



**AGROTON PUBLIC LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2012

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**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2012**

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**AGROTON PUBLIC LIMITED****OFFICERS AND PROFESSIONAL ADVISORS****Board of Directors**

Iurii Zhuravlov (Chief Executive Officer)

Tamara Lapta (Deputy Chief Executive Officer)

Larysa Orlova (Chief Financial Officer)  
(appointed on 11 May 2012)

Borys Supikhanov (Non-Executive Director)

Volodymyr Kudryavtsev (Non-Executive Director)  
(appointed on 11 May 2012)

Nikolay Rozdymaha (Executive Director)  
(resigned on 11 May 2012)

Alex Lissitsa (Non-Executive Director)  
(resigned on 11 May 2012)

**Secretary**

Inter Jura Cy (Services) Limited

**Independent Auditors**

KPMG Limited

**Banker**

Bank of Cyprus Public Company Ltd

**Registered Office**

1 Lampousas Street  
1095 Nicosia  
Cyprus

**AGROTON PUBLIC LIMITED****BOARD OF DIRECTORS' REPORT**

The Board of Directors of Agroton Public Limited (the "Company") presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2012.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company, which are unchanged from last year, are those of an investment holding company and the provision of financing to related parties. The Company is the holding company of a group of companies which represents one of the leading agriculture producers in Ukraine. The Group's core business is crop production, comprising principally sunflower seeds and wheat and also engaged in livestock and food processing.

**FINANCIAL RESULTS**

The Company's financial results for the year ended 31 December 2012 are set out on page 6 of the financial statements. The loss for the year attributable to the owners of the Company amounted to US\$5.072.963 (2011: US\$10.210.681).

**EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE COMPANY**

The current financial position as presented in the financial statements is not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses.

**DIVIDENDS**

The Board of Directors does not recommend the payment of a dividend.

**MAIN RISKS AND UNCERTAINTIES**

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 18 of the financial statements.

**FUTURE DEVELOPMENTS**

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

**SHARE CAPITAL**

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

**BRANCHES**

During the year ended 31 December 2012 the Company did not operate any branches.

**AGROTON PUBLIC LIMITED****BOARD OF DIRECTORS' REPORT** *(continued)***BOARD OF DIRECTORS**

The members of the Company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1.

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**

The events that occurred after the reporting period are described in note 21 of the financial statements.

**RELATED PARTY TRANSACTIONS**

Disclosed in note 17 of the financial statements.

**INDEPENDENT AUDITORS**

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Inter Jura Cy (Services) Limited  
Secretary

Nicosia, 29 April 2013



**KPMG Limited**  
**Chartered Accountants**  
14 Esperidon Street  
1087 Nicosia, Cyprus  
P.O.Box 21121  
1502 Nicosia, Cyprus

Telephone +357 22 209000  
Fax +357 22 678200  
E-mail nicosia@kpmg.com.cy  
Internet www.kpmg.com.cy

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## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF**

#### **Agroton Public Limited**

#### **Report on the financial statements**

We have audited the accompanying financial statements of parent company Agroton Public Limited (the "Company") on pages 6 to 29 which comprise the statement of financial position as at 31 December 2012, and the 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 financial statements*

The Board of Directors is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

#### **Board Members:**

N.G. Syrimis, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou  
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou  
S.A. Loizides, M.A. Loizides, S.G. Sofocleous, M.M. Antoniadis  
C.V. Vasiliou, P.E. Antoniadis, M.J. Halios, M.P. Michael, P.A. Peleties  
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis  
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos  
M.G. Gregoriades, H.A. Kakoullis, G.P. Savva, C.A. Kalias, C.N. Kallis  
M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias  
P.S. Theophanous, M.A. Karantoni, C.A. Markides

KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus.

#### **Limassol**

P.O.Box 50161, 3601  
Telephone +357 25 869000  
Fax +357 25 363842

#### **Larnaca**

P.O.Box 40075, 6300  
Telephone +357 24 200000  
Fax +357 24 200200

#### **Paphos**

P.O.Box 60288, 8101  
Telephone +357 26 943050  
Fax +357 26 943062

#### **Paralimni / Ayia Napa**

P.O.Box 33200, 5311  
Telephone +357 23 820080  
Fax +357 23 820084

#### **Polis Chrysochou**

P.O.Box 66014, 8330  
Telephone +357 26 322098  
Fax +357 26 322722

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Agroton Public Limited 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.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors pages 2 and 3 is consistent with the financial statements.

### **Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts 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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2012.

### *Comparative figures*

The financial statements of the Company for the year ended 31 December 2011 were audited by another auditor who expressed an unmodified opinion with emphasis of matter on those financial statements on 30 April 2012.



