

**JSC SOJAPROTEIN, BEČEJ**

**NOTES TO INCOME STATEMENT  
AND BALANCE SHEET  
30<sup>th</sup> September 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 course 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 392 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 30<sup>th</sup> June 2011, Income Statement, Statement of Changes in Equity and Cash Flow Statement for the period until 30<sup>th</sup> September 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 2<sup>nd</sup> June 2006 and No. 111 dated 29<sup>th</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> December 2002 and 1<sup>st</sup> 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 25<sup>th</sup> 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 1<sup>st</sup> 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 22<sup>nd</sup> December 2006, No. 119 dated 26<sup>th</sup> December 2008, No. 9 dated 6<sup>th</sup> February 2009 and No. 4 dated 29<sup>th</sup> 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 interpretations 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> January 2010),
- Amendments to various standards and interpretations resulting from IFRS Annual Quality Improvement Project published on 16<sup>th</sup> 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 1<sup>st</sup> January 2010, and amendment to IFRIC will be applied after 1<sup>st</sup> July 2009),
- Amendments to IAS 38 "Intangible Assets" (effective for annual periods beginning on or after 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> January 2010);
- Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” coming into force for annual periods beginning on or after 1<sup>st</sup> July 2009 and IAS 39 “Financial Instruments: Recognition and Measurement” – Embedded Derivatives (effective for annual periods beginning on or after 30<sup>th</sup> June 2009),
- IFRIC 18 “Transfer of Assets from Customers” (effective for annual periods beginning on or after 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> July 2011),
- Supplements to IFRS 7 “Financial Instruments: Disclosures”- Transfer of Financial Assets (effective for annual periods beginning on or after 1<sup>st</sup> July 2011),
- Supplements to IAS 12 “Income Taxes” – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 6<sup>th</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> January 2011).
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after 1<sup>st</sup> July 2010).

**Comparative Data**

Comparative data are the Company’s Financial Statements as at 30<sup>th</sup> September 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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**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:

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**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.



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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**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 30<sup>th</sup> 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**

	<b>In thousand RSD</b>	
	<b>30<sup>th</sup> September 2011</b>	<b>30<sup>th</sup> September 2010</b>
Revenues arising from the sale of goods:		
- Related parties	437.611	3.651.648
- Other legal entities in the country	1.119.453	91.240
- Other foreign legal entities	0	24
	<u>1.557.064</u>	<u>3.742.912</u>
Revenues arising from the sale of products and rendering of services		
- Related parties	890.498	2.042.319
- Other legal entities in the country	2.980.653	3.161.732
- Other foreign legal entities	3.202.617	1.681.418
	<u>7.073.768</u>	<u>6.885.469</u>
	<u>8.630.832</u>	<u>10.628.381</u>

In the Income Statement, the Company stated total revenues arising from the sale of goods in the amount of 8,630,832 thousand RSD. The above specified amount includes revenues from the sale of commercial goods in the amount of 1,557,064 thousand RSD and the revenues from the sale of products and rendering of services in the amount of 7,073,768 thousand RSD.

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

- Related Parties

Soybeans	425,946 thousand RSD
Toasted soybean meal	2,389 thousand RSD
Other	9,276 thousand RSD
<b>TOTAL</b>	<b>437,611 thousand RSD</b>

- Other Legal Entities

Refined sunflower oil	604,589 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	431,287 thousand RSD
Other	147 thousand RSD
<b>TOTAL</b>	<b>1,119,453 thousand RSD</b>

Revenues arising from the sale of products and rendering of services

- Related parties

Soybean meal	710,803 thousand RSD
Raw soybean oil	973 thousand RSD
Protein products	159,867 thousand RSD
Other	18,855 thousand RSD
<b>TOTAL</b>	<b>890,498 thousand RSD</b>

-Other Legal Entities

Soybean meal	1,860,766 thousand RSD
Raw soybean oil	805,784 thousand RSD
Other	314,103 thousand RSD
<b>TOTAL</b>	<b>2,980,653 thousand RSD</b>

- Other Foreign Legal Entities

Soybean meal	50,780 thousand RSD
Raw soybean oil	1,801,591 thousand RSD
Protein products	1,292,109 thousand RSD
Other	58,137 thousand RSD
<b>TOTAL</b>	<b>3,202,617 thousand RSD</b>

**NOTE-2****OTHER OPERATING INCOME**

	In thousand RSD	
	<u>30<sup>th</sup> September 2011</u>	<u>30<sup>th</sup> September 2010</u>
Subsidies and stimulations	54,578	163,361
Rentals	41,180	36,496
Other operating income	4,045	980
	<u>99,803</u>	<u>200,837</u>

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).

