

**SOJAPROTEIN A.D. BECEJ**  
**NOTES**  
**to the Consolidated Financial Statements**  
**as of December 31, 2010**

**CONSOLIDATED INCOME STATEMENT**  
**for the period from January 1 to December 31, 2010**  
**(in thousands of dinars)**

	<u>Note</u>	<u>2010</u>	<u>2009</u>
<b>OPERATING INCOME</b>		17,086,253	18,818,228
Sales	6	16,806,658	18,280,851
Revenues from activation of own products and goods		12,579	86,014
Increase/(reduction) of inventories		(37,943)	317,900
Other operating income	8	304,959	133,463
<b>OPERATING EXPENSES</b>			
Cost of goods sold		(4,823,313)	(6,667,043)
Cost of material	9	(8,846,285)	(8,897,730)
Salaries, salary compensations and other fringe benefits	10	(647,252)	(635,750)
Depreciation and amortization and provisions		(253,956)	(230,622)
Other operating expenses	11	(603,975)	(584,799)
		(15,174,781)	(17,016,944)
<b>OPERATING PROFIT</b>		<u>1,911,472</u>	<u>1,801,284</u>
Financial income	12	582,507	451,883
Financial expenses	13	(1,550,662)	(1,584,030)
Other revenues	14	54,404	164,360
Other expenses	15	(82,375)	(186,484)
<b>PROFIT FROM REGULAR OPERATIONS</b>		<u>915,346</u>	<u>647,013</u>
<b>PROFIT TAX</b>	17		
- Tax liabilities of the period		(49,043)	(44,103)
- Deferred tax assets of the period		(4,361)	(7,389)
<b>NET PROFIT</b>		<u>861,942</u>	<u>595,521</u>
<b>MINORITY STAKEHOLDERS' SHARE OF NET PROFIT</b>		<u>26,199</u>	<u>87,455</u>
<b>SHARE OF PROFIT BELONGING TO THE OWNERS OF PARENT LEGAL ENTITY</b>		<u>835,743</u>	<u>508,066</u>
<b>Base earnings per share (in dinars)</b>	16	<u>95,65</u>	<u>75,84</u>

Notes on the following pages  
constitute an integral part of these Consolidated Financial Statements.

The Company Management approved the Consolidated Financial Statements and they were submitted to the Business Registers Agency on April 30, 2011.  
Signed by Sojaprotein a.d., Becej:

**CONSOLIDATED BALANCE SHEET**  
as of December 31, 2010  
(in thousands of dinars)

	Note	December 31, 2010	December 31, 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible investments	18	49,346	62,359
Goodwill		201,833	202,533
Property, plants, equipment and biological assets	18	5,418,453	4,955,628
Investment property	18	314,982	315,339
Stakes in equity	19	73,305	73,632
Other long-term financial investments	20	9,877	14,726
		<u>6,067,796</u>	<u>5,624,217</u>
<b>Current assets</b>			
Inventories	21	6,575,249	8,786,988
Receivables	22	5,554,389	6,701,536
Receivables from overpaid profit tax		9,097	-
Short-term financial investments	23	1,641,627	1,811,799
Cash and cash equivalents	24	234,972	143,754
Value added tax and prepayments and accrued income		266,628	67,729
Deferred tax assets	17	-	-
		<u>14,281,962</u>	<u>17,511,806</u>
<b>Total assets</b>		<u><u>20,349,758</u></u>	<u><u>23,136,022</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	26	4,564,674	3,533,705
Reserves	27	456,785	423,374
Revaluation reserves		2,112,617	2,122,506
Share issue premiums		871,701	887,764
Unrealized gains from securities		2,476	2,857
Retained profit		2,450,439	2,664,581
Treasury shares		(20,521)	-
Minority interests		1,340,166	1,313,967
		<u>11,778,337</u>	<u>10,957,754</u>
<b>Long-term liabilities</b>			
Long-term provisions	28	45,136	44,981
Long-term credits	29	2,158,726	4,563,767
Other long-term liabilities		786	1,892
		<u>2,204,648</u>	<u>4,612,200</u>
<b>Short-term liabilities</b>			
Short-term financial liabilities	30	3,119,208	5,055,620
Operating liabilities	31	2,976,864	2,234,808
Other short-term liabilities and accrual and deferred income	32	47,186	47,223
Value added tax liabilities and other public levies and dues	33	24,817	36,575
Profit tax liabilities		16,384	14,969
		<u>6,184,459</u>	<u>7,389,195</u>
Deferred tax liabilities	17	182,314	178,433
<b>Total equity and liabilities</b>		<u><u>20,349,758</u></u>	<u><u>23,136,022</u></u>
<b>Off-balance assets/liabilities</b>	34	<u><u>16,058,611</u></u>	<u><u>10,626,485</u></u>

Notes on the following pages  
constitute an integral part of these Consolidated Financial Statements.

**CONSOLIDATED STATEMENT ON CHANGES IN EQUITY**  
**For the period from January 1 to December 31, 2010**  
**(in thousand of dinars)**

	Share capital	Issue premium	Mandatory and statutory reserves	Revaluation reserves	Unrealized gains from securities held for sale	Retained profit	Treasury shares	Minority interests	Total
Balance as of January 1, 2009	2,499,134	-	412,019	2,095,721	10,895	2,174,904	(25,265)	1,318,399	8,485,807
Issue of shares	1,034,570	887,764	-	-	-	-	-	3,339	1,925,673
Unrealized gains from securities	-	-	-	-	-	-	-	-	-
Cancellation of revaluation reserves based on disposals and decommissioning	-	-	-	(1,967)	-	1,611	-	-	(356)
Transfer to deferred tax liabilities	-	-	-	28,752	-	-	-	-	28,752
Sale of treasury shares	-	-	-	-	-	-	25,265	-	25,265
Reductions during the period	-	-	-	-	(8,038)	-	-	(95,226)	(103,264)
Transfer from retained profit	-	-	20,355	-	-	(20,355)	-	-	-
Other	-	-	-	-	-	356	-	-	356
Net profit of the period	-	-	-	-	-	508,066	-	87,455	595,521
	<u>3,533,704</u>	<u>887,764</u>	<u>432,374</u>	<u>2,122,506</u>	<u>2,857</u>	<u>2,664,582</u>	<u>-</u>	<u>1,313,967</u>	<u>10,957,754</u>
Balance as of January 1, 2010	3,533,704	887,764	432,374	2,122,506	2,857	2,664,582	-	1,313,967	10,957,754
Issue of shares	-	-	-	-	(381)	-	-	-	(381)
Unrealized gains from securities	-	-	-	-	-	-	-	-	-
Cancellation of revaluation reserves based on disposals and decommissioning	-	-	-	(9,461)	-	5,495	-	-	(3,966)
Transfer to deferred tax liabilities	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	(16,063)	-	-	-	-	(20,521)	-	(36,584)
Increases during the period	-	-	-	1,251	-	-	-	-	1,251
Transfer from retained profit	1,030,970	-	24,411	-	-	(1,055,381)	-	-	-
Other	-	-	-	(1,679)	-	-	-	-	(1,679)
Net profit of the period	-	-	-	-	-	835,743	-	26,199	861,942
	<u>4,564,674</u>	<u>871,701</u>	<u>456,785</u>	<u>2,112,617</u>	<u>2,476</u>	<u>2,450,439</u>	<u>(20,521)</u>	<u>1,340,166</u>	<u>11,778,337</u>

Notes on the following pages  
constitute an integral part of these Consolidated Financial Statements.

**CONSOLIDATED STATEMENT ON CASH FLOWS**  
**For the period from January 1 to December 31, 2010**  
**(in thousand of dinars)**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS IN OPERATING ACTIVITIES</b>		
<b>Cash inflows in operating activities</b>	21,061,286	22,926,457
Sales and prepayments	19,887,247	22,089,659
Interest from operating activities	2,298	50,238
Other cash inflows in operating activities	1,171,741	786,560
<b>Cash outflows in operating activities</b>	(15,561,059)	(20,889,676)
Trade payables and advances paid	(13,595,706)	(19,113,410)
Salaries, salary compensations and other fringe benefits	(634,441)	(631,804)
Interest paid	(311,711)	(433,259)
Profit tax	(54,290)	(44,657)
Other public levies and dues	(964,911)	(666,547)
<i>Net cash (outflows)/inflows in operating activities</i>	<u>5,500,227</u>	<u>2,036,781</u>
<b>CASH FLOWS IN INVESTMENT ACTIVITIES</b>		
<b>Cash inflows in investment activities</b>		
Disposal of intangible investments, property, plants, equipment and biological assets	8,288	200,327
Other financial investments (net inflows)	209,267	33,215
Interest received		
Dividends received		
<b>Cash outflows in investment activities</b>		
Acquisition of shares and interests (net outflows)	(408)	(89,990)
Acquisition of intangible investments, property, plants, equipment and biological assets	(338,882)	(682,038)
Other financial investments (net outflows)	(18,800)	(1,486,562)
<i>Net cash (outflows)/inflows in investment activities</i>	<u>(140,535)</u>	<u>(2,025,048)</u>
<b>CASH FLOWS IN FINANCING ACTIVITIES</b>		
<b>Cash inflows in financing activities</b>		
Increase of the capital stock		1,947,626
Long-term and short-term credits (net inflows)	129,660	1,958,842
Other long-term and short-term liabilities	1,600	
<b>Cash outflows in financing activities</b>		
Buy-up of treasury shares	(36,345)	
Long-term and short-term credits and other liabilities (net outflows)	(5,330,389)	(4,403,891)
Financial lease	(8,535)	(8,522)
Dividends paid		
<i>Net cash (outflows)/inflows in financing activities</i>	<u>(5,244,009)</u>	<u>(505,945)</u>
<b>Net cash inflows/(outflows)</b>	115,683	(494,212)
<b>Cash at the beginning of the period</b>	143,754	622,225
<b>Currency differential gains/(losses), net</b>	(24,465)	15,741
<b>Cash and cash equivalents at the end of the period</b>	<u>234,972</u>	<u>143,754</u>