Maria A. Papacosta, FCCA  
Certified Public Accountant and Registered Auditor  
for and on behalf of

KPMG Limited  
Certified Public Accountants and Registered Auditors  
14 Esperidon Street  
1087 Nicosia  
Cyprus

29 April 2013

## AGROTON PUBLIC LIMITED

STATEMENT OF COMPREHENSIVE INCOMEFor the year ended 31 December 2012

	Note	2012 US\$	2011 US\$
Loan interest income		4.209.404	2.890.769
Interest expense		<u>(7.166.086)</u>	<u>(3.721.637)</u>
<b>Gross loss</b>		(2.956.682)	(830.868)
Other operating income		-	35.985
Impairment loss on investments in subsidiaries		-	(5.311.412)
Impairment loss on other non-current assets		-	(3.072.418)
Administrative expenses		<u>(2.096.489)</u>	<u>(1.615.249)</u>
<b>Operating loss</b>	4	<u>(5.053.171)</u>	<u>(10.793.962)</u>
Finance income		4.292	658.973
Finance expenses		<u>(24.084)</u>	<u>(74.398)</u>
<b>Net finance (expenses)/income</b>	5	<u>(19.792)</u>	<u>584.575</u>
<b>Loss before tax</b>		(5.072.963)	(10.209.387)
Tax	6	<u>-</u>	<u>(1.294)</u>
<b>Loss for the year</b>		<u>(5.072.963)</u>	<u>(10.210.681)</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive expenses for the year attributable to the owners</b>		<u><u>(5.072.963)</u></u>	<u><u>(10.210.681)</u></u>

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



## AGROTON PUBLIC LIMITED

STATEMENT OF FINANCIAL POSITIONAs at 31 December 2012

	Note	2012 US\$	2011 US\$
<b>Assets</b>			
Investments in subsidiaries	7	35.193.406	9.993.406
Other non-current assets	10	45.314.824	12.927.582
Loans to own subsidiaries	17	<u>93.741.949</u>	<u>88.710.474</u>
<b>Total non-current assets</b>		<u>174.250.179</u>	<u>111.631.462</u>
Trade and other receivables	9	95.083	859.596
Loans receivable	8	2.087.778	-
Loans to own subsidiaries	17	4.960.795	20.463.392
Loans to owner	17	1.048.889	-
Cash and cash equivalents	11	<u>9.258.714</u>	<u>13.424.524</u>
<b>Total current assets</b>		<u>17.451.259</u>	<u>34.747.512</u>
<b>Total assets</b>		<u>191.701.438</u>	<u>146.378.974</u>
<b>Equity</b>			
Share capital and share premium	12	661.128	661.128
Share premium	12	88.531.664	88.531.664
Reserves		<u>(16.161.309)</u>	<u>(11.088.346)</u>
<b>Total equity</b>		<u>73.031.483</u>	<u>78.104.446</u>
<b>Liabilities</b>			
Loans and borrowings	13	45.066.286	44.234.090
Loans from subsidiaries	17	65.961.450	17.439.450
Loans from owner	17	<u>1.083.889</u>	<u>-</u>
<b>Total non-current liabilities</b>		<u>112.111.625</u>	<u>61.673.540</u>
Short term portion of long-term loans	13	6.250.000	6.250.000
Trade and other payables	14	194.825	237.483
Tax liability	15	<u>113.505</u>	<u>113.505</u>
<b>Total current liabilities</b>		<u>6.558.330</u>	<u>6.600.988</u>
<b>Total liabilities</b>		<u>118.669.955</u>	<u>68.274.528</u>
<b>Total equity and liabilities</b>		<u>191.701.438</u>	<u>146.378.974</u>

On 29 April 2013 the Board of Directors of Agroton Public Limited authorised these financial statements for issue.

.....  
 Tamara Lapta  
 Director

.....  
 Larysa Orlova  
 Director

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

**AGROTON PUBLIC LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2012**

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2011	661.128	88.531.664	(877.665)	88.315.127
<b>Comprehensive income</b>				
Loss for the year	-	-	(10.210.681)	(10.210.681)
<b>Balance at 31 December 2011</b>	<u>661.128</u>	<u>88.531.664</u>	<u>(11.088.346)</u>	<u>78.104.446</u>
Balance at 1 January 2012	661.128	88.531.664	(11.088.346)	78.104.446
<b>Comprehensive income</b>				
Loss for the year	-	-	(5.072.963)	(5.072.963)
<b>Balance at 31 December 2012</b>	<u>661.128</u>	<u>88.531.664</u>	<u>(16.161.309)</u>	<u>73.031.483</u>