Only proceeds from export incentives were recorded in revenues; due to insufficient budget assets further collection was suspended resulting in unrealized revenues on that basis.

**NOTE-3****THE COST OF PURCHASE OF SOLD GOODS**

	In thousand RSD	
	<u>30<sup>th</sup> September 2011</u>	<u>30<sup>th</sup> September 2010</u>
Cost of purchase of sold goods	1.558.350	3.259.895
	<u>1.558.350</u>	<u>3.259.895</u>

**In the Income Statement, the Company reported the amount of 1,558,350 thousand RSD which refers to the costs of sold commercial goods. The most important amounts refer to the following:**

Refined sunflower oil	604.589 thousand RSD
Sunflower meal	7,462 thousand RSD
Soybeans	426,396 thousand RSD
Wheat	74,945 thousand RSD
Toasted soybean meal – commercial goods	434,542 thousand RSD
Other	10,416 thousand RSD
<b>Total</b>	<b>1,558,350 thousand RSD</b>

**NOTE-4****COST OF MATERIALS AND ENERGY**

	In thousand RSD	
	<u>30<sup>th</sup> September 2011</u>	<u>30<sup>th</sup> September 2010</u>
Materials for production	5.146.738	5.054.125
Other materials	122.070	108.676
Fuel and energy	219.286	205.329
	<u>5.488.094</u>	<u>5.368.130</u>

**NOTE-5****COST OF SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EARNINGS**

	<u>30<sup>th</sup> September 2011</u>	<u>In thousand RSD 30<sup>th</sup> September 2010</u>
Gross salaries	225.039	202.348
Contributions on behalf of the employer	40.155	35.843
Compensations for employees' business trips	9.687	7.578
Compensations for employees' travel expenses	10.534	9.545
Scholarships	3.617	3.958
Considerations under royalty contracts	1.467	1.854
Severance pays and jubilee awards	1.642	2.280
Considerations for members of the Board of Director and Supervisory Board	813	813
Other personal expenses and compensations	<u>2.994</u>	<u>4.424</u>
<b>TOTAL</b>	<b><u>295.948</u></b>	<b><u>268.643</u></b>

**NOTE-6****COST OF DEPRECIATION AND PROVISIONING**

	<u>30<sup>th</sup> September 2011</u>	<u>In thousand RSD 30<sup>th</sup> September 2010</u>
Depreciation	<u>139.370</u>	<u>111.277</u>
	<u>139.370</u>	<u>111.277</u>

**NOTE-7****OTHER OPERATING EXPENSES**

	<u>30<sup>th</sup> September 2011</u>	<u>In thousand RSD 30<sup>th</sup> September 2010</u>
Banking and payment operations services	33.281	38.591
Maintenance services	40.624	40.511
Laboratory services	51.908	39.129
Transportation	104.361	42.489
Rentals	41.261	27.393
Utility services	15.559	13.632
Insurance premiums	19.803	16.072
Indirect taxes and contributions	16.855	19.801
Brokerage services	675	420
Lawyers and consulting services	22.577	1.434
Internet, telephone and PTT	4.770	5.431
Entertainment	9.222	7.353
Fairs and other performances	6.123	3.356
Advertising and propaganda	2.275	1.811
Other production services	3.732	3.595
Other non-material expenses	<u>99.435</u>	<u>28.408</u>
	<u>472.461</u>	<u>289.426</u>

**NOTE-8****FINANCIAL INCOME**

	<b>30<sup>th</sup> September 2011</b>	<b>In thousand RSD 30<sup>th</sup> September 2010</b>
Financial income – related parties	218	1.438
Foreign exchange gains	466.003	186.437
Income arising from effects of the foreign currency clause	248	5.871
Interest income	4.183	2.368
Other financial income	-	-
	<u>470.652</u>	<u>196.114</u>

**NOTE-9****FINANCIAL EXPENSES**

	<b>30<sup>th</sup> September 2011</b>	<b>In thousand RSD 30<sup>th</sup> September 2010</b>
Foreign exchange losses	362.851	1.055.716
Interest expenses	103.144	216.501
Expenses arising from effects of the foreign currency clause	158	330
Other financial expenses	3	1.117
	<u>466.156</u>	<u>1.273.664</u>

**NOTE-10****OTHER INCOME**

	<b>30<sup>th</sup> September 2011</b>	<b>In thousand RSD 30<sup>th</sup> September 2010</b>
Gains arising from the sale of equipment and intangible assets	228	2.563
Income arising from adjusted value of receivables	936	6.009
Surplus balance	4.172	1.852
Indemnity of damages by insurance companies	6.931	1.421
Income arising from the sale of materials	1.382	197
Other income	892	555
	<u>14.541</u>	<u>12.597</u>