Notes on the following pages  
constitute an integral part of these Consolidated Financial Statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

**1. ACTIVITIES**

Sojaprotein A.D., Becej ("Company") is the leading soybean processor in Serbia and one of most significant processors in the Central and East Europe. The Company was incorporated in 1977 as a Work Organization for Soybean Industrial Processing under incorporation, and it was finally constituted in 1985.

In 1991, the Company Management passed the decision on issue of internal shares to employees and thus performed transformation of the Company in a joint stock company. During 2000 and 2001 the Company had completed the privatization procedure of the remaining socially owned capital by issue of free shares subscribed by employees and other natural persons, in accordance with provisions of the Law on Ownership Transformation 1997.

Company's core activity is the soybean grain processing whereby a whole range of full-fat and de-fatted products in the form of flour, groats and textured types, as well as soybean oil, soybean meal and soybean lecithin are produced. Supplementary segment of business activities of the Company includes services provided in farming and quality control, wholesale trade and retail trade, buy-up of agricultural products.

Registered office of the Company is located at Industrijska 1, Becej. On the balance sheet date the Company had 3614 employees.

**2. BASES FOR PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING METHOD**

**2.1. Consolidation Basis**

Consolidated Financial Statements include the statements of the parent company Sojaprotein A.D., Becej and its subsidiaries, both in the country and abroad, as follows:

	<u>Percent of stake in the equity</u>
1. Veterinarski Zavod "Subotica" a.d., Subotica /Veterinary Institute/	59.18%
2. ZAO Vobeks – Intersoja, Russia	85.00%
3. Activex D.O.O Subotica	77.25%

All substantially significant transactions resulting from interrelations of the subsidiaries mentioned above were eliminated in the consolidation procedure. Method of full consolidation was applied at the time of consolidated financial statements preparation.

Company assets and liabilities abroad were translated in dinars (RSD) at the exchange rate prevailing on the balance sheet date. Income statement and cash flows were translated in dinars at the official mean exchange rate of the National Bank of Serbia. The effects resulting from translations of foreign currencies in the official reporting currency presented in financial statements were carried within the equity. Official mean exchange rate of RSD was used for translations made in the balance sheet of the subsidiary operating abroad and the average mean exchange rate of the National Bank of Serbia of the reporting year was used for translations made in the income statement and statement on cash flows.

**2.2. Financial Statements**

Financial statements of the Company include the consolidated balance sheet as of December 31, 2010, consolidated income statement, consolidated statement on changes in equity and the consolidated statement on cash flows for the year ended on that date as well as review of significant accounting policies and notes to the consolidated financial statements.

Financial statements were prepared in compliance with the historical cost principle, unless stated otherwise in the accounting policies that follows.

When preparing its financial statements the Company applied accounting policies described in detail and explained under the Note 3 hereto. Accounting policies mentioned below were consistently applied in all presented reporting periods.

Financial statements of the Company were presented in thousand of dinars. Dinar (RSD) is the official reporting currency in the Republic of Serbia.

**2.3. Basis for Preparation and Presentation of Consolidated Financial Statements**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

Pursuant to the Law on Accounting and Audit ("Official Gazette of the Republic of Serbia", No. 46 of June 2, 2006) legal entities and entrepreneurs in Serbia are obliged: to maintain business books; to recognize and evaluate their assets and liabilities, income and expenses; to prepare, present, submit and disclose their financial statements in accordance with the Law and professional regulatory standards, i.e. Framework for the Preparation and Presentation of Financial Statements ("Framework"), International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") as well as interpretations constituting and integral part of the Standards in effect as of December 31, 2002.

IAS amendments as well as the new IFRS and corresponding interpretations issued by the International Accounting Standards Board ("Board") and the International Financial Reporting Interpretations Committee ("Committee") within the period from December 31, 2002 until January 1, 2009 were officially adopted by the Decision of the Minister of Finance of the Republic of Serbia ("Ministry") and their application was published in the Official Gazette of the Republic of Serbia No. 77 dated October 25, 2010.

In accordance with the mentioned above and bearing in mind potential substantive effects resulting from departure of accounting regulations of the Republic of Serbia from IFRS and IAS on the trueness and fairness of the financial statements of the Company, the financial statements attached hereto may not be considered as financial statements prepared in compliance with IFRS and IAS.

**Published Standards and Interpretations in Effect within the Current Period that have yet not been Officially Translated and Adopted**

On the date of publishing of these financial statements the below listed standards and amendments to the standards were issued by International Accounting Standards Board, and the interpretations issued by the International Financial Reporting Interpretations Committee; however, they were not adopted officially in the Republic of Serbia for the annual period beginning on January 1, 2010:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments whereby disclosures of fair values and liquidity risks (revised in March 2009 and in effect for the annual period beginning on or after January 1, 2009) were improved,
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Additional exempt entities - a first-time adopters of Amendments to IFRS relevant for oil and gas assets and determination whether contracts include a lease (revised in July 2009 and in effect for the annual period beginning on or after January 1, 2010),
- Amendments to various standards and corresponding interpretations resulting from the Annual Quality Improvement Project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IFRS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) are primarily intended to eliminate non-compliances and clarification of formulations provided (amendments to standards effective for the annual period beginning on or after January 1, 2010, and the amendment to IFRIC on or after July 1, 2009),
- Amendments to IAS 38 "Intangible Assets" (in effect for the annual period beginning on or after July 1, 2009),
- Amendments to IFRS 2 "Share-based Payments": Amendments resulting from the Annual Quality Improvement Project of IFRS (revised in April 2009 and in effect for annual period beginning on or after July 1, 2009) and the amendment related to share-based payment of transactions of a group based on cash (revised in June 2009 and in effect for the annual period on or after January 1, 2010);
- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" will come in effect for annual periods beginning as of or after July 1, 2009 and IAS 39 "Financial Instruments: Recognition and Measuring" – Embedded Derivatives (in effect for the annual period beginning on or after June 30, 2009),
- IFRIC 18 "Transfers of Assets from Customers" (in effect for the annual period beginning on or after July 1, 2009).

**Published Standards and Interpretations that are not Adopted yet**

On the date of publishing of these financial statements the following standards, their supplements and interpretations were published but, however, are still not in effect :

- „Comprehensive Framework for Financial Reporting in 2010“ represents the amendment to the „Framework for Preparation and Presentation of Financial Statements“ (in effect as of the date of its publishing, i.e. September 2010).
- IFRS 9 "Financial Instruments" (in effect for the annual period beginning on or after January 1, 2013),

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****As of December 31, 2010**

- Supplements to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited exemption from comparative disclosures prescribed within IFRS 7 for the first-time adopters of IFRS (in effect for the annual period beginning on or after July 1, 2010),
- Supplements to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – High hyperinflation and elimination of dates for the first-time adopters of IFRS (in effect for the annual period beginning on or after July 1, 2011),
- Supplements to IFRS 7 "Financial Instruments: Disclosures"- Transfer of financial assets (in effect for the annual period beginning on or after July 1, 2011),
- Supplements to IAS 12 „Income Taxes" – Deferred taxes: recovery of underlying assets (in effect for the annual period beginning on or after January 1, 2012),
- Supplements to IAS 24 "Related Party Disclosures" – Simplified requests for disclosures related to persons under (significant) control or influence of the Government and further clarification of the term 'Related Party' (in effect for the annual period beginning on or after January 1, 2011),
- Supplements to IAS 32 "Financial Instruments: Presentation"– Classification of rights issue (in effect for the annual period beginning on or after February 1, 2010).
- Supplement to various standards and interpretations "Improvement of IFRS (2010)" resulting from the Annual Quality Improvement Project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) is primarily intended to eliminate non-compliances and clarification of formulations provided (majority of supplements will be in effect for the annual period beginning on or after January 1, 2011),
- Supplements to IFRIC 14 "IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (in effect for the annual period beginning on or after January 1, 2011),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments (in effect for the annual period beginning on or after July 1, 2010).

**Comparative Data**

Audited consolidated financial statements as of and for the year ended on December 31, 2009 were used as comparative data.