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

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

**AGROTON PUBLIC LIMITED****STATEMENT OF CASH FLOWS****For the year ended 31 December 2012**

	Note	2012 US\$	2011 US\$
<b>Cash flows from operating activities</b>			
Loss for the year		(5,072.963)	(10,210.681)
Adjustments for:			
Amortisation of other non-current assets		692.758	-
Impairment loss on investments in subsidiaries		-	5,311.412
Impairment loss on other non-current assets		-	3,072.418
Interest income		(4,209.404)	(2,903.707)
Interest expense		7,169.009	3,721.637
Income tax expense		-	1,294
<b>Cash flows used in operations before working capital changes</b>		<u>(1,420.600)</u>	<u>(1,007.627)</u>
Decrease/(increase) in trade and other receivables		764.513	(59.596)
Prepayments for other non-current assets		-	(10,000.000)
(Decrease)/increase in trade and other payables		(42.658)	207.238
Increase in payables to own subsidiaries		-	100
<b>Cash flows used in operations</b>		<u>(698.745)</u>	<u>(10,859.885)</u>
Interest paid		<u>(2.924)</u>	<u>-</u>
<b>Net cash flows used in operating activities</b>		<u>(701.669)</u>	<u>(10,859.885)</u>
<b>Cash flows from investing activities</b>			
Payment for acquisition of investments in subsidiaries		(25,200.000)	(15,300.100)
Loans granted		(7,350.000)	(39,150.000)
Loans repayments received		18,893.859	500.000
Prepayments for acquisition of other non-current assets		(33,080.000)	-
Interest received		-	12,938
<b>Net cash flows used in investing activities</b>		<u>(46,736.141)</u>	<u>(53,937.162)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	47,222.986
Proceeds from loans from subsidiary companies		48,522.000	17,439.450
Proceeds from loans from owners		1,000.000	-
Interest paid		<u>(6,250.000)</u>	<u>(460.534)</u>
<b>Net cash flows from financing activities</b>		<u>43,272.000</u>	<u>64,201.902</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(4,165.810)</u>	<u>(595.145)</u>
Cash and cash equivalents at the beginning of the year		<u>13,424.524</u>	<u>14,019.669</u>
<b>Cash and cash equivalents at the end of the year</b>	11	<u><u>9,258.714</u></u>	<u><u>13,424.524</u></u>

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

## AGROTON PUBLIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

#### 1. INCORPORATION AND PRINCIPAL ACTIVITIES

Agroton Public Limited (the "Company") was incorporated in Cyprus on 21 September 2009 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at 1 Lampousas Street, 1095 Nicosia, Cyprus.

The principal activities of the Company, which are unchanged from last year, are those of an investment holding company and the provision of financing to related parties. The Company is the holding company of a group of companies which represents one of the leading agriculture producers in Ukraine. The Group's core business is crop production, comprising principally sunflower seeds and wheat and also engaged in livestock and food processing.

#### 2. BASIS OF PREPARATION

##### **(a) Statement of compliance**

The 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 Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from the registered office of the Company.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2012 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group

##### **(b) Basis of measurement**

The financial statements have been prepared under the historical cost convention.

##### **(c) Adoption of new and revised International Financial Reporting Standards and Interpretations**

As from 1 January 2012, the Company adopted all of the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS), which are relevant to its operations. This adoption did not have a material effect on the accounting policies of the Company.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2012:

##### **(i) Standards and Interpretations adopted by the EU**

- IFRS 7 (Amendments) "Financial Instruments" Disclosures "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).

**AGROTON PUBLIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2012

**2. BASIS OF PREPARATION** *(continued)*

**(c) Adoption of new and revised International Financial Reporting Standards and Interpretations**  
*(continued)*

**(i) Standards and Interpretations adopted by the EU** *(continued)*

- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendments) "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

**(ii) Standards and Interpretations not adopted by the EU**

- Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 – Government loans (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendments) "Financial Instruments" Disclosures – "Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).
- Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).
- Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company except from:

- The adoption of IFRS9 could change the classification and measurement of financial assets. The extent of the impact has not been determined.

**(d) Use of estimates and judgments**

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

**AGROTON PUBLIC LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2012

**2. BASIS OF PREPARATION** *(continued)*

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

- **Income taxes**  
Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- **Impairment of investments in subsidiaries**  
The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

**(e) Functional and presentation currency**

The financial statements are presented in United States Dollars (US\$) which is the functional currency of the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently for all the years presented in these financial statements and in stating the financial position of the Company.

**Subsidiary companies**

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

# AGROTON PUBLIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- Income from investments in securities  
Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in securities is recognised on an accruals basis.

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

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

#### Finance income

Finance income includes interest income which is recognised based on an accrual basis.

#### Finance expenses

Interest expense and other borrowing costs are recognised to profit or loss using the effective interest method.

#### Foreign currency translation

##### *(i) Functional and presentation currency*

Items included in the Company'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 United States Dollars (US\$), which is the Company's functional and presentation currency.

##### *(ii) 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

Tax liabilities and assets for the current and prior periods 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. Current tax includes any adjustments to tax payable in respect of previous periods.

#### Dividends

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

#### Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

**AGROTON PUBLIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2012

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments (continued)

(i) Loans granted

Loans originated by the Company 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.

(ii) Cash and cash equivalents

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

(iii) 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.

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 Company 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 Company 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.