**NOTE-11****OTHER EXPENSES**

	<b>30<sup>th</sup> September 2011</b>	<b>In thousand RSD 30<sup>th</sup> September 2010</b>
Impairment of receivables and short term loans	293	13.347
Shortfall balance	-	3.273
Losses arising from the sale of materials	1.290	194
Receivables write-offs under approved housing loans	1.335	1.398
Losses arising from disposal of property and equipment	-	8
Expenses under direct receivables write-off	-	-
Other expenses	7.660	2.157
	<u>10.578</u>	<u>20.377</u>

**NOTE-12  
PROFIT****b) Harmonization of Income Tax in the Income Statement and the Product of Profit before Tax and Prescribed Tax Rate**

	<u>30<sup>th</sup> September 2011</u>	<u>In thousand RSD 30<sup>th</sup> September 2010</u>
Profit before tax	1.027.922	315.031
Income tax at the rate of 10%	102.792	-
	-	31.503
Loss before tax		
Tax 10%	-	12.861
Net loss	-	61.500
Profit after tax	925.130	283.528
Effective tax rate	10%	-

**NOTE-13  
EARNINGS PER SHARE**

	<u>30<sup>th</sup> September 2011</u>	<u>30<sup>th</sup> September 2010</u>
Net profit	925.130	283.528
Average weighted number of shares	10.756.778	8.012.256
Earnings per share /in RSD/	86,00	35,39

**NOTE-14  
PROPERTY, PLANT AND EQUIPMENT, BIOLOGICAL ASSETS, INVESTMENT  
PROPERTY AND INTANGIBLE ASSETS**

	<b>In thousand RSD</b>					
	Land, Buildings, and Biological Assets	Equipment	Advancements for Fixed Assets and Investments Underway	Total	Investment Property	Intangible Assets
<b>Cost of Purchase</b>						
Balance as at 1 <sup>st</sup> January 2010	1,791,809	1,651,768	581,129	4,024,706	332,035	18,775
Increase during year	3385	13,355	518,455	535,195	-	621
Transfers			(82.198)	(82,198)	-	-
Transfer to investment property						
Disposal	-	(60)	-	(60)	-	-
Sale	-	(11.912)	-	(11.912)	-	-
Other	-	-	-	-	-	-
Balance as at 30 <sup>th</sup> September 2010	<u>1.795.194</u>	<u>1.653.151</u>	<u>1.017.386</u>	<u>4.465.731</u>	<u>332.035</u>	<u>19.396</u>
Balance as at 1 <sup>st</sup> January 2011	1.859.097	2.247.315	498.108	4.604.520	332.034	19.397



## NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> September 2011

Increase during year	38.897	32.884	5.291.845	5.363.626		548
Transfers			(2.801.888)	(2.801.888)		
Transfer to investment property						
Disposal		(651)		(651)		
Sale		(1.717)		(1.717)		
Other						527
Balance as at 30 <sup>th</sup> September 2011	<u>1.897.994</u>	<u>2.277.831</u>	<u>2.988.065</u>	<u>7.163.890</u>	<u>332.034</u>	<u>20.473</u>
<b>Value Adjustments</b>						
Balance as at 1 <sup>st</sup> January 2010	160.780	467.564	-	628.344	-	10.214
Depreciation in the current year	28.136	81.328	-	109.464	-	1.813
Transfer to investment property			-		-	-
Disposal	-	(59)	-	(59)	-	-
Sale	-	(11.552)	-	(11.552)	-	-
Balance as at 30 <sup>th</sup> September 2010	<u>188.916</u>	<u>537.281</u>	<u>-</u>	<u>726.197</u>	<u>-</u>	<u>12.027</u>
<b>Value Adjustments</b>						
Balance as at 1 <sup>st</sup> January 2011	198.251	554.279	-	752.530	-	12.654
Depreciation in the current year	29.752	107.713		137.465		1.905
Transfer to investment property						
Disposal		(1,338)		(1,338)		
Sale		(651)		(651)		
Balance as at 30 <sup>th</sup> September 2011	<u>228.003</u>	<u>660.003</u>	<u>-</u>	<u>888.006</u>	<u>-</u>	<u>14.559</u>
- 30 <sup>th</sup> September 2011	<u>1.669.991</u>	<u>1.617.828</u>	<u>2.988.065</u>	<u>6.275.884</u>	<u>332.034</u>	<u>5.913</u>
- 30 <sup>th</sup> September 2010	<u>1.606.278</u>	<u>1.115.870</u>	<u>1.017.386</u>	<u>3.739.534</u>	<u>332.035</u>	<u>7.369</u>

The Company reported intangible assets in the amount of 5,913 thousand RSD.

