited
 Director


 Bizserve Management Limited
 Director

The notes on pages 10 to 26 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Attributable to equity holders of the Company				Non controlling interests	Total
	Share capital €'000	Share premium €'000	Translation reserve €'000	Retained earnings €'000	€'000	€'000
Balance at 1 January 2011	31	1.046	(72)	3.108	63	4.176
Net profit for the period	-	-	-	1.704	23	1.727
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	4.952	86	6.156
Balance at 31 December 2011/ 1 January 2012	32	1.046	40	4.952	86	6.156
Net profit for the year	-	-	-	3.110	51	3.161
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

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 2011 and 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.

The notes on pages 10 to 26 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Note	2012 €'000	2011 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,103	1,693
Adjustments for:			
Depreciation of property, plant and equipment	12	61	71
Exchange difference arising on the translation of non current assets in foreign currencies		(22)	(29)
Impairment charge of property, plant and equipment	12	-	1
Interest income	6	(21)	(18)
Interest expense	10	228	200
Cash flows from operations before working capital changes		3,349	1,918
Increase in inventories and work in progress		(1,200)	(1,408)
Increase in trade and other receivables		(1,521)	(27)
Decrease/(increase) in biological assets		419	(606)
(Decrease) / increase in trade and other payables		(278)	614
Cash flows from operations		769	491
Tax refunded		58	25
Net cash flows from operating activities		827	516
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	12	(578)	(653)
Loans granted		-	(44)
Interest received		21	18
Net cash flows used in investing activities		(557)	(679)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(147)	273
Interest paid		(228)	(200)
Suspense account (pending correction of Depreciation, Minority interest and share capital)		104	-
Net cash flows (used in) / from financing activities		(271)	73
Net decrease in cash and cash equivalents		(1)	(90)
Cash and cash equivalents:			
At beginning of the year/ period		104	194
At end of the year/ period		103	104

The notes on pages 10 to 26 form an integral part of these consolidated financial statements.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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 2012. 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.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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.

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.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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.

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 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.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Financial instruments (continued)

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.

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.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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

	2012 €'000	2011 €'000
Sales of products	6,156	1,494
Income from biological assets	9,864	5,569
	<u>16,020</u>	<u>7,063</u>

6. Other income

	2012 €'000	2011 €'000
Interest income	21	18
Exchange profit	2	-
Government grants	932	-
Sundry operating income	(614)	173
	<u>341</u>	<u>191</u>

7. Other expenses

	2012 €'000	2011 €'000
Impairment charge of property, plant and equipment	-	1
	<u>-</u>	<u>1</u>

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

8. Expenses by nature

	2012	2011
	€'000	€'000
Raw materials and consumables used	10,364	4,086
Staff costs (Note 9)	526	386
Depreciation and amortisation expense	61	71
Auditors' remuneration	14	25
Impairment charge of property, plant and equipment (Note 12)	-	1
Trade receivables - impairment charge for bad and doubtful debts	-	24
Other expenses	1,999	784
Total expenses	12,964	5,377

9. Staff costs

	2012	2011
	€'000	€'000
Wages and salaries	526	386
	526	386

10. Finance costs

	2012	2011
	€'000	€'000
Net foreign exchange transaction losses	31	(41)
Interest expense	228	200
Other finance expenses	35	25
	294	184

11. Tax

11.1 Tax recognised in profit or loss

	2012	2011
	€'000	€'000
Corporation tax - current year / period	(1)	-
Overseas tax	(57)	(49)
Deferred tax - charge (Note 19)	-	15
Credit for the year	(58)	(34)

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 2011 and 17% thereafter).

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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						
Balance at 1 January 2011	103	-	268	7	224	602
Acquisitions through business combinations	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/ 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	161	256	832	46	715	2.010
Depreciation						
Balance at 1 January 2011	5	-	22	1	7	35
Acquisitions through business combinations	22	-	91	5	-	118
Charge for the period	11	-	44	2	14	71
Exchange differences	-	-	14	-	7	21
Balance at 31 December 2011/ 1 January 2012	38	-	171	8	28	245
Charge for the year	9	-	25	6	21	61
Exchange differences	1	-	4	-	1	6
Balance at 31 December 2012	47	-	200	14	50	311
Net book amount						
Balance at 31 December 2012	114	256	632	32	665	1.699
Balance at 31 December 2011	116	16	537	22	529	1.220

13. Biological assets

	2012 €'000	2011 €'000
Balance at 1 January	1.247	417
Increases due to purchases	397	2.534
Decrease in fair value	(4)	(220)
Decrease in value due to products gathering	(760)	(1.336)
Exchange differences	(28)	(148)
Balance at 31 December	852	1.247
Less current portion	(669)	(1.076)
Non-current portion	183	171

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

14. Non-current loans receivable

	2012	2011
	€'000	€'000
Loans to shareholders (Note 22)	<u>225</u>	<u>225</u>
	225	225

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

	2012	2011
	€'000	€'000
Materials of agricultural purpose	346	377
Work in progress	130	-
Agricultural products	2.141	2.543
Fuel	51	97
Spare parts and building materials	1.179	105
Other inventories	<u>830</u>	<u>355</u>
	4.677	3.477

Inventories are stated at cost.