**AGROTON PUBLIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2012

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Derecognition of financial assets and liabilities (continued)

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.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 statement of financial position.

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 period.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

**4. OPERATING LOSS**

	2012 US\$	2011 US\$
Operating loss is stated after charging the following items:		
Directors' fees	-	10.572
Independent auditors' remuneration for the statutory audit of annual accounts	101.594	201.795
Independent auditors' remuneration for other assurance service	37.490	60.609
Independent auditors' remuneration - prior years	<u>80.285</u>	<u>154.118</u>

## AGROTON PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2012**5. NET FINANCE INCOME AND EXPENSES**

	2012 US\$	2011 US\$
Interest income	-	12.938
Exchange profit	<u>4.292</u>	<u>646.035</u>
Finance income	<u>4.292</u>	<u>658.973</u>
Net foreign exchange transaction losses	(1.024)	(44.113)
Interest expense	(2.923)	-
Sundry finance expenses	<u>(20.137)</u>	<u>(30.285)</u>
Finance expenses	<u>(24.084)</u>	<u>(74.398)</u>
<b>Net finance (expenses)/income</b>	<u><u>(19.792)</u></u>	<u><u>584.575</u></u>

**6. TAXATION**

	2012 US\$	2011 US\$
Special contribution to the defence fund for the year	<u>-</u>	<u>1.294</u>
Charge for the year	<u><u>-</u></u>	<u><u>1.294</u></u>

Reconciliation of tax based on the taxable income and tax based on accounting losses:

	2012 US\$	2011 US\$
Accounting loss before tax	<u><u>(5.072.963)</u></u>	<u><u>(10.209.387)</u></u>
Tax calculated at the applicable tax rates	(507.296)	(1.020.939)
Tax effect of expenses not deductible for tax purposes	503.547	1.098.836
Tax effect of allowances and income not subject to tax	-	(4.892)
Tax effect of tax losses brought forward	-	(73.005)
Tax effect of loss for the year	3.749	-
Special contribution to the defence fund current year	<u>-</u>	<u>1.294</u>
Tax as per statement of comprehensive income - charge	<u><u>-</u></u>	<u><u>1.294</u></u>

## AGROTON PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2012**6. TAXATION** *(continued)*

The corporation tax rate is 10% (12,5% as from 1 January 2013).

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 30 August 2011). 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 (up to 30 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011).

**7. INVESTMENTS IN SUBSIDIARIES**

	2012 US\$	2011 US\$
Balance at 1 January	9.993.406	4.718
Additions	25.200.000	15.300.100
Impairment charge	-	(5.311.412)
Balance at 31 December	<u>35.193.406</u>	<u>9.993.406</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2012 Holding %	2011 Holding %	2012 US\$	2011 US\$
Living LLC	Ukraine	Agricultural activities	99,99	99,99	4.718	4.718
Agroton BVI Limited	British Virgin Island	Trading in Agriculture	100	100	100	100
LLC Gefest	Ukraine	Owner of land lease rights	100	100	4.797.778	4.797.778
Private Enterprise Tais Avb	Ukraine	Owner of land lease rights	100	100	5.190.810	5.190.810
Private Enterprise Alinko	Ukraine	Owner of land lease rights	100	-	10.100.000	-
LLC Lugastan	Ukraine	Owner of land lease rights	100	-	<u>15.100.000</u>	<u>-</u>
					<u>35.193.406</u>	<u>9.993.406</u>

**AGROTON PUBLIC LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2012****7. INVESTMENTS IN SUBSIDIARIES** *(continued)*

- i) On 27 May 2011, the Company established Agroton (BVI) Limited, a company incorporated in the British Virgin Islands. Agroton Public Limited holds 100% of the issued share capital. The share capital of Agroton BVI Limited has not been settled and is reflected in note 14.
- ii) On 22 December 2011 the Company acquired 100% ownership in LLC "Gefest", a company incorporated in Ukraine for the total amount of US\$7.300.000. The purchase consideration was settled on 22 December 2011.
- iii) On 28 December 2011 the Company acquired 100% ownership in PE "Tais-AVB", a company incorporated in Ukraine for the total amount of US\$8.000.000. The purchase consideration was settled on 28 December 2011.
- iv) On 27 June 2012 the Company acquired 100% ownership in Private Enterprise "Alinko", a company incorporated in Ukraine for the total amount of US\$10.100.000. The purchase consideration was settled on 27 June 2012. The subsidiary leases with an average lease term of 10 years a total land area of 15.074 hectares, located in the Luhansk region, Ukraine.
- v) On 29 June 2012 the Company acquired 100% ownership in LLC "Lugastan" a company incorporated in Ukraine for the total amount of US\$15.100.000. The purchase consideration was settled on 29 June 2012. The subsidiary leases with an average lease term of 10 years a total land area of 23.076 hectares, located in the Luhansk region, Ukraine.

