JSC SOJAPROTEIN, BEČEJ

NOTES TO INCOME STATEMENT AND BALANCE SHEET
30th June 2011

BASIC INFORMATION ABOUT THE COMPANY

Sojaprotein AD Bečej (hereinafter referred as the: "Company") is the largest manufacturer of soybeans in Serbia and one of the most important manufacturers in Central and Eastern Europe. The Company was established in 1977 as the work organization for industrial processing of soybeans in foundation and the establishment was finalized in 1985.

In the course of 1991, the Company's Management decided to issue internal shares for employees and thus performed the transformation into a stockholding company. In the curse of 2000 and 2001, the Company privatized the remaining socially owned capital through the issue of free shares underwritten by employees and other physical persons in compliance with the provisions of the Law on Ownership Transformation from 1997.

The main activity of the Company is processing of soybeans in order to produce various full-fat and defatted products such as flours, grits and textured forms, as well, as soybean oil, soybean meal and soy lecithin. Additional segment of the Company's business activities concerns the provision of services in agricultural production, wholesale and retail trade, and the purchase of agricultural products.

The head office of the Company is in Bečej, at the address: 1, Industrijska Street. As at the date these Financial Statements are prepared, the Company employs 379 persons.

BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND THE ACCOUNTING CONVENTION

Financial Statements

The Company's Financial Statements include the Balance Sheet as at 30th June 2011, Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period until 30th June 2011, as well as the Summary of Significant Accounting Policies and Notes to Financial Statements .

Basis for Preparation and Presentation of Financial Statements

On the basis of the Law on Accounting and Audit (the "Official Gazette of the Republic of Serbia" No. 46 dated 2nd June 2006 and No. 111 dated 29th December 200) legal entities and entrepreneurs incorporated in the Republic of Serbia are required to maintain their books of accounts, to recognize and value assets and liabilities, revenues and expenses, and to prepare, present, deliver and disclose financial statements in conformity with prevailing legislation and professional rules which include: the Framework for Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards ("IAS ") and/or International Financial Reporting Standards ("IFRS"), as well as the related interpretations representing an integral part of these standards which were in effect as at 31st December 2002.

The amendments to IAS, as well as the new IFRS and corresponding interpretations issued by the International Accounting Board (the "Board") and the International Financial Reporting Interpretations Committee (the "Committee") in the period between 31st December 2002 and 1st January 2009 were officially adopted by the Decision enacted by the Ministry of Finance of the Republic of Serbia (the "Ministry") and published in the "Official Gazette of the Republic of Serbia" No. 77 dated 25th October 2010.

However, until the preparation date of accompanying Financial Statements, not all amendments to

IAS / IFRS and IFRIC interpretations in effect for annual periods beginning on 1st January 2009 have been translated. In addition, the accompanying Financial Statements are presented in the format prescribed under the Guidelines on the Prescribed Form and Content of the Chart of Accounts for Business Companies, Cooperatives, Other Legal Entities and Entrepreneurs (the "Official Gazette of the Republic of Serbia" No. 114 dated 22nd December 2006, No. 119 dated 26th December 2008, No. 9 dated 6th February 2009 and No. 4 dated 29th January 2010) accepting the legally defined complete set of financial statements and differing from the one defined in the IAS 1 "Presentation of Financial Statements" and also differing in some respects from the manner of presenting certain balance sheet positions anticipated in this standard. Published standards and interpretations thereof in effect in the current period which have not yet been officially translated and adopted, as well as published standards and interoperations thereof which have not yet been applied are disclosed in Notes 2.2 and 2.3.

In accordance with the above stated and taking into account the potentially material effects which deviations of the accounting regulations of the Republic of Serbia from IFRS and IAS may have on the fairness and objectivity of the Company's Financial Statements, the accompanying financial statements cannot be considered as financial statements prepared in conformity with the IFRS and IAS .

The Financial Statements are prepared at historical cost principle except otherwise stated in the accounting policies presented below.

In the preparation of accompanying Financial Statements, the Company adhered to accounting policies described in the Note 3.

The Company's Financial Statements are stated in thousands of dinars (RSD). The Dinar is the official reporting currency in the Republic of Serbia.

Published Standards and Interpretations in effect for the current period which have not yet been officially translated and adopted

As at the publishing date of these Financial Statements, the following standards and amendments have been issued by the International Accounting Standards Board and the following interpretations have been issued by the International Financial Reporting Interpretations Committee but are not officially adopted in the Republic of Serbia for annual periods beginning on 1st January 2010:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving the disclosure of fair value and liquidity risk (revised in March 2009, effective for annual periods beginning on or after 1st January 2009),

- Amendments to IFRS 1 "First-Time Adoption of International Financial Reporting Standards" – Additional Exemptions for First-Time Adopters of IFRS. These amendments relate to assets in oil and gas industry and determine whether agreements contain leasing (revised in July 2009, effective for annual periods beginning on or after 1st January 2010),

- Amendments to various standards and interpretations resulting from IFRS Annual Quality Improvement Project published on 16th April 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) primarily with a view of removing inconsistencies and clarifying wording (amendments will be applied for annual periods beginning on or after 1st January 2010, and amendment to IFRIC will be applied after 1st July 2009),

- Amendments to IAS 38 "Intangible Assets" (effective for annual periods beginning on or after 1st July 2009),

- Amendments to IFRS 2 "Share-Based Payment": Amendments resulting from IFRS Annual Quality Improvement Project (revised in April 2009, effective for annual periods beginning on or after 1st July 2009) and amendment relating to group cash –settled share-based payment transactions (revised in June 2009, effective for annual periods beginning on or after 1st January 2010);

- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" coming into force for annual periods beginning on or after 1st July 2009 and IAS 39 "Financial Instruments: Recognition and Measurement" – Embedded Derivatives (effective for annual periods beginning on or after 30th June 2009),

- IFRIC 18 "Transfer of Assets from Customers" (effective for annual periods beginning on or after 1st July 2009);

Published Standards and Interpretations which have not yet come into force

As at the publishing date of these Financial Statements, the following standards, their amendments and interpretations have been issued but have not yet come into force:

- "Conceptual Framework for Financial Reporting in 2010" which represents the amendment to the "Framework for the Preparation and Presentation of Financial Statements" (effective after publishing date, that is, from September 2010).

- IFRS 9 "Financial Instruments " (effective for annual periods beginning on or after 1st January 2013),

- Supplements to IFRS 1 "First-Time Adoption of International Financial Reporting Standards" – Limited Exemption from Comparative IFRS 7 Disclosures for IFRS First-Time Adopters (effective for annual periods beginning on or after 1st July 2010),

- Supplements to IFRS 1 "First-Time Adoption of International Financial Reporting Standards" – Severe Hyperinflation and Removal of Fixed Dates for IFRS First-Time Adopters (effective for annual periods beginning on or after 1st July 2011),

- Supplements to IFRS 7 "Financial Instruments: Disclosures"- Transfer of Financial Assets (effective for annual periods beginning on or after 1st July 2011),

- Supplements to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1st January 2012),

- Supplements to IAS 24 "Related Parties Disclosures" – Simplifying Disclosure Requirements for Government Related Entities and Clarifying the Definition of a Related Party (effective for annual periods beginning on or after 1st January 2011),

- Supplements to IAS 32 "Financial Instruments: Presentation"– Accounting Procedure of Issuers' Pre-Emptive Rights to New Shares (effective for annual periods beginning on or after 1st February).

BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND THE ACCOUNTING CONVENTION(continued)

Published standards and interpretations which have not yet come into force (continued)

- Supplements to various standards and interpretations "Improvements to IFRS (2010)" resulting from IFRS Annual Quality Improvement Project published on 6th May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view of removing inconsistencies and clarifying wording (the majority of supplements will be effective for annual periods beginning on or after 1st January 2011),

- Supplements to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirements (effective for annual periods beginning on or after 1st January 2011).

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1st July 2010).

Comparative Data

Comparative data are the Company's Financial Statements as at 30th June 2010.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and Expenses

Sales revenues are recognized when risks and rewards associated with ownership are transferred to the buyer and this implies the delivery date of products to the buyer. Revenues arising from rendering services are recognized when services are performed.

Revenues are stated at the fair value of the consideration received or receivable in the net amount exclusive of discounts and the value added tax.

Interest income and expenses are charged in favour, i.e., at the expense of the accounting period to which they refer.

Corresponding expenses are also booked on the date on which revenues are booked (the causation principle of revenues and expenses).

Costs of maintenance and repairs of fixed assets are covered from revenues of the accounting period in which they have incurred.

Translation of Assets and Liabilities in Denominated in Foreign Currencies

Business changes denominated in foreign currencies are translated into RSD at the middle exchange rate determined at the Interbank Market and applicable at the date of the business change occurrence.

Assets and liabilities denominated in foreign currencies as at the date of the Balance Sheet are translated into RSD at the middle exchange rate determined at the Interbank Market and applicable as at that date.

Foreign exchange gains and losses occurring on the occasion of business transaction in foreign currencies and on the occasion of translation of balance sheet positions denominated in foreign currencies are recorded in the Income Statement as foreign exchange gains and losses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

a) Taxes and Contributions for the Funds of Employees Social Security

In accordance with regulations applicable in the Republic of Serbia, the Company is obliged to pay taxes and contributions to tax authorities and to state funds that guarantee social security of employees. These obligations involve the payment of taxes and contributions on behalf of the employees by the employer in amounts computed by applying specific, legally prescribed rates. The Company is also obliged to withhold contributions from gross salaries of employees and on behalf of its employees to transfer these withheld portions directly to applicable government funds. Taxes and contributions on behalf of the employer and taxes and contributions on behalf of the employee are recorded as expenses in the period in which they arise.

b) Obligations for Severance Pays and Jubilee Awards

On the basis of the provisions of the Labour Law, the Company is obliged to disburse severance pays to employees at the end of their employment for the purpose of retirement in the amount of three average wages paid in the Republic of Serbia according to the most recent information published by the corresponding government body in charge of the statistics. In addition to that, the Company is obliged to pay jubilee awards to employees depending on the length of their uninterrupted service in the Company and that in the amount of one average earning achieved in the Company in the month preceding the month in which the jubilee award will be paid.

Taxes and Contributions

Income Tax

a) Current Income Tax

The current income tax represents the amount which is calculated and paid in line with the Corporate Income Tax applicable in the Republic of Serbia.

The income tax is payable at the rate of 10 % (2010: 10 %) on the tax base determined in the tax balance. The tax base shown in the tax balance involves profits expressed in the official Income Statement and adjustments defined by tax regulations of the Republic of Serbia.

Tax regulations of the Republic of Serbia do not envisage the possibility of using any tax losses from the current period as the basis for recovering taxes paid in previous periods. However, losses in the current period can be transferred to the profit account in the future accounting periods but not longer than ten years.

The deferred income tax is provided using the balance sheet liability method for temporary differences arising from the tax base of the balance sheet assets and liabilities and their carrying values. The currently enacted rates at the balance sheet date are used to determine the deferred amount of the income tax. The deferred tax obligations are recognized for all taxable temporary differences. The deferred tax assets are recognized for all deductible temporary differences and effects of transferred losses and tax credits in the tax balance, which are transferable, to the extent it is probable that taxable profit will be available against which the deferred tax assets can be utilized.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes and Contributions (continued)

Income Tax (continued)

b) Deferred Income Tax

The deferred tax is recorded on debit or credit sides of the Income Statement except when it refers to positions which are recorded directly as capital gains or losses. In this case the deferred tax is also allocated within the capital.

Taxes and Contributions Not Dependable on Results

Taxes and contributions which do not depend on results include property tax and other taxes and contributions which are paid in accordance with various republic and municipal regulations. Other taxes and contributions are recognized as expenses of the period in which they arise.

Property, Investment Property, Plant and Equipment

Initial measurement of property, plant and equipment meeting the requirements for the recognition of assets is done at basis of the cost of purchase or purchase price. Additional expenses for property, plant and equipment are recognized as assets only if these expenses improve the state of assets above the originally estimated standard performance. All other subsequently incurred expenditures are recognized as expenses in the period in which they arise.

After initial recognition, property (land and buildings) are stated at carrying amounts denoting their fair value as at the date of revaluation decreased by the total amount of value adjustments as the result of depreciation and overall amount of value adjustments arising from losses due to impairment.

The fair value of property is comprised of its market value which is determined on the basis of assessment. The revaluation is done only when the fair value of the revaluated asset is significantly different than its stated value.

After initial recognition, the plant and equipment are stated at purchase price or cost of purchase decreased by the total amount of computed depreciation and overall amount of losses due to impairment.

Gains and losses arising from the disposal or removal from use are recognized as income or expense in the Income Statement.

Depreciation

Depreciation of property, plant and equipment is computed by using the proportional method during the estimated duration of useful service life. The useful service life and depreciation rates for the main type of fixed assets are as follows:

Main Types of Fixed Assets	Rate (%)
Buildings	1.5 – 5 %
Production equipment	5 – 25 %
Terrain and passenger vehicles	10 – 20 %
Computers	20 – 33 %
Other equipment	1.5 – 50 %

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property , Investment Property, Plant and Equipment (continued)

Depreciation (continued)

Depreciation rates are revised every year for the purpose of determining the depreciation rate which reflects real consumption of these assets in the course of operations on the basis of the remaining useful service life.

Investment Property

Investment property is the property which the Company, as the owner, holds for the purpose of earning rentals or capital appreciation or both and not for the purpose of use in rendering services or for administrative needs or for sale within regular course of operations. The initial measurement of investment property on the occasion of its acquisition is done at the cost of purchase or purchase price. After initial recognition, the investment property is stated at carrying amount denoting its fair value as at the date of revaluation and/or assessment decreased by the total amount of value adjustments as the result of depreciation and overall amount of value adjustments arising from losses due to impairment.

Intangible Assets

Intangible assets refer to purchased software and trademark and they are stated at the cost of purchase decreased by depreciation. Intangible assets are written off by means of the proportional method in the period from two to ten years.

Long Term Financial Placements

Long term financial placements include equity investments in related parties, commercial banks and other legal entities and they are stated at the cost of purchase decreased by impairments on the basis of the Management's estimates in order to be reduced to their recoverable value. These loans are stated at their nominal value.

Value Impairment

On every balance sheet date, the Company revises accounting amounts for its material assets in order to determine whether there are indications that losses have occurred because of the impaired value of specified asset. If such indications exist, the recoverable amount of assets is estimated in order to determine possible loss caused by impairment. If it is not possible to estimate the recoverable amount of a certain asset, the Company estimates the recoverable amount of a cash generating unit associated with this asset.