The Company reported the value of property, plant and equipment as at 30<sup>th</sup> September 2011 in the amount of 6,607,918 thousand RSD.

Depreciation is calculated by applying the proportional method to the cost of purchase.

As of September 30, 2011 the prepayments for fixed assets were presented in the amount of 1,139,088 thousand RSD and they relate to prepayments made for the equipment of foreign origin and works on construction of the SPC plant amounting to 868,047 thousand RSD.

Investments in progress were presented in total amount of 1,848,977 thousand RSD and the major investment relates to extraction for the soybean protein concentrates production and amounts to 1,512,700 thousand RSD, whereas the remaining balance was spent on construction of ancillary facilities of the SPC plant.

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 the current year. After that, the stage of trial production will commence.

The total valuation 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 about 22 million EUR.

Project revision was made resulting in the estimated value of the investment of approximately 26 million euros. Having in mind that the soybean concentrates are products at the highest level of

## NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> September 2011

finalization, as well as their wide use in the field of animal foods production, milk replacement products for piglets and calves diet and product intended for human consumption, the Company expects significant revenue increase in 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-15

## EQUITY INVESTMENTS

	Proportion in %	30 <sup>th</sup> September 2011	In thousand RSD 30 <sup>th</sup> September 2010
<i>Equity Investment in Subsidiaries</i>			
ZAO Vobeks - Intersoja, Russia	85,00%	1,112	1,112
Veterinary Institute Subotica JSC	59,17%	783.618	783.618
		<u>784.730</u>	<u>784.730</u>
<i>Equity Investment in Related Parties</i>			
Hotel "Bela Lada" JSC , Bečej	31,81%	64.626	64.626
		<u>64.626</u>	<u>64.626</u>
Equity investment in banks		120	120
Novi Sad Fair JSC , Novi Sad		6,286	6.667
Equity investment in other legal entities		<u>1.831</u>	<u>1.831</u>
		<u>857.593</u>	<u>857.974</u>

## NOTE-16

## OTHER LONG TERM FINANCIAL PLACEMENTS

	30 <sup>th</sup> September 2011	In thousand RSD 30 <sup>th</sup> September 2010
Housing loans to employees	2.521	11.533
	<u>2.521</u>	<u>11.533</u>

## NOTE-17

## INVENTORIES

	30 <sup>th</sup> September 2011	In thousand RSD 30 <sup>th</sup> September 2010
Materials	2.637.719	891.415
Spare parts	134.598	143.270
Tools and accessories	37.654	37.109
Finished products	566.288	279.588
Work in progress	40.892	47.408
Given advances	1.979.111	3.232.948
Goods:		
- In wholesale trade	3.577	43.862
- In storehouses of other legal entities	3,547	13.629
	<u>5.403.386</u>	<u>4.689.229</u>
Minus: Adjusted value of supplies of materials	<u>(19.710)</u>	<u>(19.455)</u>
	<u>5.383.676</u>	<u>4.669.774</u>

In the Balance Sheet, the Company reported inventories in the amount of 5.383.676 thousand RSD. The most important items concern the inventories of raw materials and materials amounting to 2.637.719 thousand RSD out of which inventories of main raw materials (soybeans) amount 2.561.793 thousand RSD calculated at the average cost, i.e. expressed in volume 12,689 tons – crop 2010 and 60,543 tons – crop 2011 of soybean grain of JUS quality.

**NOTE-18**  
**RECEIVABLES**

	In thousand RSD	
	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010
Receivables from buyers:		
- Related parties	2.016.628	3.703.868
- Domestic	1.594.515	874.934
- Foreign	663.471	496.612
Receivables form exporters	16	13.681
Receivables from specific deals		
- Related parties	-	
- Other	9.449	28.267
Interest receivables	7.154	-
Receivables from state bodies and organizations	4.135	53.630
Prepaid other taxes and contributions	560	808
Other receivables:		
- Related parties	-	41.839
- Other	14.055	2.551
	<u>4.309.983</u>	<u>5.216.190</u>
Minus: Adjustments for receivables from buyers	<u>(148.475)</u>	<u>(168.641)</u>
	<u>4.161.508</u>	<u>5.047.549</u>

**NOTE-19**  
**SHORT TERM FINANCIAL PLACEMENTS**

	In thousand RSD	
	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010
Short term borrowings to related parties:		
- Victoria Group JSC	195.775	1.142.565
- Victoria Logistic Ltd.		
Loans for winter provisions	16.326	72
Short term loans in the country	69.395	104.298
Buyback of own shares	(21.208)	-
	<u>281.496</u>	<u>1.246.935</u>