**8. LOANS RECEIVABLE**

	2012 US\$	2011 US\$
Balance at 1 January	-	-
New loans granted	2.000.000	-
Interest charged	<u>87.778</u>	<u>-</u>
Balance at 31 December	<u>2.087.778</u>	<u>-</u>
	2012 US\$	2011 US\$
Loans receivable	<u>2.087.778</u>	<u>-</u>
	<u>2.087.778</u>	<u>-</u>

On 29 June 2012 the Company has entered into a loan agreement with Stimi Agri Limited amounting to US\$2.000.000. The loan bears interest at a rate of 20% per annum and is repayable on 29 June 2013. The above loan is unsecured.

The exposure of the Company to credit risk is reported in note 18 of the financial statements.

## AGROTON PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2012**9. TRADE AND OTHER RECEIVABLES**

	2012 US\$	2011 US\$
Deposits and prepayments	9.300	800.000
Refundable VAT	<u>85.783</u>	<u>59.596</u>
	<u>95.083</u>	<u>859.596</u>

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 18 of the financial statements.

**10. OTHER NON-CURRENT ASSETS**

	2012 US\$	2011 US\$
<b>Advances:</b>		
Advance for land lease	8.000.000	7.200.000
Less: amortisation	<u>(2.000.000)</u>	<u>(1.200.000)</u>
	<u>6.000.000</u>	<u>6.000.000</u>
<b>Prepayments:</b>		
Prepayments for the immediate right to use the elevator	10.000.000	10.000.000
Less: provision for impairment	<u>(3.072.418)</u>	<u>(3.072.418)</u>
Less: amortisation	<u>(692.758)</u>	<u>-</u>
Prepayments for the immediate right to use elevator	<u>6.234.824</u>	<u>6.927.582</u>
<b>Other receivables:</b>		
Prepayment for acquisition of investments	<u>33.080.000</u>	<u>-</u>
	<u>45.314.824</u>	<u>12.927.582</u>

On 20 July 2011 Private Enterprise Agricultural Production Firm Agro ("PE APF Agro") entered into an investment agreement with SJSC Khlib Ukraine Novoaydarskyy Elevator, in respect of the Novoaydarskyy Elevator. Based on the agreement PE APF Agro undertakes to invest US\$ 1.155 thousand for the upgrading of the elevator until 20 July 2021 and upon completion of the project, PE APF Agro will become the 54% owner of the elevator while the remaining 46% will continue to be owned by the existing owner. In case PE APF Agro invests additional amounts in the upgrading of the elevator, its participation in the ownership rights will increase. The grain elevator with a storage capacity of 130.000 tons was previously rented by the Group as part of its operations.

During the year 2011 Agroton Public Limited made a prepayment of US\$ 10.000 thousand in relation to this investment agreement specifically for its rights to secure use of this elevator. The fair value of these rights was evaluated at US\$ 6.928 thousand hence an impairment loss of USD 3.072 thousand was accounted for in the consolidated statement of comprehensive income

At 31 December 2012 PE APF Agro made payments of US\$ 683 thousand for the upgrading of the elevator.

# AGROTON PUBLIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 10. OTHER NON-CURRENT ASSETS *(continued)*

On 29 June 2012, Agroton Public Limited entered into a preliminary agreement with Stiom Agri Ltd ("Seller") for the acquisition of 100% of the issued share capital of Private Enterprises "Peredilske". The parties agreed that the price for transfer of the company's shares shall amount to US\$23.080.000. The ownership of the company's shares shall be deemed transferred to the Company within 9 months after the effective date (29 June 2012).

On 26 December 2012, Agroton Public Limited entered into a preliminary agreement with Stiom Agri Ltd ("Seller") for the purchase of 100% of the issued share capital of Limited Liability Company "Shid Potetial - Resurs". The parties agreed that the price for transfer of the company's shares shall amount to US\$10.000.000. The ownership of the company's shares shall be deemed transferred to the Company within 6 months after the effective date (26 December 2012).

### 11. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	2012 US\$	2011 US\$
Cash with brokers	871.692	13.171.692
Cash at bank	<u>8.387.022</u>	<u>252.832</u>
	<u>9.258.714</u>	<u>13.424.524</u>

Cash with brokers represents cash held by the Company's investment manager for the purpose of investment on behalf of the Company. In accordance with the agreement between the Company and the investment broker, the Company has access to this cash within three (3) working business days from the day the Company makes request.

During the year 2011 the Company has changed its investment manager and on 8 February 2011 entered into a new agreement for the administration of the funds with a new investment manager. Based on this new agreement, the interest income to be earned on this deposit is nil.

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 18 of the financial statements.