The recoverable value is the net selling price or the value in use depending on which is higher. For the purpose of estimating the value in use, estimated future cash flows are discounted to the extent of the present value by applying the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value Impairment (continued)

If the estimated recoverable amount of the asset (or cash generating unit) is lower than the carrying amount of the asset then, the carrying amount of that asset (or cash generating unit) is impaired to the extent of the recoverable amount. Losses arising from impaired values are recognized directly as expenses, unless the asset is land or building which are not used as investment property stated at revaluation amount, in which case the impairment loss is recognized as the reduced value caused by the asset revaluation.

In case of the reversal of the impairment loss, the carrying amount of the asset (cash generating unit) is increased to the extent of the revised estimated recoverable amount of that asset whereas the increased carrying amount should not be more than the carrying amount which would had been determined if in the previous years there were no recognized losses for that asset (cash generating unit) caused by impairment. The reversal of the impairment loss is directly recognized as income unless the relevant asset is stated at estimated value in which case the reversal of impairment loss is stated as an increase caused by revaluation.

On the basis of the assessment of the Company's Management, there are no indications that the value of property, plant and equipment was impaired as at 30th June 2011.

Inventories

Inventories are stated at the cost of purchase or at the net selling price depending which is lower. Net realisable value is the selling price at which inventories can be sold in the ordinary course of business less the costs of sale.

The value of the stock of materials and spare parts is determined on the basis of the average cost of purchase. The cost of purchase includes the value according the supplier's invoice, transportation and dependable expenses.

The value of the work in progress and finished goods includes direct production costs, as well as the aliquot part of the factory overhead costs .

Supplies of goods in the storehouse are recorded at purchase price and the supplies of goods in the retail trade at retail price. At the end of the accounting period, the inventories are written down to the cost of purchase by the allocation of the price difference calculated on the basis of an average price between the purchase price of sold goods and inventories of goods at the end of the year.

By charging other expenses, the value of inventories is adjusted in cases when it is estimated that it is necessary to write down their value to the net realisable value (including inventories with slow turnover, surplus and obsolete inventories). Damaged inventories and inventories which according to their quality do not correspond to standards are written-off.

Financial Instruments

Financial assets and financial liabilities are recorded in the Company's Balance Sheet from the moment the Company is tied to the instrument according to the provisions of the contract. The purchase or sale of financial assets is recognized by applying the computation at the date of settlement, that is, at the date the asset is delivered to the other party.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets cease to be recognized when the Company loses the control over the agreed rights arising from this instrument which happens when the rights to use the instrument have been realized, expired, cancelled or assigned. Financial liabilities cease to be recognised when the obligation anticipated in the contract is satisfied, cancelled or expired .

a) Equity Investments

Equity investments in banks and other legal entities listed at the Stock Exchange are initially valued at the cost of purchase. Subsequent valuation is done at every balance sheet date for the purpose of coordinating their value with the market value .

Long term financial placements which include equity investments in related parties, commercial banks and other legal entities which are not listed at the Stock Exchange are stated at the cost of purchase method decreased by the impairment on the basis of the Management's estimates in order to write down their value to the recoverable value.

b) Receivables from Buyers, Short Term Loans and Other Short Term Receivables

Receivables from buyers, short term loans and other short term receivables are stated at the nominal value decreased by value adjustments made on the basis of the assessment of their collectibility by the Management .

c) Cash and Cash Equivalents

Cash and cash equivalents in the Company's Financial Statements include cash in hand and balances held with current accounts and other assets available up to three months.

d) Financial Liabilities

Financial liabilities instruments are classified according to the essence of contractual provisions. Financial liabilities are stated at their nominal value with accrued interest on the basis of concluded contracts and corresponding to the effective interest rate.

e) Operating Liabilities

Payables to suppliers and other payables arising from business operations are estimated according to the value of received assets .

REVIEW OF SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of Financial Statements requires from the Company's Management to make the best possible estimates and reasonable assumptions that affect the presented amounts of assets and liabilities and the disclosure of contingent receivables and payables as at the date of the preparation of Financial Statements, and the income and expenses in the course of the reporting period. These estimates and assumptions are based on information which is available to the Management as at the preparation date of Financial Statements.

What follows below are key assumptions associated with the future and other sources of estimation of uncertainties as at the balance sheet date which represent significant risk for material adjustments of amounts stated in balance sheet positions in the next financial year.

Depreciation and Depreciation Rates

The calculation of depreciation and depreciation rates is based on anticipated economic service life of equipment and intangible assets. Once a year the Company estimates the economic service life on the basis of current predictions.

Value Adjustments of Receivables and Short Term Loans

The Company impairs doubtful receivables from buyers and other debtors on the basis of estimated losses which occur if debtors fail to make payments. In the estimation of the corresponding amount of losses arising from impairments of doubtful receivables, the Company is relied on the age of receivables, previous experience with write-offs, the buyer's financial standing and changes in the payment terms. This involves estimations associated with the future behaviour of buyers and related future collections. However, the significant part of the Company's receivables refer to receivables from subsidiaries in case of which the total present value of receivables is collectible by virtue of estimations and previous experiences.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value

The Company's Business Policy is to disclose information about the fair value of assets and liabilities for which there are official market information and in case the fair value is significantly different from the carrying value. In the Republic of Serbia, there is neither adequate market experience nor stability and liquidity in relation to the purchase and sale of receivables and other financial assets and liabilities since official market information are not available at any moment of time. Therefore, it is not possible to determine the fair value reliably in the absence of the active market. The Company's Management performs the assessment of risks and in cases in which it is decided that the value at which the assets are maintained in the business books of accounts cannot be realized, the value adjustment is carried out. In the opinion of the Company's Management, the amounts disclosed in these financial statements reflect the value which, under given circumstances, is the most plausible and the most useful for reporting purposes.

NOTE-1
SALES REVENUES

In thousand RSD

	30th June 2011	30th June 2010
Revenues arsing from the sale of goods:		
- Related parties	425,370	1,936,296
- Other legal entities in the country	731,808	48,939
- Other foreign legal entities	0	20
	1,157,178	1,985,255
Revenues arsing from the sale of products and rendering of services		
- Related parties	670,711	1,666,561
- Other legal entities in the country	1,969,663	2,080,165
- Other foreign legal entities	2,214,956	914,009
	4,855,330	4,660,735
	6,012,508	6,645,990

In the Income Statement, the Company stated total revenues arising from the sale of goods in the amount of 6,012,508 thousand RSD. The above specified amount includes revenues from the sale of commercial goods in the amount of 1,157,178 thousand RSD and the revenues from the sale of products and rendering of services in the amount of 4,855,330 thousand RSD .

The most important revenues arising from the sale of commercial goods are generated by the sale of:

- Related Parties

Soybeans	422,981 thousand RSD
Toasted soybean meal	2,389 thousand RSD
TOTAL	425,370 thousand RSD

- Other Legal Entities

Refined sunflower oil	601,680 thousand RSD
Wheat	74,945 thousand RSD
Sunflower meal 33% and 42%	7,462 thousand RSD
Raw soybean oil	1,023 thousand RSD
Toasted soybean meal	46,598 thousand RSD
Other	100 thousand RSD
TOTAL	731,808 thousand RSD

Revenues arising from the sale of products and rendering of services

- Related parties

Soybean meal	555,246 thousand RSD
Raw soybean oil	773 thousand RSD
Protein products	100,933 thousand RSD
Other	13,759 thousand RSD
TOTAL	670,711 thousand RSD

-Other Legal Entities

Soybean meal	1,211,853 thousand RSD
Raw soybean oil	553,656 thousand RSD
Other	204,154 thousand RSD
TOTAL	1,969,663 thousand RSD

- Other Foreign Legal Entities

Soybean meal	49,926 thousand RSD
Raw soybean oil	1,347,482 thousand RSD
Protein products	774,360 thousand RSD
Other	43,188 thousand RSD
TOTAL	**2,214,956 thousand RSD**

NOTE-2

OTHER OPERATING INCOME

In thousand RSD

	30th June 2011	30th June 2010
Subsidies and stimulations	54,578	93,045
Rentals	28,015	24,164
Other operating income	1,636	642
	84,229	117,851

Income from subsidies is stated in the amount of 54,578 thousand RSD and refers totally to income approved in line with the Decree on Using Stimulations by Manufacturers of Agricultural and Alimentary Products for 2011 (the "Official Gazette of the Republic of Serbia" No. 20/10).