**3. REVIEW OF SIGNIFICANT ACCOUNTING POLICIES****3.1. Revenues and Expenses**

Revenues from sale are recognized at the time of transferring the risk and benefit related to title to the customer, i.e. on the date of delivery of goods to the customer. Revenues from sale are carried at their fair value, either received or to be received, in net amount, after reductions made for discounts granted and value added tax.

Revenues and expenses from interest are credited, i.e. debited in the period they were incurred.

Expenses are calculated at the accrual basis of accounting.

Current maintenance and repair costs of fixed assets are charged in the income statement in the period they were incurred.

**3.2. Translation of Assets and Liabilities Carried in Foreign Currencies**

Business transactions carried in foreign currencies during the period are translated in dinars at the official mean exchange rates prevailing on the date of each transaction, respectively.

All items of assets and liabilities carried in foreign currencies are translated in their respective dinar equivalents at the official exchange rates prevailing on the balance sheet date.

Currency differential gains and losses resulting from translation of operating receivables and liabilities carried in foreign currencies were credited or debited in the income statement.

**3.3. Borrowing Costs**

Borrowing costs are recognized as an expense of the period in which they were incurred regardless of the manner in which the assets were used.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

**3.4. Employee Benefits**

***a) Taxes and Contributions to the Employees' Social Security Funds***

Pursuant to the current regulations of the Republic of Serbia, the Company is liable to pay taxes and contributions to tax authorities and state funds whereby social security of employees is secured. These liabilities include taxes and contributions charged to the Employer in amounts calculated at prescribed statutory rates. Furthermore, the Company is obliged to withhold contributions to be paid and charged to employees from their gross salaries and pay them to the funds. Taxes and contributions charged to the Employer and taxes and contributions charged to the employee are recorded in the period they were incurred.

***b) Severance Pays and Jubilee Awards***

Pursuant to the Labor Law, the Company is liable to pay severance pay to its employees equal to three average salaries paid in the Republic at the time of their retirement based on their old-age pension right, in accordance with the last published data of the Republic body in charge of statistical issues. Furthermore, the Company is liable to pay jubilee awards to employees depending on the continuous years of service with the Company equal to one to three average salaries earned in the Company in a month preceding to the month in which jubilee awards will be paid. Company Management estimated that the subject-matter provisions are substantially insignificant to the consolidated financial statements of the Company and, therefore, no provision for this purpose was recorded in the consolidated financial statements.

**3.5. Correction of Fundamental Errors**

Fundamental errors resulting from mathematical errors, erroneous application of accounting policies, misinterpretation of facts or omissions were recognized by adjustment of opening balance of net profit or loss. Substantially insignificant errors were recognized as a gain or loss of the period.

**3.6. Fair Value**

International Accounting Standard 32 "Financial Instruments: Disclosures and Presentation" prescribes disclosure of fair value of financial assets and financial liabilities in the notes to consolidated financial statements. For this purpose, the fair value is defined as a sum which may be exchanged for an asset, i.e. settlement of a liability in the transaction between two well informed and willing parties. The Company is obliged to disclose all information relevant for the fair value of financial instruments, receivables and liabilities that are available on the market and for which substantially significant difference between the book value and fair value were established.

There is insufficient market experience, stability and liquidity in the Republic of Serbia in the field of acquisition and disposal of financial assets and liabilities as well as other financial instruments and official market information are not available at all times. Therefore, it is not possible to determine a reliable fair value in case of non-existence of an active market as required under IAS and IFRS. In the Management's opinion the amounts disclosed in consolidated financial statements reflect the real value which is most reliable under the given circumstances and, hence, best for the reporting purposes. Adjustments of estimated risks identified as unrealizable in their current book value were made on the basis of decision issued by the Company Management.

**3.7. Taxes and Contributions**

**3.7.1. Profit Tax**

**Current Profit Tax**

Current profit tax represents an amount calculated and paid in accordance with the current Law on Profit Tax in the Republic of Serbia.

Profit tax at rate of 10% is paid to the tax base determined in the tax balance. Tax base presented in the tax balance includes profit presented in the official income statement and corrections defined under the tax regulations of the Republic of Serbia.

Tax regulations of the Republic of Serbia do not anticipate a possibility that tax losses of the current period may be used as a base for recovery of the tax paid in preceding periods. However, losses of the current period may be carried forward to the profit account for future periods but, however, maximum up to a ten-year period.

**Deferred Profit Tax**

Deferred profit tax is calculated by the method of liabilities determination in accordance with the balance sheet, for temporary differences appearing between the tax base of assets and liabilities presented in the balance sheet and their respective book value. Tax rates prevailing on the balance sheet date were used for determination of the amount of deferred profit. Deferred tax liabilities were recognized for all taxable temporary differences. Deferred tax assets were recognized for all deductible

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****As of December 31, 2010**

temporary differences and effects of losses carried forward and tax credits on the tax balance that may be carried forward up to the level of probable available taxable profit against which the deferred tax assets may be used.

Deferred tax was credited or debited in the income statement, except when it related to the items directly credited or debited in equity when the deferred tax was credited or debited in equity accordingly.

**3.7.2. Result Independent Taxes and Contributions**

Result independent taxes and contributions include: property tax and other taxes and contributions payable in compliance with different Republic and municipal regulations.

**3.8. Property, Plants and Equipment**

Property, plants and equipment acquired before December 31, 2005 were carried at the value determined on the basis of evaluation performed by independent authorized appraisals at the balance determined on December 31, 2005.

Initial measuring of property, plants and equipment fulfilling conditions for assets recognition was made at cost price or cost value. Subsequent costs of property, plants and equipment are recognized as assets only if they improve the operating state of the asset above its originally estimated standard effects. All other subsequent costs were recognized as expenses of the period in which they were incurred.

After initial recognition, property (land and buildings) were carried at their revaluated value which expressed their fair value as of the revaluation date reduced for total sum of adjustments based on depreciation and impairment.

Fair value of property includes their market value which was determined in accordance with the performed appraisal. Revaluation was made only when the fair value of the revaluated asset significantly differed from its carrying value.

After initial recognition, plants and equipment were carried at cost price or cost value reduced for total sum of depreciation and impairment losses.

Gains and losses resulting from decommissioning or disposal were recognized as revenues or expenses in the income statement.

**3.9. Depreciation and Amortization**

Depreciation and amortization of property, plants and equipment was calculated at the straight-line method during their estimated useful life. Useful lives and depreciation rates for the main groups of assets are as follows:

<u>Main Groups of Fixed Assets</u>	<u>Rate (%)</u>
Buildings	1.5 - 10 %
Manufacturing equipment	1.7 - 46 %
Field and passenger vehicles	6.7 - 50 %
Computers	5.9 - 42 %
Other equipment	1.5 - 50 %

Depreciation rates are revised annually in order to determine the depreciation reflecting actual tear and wear of the assets during their exploitation based on their remaining useful lives.

**3.10. Investment Property**

Investment property of the Company are real estates which the Company, as their owner, hold for lease and resulting revenues or for increase of equity or for both purposes, but not for rendering services or administrative operations or disposal within its regular course of operations. Initial measuring of an investment property at the time of its acquisition was made at cost price or cost value. After initial recognition, subsequent measuring of the investment property was made at cost price or cost value reduced for total sum of adjustments made on the basis of depreciation and impairment.

**3.11. Goodwill and Intangible Investments**

As of December 31, 2008 the Company expressed goodwill acquired by acquisition of the company "Symbiofarm" d.o.o., Belgrade at the value exceeding the net value of the acquired company assets. After initial recognition, the Company evaluated and impaired the goodwill and recorded it on the balance sheet date.

Intangible investments relate to the purchase of software and trademark and they were carried at cost reduced for amortization thereof calculated at the straight line method within the period from two to eight years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

**3.12. Inventories**

Inventories of finished products and production in progress were carried at cost or net selling value, whichever was lower. Net expected selling value represents the price at which the inventories may be sold in regular business circumstances, subject to its reduction for sale costs.

Value of materials on stock and spare parts was determined at the cost average method. Cost value includes the value invoiced by the supplier, transportation and dependent costs.

Value of the production in progress and finished products includes all direct production costs as well as proportional portion of the plant overheads.

Inventories of goods stored in warehouses were recorded at cost value and the goods on stock in retail trade were recorded at retail prices. At the end of the period the value of inventories was equated to the cost value through allocation of the price difference, calculated on average basis, between the cost of goods sold and remaining balance of inventories at the end of the period.

Adjustment of inventories is made by charging other expenses when it is estimated that their value should be equated to the expected net selling value (including inventories with slower turnover, undesired and obsolete stocks). Damaged inventories and inventories of inadequate quality against standards were written-off.

**3.13. Financial Instruments**

Each contractual right resulting in a financial asset and financial liability or an equity instrument was recognized as a financial instrument on the date of its settlement.

At their initial recognition, financial assets and financial liabilities were measured at their cost which represents a fair value of the fee paid (in case of an asset) or received (in case of a liability).