### 12. SHARE CAPITAL AND SHARE PREMIUM

Issued and fully paid	Number of shares	Share capital US\$	Share premium US\$	Total US\$
Balance at 1 January 2011	<u>21.670.000</u>	<u>661.128</u>	<u>88.531.664</u>	<u>89.192.792</u>
Balance at 1 January 2012	<u>21.670.000</u>	<u>661.128</u>	<u>88.531.664</u>	<u>89.192.792</u>
Balance at 31 December 2012	<u>21.670.000</u>	<u>661.128</u>	<u>88.531.664</u>	<u>89.192.792</u>

## AGROTON PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2012**12. SHARE CAPITAL AND SHARE PREMIUM** *(continued)***Authorised capital**

On 31 December 2012 the authorised share capital of the Company was 47.619.048 shares of nominal value €0,021 each.

**13. LOANS AND BORROWINGS**

	2012 US\$	2011 US\$
<b>Long term liabilities</b>		
Bonds	<u>45.066.286</u>	<u>44.234.090</u>
<b>Short term liabilities</b>		
Bonds	<u>6.250.000</u>	<u>6.250.000</u>
Total	<u><u>51.316.286</u></u>	<u><u>50.484.090</u></u>

On the 14 July 2011, the Company issued US\$50.000.000 12,50% Notes due on 14 July 2014, have been admitted to the official list of the UK Listing authority and to the London Stock Exchange Plc and trading on the London Stock Exchange's regulated market.

The Notes bear interest at a rate of 12,50% per annum payable semi-annually in arrears on 14 January and 14 July each year, commencing on 14 January 2012.

Due to the current economic situation in Cyprus as disclosed in note 33 of the consolidated financial statements, the Company may not be able to meet its obligation regarding the payment of semi-annual interest in arrears for July 2013.

The Notes are recognised initially at fair value US\$50.000.000 net of issue costs equal to US\$2.777.014. The difference between the proceeds (net of issue costs) and the redemption value as at 14 July 2014 is recognised in the profit or loss over the period of the issue.

The following subsidiaries are acting as surety providers:

- Living LLC
- PE Agricultural Production Firm Agro
- Agroton PJSC
- Agro Meta LLC
- ALLC Noviy Shlyah
- ALLC Shiykivske
- Agro Svymprom LLC
- Agro Chornukhinski Kurchata LLC
- Rosinka-Star LLC
- AF named by Shevchenko

**AGROTON PUBLIC LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2012****13. LOANS AND BORROWINGS** *(continued)*

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 18 of the financial statements.

**14. TRADE AND OTHER PAYABLES**

	2012 US\$	2011 US\$
Accruals	109.549	224.498
Other creditors	85.176	12.885
Payables to own subsidiaries (Note 16)	<u>100</u>	<u>100</u>
	<u>194.825</u>	<u>237.483</u>

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 18 of the financial statements.

**15. TAX LIABILITY**

	2012 US\$	2011 US\$
Special contribution for defence	<u>113.505</u>	<u>113.505</u>
	<u>113.505</u>	<u>113.505</u>

**16. OPERATING ENVIRONMENT OF THE COMPANY**

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support.

Cyprus and the Eurogroup (together with the International Monetary Fund) reached an agreement 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 the view of restoring sustainable economic growth and sound public finances over the coming years. The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below € 100.000 in accordance with EU legislation.



**AGROTON PUBLIC LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2012

**16. OPERATING ENVIRONMENT OF THE COMPANY** *(continued)*

In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatization. The Eurogroup requested the Cypriot authorities and the European Commission, in liaison with the European Central Bank and the International Monetary Fund, to finalize the Memorandum of Understanding within April 2013, which will then be followed by the formal approval of the Board of Directors of the European Stability Mechanism as well as by the ratification by Eurozone member states through national parliamentary (or equivalent) approvals.

On 22 March 2013 the House of Representatives voted legislation relating to capital controls affecting transactions executed through banking institutions operating in Cyprus. The extent and duration of the capital controls is decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The Company's management is monitoring the developments in relation to these capital controls and is assessing the implications on the Company's operations and particularly due to the loss and blockage of funds.

**17. RELATED PARTY TRANSACTIONS**

	31 December 2012	
	Number of shares	Ownership interest, %
Owners		
IFG Directors Limited	11.059.994	51,04
BNY (Nominees) Limited	4.000.000	18,46
Templeton Asset Management Limited	2.735.200	12,62
BPH Towarzystwo Funduszy Inwestycyjnych S.A.	1.130.950	5,22
Generali Otwarty Fundusz Emerytalny	1.089.839	5,03
Free float	<u>1.654.017</u>	<u>7,63</u>
	<u>21.670.000</u>	<u>100,00</u>

The transactions and balances with related parties are as follows:

**(i) Directors' remuneration**

The remuneration of Directors and other members of key management was as follows:

	2012 US\$	2011 US\$
Non executive Directors' fees	<u>-</u>	<u>10.572</u>
	<u>-</u>	<u>10.572</u>

## AGROTON PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2012**17. RELATED PARTY TRANSACTIONS** *(continued)***(ii) Loans to own subsidiaries**

		2012 US\$	2011 US\$
	<u>Note</u>		
Private Enterprise Agricultural Production Firm Agro	a	78.743.944	86.863.287
Private Enterprise Agricultural Production Firm Agro	b	14.998.005	11.847.186
Private Enterprise Agricultural Production Firm Agro	c	<u>4.960.795</u>	<u>10.463.393</u>
		<u>98.702.744</u>	<u>109.173.866</u>

The Company has granted Private Enterprise Agricultural Production Firm "Agro", a related group company, 9 loans. Private Enterprise Agricultural Production Firm "Agro" is a wholly owned subsidiary of "Living" LLC, which is a wholly owned subsidiary of the Company.