Short term borrowings in the amount of 195,775 thousand RSD as at 30<sup>th</sup> September 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-20****CASH AND CASH EQUIVALENTS**

	<b>30<sup>th</sup> September 2011</b>	<b>In thousand RSD 30<sup>th</sup> September 2010</b>
Current account		
- In RSD	89.633	36.590
- In foreign currencies	207.177	137.658
Allotted funds and letters of credit	19	
Cash in hand	32	37
Foreign currency letters of credit	-	-
Other funds	3.255	3.255
	<u>300.116</u>	<u>177.540</u>

**NOTE-21****VALUE ADDED TAX AND PREPAYMENTS**

	<b>30<sup>th</sup> September 2011</b>	<b>In thousand RSD 30<sup>th</sup> September 2010</b>
Prepaid expenses up to one year	6.647	10.985
Advance payment of VAT	282.449	-
Delimited VAT	-	-
Other prepayments	3.147	2.229
	<u>292.243</u>	<u>13.214</u>

**NOTE-22****OFF-BALANCE SHEET ASSETS**

Off-balance sheet assets as at 30<sup>th</sup> September 2011 amounted to 8,871,743 thousand RSD. The amount of 8,716,858 thousand RSD refers to guarantees and sureties issued by Sojaprotein JSC as the guarantor. The amount of 2,930 thousand RSD refers to third party's goods held in our storehouses. The amount of 151,955 thousand RSD relates to soybean owned by others - providing of processing services.

**OFF-BALANCE SHEET ASSETS / LIABILITIES**

	<b>30<sup>th</sup> September 2011</b>	<b>In thousand RSD 30<sup>th</sup> September 2010</b>
Third party's funds	2.930	229.291
Avals and guarantees	8.716.858	7.995.573
Material owned by others	151.955	-
	<u>8.871.743</u>	<u>8.224.864</u>

**NOTE-23**  
**CORE CAPITAL**

In conformity with the Decisions of the Company's General Meeting of Shareholders made on 30<sup>th</sup> June 2011 and the Resolution of the Securities Commission No. 4/0-24-2926/5-11 dated 14<sup>th</sup> 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 10<sup>th</sup> share issue was registered with the Central Securities Depository and Clearing House on 9<sup>th</sup> August 2011.

The structure of the Company's share capital as at 30<sup>th</sup> September 2011 and 30<sup>th</sup> September 2010 is as follows:

Description	30 <sup>th</sup> September 2011			30 <sup>th</sup> September 2010		
	Proportion in %	Number of Shares	Capital Value	Proportion in %	Number of Shares	Capital Value
Victoria Group JSC	62,94%	9.374.965	4.346.809	62.94%	6.196.161	2.872.912
Priv. Banka Zagreb JSC	2,99%	445.149	206.398	3.13%	307.653	142.646
East Capital Asset Manag	2,15%	320.943	148.809	-	-	-
Erste bank Custody	1,53%	228.192	105.804	1,02%	-	-
Unicredit Bank Austria AG	1,44%	214.172	99.303	0,85%	83.678	38.798
SG SRBIJA KASTODI						
Account	1,14%	170.326	78.974			
Gustaviad. Fonder Aktie	1,13%	168.137	77.959	1,73%	170.010	78.827
Hypo Kastodi 4	0,87%	129.526	60.056	1,22%	120.461	55.853
NLB clients	0,79%	112.763	52.284	0,89%	88.074	40.836
DDOR Novi Sad	0,71%	105.139	48.749	-	-	-
Other legal and physical persons	24,31%	3.626.212	1.681.335	29,95%	2.986.807	1.334.802
	100,0 %	14.895.524	6.906.480	100,00%	9.844.844	4.564.674
Buyback of own shares		45.741	(21.208)	-	-	-
Free shares of 10 <sup>th</sup> issue		23.466				
Share capital		14.826.317	6.885.272	100,00%	9.844,844	4.564.674

**LEGAL RESERVES**

The Company's legal reserves as at 30<sup>th</sup> September 2011 in the amount of 247,882 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 30<sup>th</sup> September 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-24****BUYBACK OF OWN SHARES**

In the Balance Sheet, the Company reported the amount of 21,208 thousand RSD

At the meeting held on 20<sup>th</sup> 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-25****LONG TERM LOANS**