NOTE-3
THE COST OF PURCHASE OF SOLD GOODS

In thousand RSD

	30th June 2011	30th June 2010
Cost of purchase of sold goods	1,158,445	1,977,541
	1,158,445	1,977,541

In the Income Statement, the Company reported the amount of 1,158,445 thousand RSD which refers to the costs of sold commercial goods. The most important amounts refer to the following:

Refined sunflower oil	601,680 thousand RSD
Sunflower meal	7,462 thousand RSD
Soybeans	423,405 thousand RSD
Wheat	74,945 thousand RSD
Toasted soybean meal – commercial goods	49,854 thousand RSD
Other	1,099 thousand RSD
Total	**1,158,445 thousand RSD**

NOTE-4
. COST OF MATERIALS AND ENERGY

In thousand RSD

	30th June 2011	30th June 2010
Materials for production	3,855,311	3,338,408
Other materials	79,427	68,869
Fuel and energy	159,966	141,201
	4,094,704	3,548,478

NOTE-5

COST OF SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EARNINGS

In thousand RSD

	30th June 2011	30th June 2010
Gross salaries	149,379	131,890
Contributions on behalf of the employer	26,650	23,461
Compensations for employees' business trips	5,811	5,415
Compensations for employees' travel expenses	6,987	6,522
Scholarships	2,653	2,877
Considerations under royalty contracts	1,033	1,305

Severance pays and jubilee awards	1,444	1,911
Considerations for members of the Board of Director and Supervisory Board	542	542
Other personal expenses and compensations	2,067	3,007
TOTAL	**196,566**	**176,930**

NOTE-6

COST OF DEPRECIATION AND PROVISIONING

In thousand RSD

	30th June 2011	30th June 2010
Depreciation	92,433	74,201
	92,433	74,201

NOTE-7

OTHER OPERATING EXPENSES

In thousand RSD

	30th June 2011	30th June 2010
Banking and payment operations services	23,315	26,110
Maintenance services	28,500	21,767
Laboratory services	28,689	26,747
Transportation	57,016	26,094
Rentals	23,300	17,988
Utility services	10,487	8,839
Insurance premiums	14,248	11,666
Indirect taxes and contributions	14,863	12,820
Brokerage services	303	154
Lawyers and consulting services	11,321	1,369
Internet, telephone and PTT	3,000	3,573
Entertainment	5,878	5,332
Fairs and other performances	5,726	3,223
Advertising and propaganda	1,707	1,915
Other production services	2,567	2,880
Other non-material expenses	64,003	19,261
	294,923	189,738

NOTE-8

FINANCIAL INCOME

In thousand RSD

	30th June 2011	30th June 2010
Financial income – related parties	218	940
Foreign exchange gains	379,087	130,669
Income arising from effects of the foreign currency clause	242	3,032
Interest income	3,758	2,024
Other financial income	-	-
	383,305	136,665

NOTE-9
FINANCIAL EXPENSES

In thousand RSD

	30th June 2011	30th June 2010
Foreign exchange losses	326,850	833,727
Interest expenses	64,041	150,874
Expenses arising from effects of the foreign currency clause	139	178
Other financial expenses	3	1,048
	391,033	985,827

NOTE-10
OTHER INCOME

In thousand RSD

	30th June 2011	30th June 2010
Gains arising from the sale of equipment and intangible assets	228	239
Income arising from adjusted value of receivables	936	5,923
Surplus balance	3,826	1,307
Indemnity of damages by insurance companies	6,649	693
Income arising from the sale of materials	217	4
Other income	694	3,712
	12,550	11,878

NOTE-11
OTHER EXPENSES

In thousand RSD

	30th June 2011	30th June 2010
Impairment of receivables and short term loans	293	12,984
Shortfall balance	-	1,151
Loses arising from the sale of materials	209	-
Receivables write-offs under approved housing loans	893	1,080
Losses arising from disposal of property and equipment	-	7
Expenses under direct receivables write-off	-	-
Other expenses	6,572	1,789
	7,967	17,011

NOTE-12
PROFIT

c) Harmonization of Income Tax in the Income Statement and the Product of Profit before Tax and Prescribed Tax Rate

In thousand RSD

	30th June 2011	30th June 2010
Profit before tax	743,378	-
Income tax at the rate of 10%	74,338	-
	-	48,639
Loss before tax		

Tax 10%	-	12,861
Net loss	-	61,500
Profit after tax	669,040	-
Effective tax rate	10%	-

NOTE-13

PROPERTY, PLANT AND EQUIPMENT, BIOLOGICAL ASSETS, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

In thousand RSD

	Land, Buildings, and Biological Assets	Equipment	Advancements for Fixed Assets and Investments Underway	Total	Investment Property	Intangible Assets
Cost of Purchase						
Balance as at 1st January 2010	1,791,809	1,651,768	581,129	4,024,706	332,035	18,775
Increase during year	485	5,692	90,105	96,282	-	85
Transfers			(28,358)	(28,358)	-	-
Transfer to investment property			-			-
Disposal	-		-		-	
Sale	-	(5,800)	-	(5,800)	-	
Other	-	-				-
Balance as at 30th June 2010	1,792,294	1,651,660	642,876	4,086,830	332,035	18,860
Balance as at 1st January 2011	1,859,097	2,247,315	498,108	4,604,520	332,034	19,397
Increase during year	9,578	26,592	2,834,614	2,870,784		520
Transfers			(1,774,100)	(1,774,100)		
Transfer to investment property						
Disposal		(11)		(11)		
Sale		(1,717)		(1,717)		
Other						
Balance as at 30th June 2011	1,868,675	2,272,179	1,558,622	5,699,476	332,034	19,917
Value Adjustments						
Balance as at 1st January 2010	160,780	467,564	-	628,344	-	10,214
Depreciation in the current year	18,745	54,262	-	73,007	-	1,194
Transfer to investment property			-		-	-
Sale	-	(5,440)	-	(5,440)	-	
Disposal	-		-		-	-
Balance as at 30th June 2010	179,525	516,386	-	695,911	-	11,409
Value Adjustments						
Balance as at 1st January 2011	198,251	554,279	-	752,530	-	12,654
Depreciation in the current year	19,804	71,365		91,169		1,264
Transfer to investment property						
Sale		(1,338)		(1,338)		
Disposal		(11)		(11)		

Balance as at 30th June 2011	218,055	624,295		842,350		13,917
- 30th June 2011	1,650,620	1,647,884	1,558,622	4,857,126	332,034	5,999
- 30th June 2010	1,612,769	1,135,274	642,876	3,390,919	332,035	7,452

The Company reported intangible assets in the amount of 5,999 thousand RSD.
The Company reported the value of property, plant and equipment as at 30th June 2011 in the amount of 5,189,160 thousand RSD .
Depreciation is calculated by applying the proportional method to the cost of purchase.