*Long-term Financial Investments*

After initial recognition, long-term financial investments were measured:

- At their fair value when held for sale,
- At depreciated value in case of fixed maturities,
- At cost when no fixed maturities were determined.

*Long-term Financial Investments*

Long-term financial investment held for sale whose market value may not be determined due to non-existent active market were carried at cost.

*Short-term Receivables and Investments*

Short-term receivables and investments include trade receivables and other receivables as well as short-term investments to employees and related legal entities.

Trade receivables from finished products and goods sold and services provided were measured at the amounts determined in original invoices. Interest invoiced for goods sold and services provided was recognized as other receivables and carried in revenues of the period in which it had accrued.

Other receivables and investments originating from the company were measured at their depreciated value.

Each difference between the carrying amount and subsequent measuring was recognized as gain or loss in the period it had accrued.

*Impairment of Financial Assets*

On each balance date evaluation of objective evidence on the value of assets was made by the analysis of expected net cash inflows.

All disputed receivables with reasonable doubt of their collection in nominal value were adjusted. Direct write-off was made only after the dispute was finalized before the court or subject to the decision issued by the management bodies.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on bank accounts and cash on hand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****As of December 31, 2010***Financial Liabilities*

Financial liabilities include: long-term liabilities (long-term credits and other long-term liabilities);

Short-term liabilities (short-term credits and other short-term financial liabilities), operating short-term liabilities and other liabilities.

Initially, financial liabilities were recognized in the amount of proceeds received. After initial recognition, financial liabilities were measured at the initially recognized amount reduced for payments of principal and increased for capitalized interest amounts and reduced for any write-off approved by the creditor. Liabilities related to interest accrued on financial liabilities were charged to financial expenses of the period in which they were accrued and they were presented within short-term liabilities and accruals and deferred payments.

**4. REVIEW OF SIGNIFICANT ACCOUNTING ESTIMATES**

Presentation of financial statements requires that the Company Management use the best possible estimates and reasonable assumptions which have impact on presented values of assets and liabilities as well as disclosures on potential receivables and liabilities as of the financial statements preparation date, as well as on revenues and expenses during the reporting period. These estimates and assumptions were based on information available on the financial statements preparation date.

**4.1. Estimates and Assumptions**

Key assumptions related to future and other sources for estimation of uncertainties existing on the balance sheet date which represent a significant risk for substantive corrections of amounts presented in the balance sheet items in the following financial year are given below.

**4.2. Depreciation and Depreciation Rates**

Calculation of depreciation and depreciation rates are based on projected economic useful life of property, plants and equipment. The Company evaluates economic useful lives annually, based on current projections.

**4.3. Adjustment of Receivables and Short-term Financial Investments**

Company calculates impairment of doubtful trade receivables and short-term financial investments on the basis of estimated losses that will be suffered if the debtors would not be able to pay their debts. When estimating the adequate amount of loss resulting from impairment of doubtful trade receivables the Company relies on the aging of trade receivables, its former experience related to write-offs, credit solvency status of customers and amendments of payment terms and conditions. All this requires estimates of future customers' acts and resulting future collections.

**4.4. Fair Value**

Business policy of the Company is to disclose information on fair value of its assets and liabilities for which there are official market information and when the fair value significantly differs from the book value. There is insufficient market experience, stability and liquidity in the Republic of Serbia with respect to disposal and acquisition of receivables and other financial assets and liabilities since the market information are not available at all times. Therefore, in the absence of an active market it is impossible to determine reliably a fair value. Company Management estimates risks and in cases when it evaluates that the value at which the assets are carried in business books will not be realized the Management makes adequate adjustments. In the opinion of the Company Management the amounts presented in these consolidated financial statements reflex a value which is under the given circumstances most credible and most useful for reporting purposes.

**6. REVENUES FROM SALE**

	In thousand of dinars	
	Year ended on December 31,	
	2010	2009
Revenues from sale of goods:		
- Related legal entities	3,927,848	3,665,805
- Other domestic legal entities	1,797,180	2,812,964

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

- Other foreign legal entities	1,727	203,536
Revenues from sale of products and services:		
- Related legal entities	1,990,743	3,974,554
- Other domestic legal entities	6,009,607	6,131,479
- Other foreign legal entities	3,079,553	1,492,513
Revenues from activated own products and services		
	<u>16,806,658</u>	<u>18,280,851</u>

**7. BUSINESS AND GEOGRAPHICAL SEGMENTS**

**Products and Services within Business Segments**

Company is organized in five business segments for the management purposes. The segments represent a reporting base with respect to primary information about the segments. Main products and services of each segment are as follows:

*Finished Products – Crude Soybean Oil* – production and sale of crude soybean oil.

*Finished Products - Meal* – production and sale of toasted meal 44/in bulk, toasted meal 44/40 jg and toasted meal 44/10 kg.

*Finished Products – Other* – production and sale of other finished products: Sopro-Peab, Sopro-Ptb, soybean flour, Soprotex-textures, soybean lecithin, Sopro mixes, Soya-Vita Program.

*Commodities* – retail trade and wholesale trade, mainly of raw materials: corn, wheat, sunflower, rape and mineral fertilizers.

*Services – Other* – providing of drying, storing, transportation and other services.

**Revenues from Sale by Business Segments**

	External Sale		Internal Sale		In thousand of dinars Total	
	2010	2009	2010	2009	2010	2009
	Production units:					
Crude oil	2,780,159	2,349,486	1,209	-	2,781,368	2,349,486
Meal	4,594,591	5,666,168	206,103	23,750	4,800,694	5,689,918
Other	4,895,164	3,195,969	241,151	179,276	5,136,315	3,375,245
Commodities	4,479,600	6,972,390	7,717	89,473	4,487,317	7,061,863
Services	57,144	96,838	2,159	15,558	59,303	112,396
Total – all segments	<u>16,806,658</u>	<u>18,280,851</u>	<u>458,338</u>	<u>308,057</u>	<u>17,264,997</u>	<u>18,588,908</u>
Elimination of internal sale					<u>(458,339)</u>	<u>(308,057)</u>
Consolidated revenues from sale					<u>16,806,658</u>	<u>18,280,851</u>

**Results by Business Segments**

	In thousand of dinars The year ended on December 31,	
	2010	2009
Production units:		
Crude oil	591,767	706,853
Meal	(155,591)	(620,779)
Other	91,150	395,994
Commodities	146,943	109,914

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

Services	237,739	144,954
Total – all segments	<u>912,008</u>	<u>736,936</u>
Eliminations	<u>3,338</u>	<u>(89,923)</u>
Profit before tax	<u>915,346</u>	<u>647,013</u>

**Assets and Liabilities by Business Segments**

**Other Information by Segments**

	Procurement of Fixed Assets And Intangible Investments		Costs and Expenses Depreciation and Amortization	
	2010	2009	2010	2009
Production units:				
Crude oil	41,347	98,445	29,317	25,944
Meal	168,217	162,422	102,010	89,921
Other	40,818	90,045	19,825	17,544
Commodities	22,270	39,046	16,340	13,576
Services	<u>182,315</u>	<u>704,483</u>	<u>91,966</u>	<u>83,637</u>
	<u>454,967</u>	<u>1,094,411</u>	<u>259,458</u>	<u>230,622</u>

**Revenues from Sale of Products, Commodities and Services on Foreign Markets by Geographical Areas**

	In thousand of dinars	
	The year ended on December 31,	
	2010	2009
Bulgaria	778,521	561,533
Romania	123,774	98,234
Bosnia and Herzegovina	152,700	135,554
Poland	149,056	82,459
Czech Republic	54,127	74,114
Republic of Slovakia	41,130	36,175
Macedonia	146,707	66,473
France	110,176	86,341
Latvia	4,583	5,974
Croatia	40,717	24,654
Italy	95,072	6,463
Montenegro	66,621	52,845
Germany	37,200	18,505
Moldavia	16,562	13,581
Hungary	126,655	26,421
Spain	64,868	15,069
Slovenia	340,302	11,362
Ukraine	5,357	5,921
Greece	59,651	32,837
Israel	25,601	22,186
Portugal	16,244	16,109
Egypt	6,116	10,633
Austria	10,453	2,291
Switzerland	52,058	-
Others	<u>555,302</u>	<u>290,315</u>
	<u>3,079,553</u>	<u>1,696,049</u>

**8. OTHER OPERATING REVENUES**

	In thousand of dinars	
	The year ended on December 31,	
	2010	2009
Revenues from premiums, subsidies and grants	257,983	104,812
Leases	46,895	28,298
Other	<u>81</u>	<u>358</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

304,959      133,463

Revenues from premiums, subsidies and grants and conditioned grants were presented in the amount of RSD 257,983 thousand and related to revenues from export incentives in compliance with the Regulation on Use of Incentives to Manufacturers of Agricultural and Food Products in 2010 ("Official Gazette of the Republic of Serbia, No. 20/2010 and 24/2010). The remaining balance of RSD 1,237 thousand represents a receivable based on conditioned grants for employment of trainees in compliance with the Regulations on the Criteria and Procedures for Implementation of Active Employment Policy ("Official Gazette of the Republic of Serbia, No. 07/2010).