	<u>30<sup>th</sup> September 2011</u>	<u>In thousand RSD 30<sup>th</sup> September 2010</u>
Long term loans in the country	1.338.587	-
Long term loans abroad	1.716.966	2.476.125
	<u>3.055.553</u>	<u>2.476.125</u>
Current maturities	<u>(91.976)</u>	<u>(96.522)</u>
	2.963.577	2.379.603

**LONG TERM LOANS ABROAD (continued)**

	<u>Annual Interest Rate</u>	<u>Currency</u>	<u>Amount</u>	<u>In thousand RSD 30<sup>th</sup> September</u>	
				<u>2011</u>	<u>2010</u>
European Bank	2,5%+6M				
Vojvodjanska banka JSC, Novi Sad	euribor	EUR	3,214,285,7	325,199	417,115
		EUR	10,756,277	1,088,247	1,142,046
European Bank	2,3%+6M				
Banka Inteza Coper	euribor	EUR	3,000,000	303,520	530,874
		EUR		-	386,090
				<u>1,716,966</u>	<u>2,476,125</u>

**LONG TERM LOANS IN THE COUNTRY (continued)**

	Annual Interest Rate	Currency	Amount	In thousand RSD	
				30 <sup>th</sup> September 2011.	2010.
Uni credit bank	3,9%+3M euribor	EUR	13,230,645,5	1.338,587	
				<u>3,055,553</u>	<u>2,476,125</u>
Minus:				<u>(91,976)</u>	<u>(96,522)</u>
Current Maturities				2,963,577	2,379,603

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 1,338,587 thousand RSD has been withdrawn.

Commitments arising from refinancing loans from the Paris Club Creditors in the amount of 1,088,247 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 22<sup>nd</sup> 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 22<sup>nd</sup> 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 4<sup>th</sup> 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 22<sup>nd</sup> 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.

As of 30<sup>th</sup> September 2011, liabilities to the European Bank for Reconstruction and Development for the granted credit amounted to 303,520 thousand RSD (EUR 3,000,000) – Second Tranche and 325,199 thousand RSD – Third Tranche. The loan was approved on the basis of the Agreement concluded on 10<sup>th</sup> September 2007. Namely, in conformity with the Agreement, the above funds represent the part of approved loan for the purpose investment in working capital for the project of procurement of oil plants (Second Tranche) and investment in achieving the energy efficiency (Third Tranche). The proceeds were granted for the period of five year with respect to the Second Tranche and period of 7 years with respect to the Third Tranche with semi-annual payment installments.

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

## NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> September 2011

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-26****SHORT TERM FINANCIAL LIABILITIES**

	<u>30<sup>th</sup> September 2011</u>	<u>In thousand RSD 30<sup>th</sup> September 2010</u>
<b>Current maturities:</b>		
Long term loans	<b>91,976</b>	<b>96,522</b>
- Banca Intesa Coper	91,976	96,522
<b>Short term loans:</b>	<b>1,287,961</b>	<b>1,898,797</b>
- Komerijalna banka JSC	1,287,961	637,049
- Societe Generale Banka		424,699
- Eurobank EFG		106,175
- Credit Agricole		530,874
- Komercijalna banka JSC (loans RSD)		200,000
<b>Other (lease)</b>	<b>171</b>	<b>3,792</b>
	<u><b>1,380,108</b></u>	<u><b>1,999,111</b></u>



Short term loans:

Lender:	Annual Interest Rate in %	Maturity	Amount in EUR	In thousand RSD
				30 <sup>th</sup> September 2011
Komerijalna banka JSC.	4.40+3 M Euribor	30 <sup>th</sup> March 2012.	7,730,260,30	782,095
Credit Agricole	3M Euribor+ 3,90%	21 <sup>st</sup> June 2011	<u>5,000,000</u>	<u>505,866</u>
				<u>1,287,961</u>

**NOTE-27****OPERATING LIABILITIES**

	In thousand RSD	
	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010
Liabilities arising from received advance payments	410,233	416,251
Payables to suppliers:		
- Parent company and subsidiaries	834	1,159
- Other related parties	36,063	51,423
- Domestic suppliers	1,534,025	1,214,093
- Foreign suppliers	159,964	12,036
Other operating liabilities	2,507	-
	<u>2,143,626</u>	<u>1,694,962</u>

**NOTE-28****OTHER SHORT TERM LIABILITIES**

	In thousand RSD	
	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010
Net salaries and salary compensations	9,594	9,038
Taxes and contributions on salaries	6,034	5,611
Dividends	3,017	3,017
Agreement considerations to physical persons	294	-
Net salary compensations which are refunded	128	313
Taxes and contributions on refunded salaries	66	194
Considerations for members of the Board of Directors and Supervisory Board	60	60
Other liabilities	193	228
	<u>19,386</u>	<u>18,461</u>