16. Trade and other receivables

	2012	2011
	€'000	€'000
Trade receivables	778	422
Less: Provision for impairment of receivables	<u>(86)</u>	<u>(81)</u>
Trade receivables - net	692	341
Receivables from related parties (Note 22)	841	852
Directors' current accounts - debit balances (Note 22)	204	185
Shareholders' current accounts - debit balances (Note 22)	-	93
Deposits and prepayments	408	490
Other receivables	1.178	39
Refundable VAT	<u>320</u>	<u>122</u>
	3.643	2.122

The Group has not recognized a loss for the impairment of its trade receivables during the year ended 31 December 2012 (2011: €24 thousand).

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.

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

17. Share capital

	2012 Number of shares	2012 €'000	2011 Number of shares	2011 €'000
Authorised				
Ordinary shares of €0,10 each	<u>307.560</u>	<u>31</u>	<u>307.560</u>	<u>31</u>
Issued and fully paid				
Balance at 1 January	307.560	32	307.560	31
Result of aggregation with Ukrainian entity LLC Vostokagrokontract	-	19	-	1
Balance at 31 December	<u>307.560</u>	<u>51</u>	<u>307.560</u>	<u>32</u>

18. Borrowings

	2012 €'000	2011 €'000
Current borrowings		
Bank loans	<u>505</u>	<u>591</u>
Non current borrowings		
Bank loans	32	79
Loans from related companies (Note 22)	<u>105</u>	<u>119</u>
	<u>137</u>	<u>198</u>
Total	<u>642</u>	<u>789</u>

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:

	2012	2011
Bank loans	19,5%	16,8%

The Group borrowings are denominated in the following currencies:

	2012 €'000	2011 €'000
Ukrainian Hryvnia	<u>687</u>	<u>789</u>
	<u>687</u>	<u>789</u>

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

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 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/ 1 January 2012	-	45	28	73
Charged / (credited) to:				
Statement of comprehensive income (Note 11)	(12)	(45)	26	(31)
Balance at 31 December 2012	(12)	-	54	42

Deferred tax assets

	Advances from clients €'000	Reserves and provisions €'000	Total €'000
Balance at 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/ 1 January 2012	21	3	24
Charged / (credited) to:			
Statement of comprehensive income (Note 11)	51	-	51
Balance at 31 December 2012	72	3	75

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

20. Trade and other payables

	2012 €'000	2011 €'000
Trade payables	232	546
Prepayments from clients	45	-
Short term notes issued	-	2
Directors' current accounts - credit balances (Note 22)	10	82
Accruals	49	17
Other creditors	698	681
Payables to related parties (Note 22)	80	64
	<u>1.114</u>	<u>1.392</u>

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

21. Current tax liabilities

	2012 €'000	2011 €'000
Corporation tax	9	6
Special contribution for defence	-	3
	<u>9</u>	<u>9</u>

22. Related party transactions

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

The following transactions were carried out with related parties:

22.1 Sales of goods and services

	<u>Nature of transactions</u>	2012 €'000	2011 €'000
Praga	Trade	431	34
O. Berdnyk	Trade	(21)	15
I. Poplavskaya	Trade	34	20
		<u>444</u>	<u>69</u>

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

22.2 Purchases of goods and services

	<u>Nature of transactions</u>	2012 €'000	2011 €'000
O. Berdnyk	Trade	66	103
I. Poplavskaya	Trade	379	6
M. Tamaryan	Trade	147	-
L. Kazanina	Trade	132	-
Praga	Trade	150	10
		<u>874</u>	<u>119</u>

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

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

22. Related party transactions (continued)

22.3 Receivables from related parties (Note 16)

<u>Name</u>	<u>Nature of transactions</u>	2012 €'000	2011 €'000
I. Poplavskaya	Trade	225	121
M. Tamaryan	Trade	223	228
Y. Poplavskiy	Trade	-	71
T. Oleynik	Trade	-	5
Praga	Trade	345	378
L.Kazanina	Trade	48	49
		<u>841</u>	<u>852</u>

22.4 Loans to shareholders (Note 14)

	2012 €'000	2011 €'000
Loan to shareholders	225	225
	<u>225</u>	<u>225</u>

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

22.5 Payables to related parties (Note 20)

<u>Name</u>	<u>Nature of transactions</u>	2012 €'000	2011 €'000
I. Poplavskaya	Trade	20	26
Y. Poplavskiy	Trade	19	20
Praga	Trade	41	18
		<u>80</u>	<u>64</u>

22.6 Loans from related undertakings (Note 18)

	2012 €'000	2011 €'000
Loans from related parties	105	119
	<u>105</u>	<u>119</u>

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

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

	2012 €'000	2011 €'000
Shareholders current account	-	93
O. Berdnyk	204	185
	<u>204</u>	<u>278</u>

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

AGROLIGA GROUP PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

22. Related party transactions (continued)

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

	2012 €'000	2011 €'000
O. Berdnyk	10	82
	<u>10</u>	<u>82</u>

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 2012.

25. Events after the reporting period

The negotiations of the Cyprus Government with the European Commission, the European Central Bank and the International Monetary Fund (the 'Troika'), in order to obtain financial support, resulted in an agreement and decision of the Eurogroup on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing, and to restore the viability of the financial sector, with a view to restoring sustainable economic growth and sound public finances in the coming years.

On 22 March 2013 legislation was enacted by the House of Representatives of the Republic of Cyprus concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and they were enforced on 28 March 2013. The Group's management is monitoring the developments in relation to these capital controls and is assessing the implications on the Group's operations.

On 18 April 2013 legislation was enacted by the House of Representatives to increase the corporate tax from 10% to 12.5% with effect from 1 January 2013. Furthermore, legislation was enacted to increase the rate of special defence contribution from 15% to 30% on interest which does not arise from the ordinary course of business or is closely linked to it.

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