Advances for fixed assets and investments underway reported as at 30th June 2011 in the total amount of 1,558,622 thousand RSD mostly refer to investments into the equipment for the factory of traditional soybean concentrates.

It is continued with works on the construction of the factory for the production of soybean protein concentrates. The first stage in the implementation of this investment is underway and it includes the construction of the factory for traditional soybean concentrates with the capacity of 70,000 t per year. Current activities are related to the execution of works on the construction of the building whereas the key equipment has been delivered and the equipment assembly works are underway. The construction will have been completed and the equipment assembled by the end of November of the current year. After that, the stage of trial production will commence. The total value of the first stage of this investment – the construction of the factory for traditional soybean concentrates is 22.5 million EUR out which the Company has already invested over 15 million EUR. Taking into consideration the fact that soybean concentrates represent one of products with the highest degree of finalization, as well as their extensive use in the field of the production of animal fodder, the production of milk substitutes for feeding piglets and calves, and for the production of food for humans, the Company is expecting significant growth of revenues arising from the sale of soybean concentrates. After the completion of the first stage of investment, the Company will continue with the implementation of the second stage which involves the production of functional soybean concentrates with the capacity of 15,000 t per year.

NOTE-14

EQUITY INVESTMENTS

In thousand RSD

	Proportion in %	**30th June 2011**	**30th June 2010**
Equity Investment in Subsidiaries			
ZAO Vobeks - Intersoja, Russia	85.00%	1,112	1,112
Veterinary Institute Subotica JSC	59.17%	783,618	783,618
		784,730	784,730
Equity Investment in Related Parties			
Hotel "Bela Lađa" JSC , Bečej	31.81%	64,626	64,626
		64,626	64,626
Equity investment in banks		120	120
Novi Sad Fair JSC , Novi Sad		6,286	6,667
Equity investment in other legal entities		1,831	1,831
		857,593	857,974

NOTE-15

OTHER LONG TERM FINANCIAL PLACEMENTS

In thousand RSD

	30th June 2011	30th June 2010
Long term loans to farmers	-	6,697
Housing loans to employees	3,057	5,027
	3,057	11,724

NOTE-16

INVENTORIES

In thousand RSD

	30th June 2011	30th June 2010
Materials	1,489,501	1,800,140
Spare parts	131,033	142,135
Tools and accessories	33,894	37,047
Finished products	788,117	469,160
Work in progress	71,443	-
Given advances	52,538	2,434,387
Goods:		
- In wholesale trade	3,585	62,000
- In storehouses of other legal entities	3,547	918,913
	2,573,658	5,863,782
Minus: Adjusted value of supplies of materials	(19,219)	(18,945)
	2,554,439	5,844,837

In the Balance Sheet, the Company reported inventories in the amount of 2,554,439 thousand RSD. The most important items concern the inventories of raw materials and materials amounting to 1,489,501 thousand RSD out of which inventories of main raw materials (soybeans) amount to 1,427,179 thousand RSD calculated at the average purchase price, that is, in the quantity of 40,913,734 kg of JUS soybeans.

NOTE-17

RECEIVABLES

In thousand RSD

	30th June 2011	30th June 2010
Receivables from buyers:		
- Related parties	2,385,058	4,835,938
- Domestic	1,399,156	784,804
- Foreign	618,274	457,895
Receivables form exporters	16	13,870
Receivables from specific deals		
- Related parties	-	372,189
- Other	9,480	30,266
Interest receivables	111,390	-
Receivables from state bodies and organizations	2,299	28,010
Prepaid other taxes and contributions	820	808
Other receivables:		

- Related parties	-	25,009
- Other	15,555	5,323
	4,542,048	6,554,112
Minus: Adjustments for receivables from buyers	(148,475)	(168,363)
	4,393,573	6,385,749

NOTE-18

SHORT TERM FINANCIAL PLACEMENTS

In thousand RSD

	30th June 2011	30th June 2010
Short term borrowings to related parties:		
- Victoria Group JSC	2,503,458	1,097,565
- Victoria Logistic Ltd.	-	1,711,790
	2,503,458	2,809,355
Loans for winter provisions	2,542	3,860
Short term loans in the country	34,075	104,298
Buyback of own shares	(21,208)	-
	2,540,075	2,917,513

Short term borrowings in the amount of 2,503,458 thousand RSD as at 30th June 2011 represent approved borrowings to Victoria Group JSC on the basis of several agreements concluded in the course of 2011 with the repayment term of one year .

NOTE-19

CASH AND CASH EQUIVALENTS

In thousand RSD

	30th June 2011	30th June 2010
Current account		
- In RSD	39,884	205,246
- In foreign currencies	213,162	108,644
Allotted funds and letters of credit	19	1,600
Cash in hand	50	44
Foreign currency letters of credit	-	-
Other funds	3,255	3,256
	256,370	318,810

NOTE-20

VALUE ADDED TAX AND PREPAYMENTS

In thousand RSD

	30th June 2011	30th June 2010
Prepaid expenses up to one year	14,216	10,632
Advance payment of VAT	-	-
Delimited VAT	8	-
Other prepayments	868	3,182
	15,092	13,814

NOTE-21

OFF-BALANCE SHEET ASSETS

Off-balance sheet assets as at 30th June 2011 amounted to 8,553,053 thousand RSD. The amount of 8,541,099 thousand RSD refers to guarantees and sureties issued by Sojaprotein JSC as the guarantor. The amount of 11,954 thousand RSD refers to third party's goods held in our storehouses.

OFF-BALANCE SHEET ASSETS / LIABILITIES

In thousand RSD

	30th June 2011	30th June 2010
Third party's funds	11,954	75,668
Avals and guarantees	8,541,099	5,324,907
	8,553,053	5,400,575

NOTE-22

CORE CAPITAL

In conformity with the Decisions of the Company's General Meeting of Shareholders made on 30th June 2011 and the Resolution of the Securities Commission No. 4/0-24-2926/5-11 dated 14th July 2011, the issue of H-shares on the basis of converting retained earnings from previous years into core capital was done. The amount of 5,050,680 shares with voting rights was issued without nominal value and with single accounting value of 463.661404 RSD and total value of 2,341,805,379.95 RSD. After the increase arising from converted retained earnings, the Company's core capital amounts to 6,906,479,571.15 RSD and it is divided into 14,895,524 shares without nominal value and with the accounting value of 463.661404 RSD. The H-share issue was registered with the Central Securities Depository and Clearing House on 9th August 2011.
The structure of the Company's share capital as at 30th June 2011 and 30th June 2010 is as follows:

In thousand RSD

	30th June 2011			30th June 2010		
Description	Proportion in %	Number of Shares	Capital Value	Proportion in %	Number of Shares	Capital Value
Victoria Group JSC	62.94%	6,196,161	2,872,921	62.94%	4,796,706	2,224,048
Priv. Banka Zagreb JSC	2.99%	294,211	136,414	3.27%	249,023	115,462

East Capital Asset Manag	2.15%	212,119	98,351	-	-	-
Erste Bank Custody	1.53%	150,818	69,928	-	-	-
Unicredit Bank Austria AG	1.48%	145,993	67,691	0.88%	67,102	31,113
Gustaviad. Fonder Aktie	1.27%	125,010	57,962	1.71%	130,007	60,279
Hypo Kastodi 4	0.90%	89,041	41,285	1.21%	92,521	42,898
NLB Klijenti	0.79%	77,335	35,857	1.06%	81,122	37,613
DDOR Novi Sad	0.71%	69,804	32,365	-	-	-
Erste Bank Custody 00001	0.71%	69,770	32,349	0.63%	48,364	22,424
Other legal and physical persons	24.53%	2,414,582	1,119,548	28.30%	2,156,459	999,867
	100.0 %	9,844,844	4,564,674	100.00%	7,621,304	3,533,705
Buyback of own shares		45,741	(21,208)	-	-	-
Share capital		9,799,103	4,543,466	100.00%	7,621,,304	3,533,705

LEGAL RESERVES

The Company's legal reserves as at 30th June 2011 in the amount of 208,282 thousand RSD represent set aside retained earnings from previous years on the basis of the Decision on the Distribution of Profits Generated in 2010 made by the General Meeting of Shareholders under which the Company earmarked the portion of 5% of net profits for the fiscal year on the account of legal reserves until it reaches 10% of the Company's core capital.