**NOTE-29****VALUE ADDED TAX AND OTHER PUBLIC REVENUES AND DEFERRED PAYMENTS**

	In thousand RSD	
	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010
Taxes, customs and other duties	3,358	99,387
Calculated future period revenues	345	417
Delimited VAT	52	-

## NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> September 2011

Other deferred payments		868
Costs calculated in advance	14,944	-
	<u>18,699</u>	<u>100,672</u>

## 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 25, 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 30<sup>th</sup> September 2011:

	In thousand RSD	
	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010
Indebtedness a)	4,436,447	4,476,719
Cash and cash equivalents	<u>300,116</u>	<u>177,540</u>
Net indebtedness	<u>4,136,331</u>	<u>4,299,179</u>
Capital b)	<u>11,019,699</u>	<u>9,624,400</u>
Racio total debt versus capital	<u>0,37</u>	<u>0,45</u>

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	
	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010
<b>Financial Assets</b>		
Equity investments	857,593	857,974
Other long term financial placements	2,521	11,533
Receivables	4,161,508	5,047,549
Short term financial placements	281,496	1,246,935
Cash and cash equivalents	<u>300,116</u>	<u>177,540</u>
	<u>5,603,234</u>	<u>7,341,531</u>
<b>Financial Liabilities</b>		
Long term and short term loans	4,436,447	4,476,719
Payables to suppliers	1,733,393	1,278,711

## NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> September 2011

Other liabilities	19,386	18,461
	<u>6,189,226</u>	<u>5,773,891</u>

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	
	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010
EUR	549,702	313,877	4,595,454	4,282,159
USD	309,000	322,072	-	113
GBP	11,981	12,002	-	-
CHF	-	-	-	-
	<u>870,683</u>	<u>647,951</u>	<u>4,595,454</u>	<u>4,282,272</u>

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

## NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> September 2011

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 end 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	
	30.09.2011.	30.09.2010.
EUR currency	(404,575)	(396,822)
USD currency	30,900	32,196
GBP currency	1,198	1,200
CHF currency		
Current Period Output	<u>(372,477)</u>	<u>(363,432)</u>

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

Осетљивост Друштва на промене у страним валутама повећана је у текућем периоду, углавном као последица повећања кредитних обавеза.

**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 30<sup>th</sup> September 2011 is as follows:

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)****Market Risk (continued)****Risk Arising from the Change of Interest Rates (continued)**

	In thousand RSD	
	30 <sup>th</sup> September 2011	30 <sup>th</sup> September 2010
<b>Financial Assets</b>		
<i>Non interest bearing</i>		
Long term financial placements	857,593	857,974
Other long term financial placements	2,521	11,533
Receivables from buyers	4,161,508	5,047,549
Short term financial placements	58,326	2,072
Cash and cash equivalents	300,116	177,540
	<u>5,380,064</u>	<u>6,096,668</u>
<i>Fixed interest rate</i>	195,775	1,142,565
<i>Variable interest rate</i>	27,395	102,299
	<u>5,603,234</u>	<u>7,341,532</u>

## NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> September 2011

<b>Financial Liabilities</b>		
<i>Non interest bearing</i>		
Payables to suppliers	2,143,626	1,694,962
Other payables	19,386	18,461
	2,163,012	1,713,423
<i>Fixed interest rate</i>		
Short term loans	782,095	837,049
<i>Variable interest rate</i>		
Long term and short term loans	3,654,352	3,639,670
	6,599,459	6,190,142

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 30<sup>th</sup> September 2011 in the amount of 33,542 thousand RSD more or less. Such a situation is explained by the Company's exposure arising from 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:

<b>Customer</b>	<b>In thousand RSD</b>	
	<b>2011</b>	<b>2010</b>
Victoriaoil JSC, Šid	10,947	1,016,060
Mercator – S , Novi Sad	67,827	12,021
ZAO Vobex Intersoja , Moscow	82,865	77,122
Victoria Group JSC, Novi Sad	-	320,064
Victoria Logistic Ltd	1,895,567	2,334,772
Veterinary Institute JSC , Zemun	52,663	3,929
Invej JSC , Zemun	799,018	354,004
Mills Čurug Ltd.	80,079	90,452
Veterinary Institute JSC, Subotica	110,041	30,524
Biovet Bulgaria	135,239	164,879
Eraković Kula	266,019	-
Solae Europe , Geneve	76,757	2,723

## NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> September 2011

Other receivables	584,506	641,015
	<u>4,161,528</u>	<u>5,047,565</u>

The structure of receivables from buyers as at 30<sup>th</sup> September 2011 is given in the following table :