**9. COST OF MATERIALS**

	In thousand of dinars	
	The year ended on December 31,	
	2010	2009
Cost of materials for production:	8,241,558	8,364,939
Cost of other materials	191,224	153,263
Energy cost	413,503	379,528
	8,846,285	8,897,730

**9. SALARIES, SALARY COMPENSATIONS AND OTHER FRINGE BENEFITS**

	In thousand of dinars	
	The year ended on December 31,	
	2010	2009
Gross salaries	484,282	481,862
Contributions charged to the Employer	84,008	85,545
Fees under service contracts	6,919	5,801
Fees under contract on temporary and occasional jobs and tasks	1,983	2,440
Fees to natural persons under other type of contracts	7,154	5,277
Fees to members of Board of Directors and Supervisory Boards	3,614	3,614
Transportation costs and per diems for business trips	17,076	6,107
Transportation allowance to/from work	24,067	24,724
Scholarships	5,304	5,252
Severance pays and jubilee awards	4,210	3,161
Other	8,645	11,967
	647,252	635,750

**11. OTHER OPERATING EXPENSES**

	In thousand of dinars	
	The year ended on December 31,	
	2010	2009
Services used in production of own products and goods	21,363	29,557
Transportation services	112,996	52,456
PTT services	8,498	5,668
Maintenance services	81,203	66,842
Leases	58,263	30,143
Fair costs	6,412	3,900
Advertising and promotion costs	5,137	6,424

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

Other service costs	20,350	60,069
Laboratory services	59,048	48,244
Cost of consumed water and other utilities	17,289	16,362
Non-production services	30,313	52,542
Consulting services related to analyses	4,601	2,240
Entertainment	19,561	12,141
Insurance premiums	30,403	31,845
Payment transaction costs	24,366	27,446
Banking services related to issue of guarantees	18,250	63,859
Procurator's fees	19,270	13,976
Membership fees	3,667	3,388
Indirect taxes and contributions	30,252	25,279
Other	32,733	32,524
	<u>603,975</u>	<u>584,799</u>

**12. FINANCIAL INCOME**

	In thousand of dinars	
	The year ended on December 31,	
	<u>2010</u>	<u>2009</u>
Financial income from related and other legal entities	233,249	11,896
Currency differential gains	322,729	332,624
Interest	8,735	54,565
Dividends	-	-
Gains from effects of the currency clause	17,793	46,465
Other	1	6,333
	<u>582,507</u>	<u>451,883</u>

**13. FINANCIAL EXPENSES**

	In thousand of dinars	
	The year ended on December 31,	
	<u>2010</u>	<u>2009</u>
Currency differential losses	1,229,471	1,121,329
Interest	312,383	386,290
Losses from effects of the currency clause	5,132	52,371
Other	3,676	24,040
	<u>1,550,662</u>	<u>1,584,030</u>

**14. OTHER REVENUES**

	In thousand of dinars	
	The year ended on December 31,	
	<u>2010</u>	<u>2009</u>
Gains from disposal of stakes and long-term securities	-	23,016
Surpluses	6,025	11,959
Proceeds from cancelled long-term provisions	-	1,796
Collected written-off receivables	477	8,954
Gains from disposal of property, plants and biological assets	6,035	11,845
Revenues from realized damage claims	2,047	7,573
Gains from materials sold	634	7,425



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2010

Gains from discounts granted	1,377	
Gains based on reduced liabilities	5,790	43
Gains from reconciliation of receivables and short-term financial investments	18,221	15,641
Gains from reconciliation of biological assets	-	162
Other	13,798	75,945
	<u>54,404</u>	<u>164,359</u>

## 15. OTHER EXPENSES

	In thousand of dinars	
	The year ended on December 31,	
	2010	2009
Shortages	5,066	6,186
Losses from decommissioning and disposal of property and equipment	331	1,600
Losses from disposal of biological assets		5,017
Losses from direct write-offs of receivables	13,139	3,189
Donations	1,148	-
Impairment:		
- Receivables	41,983	54,964
- Material and commodities	7,166	13,608
- Intangible investments – goodwill	700	1,000
- Biological assets		218
Losses from materials sold	583	7,106
Net loss from discontinued operations	553	706
Losses based on effects of hedging		
Other	11,706	92,885
	<u>82,375</u>	<u>186,479</u>

## 16. EARNINGS PER SHARE

	In thousand of dinars	
	2010	2009
Net profit	835,743	508,066
Average weighted number of shares	8,737,810	6,699,583
Base earnings per share (in dinars)	<u>95,65</u>	<u>75,84</u>

## 17. PROFIT TAX

## a) Profit Tax Components

	In thousand of dinars	
	December 31, 2010	December 31, 2009
Tax expenses of the period	(49,043)	(44,103)
Deferred tax (revenues)/expenses of the period	(4,361)	(7,389)
	<u>(53,404)</u>	<u>(51,492)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

**b) Deferred Tax Liabilities**

Deferred tax liabilities amounted to RSD 4,361 thousand as of December 31, 2010 and related to taxable temporary differences resulting from the difference between the book base of property, plants, equipment and intangible investments and their value recognized for tax purposes.

**c) Harmonization of the Profit Tax Amount Presented in the Income Statement and Multiplication of the Profit before Tax and Prescribed Tax Rate**

	In thousand of dinars	
	2010	2009
Net profit before tax	915,346	647,013
Profit tax calculated at the 10% tax rate	91,535	64,701
Tax effects based on recognized depreciation and amortization costs		-
Tax effects of expenses that are not recognized under the tax balance sheet	2,318	9,217
Disposal of the Company		-
Revenues from cancellation of the adverse goodwill		-
Internal revenues and expenses, net		-
Tax credits based on investments in property, plants and equipment	(43,134)	(29,815)
Tax expenses of the period	50,719	44,103
Deferred tax expenses of the period	4,361	7,389
Total tax expenses of the period	55,080	51,492
Effective tax rate	6,02%	7,96%

**18. PROPERTY, PLANS AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE INVESTMENTS**

	In thousand of dinars							
	Land and buildings	Equipment	Advances for fixed assets and investments in progress	Investments in other's fixed assets	Total fixed assets	Investment property	Goodwill	Intangible investments
<b>Cost value</b>								
Balance as of Jan. 1, 2009	2,583,334	2,159,304	784,461	11,831	5,538,930	110,982	203,533	118,327
Goodwill	-	-	-	-	-	-	-	-
Procurements in the period	-	-	1,294,180	-	1,294,180	12,373	-	-
Transfers	3,607	-	-	-	3,607	192,507	-	-
Transfers to investment in progress	544,021	326,718	(870,739)	-	-	-	-	-
Transfers to investment property	(188,760)	(31,920)	-	-	(220,680)	-	-	-
Sales and decommissioning	(1,775)	(43,779)	-	-	(45,554)	(18)	-	-
Advances making up	-	-	(531,696)	-	(531,696)	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

Impairment of goodwill	-	-	-	-	-	-	(1,000)	(101)
Other	-	-	-	-	-	(392)	-	-
<b>Balance as of Dec. 31, 2009</b>	<u>2,940,427</u>	<u>2,410,323</u>	<u>676,206</u>	<u>11,831</u>	<u>6,038,787</u>	<u>315,452</u>	<u>203,533</u>	<u>118,327</u>
Balance as of Jan. 1, 2010	2,940,427	2,410,323	676,206	11,831	6,038,787	315,452	203,533	118,327
Goodwill	-	-	-	-	-	-	-	-
Procurements in the period	70,406	618,786	708,704	5,639	1,403,535	-	-	621
Transfers	(209)	178,918	125,450	-	304,159	309	-	-
Sales and decommissioning	(8,488)	(25,664)	-	-	(34,152)	(1)	-	(16)
Advances making up	-	-	(995,907)	-	(995,907)	-	-	-
Impairment of goodwill	-	-	-	-	-	-	(700)	-
Other	-	-	-	966	966	-	-	(44)
<b>Balance as of Dec. 31, 2010</b>	<u>3,002,136</u>	<u>3,182,363</u>	<u>514,453</u>	<u>18,436</u>	<u>6,717,388</u>	<u>315,760</u>	<u>201,833</u>	<u>118,787</u>
<b>Adjustments</b>								
Balance as of Jan. 1, 2009	249,099	712,609	-	-	961,708	80	-	42,352
Depreciation and amortization	74,259	144,233	-	982	219,474	33	-	11,115
Sales and decommissioning	(756)	(66,783)	-	-	(67,539)	-	-	-
Reclassifications within the same class	-	(7,211)	-	-	(7,211)	-	-	2,400
Other reductions-transfers within the Group	(23,273)	-	-	-	(23,273)	-	-	-
<b>Balance as of Dec. 31, 2009</b>	<u>299,329</u>	<u>782,848</u>	<u>-</u>	<u>982</u>	<u>1,083,159</u>	<u>113</u>	<u>-</u>	<u>55,867</u>
Balance as of Jan. 1, 2010	299,329	782,848	-	982	1,083,159	113	-	55,867
Depreciation and amortization	78,499	159,995	-	1,011	239,505	665	-	13,574
Other increases	-	-	-	-	-	-	-	-
Sales and decommissioning	(1,499)	(23,195)	-	-	(24,694)	-	-	-
Other	-	-	-	966	966	-	-	-
<b>Balance as of Dec. 31, 2010</b>	<u>376,329</u>	<u>919,648</u>	<u>-</u>	<u>2,959</u>	<u>1,298,936</u>	<u>778</u>	<u>-</u>	<u>69,441</u>
<b>Balance as of Jan. 1, 2009 - net</b>	<u>2,334,235</u>	<u>1,446,695</u>	<u>784,461</u>	<u>11,831</u>	<u>4,577,222</u>	<u>110,902</u>	<u>203,533</u>	<u>75,975</u>
<b>Balance as of Dec. 31, 2010 - net</b>	<u>2,625,807</u>	<u>2,262,715</u>	<u>514,453</u>	<u>15,477</u>	<u>5,418,452</u>	<u>314,982</u>	<u>201,833</u>	<u>49,346</u>