STATUTORY RESERVES

The Company's statutory reserves as at 30th June 2011 amount to 248,267 thousand RSD. The Company sets aside into these reserves in conformity with the Statute on the occasion of allocation of net income for the fiscal year. The statutory reserve is freely available to the Company and the existing internal enactments do not specifically define their purpose.
The statutory reserve proceeds have not been used.

NOTE-23

BUYBACK OF OWN SHARES

In the Balance Sheet, the Company reported the amount of 21,208 thousand RSD .
At the meeting held on 20th October 2010, the Board of Director made the Decision on Acquiring Own Shares at the Organized Market in order to prevent disturbances of the securities market and to avoid greater and direct damages to the Company (approving the acquisition up to 9.99 %) according to which JSC Sojaprotein Bečej acquired 45,741 own shares purchasing them at the Belgrade Stock Exchange.
At the regular session of the General Meeting of Shareholders, the decision was made to sell 45,741 own shares comprising 0.46% of the total number of shares. In addition to already acquired 45,741 own shares, the Company is also selling H–share issue acquired on the basis of core capital increase from the Company's proceeds. Own shares are offered for sale to all shareholders on the pro-rata principle. The remaining unsold shares will be offered for sale at the organized market, that is, at the Belgrade Stock Exchange.

NOTE-24

LONG TERM LOANS

In thousand RSD

	30th June 2011	30th June 2010
Long term loans in the country	571,303	-
Long term loans abroad	1,738,857	4,520,613
	2,310,160	4,520,613
Current maturities	(325,354)	(2,419,657)
	1,984,806	2,100,956

LONG TERM LOANS ABROAD (continued)

In thousand RSD

	Annual Interest Rate	Currency	Amount	30th June 2011	2010
European Bank	2.5%+6M EURIBOR	EUR	3,214,285,7	329,346	410,027
Hypo Group Netherlands Corporate Finance BV, Amsterdam	6M EURIBOR + 2.91%	EUR	7,492,000	-	781,943
Hypo Group Netherlands Corporate Finance BV, Amsterdam	1M EURIBOR + 3.31%	EUR	12,499,960	-	1,304,626
Vojvođanska Banka JSC , Novi Sad		EUR	10,756,277	1,102,122	1,122,637
European Bank	2.3%+6M EURIBOR	EUR	3,000,000	307,389	521,852
Banka Inteza Coper			3,636,363,6		379,528
				1,738,857	4,520,613

LONG TERM LOANS IN THE COUNTRY (continued)

In thousand RSD

	Annual Interest Rate	Currency	Amount	30th June 2011	2010
Unicredit Bank	3.9%+3M EURIBOR	EUR	5,575,699	571,303	
				2,310,160	4,520,613
Minus:				(325,354)	(2,419,657)
Current Maturities				1,984,806	2,100,956

The long term loan approved by Unicredit Bank is intended for financing the construction of the plant for the production of soybean protein concentrates and for the purpose of closing commitments arising from letters of credit for the purchase of equipment and up to now the amount of 571,303 thousand RSD has been withdrawn.
Commitments arising from refinancing loans from the Paris Club Creditors in the amount of 1,102,122 thousand RSD (EUR 10,756,277) represent the relevant principal of the debt which the Company stated in Financial Statements on the basis of the statement of accounts delivered by Vojvođanska Banka as at 22nd March 2002.

LONG TERM LOANS (continued)

In December 2001, negotiations between the Government of the Federal Republic of Yugoslavia and the Paris Club Creditors resulted in the substantial decrease of the debt (principal, interest and default interest were calculated until 22nd March 2002) in the amount of 51% of the new principal with the possibility of additional debt write-off up to the maximum of 66.67% as the additional item in the debt reprogramming. The Law Governing the Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia Being the Original Debtors or Guarantors toward the Paris Club and London Club Creditors came into force on 4th July 2002 (the "Official Gazette of the Federal Republic of Yugoslavia" Number j 36/2002). In conformity with the above Law, the Company is obliged to repay loans approved by the Paris Club Creditors to domestic banks under terms and conditions which are not less favourable than those defined in the agreement with foreign creditors.

Until the issue date of these Financial Statements, the Company has not concluded the agreement on defining the repayment of the debt arising from loans from the Paris Club Creditors with Vojvođanska Bank JSC, Novi Sad and has neither decreased the principal for the written-off portion of the debt nor accrued interests for the purpose of reporting in financial statements in the period from 22nd March 2002 to the Balance Sheet date.

Since the Company has fully contested the creditor's right of the above mentioned bank, it appears as the sued party by Vojvođanska Bank JSC Novi Sad.
The Supreme Court of Serbia has overturned the second instance judgement and returned the case to the first instance court for the purpose of decision making.
Liabilities arising from the loan approved by the European Bank for Reconstruction and Development are stated as at 30th June 2011 in the total amount of 636,735 thousand RSD (6,214,285.70 EUR). The loan was approved on the basis of the Agreement concluded on 10th September 2007. Namely, in conformity with the Agreement, the above funds represent the part of approved loan for the purpose of investment in working assets under the project for the purchase of oleaginous plants, as well as for the investment into energy efficiency. The above funds are approved for the term of five years with the repayment in six- month annuities.

In line with the Loan Agreement, and according to the Section 5.10 "Financial Ratios", the Company is obliged to maintain in Financial Statements stated in conformity with the full application of the International Accounting Standards the following ratios:

1. The ratio between EBIT and interest expense at the level not less than 3 provided the Company's profit is later adjusted for:

   - Any participation of profit or loss of any subsidiary, except for dividends or other income which the Company has received in cash from the relevant subsidiary or joint venture, and every income arising from any other investments in fixed assets
   - All profits and losses which are directly associated with the sale or termination of operations or sale of fixed assets
   - All direct costs of any sort of fundamental reorganization or restructuring having material effect on the nature and focus of the Company's operations
   - All amounts written-off relevant to the value of investments
   - Realized and non-realized foreign exchange gains and losses which do not refer to regular businesses

LONG TERM LOANS (continued)

2. The interest expense implies all interests and expenses occurring in relation to the financial debt of the company as the interest, costs and expenses would be charged in the Income Statement of that entity.
3. The ratio between the debt and total capitalization should be maintained at the level not higher than 0.6 provided the debt implies only the debt but excluding any other debt secured by the pledge agreement on the supplies of goods. Total capitalization means the sum of the stated value of the total share capital, accumulated deferred incomer taxes, accumulated investment tax credits, minority stakes, contingency provisions and contributions as the assistance in the construction.
4. Minimum own capital should not be less than EUR 15,000,000.