	<u>Gross Exposure</u>	<u>Value Adjustment</u>	<u>In thousand RSD Net Exposure</u>
Undue receivables from buyers	1,838,721		1,838,721
Due, adjusted receivables from buyers	143,336	143,336	
Due, unadjusted receivables from buyers	<u>2,322,807</u>	<u>-</u>	<u>2,322,807</u>
	<u>4,304,864</u>	<u>143,336</u>	<u>4,161,528</u>

The structure of receivables from buyers as at 30<sup>th</sup> September 2010 is given in the following table :

	<u>Gross Exposure</u>	<u>Value Adjustment</u>	<u>In thousand RSD Net Exposure</u>
Undue receivables from buyers	1,107,730	-	1,107,730
Due, adjusted receivables from buyers	162,663	(162,663)	-
Due, unadjusted receivables from buyers	<u>3,939,835</u>	<u>-</u>	<u>3,939,835</u>
	<u>5,210,228</u>	<u>(162,663)</u>	<u>5,047,565</u>

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

## Credit Risk (continued)

*Managing Receivables from Buyers (continued)**Undue Receivables from Buyers*

Undue receivables reported as at 30<sup>th</sup> September 2011 in the amount of 1,838,721 thousand RSD (30<sup>th</sup> September 2010: 1,107,730 thousand RSD) mostly refer to receivables from buyers arising from the sale of soybean meal, raw soybean oil, textured soybeans and soybean flour. Receivables based on the contract on exchange of crude soybean oil against the soybean grain – crop 2011 amount to 799,018 thousand RSD and they will become due on 25<sup>th</sup> November 2011.

*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 (2010: 162,663 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 30<sup>th</sup> September 2011 in the amount of 2,322,807 thousand RSD (30<sup>th</sup> September 2010: 3,939,835 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:

	<u>30<sup>th</sup> September 2010</u>	<u>In thousand RSD 30<sup>th</sup> September 2010</u>
Less than 30 days	359,535	1,567,609
31 - 90 days	296,575	986,618
91 - 180 days	316,820	1,017,804
181 - 365 days	1,312,905	334,704
Over 365 days	36,972	33,100
	<u>2,322,807</u>	<u>3,939,835</u>

*Receivables from Victoiria Logistic at 30<sup>th</sup> September 2011*

	<u>30<sup>th</sup> September 2010</u>	<u>In thousand RSD 30<sup>th</sup> September 2010</u>
Less than 30 days	71,763	-
31 - 90 days	207,017	-
91 - 180 days	260,425	-
181 - 365 days	1,283,244	-
	<u>1,822,449</u>	<u>-</u>

*Receivables from Victoria Logistic will be compensated for the soybean grain – crop 2011 until 30<sup>th</sup> November 2011.*

*Managing Payables to Suppliers*

Payables to suppliers as at 30<sup>th</sup> September 2011 are reported in the amount of 1,733,393 thousand RSD (30<sup>th</sup> September 2010: 1,278,711 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 62 days in the period from September 2010 to September 2011.

**Structure of liabilities as of 30<sup>th</sup> September 2011 (in thousand RSD):**

- Parent and subsidiaries	834
- Other related parties	36,063
- Domestic suppliers	1,534,025
- Foreign suppliers	159,964
- Other operating liabilities	2.507

*Major share of liabilities to domestic suppliers relates to:*

- Uninvoiced soybean grain – crop 2011 in the amount of 1,331,975 thousand RSD,
- Uninvoiced material and packaging in the amount of 8,485 thousand RSD,
- Other liabilities to domestic suppliers in amount of 113,789 thousand RSD

- Investment liabilities in amount of 79,776 thousand RSD.

## 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 30<sup>th</sup> September 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

Company operations were significantly influenced by a new wave of the financial crisis in the current year resulting in aggravated business environment. Due to the crisis in the euro-zone market and globally, and its effects to the Serbian market, it may be expected that the Company will operate under the aggravated and uncertain business environment. It is impossible to foreseen a full impact of the crisis on future operations of the Company and, hence, the element of general uncertainty is present. Aggravated business environment in the country will probably make impact on certain activities



**NOTES TO FINANCIAL STATEMENTS****30<sup>th</sup> September 2011**

within the industry and result in increased illiquidity and an indirect impact on the Company operations.

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:

	<u>30<sup>th</sup> September 2011</u>	<u>30<sup>th</sup> September 2010</u>
USD	74,6776	78,1099
EUR	101,1732	106,1748

In Bečej, 30<sup>th</sup> September 2011

Legal Representative

Branislava Pavlović  
Chief Executive Officer