Advances made for fixed assets and investments in progress were carried in total amount of RSD 541,453 thousand as of December 31, 2010 and mainly related to the equipment and plants under construction. In 2010 investments in reconstruction of the plant for soybean flour and groat and textures soybean proteins were made. After suspension of works investments in production of traditional soybean concentrates were reactivated. Main designers and suppliers of the equipment for the Concentrates Plant were chosen; prepayment of EUR 2,910,000 was made to the Europa Crown – supplier of the equipment, as well as prepayment of EUR 810,000 for the molasses boiler to the supplier "Wynce".

The entire property of the Company was mortgaged in favor of Unicredit Bank Srbija against the guarantee for regular repayment of the long-term credit to EUR 43,500,000 by the credit beneficiary Victoria Logistic amounting. In March 2011, the Company registered the mortgage in favor of Unicredit Bank Srbija against the investment credit amounting to EUR 17,646,000 earmarked for construction of the Concentrates Plant.

**19. STAKES IN EQUITY**

	% of stake	In thousand of dinars	
		December 31, 2010	December 31, 2009
<i>Stakes in equity of relayed legal entities</i>			
Hotel Bela Ladjia a.d., Becej	31,83%	64,626	64,626
Stakes in equity of other banks		120	120
Novosadski Sajam a.d., Noci Sad (Fair)		6,668	14,705
Stakes in equity of other legal entities		2,272	2,219
		<u>73,686</u>	<u>81,670</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

Adjustment of stakes in equity	(381)	(8,038)
	<u>73,305</u>	<u>73,632</u>

**20. OTHER LONG-TERM FINANCIAL INVESTMENTS**

	In thousand of dinars	
	December 31, 2010	December 31, 2009
Long-term borrowings to farmers	-	1,087
Long-term credits granted to employees	9,877	11,503
Other	-	2,136
	<u>9,877</u>	<u>14,726</u>

As of December 31, 2010 balance of long-term borrowings amounting to RSD 9,877 thousand (December 31, 2009 - RSD 14,726 thousand) related to receivables from employees with respect to the long-term credits granted.

Long-term credits for solving the housing needs of employees relate to borrowings granted for acquisition or adaptation of employees' apartments on the period from three to thirty years, with fixed interest rate of 8% accrued on the total amount of the credit granted, provided that the interest rate may not exceed the rate of increase of gross net salary earned in the Serbian economy.

**21. INVENTORIES**

	In thousand of dinars	
	December 31, 2010	December 31, 2009
Material	5,289,747	3,364,138
Spare parts	130,926	157,683
Tools and consumables	76,478	54,228
Production in progress	99,392	56,704
Finished products	464,204	552,681
Commodities:		
- In wholesale trade	216,351	158,673
- In retail trade	5,030	6,175
- Stored in warehouses of other legal entities	3,420	1,865,516
Prepayments made for inventories and services	319,144	2,582,437
	<u>6,604,692</u>	<u>8,798,235</u>
Adjustments:		
- Material on stock	(29,443)	(11,247)
- Prepayments made for inventories and services	-	-
	<u>(29,443)</u>	<u>(11,247)</u>
	<u>6,575,249</u>	<u>8,786,988</u>

The Company pledged its stocks of mercantile soybean, sunflower and finished soybean products as a collateral for short-term credits granted by Societe Generale Srbija, Eurobank EFG A.D. Beograd, Credit Agricol Srbija A.D. Novi Sad and long-term credit granted by the European Bank for Reconstruction and Development.

**22. RECEIVABLES**

	In thousand of dinars	
	December 31, 2010	December 31, 2009
Trade receivables:		
- Related legal entities	3,104,836	4,521,851
- Other domestic legal entities	1,661,314	1,419,590
- Other foreign legal entities	581,260	438,416
Receivables from exporters	17,950	16,047

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

Other receivables from specific transactions	9,673	402,136
Interest	235,525	33
Receivables from employees	2,706	3,069
Receivables from state authorities	65,859	22,786
Receivables from overpaid VAT and other taxes and contributions	839	842
Other receivables	49,944	51,817
	<u>5,729,906</u>	<u>6,876,587</u>
Adjustments:		
- Trade receivables	(168,360)	(167,632)
- Other receivables	(7,157)	(7,419)
	<u>(175,517)</u>	<u>(175,051)</u>
	<u>5,554,389</u>	<u>6,701,536</u>

Trade receivables/related legal entities amounted to RSD 3,104,836 on December 31, 2010 and mainly related to receivables from the related legal entity "Victoria Logistic" – RSD 2,024,163 thousand for sold soybean meal and soybean products, followed by receivables from the company "Victoria Oil" d.o.o. Sid - RSD 751,091 thousand for soybean oil and soybean and sunflower grain sold. Receivables from "Victoria Logistic" will be settled by delivery of soybean grain – crop 2011.

Major trade receivables in the country include receivables from: "Invej" Belgrade - RSD 250,008 thousand (the receivable will be settled by exchange for soybean grain), Curug Mills - RSD 88,006 thousand (the receivable will be settled by entering the contract on long-term use of storage area), Elixir Group Sabac - RSD 29,389 thousand, "Merkator" D.O.O. Novi Beograd - RSD 22,761 thousand.

Receivables from interest mainly relate to the interest accrued on short-term financial investments to related legal entities. The interest was calculated at benchmark interest rate prevailing on the date of calculation – 11.50% . In accordance with the "at arm's length" principle, calculation of the interest accrued on borrowings to related legal entities will be harmonized in future with the Regulation on Amendments to the Regulation on Tax Balance Content and Other Issues of Significance for Profit Tax Determination of Legal Entities published on February 11, 2011 in the "Official Gazette of the Republic of Serbia", No. 8/11. It came in effect on the date following the date of its publishing and prescribes that the interest rate should be equal to average weighted interest rates published by the National Bank of Serbia.

**23. SHORT-TERM FINANCIAL INVESTMENTS**

	In thousand of dinars	
	December 31, 2010	December 31, 2009
Short-term credits:		
- To related legal entities	1,426,065	1,699,953
- Domestic	117,264	26,709
Portion of long-term credits with maturity within a year	186	220
Other short-term financial investments	126,706	111,737
	<u>1,670,221</u>	<u>1,838,619</u>
Adjustments:		
- Other short-term financial investments	(28,594)	(26,820)
	<u>1,641,627</u>	<u>1,811,799</u>

Domestic short-term credits balance carried on December 31, 2010 included short-term borrowings granted to the parent legal entity in amount of RSD 1,426,065 thousand; loan granted to Robne Kuce Nis in the amount of RSD 105,815 thousand (dinar equivalent of EUR 1,000,000) based on the Loan Agreement and Annex to the Loan Agreement No. 1; other short-term credits in total amount of RSD 11,449 thousand. Other short-term financial investments included receivables from bills submitted for collection - RSD 94,279 thousand; receivables from agricultural cooperatives for supplied intermediaries in exchange for soybean grain in the amount of RSD 5,613 thousand; loan granted to the "Merkur" Company - RSD 2,000 thousand (the loan was collected); and receivables from employees.

**24. CASH AND CASH EQUIVALENTS**

	In thousand of dinars	
	December 31, 2010	December 31, 2009
Current Account		
- in dinars	81,019	43,817
- in foreign currencies	149,039	70,681
Earmarked cash and l/c	-	1,757

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2010

Cash at hand	22	18
Other cash assets	4,892	27,481
	<u>234,972</u>	<u>143,754</u>

Proceeds on the current account in foreign currencies were translated at the official mean rates of the National Bank of Serbia prevailing on December 31, 2010.