- a) On 23 November 2009, the Company entered into a loan agreement with Private Enterprise Agricultural Production Firm "Agro" for the amount of US\$8.000.000. The loan agreement was later amended, increasing the loan facility to US\$10.000.000. The loan bears interest at a rate of 2,5% per annum. On the 2 December 2010 through an additional loan agreement the repayment date was prolonged from 1 January 2011 to 1 January 2012.

On 25 March 2010, the Company entered into a new loan agreement with Private Enterprise Agricultural Production Firm "Agro", where a loan facility of US\$10.000.000 was granted. The loan bears interest at a rate of 2,5% per annum and is repayable on 1 January 2015.

Also during the years 2010 and 2011, the Company entered into the following loan agreements with Private Enterprise Agricultural production firm "Agro":

- (1) On 25 October 2010, granting a loan facility of US\$10.000.000;
- (2) On 26 October 2010, granting a loan facility of US\$10.000.000;
- (3) On 27 October 2010 granting a loan facility of US\$10.000.000;
- (4) On 28 October 2010, granting a loan facility of US\$10.000.000;
- (5) On 29 October 2010, granting a loan facility of US\$5.000.000;
- (6) On 9 August 2010, granting a loan facility of US\$10.000.000; and
- (7) On 5 January 2011, granting a loan facility of US\$10.000.000.

The above loans are unsecured, bear interest at the rate of 2,5% and are repayable on the 30 October 2015.

- b) On 23 June 2011 the Company has entered into a loan agreement with Private Enterprise Agricultural Production Firm "Agro" for the granting of financing facility amounting to US\$10.000.000. The loan bears interest at a rate of 10% per annum and is repayable on 1 July 2014. The above loan is unsecured.

On 21 July 2011 the Company has entered into a loan agreement with Private Enterprise Agricultural Production Firm "Agro" for the granting of financing facility amounting to US\$10.000.000.. The loan bears interest at a rate of 10% per annum and is repayable on 1 July 2014. The above loan is unsecured.

## AGROTON PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2012**17. RELATED PARTY TRANSACTIONS** *(continued)*

- c) On 3 March 2011, the Company entered into a new loan agreement with Private Enterprise Agricultural Production Firm "Agro" for US\$10.000.000. As at 31 December 2011 the total loan facility of US\$10.000.000 has been fully disbursed. The loan bears interest at a rate of 9,8% and was originally repayable on 13 December 2011. The above loan is unsecured. Based on an addendum to the loan agreement, the repayment terms have been extended to 30 September 2012 and the interest rate has been increased to 10% as of 1 March 2012.

**(iii) Loans to owner**

	2012 US\$	2011 US\$
Iurii Zhuravlov	<u>1.048.889</u>	<u>-</u>
	<u><u>1.048.889</u></u>	<u><u>-</u></u>

On 2 October 2012 the Company has entered into a loan agreement with the owner of the Company Mr. Iurii Zhuravlov amounting to US\$1.000.000. The loan bears interest at a rate of 20% per annum and is repayable on 2 September 2013. The above loan is unsecured.

**(iv) Payables to group companies (Note 14)**

<u>Name</u>	2012 US\$	2011 US\$
Agroton (BVI) Limited	<u>100</u>	<u>100</u>
	<u><u>100</u></u>	<u><u>100</u></u>

The amount payable to subsidiary company Agroton (BVI) Limited represents the unpaid share capital

**(v) Loans from subsidiaries**

	2012 US\$	2011 US\$
Agroton (BVI) Limited	<u>65.961.450</u>	<u>17.439.450</u>
	<u><u>65.961.450</u></u>	<u><u>17.439.450</u></u>

On 25 July 2011 the Company has entered into a contract with Agroton (BVI) Limited, a subsidiary company, to receive an interest free loan for the total amount of US\$10.000.000, repayable on 1 January 2015. On 10 September 2011 the Company has entered into an additional agreement for increasing the loan facility to US\$60.000.000 and amending the original repayment terms, for repayment of the loan in full on the repayment date of 1 January 2015 or any other date on the demand of the lender.