NOTE-25

SHORT TERM FINANCIAL LIABILITIES

In thousand RSD

	30th June 2011	30th June 2010
Current maturities:		
- Long term loans	325,354	2,419,657
Short term loans	1,594,694	3,003,507
Other	337	2,130
	1,920,385	5,425,294

Short Term Loans :

In thousand RSD

Lender:	Annual Interest Rate in %	Maturity	Amount in EUR	30th June 2011
Komercijalna Banka JSC	4.40	30th March 2012	7,730,260.30	792,066
Societe Generale Bank	3m EURIBOR+ 3.40%	31st August 2011	2,500,000	256,158
Euro Banka EFG	3m EURIBOR+ 5.70%	6th September 2011	333,333,34	34,154
Credit Agricole	3m EURIBOR+ 3.90%	21st June 2011	5,000,000	512,316
				1,594,694

NOTE-26
OPERATING LIABILITIES

In thousand RSD

	30th June 2011	30th June 2010
Liabilities arising from received advance payments	97,989	69,362
Payables to suppliers:		
- Parent company and subsidiaries	55,859	68
- Other related parties	89,397	12,676
- Domestic suppliers	261,603	108,610
- Foreign suppliers	7,237	343,214
	512,085	533,930

NOTE-27

OTHER SHORT TERM LIABILITIES

In thousand RSD

	30th June 2011	30th June 2010
Net salaries and salary compensations	10,181	8,888
Taxes and contributions on salaries	6,440	5,507
Interests and financial expenses	841	13,221
Dividends	3,017	3,017
Agreement considerations to physical persons	101	-
Net salary compensations which are refunded	162	240
Taxes and contributions on refunded salaries	91	154
Considerations for members of the Board of Directors and Supervisory Board	60	60
Other liabilities	164	244
	21,057	31,331

NOTE-28

VALUE ADDED TAX AND OTHER PUBLIC REVENUES AND DEFERRED PAYMENTS

In thousand RSD

	30th June 2011	30th June 2010
Taxes, customs and other duties	32,737	110,446
Calculated future period revenues	368	435
Delimited VAT	52	-
Other deferred payments		868
Costs calculated in advance	16.664	-
	49,821	111,749

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES

Capital Risk Management

The objective of capital management is to enable the Company to retain the capacity to continue with its operations in the indefinite period of time in the predictable future in order to maintain the optimum capital structure with an aim to reduce capital expenses and ensure capital yields to owners. The Company's capital structure consists of borrowings, including long term loans explained in the Note 29, other long term liabilities, long term and short term placements, cash and cash equivalents and owners' subscribed equity which includes equity investments, other capital, reserves and accumulated earnings.

Persons in charge of the Company's finance reconsider the capital structure at the annual basis.

Indicators of the Company's indebtedness as at 30th June 2011:

In thousand RSD

	30th June 2011	30th June 2010
Indebtedness a)	4,231,331	9,947,390
Cash and cash equivalents	256,370	318,810
Net indebtedness	3,974,961	9,628,580
Capital b)	10,763,608	9,279,371
Racio total debt versus capital	0,37	1,04

a) Borrowings refer to long term and short term financial liabilities .

b) Capital includes share capital, reserves and accumulated earnings.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)
Categories of Financial Instruments

In thousand RSD

	30th June 2011	30th June 2010
Financial Assets		
Equity investments	857,593	857,974
Other long term financial placements	3,057	11,724
Receivables	4,393,573	6,385,749
Short term financial placements	2,540,075	2,917,513
Cash and cash equivalents	256,370	318,810
	8,050,668	10,491,770
Financial Liabilities		
Long term and short term loans	4,231,331	9,947,390
Payables to suppliers	414,096	464,568
Other liabilities	21,057	31,331
	4,666,484	10,443,289

Basic financial instruments of the Company are cash and cash equivalents, receivables, financial placements which occur directly from the Company's business operations, as well as long term loans, payables to suppliers and other liabilities with the basic aim to finance current operations of the Company. In the ordinary course of operations, the Company is exposed to below specified risks.

Objectives of Financial Risks Management

Financial risks include market risk (foreign currency risk and interest rate risk) and credit risk. Financial risks are considered on the temporal basis and primarily are avoided by lowering the Company's exposure to such risks. The Company does not use any financial instruments in order to avoid the effects of financial risks on business operations because such instruments are not widely used and there is no market for these instruments in the Republic of Serbia.

Market Risk

In its operations, the Company is exposed to financial risks arising from the change of exchange rates of foreign currencies and the changes of interest rates. The exposure to the market risk is considered through the sensitivity analysis. There have been neither significant changes in the Company's exposure to the market risk nor in the manner in which the Company manages or measures this risk.

Foreign Currency Risk

The Company is exposed to the foreign currency risk primarily relevant to cash and cash equivalents , receivables from customers, long term loans and payables to suppliers which are denominated in foreign currency. The Company does not use any special financial instruments as the protection against this risk since such instruments are not common in the Republic of Serbia.

The stability of the economic environment in which the Company operates is to a large extent dependent on the Government's measures in the economy including the establishment of an adequate judicial and legislative framework.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Market Risk (continued)

Foreign Currency Risk (continued)

The book value of the Company's monetary assets and liabilities stated in foreign currency as at the reporting date are as follows:

	Assets		**Liabilities**	
	30th June 2011	**30th June 2010**	**30th June 2011**	**30th June 2010**
EUR	1,222,547	288,439	4,236,843	10,289,813
USD	358,586	308,764	1,612	650
GBP	22,908	3,110	17	—
CHF	2,289	-		
	1,606,330	600,313	4,238,472	10,290,463

The Company is sensitive to changes of foreign exchange rates for currencies EUR and USD. The following table provides detailed analysis of the Company's sensitivity to the growth and fall of the RSD exchange rate by 10% in relation to the relevant foreign currency. The sensitivity rate of 10% is used for internal presentation of foreign currency risk and provides the Management's assessment of reasonably expected changes in exchange rates of foreign currencies. The sensitivity analysis includes only outstanding receivables and payables denominated in foreign currencies and coordinates their translation at the and of the period for the 10% change of foreign currency exchange rate. The positive number in the table indicates the growth of the output of the current period in cases in which the dinar is devaluated in relation to the relevant currency. In case of the dinar devaluation of 10% in relation to the given foreign currency, the effect on the current period output would be contrary to the one stated in the previous case.

	In thousand RSD	
	30th June 2011	30th June 2010
EUR currency	(301,430)	(1,000,137)
USD currency	35,697	30,811
GBP currency	2,289	311
CHF currency	229	
Current Period Output	(263,215)	(969,015)

The Company's sensitivity to changes of foreign exchange rates is lowered in the current period primarily as the consequence of reduced credit commitments.

Risk Arising from the Change of Interest Rates

The Company is exposed to the risk of interest rate changes in relation to assets and liabilities with variable interest rate. This risk depends on the financial market and there are no instruments available to the Company which can mitigate such effect.