## 26. CAPITAL STOCK

On December 31, 2010 the structure of the Company capital stock was as follows:

Item	In thousand of dinars					
	December 31, 2010			December 31, 2009		
	% of stake	Number of shares	Capital value	% of stake	Number of shares	Capital value
Victoria Group d.o.o., Novi Sad	62,94%	6,196,161	2,872,921	62,94%	4.796.706	2,224,048
Privredna Banka Zagreb d.d.	3,08%	303,562	140,750	3,27%	249.023	115,462
Gustavus Capital Asset MNGT	1,73%	170,010	78,827	1,71%	130.007	60,279
East Capital Asset Manag.	1,57%	155,129	71,927	-	-	-
Erste&SteterMarkische Bank DD	1,32%	129,873	60,217	-	-	-
Paiffeisen Bank a.d., Belgrade				1,14%	86.836	40,263
SG Splitska Banka				0,93%	70.738	32,798
Unicredit Bank Austria AG	0,98%	96,536	44,760	0,83%	65.233	30,246
Hypo Custody 4	1,07%	105,888	49,096	1,49%	113.812	52,770
NLB Clients	0,84%	83,060	38,512	-	-	-
Societe General Yugoslav Bank				0,70%	53.384	24,752
Erste Bank Custody 00001	0,64%	63,474	29,430	0,65%	49.417	22,913
Proinvestments A.D	0,71%	70,357	32,622	0,63%	48.188	22,343
Other legal entities and natural persons						
	<u>27,30%</u>	<u>2,687,685</u>	<u>1,246,185</u>	<u>25,69%</u>	<u>1.957.960</u>	<u>907,831</u>
	<u>100%</u>	<u>9,844,844</u>	<u>4,564,674</u>	<u>100,00%</u>	<u>7.621.304</u>	<u>3,533,705</u>
Bought-up treasury shares		<u>44,024</u>	<u>(20,412)</u>			
Share capital	<u>100%</u>	<u>9,800,820</u>	<u>4,544,262</u>	<u>100,00%</u>	<u>7.621.304</u>	<u>3,533,705</u>

On its regular annual session held on June 30, 2010 the Company Meeting passed the Decision that a portion of retained profit amounting to RSD 1,030,970 thousand should be used for increase of the capital stock of "Sojaprotein" A.D. through the 9<sup>th</sup> issue of 2,223,540 shares with no par value and book value of RSD 463.661404 per share. On the basis of this capital stock increase the Company shareholders on the date the Decision was passed (June 30, 2010) were entitled to free shares, in compliance with the records issued by the Central Securities, Depository and Clearing House, pro rata to their stakes in the existing capital stock of the Company. The Securities Commission under its Decision No. 4/0-24-3242/4-10 dated July 22, 2010 approved the 9<sup>th</sup> issue of ordinary shares with voting rights with no par value and total book value of RSD 1,030,969,678.26, i.e. 2,223,540 ordinary shares. After the increase of stock capital it amounts to RSD 4,564,674 thousand and it is divided in 9,844,844 shares with no par value and book value of RSD 463.6614 per share.

On its meeting held on October 10, 2010 the Board of Directors passed the decision on acquiring treasury shares on the organized market in order to prevent disturbances on the securities market and higher and direct damage to the Company. The Company acquired 44,024 of treasury shares by their purchase on the Belgrade Exchange.

## 27. MANDATORY AND STATUTORY RESERVES

On December 31, 2010 the mandatory and statutory reserves of the Company amounted to RSD 457,542 thousand and mainly represented allocations from the retained profit in accordance with the Company Law whereby the Company is liable to allocate at least 5% of net profit per a business year to the account of mandatory reserves until they reach a level equal to 10% of the Company capital stock. Based on the Decision of the Meeting passed on June 30, 2010 allocation of RSD 24,411 thousand from the retained profit in mandatory and statutory reserves was made.

## 28. LONG-TERM PROVISIONS

	In thousand of dinars	
	December 31, 2010	December 31, 2009

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

Provisions for severance pays	45,136	44,981
Provisions for jubilee awards		-
	<u>45,136</u>	<u>44,981</u>

Changes in long-term provisions during 2009 and 2010, respectively, are presented in the table below:

	In thousand of dinars	
	Year ended on December 31,	
	2010	2009
Balance as of January 1	44,981	46,777
Provisions during the period	155	(1,796)
Balance as of December 31	<u>45,136</u>	<u>44,981</u>

**29. LONG-TERM CREDITS**

	Annual interest rate	Amount in currency	December 31,	
			2010	2009
Hypo Group Netherlands Corporate Finance BV	1M EURIBOR + 1.91%	15,000,000	-	1,438,332
Hypo Group Netherlands Corporate Finance BV	1M EURIBOR + 2.31%	25,000,000	-	2,397,220
Hypo Group Netherlands Corporate Finance BV	3M EURIBOR + 1.83%	842,081.15	88,838	116,317
Vojvodjanska Banka a.d., Novi Sad		10,756,277	1,134,768	1,031,406
European Bank for Restructuring and Development	6.478%	3,928,571.42	414,457	445,198
European Bank for Restructuring and Development	6.278%	5,000,000	527,491	671,222
Banka Koper d.d., Koper	3M+ 1.3%	3,636,364.09	383,630	697,373
Societe Generale Bank, Paris France	1M Euribor + 0.68%	5,000,000	-	36,881
Societe Generale Bank Srbija, Belgrade	1M Euribor + 2,45	5,000,000	-	319,629
Komercijalna Banka ad, Belgrade	8%	3,439,116.21	362,822	373,223
Komercijalna Banka ad, Belgrade	2,75%	199,899	-	9,721
EFG New Europe Fundings BV Amsterdam	1M Euribor + 1.1%	18,600,000	-	632,866
		131,582,440	<u>2,912,006</u>	<u>8,169,388</u>
<b>Minus:</b>				
Current maturities			<u>(753,280)</u>	<u>(3,605,621)</u>
			<u>2,158,726</u>	<u>4,563,767</u>

Significant reduction of indebtedness with respect to the balance of liabilities and long-term credits as compared to the previous year was recorded. Major credit line amounting to EUR 40,000,000 (credit liabilities to Hypo Group Netherlands Corporate Finance BV) was repaid and refinanced by credit liability of Victoria Logistic Novi Sad whose core activity is providing and financing of raw materials.

The liability based on credit granted by Hypo Group Netherlands Corporate Finance BV Amsterdam amounting to RSD 1,438,332 thousand as of December 31, 2009 (initial credit amount was EUR 15,000,000 earmarked for the current assets financing – buy-up of soybean and sunflower grains) was repaid in full on July 29, 2010.

The liability based on credit granted by Hypo Group Netherlands Corporate Finance BV Amsterdam amounting to RSD 2,397,220 thousand as of December 31, 2009 (initial credit amount was EUR 25,000,000 earmarked for the current assets financing – buy-up of soybean and sunflower grains) was repaid in full on July 29, 2010.

The liability based on the long-term credit granted by Hypo Group Netherlands Corporate Finance Amsterdam amounted to RSD 88,838 thousand (EUR 842,081.15) as of December 31, 2009. The granted initial credit value amounted to EUR 1,570,419.44. Credit was earmarked for refinancing of credit liabilities. Maturity date of the credit is September 30, 2013.

Dispute settlement procedure is pending in relation to the liability to Vojvodjanska Banka amounting to RSD 1,134,768 thousand on the basis of refinanced credits granted by the Paris Club of Creditors amounting to EUR 10,756,277 (December 31, 2006 – RSD 849,746 thousand).

Until the date of publishing of these financial statements, the Company has neither entered with the Vojvodjanska Banka A.D., Novi Sad a contract on defining of repayment liabilities to Creditor of Paris Club under the credits mentioned above, nor reduced the principal for a portion of liability written-off, nor calculated the interest accrued and, hence, they were not included and presented in financial statements. Since the Company disputes the creditor's rights of the Bank in full, it is a defendant in the dispute settlement procedure initiated by the Vojvodjanska Banka A.D., Novi Sad.

The Supreme Court overruled the decision of second instance and the case was returned to the court of first instance on deciding.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

Liabilities based on the credit granted by the European Bank for Reconstruction and Development totaled to RSD 941,948 thousand (EUR 8,928,571) as of December 31, 2010. The credit was granted on the basis of the Agreement entered on September 10, 2007 (original credit amount was EUR 15,000,000 to Sojaprotein and the remaining balance to Victoria Oli Sid) for investment in current assets in compliance with the Oil plants Procurement Project and investments in the energy efficiency improvement. Repayment term under the tranche 2 (EUR 10,000,000) is five years with a six-month annuity payment plan, and the funds under tranche 3 (EUR 5,000,000) were granted on the six-year period with a six-month annuity payment plan. In 2010 all liabilities were settled in compliance with the annuity plan. Maturity date of second tranche of the credit is March 15, 2013 and the maturity date of third tranche of the credit is March 15, 2016.