## AGROTON PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2012**17. RELATED PARTY TRANSACTIONS** *(continued)***(vi) Loans from owner**

	2012 US\$	2011 US\$
Iurii Zhuravlov	<u>1.083.889</u>	<u>-</u>
	<u>1.083.889</u>	<u>-</u>

On 2 August 2012 the Company has entered into a contract with the owner of the Company Mr. Iurii Zhuravlov to receive a loan for the amount of US\$1.000.000. The loan bears interest at a rate of 20% per annum and is repayable on 2 August 2013. The above loan is unsecured.

**18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Financial risk factors

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

*(i) 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 Company has no significant concentration of credit risk. The Company 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 Company has policies to limit the amount of credit exposure to any financial institution.

*Trade and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

## AGROTON PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2012**18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)**(i) Credit risk (continued)**Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012 US\$	2011 US\$
Loans receivable	2.087.778	-
Loans receivables from related parties	99.751.633	109.173.866
Cash at bank	<u>8.387.022</u>	<u>252.832</u>
	<u>110.226.433</u>	<u>109.426.698</u>

*(ii) 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 Company 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.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2012	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	Between 3-12 months US\$	Between 1-5 years US\$
Loans and borrowings	51.316.286	60.888.204	3.125.000	3.125.000	54.638.204
Trade and other payables	85.176	85.176	85.176	-	-
Payables to related parties	100	100	100	-	-
Loans from subsidiaries	65.961.450	65.961.450	65.961.450	-	-
Loans from owner	<u>1.083.889</u>	<u>1.202.778</u>	<u>-</u>	<u>1.202.778</u>	<u>-</u>
	<u>118.446.901</u>	<u>128.137.708</u>	<u>69.171.726</u>	<u>4.327.778</u>	<u>54.638.204</u>
31 December 2011	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	Between 3-12 months US\$	Between 1-5 years US\$
Loans and borrowings	50.484.090	68.750.000	3.125.000	3.125.000	62.500.000
Trade and other payables	12.885	12.885	12.885	-	-
Payables to related parties	100	100	100	-	-
Loans from subsidiaries	<u>17.439.450</u>	<u>17.439.450</u>	<u>17.439.450</u>	<u>-</u>	<u>-</u>
	<u>67.936.525</u>	<u>86.202.435</u>	<u>20.577.435</u>	<u>3.125.000</u>	<u>62.500.000</u>

## AGROTON PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2012**18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)**(iii) Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

*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 Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2012 US\$	2011 US\$
<i>Fixed rate instruments</i>		
Financial assets	102.711.103	122.345.558
Financial liabilities	118.624.900	67.923.540
<i>Variable rate instruments</i>		
Financial assets	<u>8.387.022</u>	<u>252.832</u>
	<u>229.723.025</u>	<u>190.521.930</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2012 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Equity		Profit or loss	
	2012 US\$	2011 US\$	2012 US\$	2011 US\$
Variable rate instruments	<u>838.702</u>	<u>25.283</u>	<u>838.702</u>	<u>25.283</u>
	<u>838.702</u>	<u>25.283</u>	<u>838.702</u>	<u>25.283</u>

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio. The Company's overall strategy remains unchanged from last year.

**19. FAIR VALUES**

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting period.

**AGROTON PUBLIC LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2012

**19. FAIR VALUES** *(continued)*

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

**20. CONTINGENT LIABILITIES**

The Company had no contingent liabilities as at 31 December 2012.

**21. EVENTS AFTER THE REPORTING PERIOD**

There were no material events after the reporting period which affect the financial statements as at 31 December 2012 apart from:

- On 14 April 2013 the Company has fully paid the third coupon interest on the Notes. The total interest payment amounted to US\$ 3.125.

On 29 April 2013 the Board of Directors of Agroton Public Limited authorised these financial statements for issue.

**AGROTON PUBLIC LIMITED**

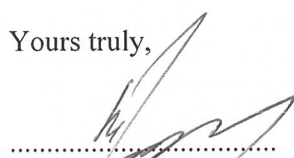
CERTIFICATE


For the year ended 31 December 2012

We hereby certify, to the best of our knowledge and belief, that:

- 1) The proceeds of all sales and all other income have been properly recorded as such in the books produced to KPMG Limited.
- 2) All expenses for the year under review represent expenses incurred wholly and exclusively for the Company's business and have been properly recorded as such in the books produced to KPMG Limited.
- 3) All transactions affecting the business for the year under review have been properly recorded in the books produced to KPMG Limited.
- 4) All reserves are properly shown and all necessary provisions have been duly made and shown as such in the books produced to KPMG Limited.
- 5) All assets and liabilities have been properly taken up as at 31 December 2012 in the books produced to KPMG Limited.
- 6) All investments in non listed titles were presented to KPMG Limited at their fair value, as determined by the Company.
- 7) The Company had no contingent liabilities as at 31 December 2012.
- 8) No events have occurred and no facts have been discovered since the year-end, which could materially affect the true and fair view of the financial statements as at 31 December 2012.

Yours truly,

  
.....  
Tamara Lapta  
Director

  
.....  
Larysa Orlova  
Director

Nicosia, 29 April 2013