The book value of financial assets and liabilities as at 30th June 2011is as follows:

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Market Risk (continued)

Risk Arising from the Change of Interest Rates (continued)

	In thousand RSD	
	30th June 2011	30th June 2010
Financial Assets		
Non interest bearing		
Long term financial placements	857,593	857,974
Other long term financial placements	3,057	11,724
Receivables from buyers	4,393,573	6,385,749
Short term financial placements	2,540,075	2,917,513
	7,794,298	10,172,960
Variable interest rate		
Cash and cash equivalents	256,370	318,810
	8,050,668	10,491,770
Financial Liabilities		
Non interest bearing		
Payables to suppliers	414,096	464,568
Other payables	21,057	31,331
	435,153	495,899
Variable interest rate		
Long term and short term loans	4,231,331	9,947,390
	4,666,484	10,443,289

The sensitivity analyses shown in the text below are established on the basis of the exposure to the changes of interest rates for non-derivative instruments as at the balance sheet date. For payables with variable interest rate, the analysis is prepared with the assumption that the remaining amount of assets and liabilities as at the balance sheet date is unchanged during the whole year. The growth or fall of 1% represents the Management's assessment of the really possible change of interest rates. If the interest rate were 1% higher/lower with all other variables unchanged, the Company would generate operating profit / (loss) for the year ending on 30th June 2011 in the amount of 39,750 thousand RSD more or less. Such a situation is explained by the Company's exposure arising form variable interest rates calculated on long term loans.

Credit Risk

Managing Receivables from Buyers

The Company is exposed to the credit risk which represents the risk of the debtors' failure to pay their debts towards the Company in the full amount and on time which would result in the financial loss for the Company. The Company's exposure to this risk is limited to the amount of receivables from buyers as at the Balance Sheet date. The receivables from buyers are to a significant extent connected with related parties.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Credit Risk (continued)

Managing Receivables from Buyers (continued)

The most important buyers are given in the following table:

In thousand RSD

Customer	**2011**	**2010**
Victoriaoil JSC , Šid	307,562	576,128
Victoria Logistic Ltd.	1,973,401	3,852,148
Veterinary Institute JSC , Zemun	64,839	-
Invej JSC , Zemun	637,246	159,162
Mills Čurug Ltd.	80,079	94,897
Veterinary Institute JSC, Subotica	88,401	85,041
Biovet Bulgaria	214,728	184,744
Eraković Kula	194,541	-
Other receivables	767,892	1,113,648
	4,393,528	6,385,749

The structure of receivables from buyers as at 30th June 2011 is shown in the following table:

In thousand RSD

	Gross Exposure	**Value Adjustment**	**Net Exposure**
Undue receivables from buyers	1,909,106		1,909,106
Due, adjusted receivables from buyers	143,336	143,336	
Due, unadjusted receivables from buyers	2,484,422	-	2,484,422
	4,5362,864	143,336	4,393,528

The structure of receivables from buyers as at 30th June 2010 is given in the following table :

In thousand RSD

	Gross Exposure	Value Adjustment	Net Exposure
Undue receivables from buyers	1,088,512	-	1,088,512
Due, adjusted receivables from buyers	162,385	(162,385)	-
Due, unadjusted receivables from buyers	5,297,237	-	5,297,237
	6,548,134	(162,385)	6,385,749

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Credit Risk (continued)

Managing Receivables from Buyers (continued)

Undue Receivables from Buyers

Undue receivables reported as at 30th June 2011 in the amount of 1,909,106 thousand RSD (30th June 2010: 1,088,512 thousand RSD) mostly refer to receivables from buyers arising from the sale of soybean meal, raw soybean oil, textured soybeans and soybean flour. These receivables mostly fall due within the term of 60 days after the invoice date depending on the agreed payment terms.

Due, Adjusted Receivables from Buyers

In the previous periods, the Company impaired receivables from buyers for due receivables in the amount of 143,336 thousand RSD (201: 162,385 thousand RSD) for which the Company determined that were caused by changes in the customers' creditworthiness and that debts would not be paid in specified amounts.

Due, Unadjusted Receivables from Buyers

The Company did not impair due receivables reported as at 30th June 2011 in the amount of 2,484,422 thousand RSD (30th June 2010: 5,297,237 thousand RSD) since it was not determined that there were changes in the customers' creditworthiness and since all these receivables referred to receivables from related parties and the Management was of the opinion that the total present value of these receivables would be collected.

Due, Unadjusted Receivables from Buyers (continued)

Age structure of due, unadjusted receivables is given in the following table:

In thousand RSD

	30th June 2011	30th June 2010
Less than 30 days	541,686	1,581,563
31 - 90 days	233,563	894,057
91 - 180 days	226,439	972,648
181 - 365 days	1,443,485	1,361,598
Over 365 days	39,249	487,371
	2,484,422	5,297,237

Managing Payables to Suppliers

Payables to suppliers as at 30th June 2011 are reported in the amount of 414,096 thousand RSD (30th June 2010: 484,559 thousand RSD). The suppliers charge default interest on due receivables whereas according to the Risk Management Policy the Company executes payments to suppliers on agreed terms. The average time for the settlements of debts to suppliers was 28 days in the period from June 2010 to June 2011.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Fair Value of Financial Instruments (continued)

Assumptions for the Assessment of the Current Fair Value of Financial Instruments

Taking into account the fact that there is no sufficient market experience, stability and liquidity in the area of the purchase and sale of financial assets and liabilities, as well as taking into account the fact that market information which can be used for the disclosure of the fair value of financial assets and liabilities is not available, the method used concerns the cash flow discounting. When using this method of evaluation, interest rates for financial instruments with similar characteristic are employed with an aim to obtain relevant assessment of the market value of financial instrument as at the Balance Sheet date.
The assumptions used for the assessment of the current fair value are also that the book value of short term receivables from buyers and payables to suppliers is approximate to their fair value because they fall due for payment / collection in a relatively short period of time.

TAX RISKS

The tax laws in the Republic of Serbia are very often interpreted in a different way and they are the subject matter of frequent changes. The interpretation of tax laws by tax authorities in relation to the transactions and activities of the Company can differ from the interpretation of the Management. As the result of the above stated, the transactions can be contested by the tax authorities and the Company can be levied by additional amount of tax, penalties and interest. The prescription period of tax obligations is five years. This practically means that tax authorities are entitled to order the payment of outstanding taxes within the period of five years after the commitment has occurred.

LITIGATIONS

As at 30th June 2011, the Company as a sued party had several lawsuits of which the most important are the following:

- The lawsuit with Vojvođanska Banka JSC Novi Sad on the grounds of obligations under refinanced loans from the Paris Club Creditors with the value of EUR 13,206,879. In the second instance proceedings, the Company contested the creditor's rights of the bank in full;

- Two lawsuits with Agro Ltd., Valjevo in the total value of 19,217 thousand RSD in relation with the contract concluded for the building construction.

The company is of the opinion that the outcome of above mentioned lawsuits will be favourable and therefore, there is no provisioning made on these grounds in the accompanying Financial Statements.

THE EXISTING ECONOMIC CRISIS AND ITS EFFECTS ON THE SOCIETY

In the course of the year, the Company's operations have been under significant influence of the current global financial crisis and worsening of economic conditions. In 2011, it is not expected that the conditions for business operations will be much more different. Because of the current crisis at the global market and its effects on the Serbian market, it is to be expected that the Company will operate under volatile and uncertain economic conditions. It is not possible to predict the effects of the crisis on the future business operations of the Company since the element of overall uncertainty has been present. Aggravation of the business situation will probably affect the position of some branches of economy which will be indirectly reflected on the operations of the Company.
In spite of the above stated, the Company has not had any problems in maintaining the liquidity.

FOREIGN EXCHANGE RATES

The middle exchange rate for foreign currencies determined at the Interbank F/X Market is applied for the calculation in dinars of foreign currency positions in the Balance Sheet as follows:

	30th June 2011	30th June 2010
USD	70.6398	85.4794
EUR	102.4631	104.3704

In Bečej, 31st July 2011

Legal Representative

Branislava Pavlović
Chief Executive Officer