In accordance with the Credit Agreement, and in compliance with the requirements referred to under Clause 5.10 "Financial Relations (Ratios)", the Company is liable to maintain, on the basis of financial statements presented in full compliance with International Accounting Standards:

1. EBIT / interest cost ratio at the level not lower than 3, provided that the profit of the Company will be subsequently adjusted for:
  - Each interest in profit or loss of any affiliate, except for dividends or other revenue received by the Company in cash from the affiliate or joint venture and all revenues from any other investments in fixed assets
  - All profit and losses directly connected to disposal or discontinued operations or sale of fixed assets
  - All direct costs and expenses of any fundamental reorganization or restructuring with substantive effect to the nature and focus of the Company operations
  - All amounts written-off from the investment value
  - Realized or unrealized currency differential gains or losses which do not relate to regular operations.
2. Interest cost means all interest and corresponding costs incurred with respect to the financial debt of the Company as they will be charged in its income statement.
3. Debt/total capitalization ration must be maintained at the level up to 0.6, provided that the debt means only debt and excluding any other debt secured under the Contract on Pledge of Stock of Goods. Total capitalization means sum of carrying values of total share capital, accrued deferred income tax, accrued investment tax credits, minority interests, potential reserves and contributions as a support to the construction.
4. Minimum own capital may not be lower than EUR 15,000,000.

Liabilities related to the credit granted by the Banka Koper d.d., Koper amounted to RSD 383,630 thousand (EUR 3,636,364.09) in total as of December 31, 2010. The credit was granted on the basis of contract entered on October 3, 2008 (agreed value was EUR 10,000,000) on the three-year period with a three-month annuities. The Company delivered the unconditional guarantee, payable at first demand, issued by Banca Intesa A.D. Belgrade as a collateral. Maturity date of the credit is October 28, 2011.

Liabilities related to the credit granted by Societe Generale Bank, Paris, France amounted to EUR 384,620, i.e. RSD 36,881 thousand as of December 31, 2009 and were paid in full on February 2, 2010. The credit was granted under the contract entered on September 16, 2008 in total amount of EUR 10,000,000 of which the Company drew down EUR 5,000,000 with repayment term of 18 months. The credit was earmarked for financing the purchase and production of soybean.

Liabilities on the credit granted by Societe Generale Bank Srbija amounted to RSD 319,629 thousand (EUR 3,333,333) as of December 31, 2009 and they were paid in full on June 8, 2010. The credit was granted under the contract entered on March 6, 2009 on total amount of EUR 5,000,000 and earmarked for financing of current assets used in production of soybean.

Liabilities related to Komercijalna Banka amounted to RSD 362,822 thousand, i.e. EUR 3,439,116,21 as of December 31, 2010. The credit was granted on August 29, 2008 in total amount of EUR 4,000,000 and it was earmarked for construction of business premises. Interest rate is 8% p.a., grace period was until September 17, 2009 and the last installment will become due on September 17, 2016. Installments are paid on a monthly basis.

Liability related to the Komercijalna Banka – Ministry of Agriculture, Forestry and Water Management – amounted to RSD 9,721 thousand, i.e. EUR 199,899 as of December 31, 2009 and it was settled in full on October 30, 2010 in accordance with the annuity plan. The credit was granted on February 24, 2005 in the amount of EUR 200,000, with grace period of 3 years and earmarked for financing the cattle breeding.

The liability related to the credit granted by EFG New Europe Fundings BV Amsterdam amounted to EUR 6,600,000 (i.e. RSD 632,866 thousand) as of December 31, 2009 and it was settled at the mean exchange rate prevailing on the date of payment, March 23, 2010. The credit was granted under the contract entered on August 29, 2008 in the amount of EUR 18,600,000 and it was earmarked for financing the current assets – buy-up of cereals.

Maturity of long-term credits is presented in the table below:



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

	In thousand of dinars	
	December 31, 2010	December 31, 2009
- Up to 1 year	753,279	3,597,983
- From 1 to 2 years	374,829	2,601,702
- From 2 to 3 years	266,485	340,684
- From 3 to 4 years	141,119	242,183
- From 4 to 5 years	146,578	128,265
- Over 5 years	94,948	219,527
- Credit granted by Vojvodjanska Banka	1,134,768	1,031,406
	<u>2,912,006</u>	<u>8,161,750</u>

**30. SHORT-TERM FINANCIAL LIABILITIES**

	In thousand of dinars	
	December 31, 2010	December 31, 2009
Current amounts due and payable:		
- Long-term credits	753,280	3,605,621
- Other long-term liabilities	1,296	8,341
Short-term credits	2,329,954	1,407,932
Other short-term financial liabilities	34,678	33,726
	<u>3,119,208</u>	<u>5,055,620</u>

**SHORT-TERM CREDITS**

	Maturity	Annual interest rate	Amount in currency	December 31, 2010
Komercijalna Banka	30.03.2011	4,40%	4,000,000	421,993
Komercijalna Banka	19.04.2011	4,40%	2,000,000	210,996
Komercijalna Banka	30.06.2011	Реф.кам.сво НБС-1,50%	-	200,000
Societe Generale Bank	31.08.1011	3M Euribor + 3,40%	4,000,000	421,993
Eurobank EFG	06.09.2011	3M Euribor + 5,70%	1,000,000	105,498
Credit Agricool	21.06.2011	3M Euribor + 3,80%	5,000,000	527,491
Komercijalna Banka a.d. Belgrade	19.05.2011	6,50%	-	200,000
Komercijalna Banka a.d. Belgrade	21.04.2011	5,50%	2,000,000	210,997
Development Fund of the Autonomous Province of Vojvodina	31.01.2011	4%	292,835.94	30,986
			<u>18,292,835.94</u>	<u>2,329,954</u>

Liabilities related to the short-term credit granted by Komercijalna Banka on the basis of Contract No. 00-410-3900119.3 dated March 19, 2010 in dinar equivalent of EUR 4,000,000 – the credit was granted with subsidized interest rate and the agreed interest is 4.4% p.a. The credit is earmarked for financing the preparation of export deals. Promissory notes of the credit beneficiaries were given as a collateral - Victoria Group A.D. Novi Sad, Victoria Oil Sid, Victoria Logistic Novi Sad, Fertil A.D Backa Palanka. The credit was paid on the date of its maturity.

Short-term credit granted by Komercijalna Banka under the Contract No. 00-410-3900178.9 dated April 19, 2003 in dinar equivalent of EUR 2,000,000 - the credit was granted with subsidized interest rate and the agreed interest is 4.4% p.a. The credit is earmarked for financing the preparation of export deals. Promissory notes of the credit beneficiaries were given as a collateral - Victoria Group A.D. Novi Sad, Victoria Oil Sid, Victoria Logistic Novi Sad, Fertil A.D Backa Palanka. The credit was

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2010

paid on the date of its maturity.

Short-term credit granted by Komercijalna Banka under the Contract No. 00-410-4300449.0 dated June 29, 2010 of RSD 200,000 thousand earmarked for financing the preparation of export deals, with the benchmark interest rate reduced by 1.50% . Joint and several guarantors (Victoria Group A.D. Novi Sad, Victoria Oil Sid, Victoria Logistic Novi Sad, Fertil A.D. Backa Palanka) provided the corresponding collateral.

Short-term credit granted by Societe Generale Bank Srbija under the Contract No. STL 196910 dated September 3, 2010 in dinar equivalent of EUR 4,000,000 earmarked for the current assets financing and agreed interest rate 3M EURIBOR + 3.40%. Movable assets were pledged as a collateral (soybean grains - crop 2010 – JUS quality) with transfer restriction of the insurance policy in favor of the Bank.

Short-term credit granted by Eurobank EFG under the Contract No. HO-047/10 dated August 31, 2010 in dinar equivalent of EUR 1,000,000 EYP earmarked for the current assets financing and agreed interest rate 3M EURIBOR + 5.70%. Movable assets were pledged as a collateral for the credit repayment (sunflower – crop 2010 owned by Victoria Oil Sid) and the guarantee of joint and several debtors (Victoria Group A.D. Novi Sad, Victoria Oil Sid, Victoria Logistic Novi Sad, Fertil A.D. Backa Palanka).

Short-term credit granted by Credit Agricol A.D Novi Sad under the Contract No. 00-420-5800084.6 dated June 21, 2010 in dinar equivalent of EUR 5,000,000 earmarked for non-current assets financing and agreed interest rate 3M EURIBOR + 3.80% . Bills of credit beneficiaries were submitted and goods pledged as a collateral (soybean grain, leguminous crude soybean oil, soybean meal, flour and groat, lecithin, soybean textures).

Short-term credit granted by Komercijalna Banka of RSD 200,000 thousand under the Contract No. 00-410-4300268.4 dated May 19, 2010 for financing export deals: the credit was granted with subsidized interest rate and the agreed interest is 6.50% p.a. Bills of credit beneficiary and guarantees of joint and several debtors were provided as a collateral.

Short-term credit granted by Komercijalna Banka under the Contract No. 00-410-2900086.5 dated April 21, 2010 in dinar equivalent of EUR 2,000,000 earmarked for maintenance of the liquidity with the subsidized interest and the agreed interest rate is 5.5% p.a. Bills of credit beneficiary and guarantees of joint and several debtors were provided as a collateral.

Short-term credit granted by the Development Fund of the Autonomous Province of Vojvodina under the Contract No. 1558-46-

41-2274/2010 of EUR 292,835.94 in dinar equivalent earmarked for financing export deals. Bank's guarantee was provided as a collateral.

## 31. OPERATING LIABILITIES

	In thousand of dinars	
	December 31, 2010	December 31, 2009
Liabilities for advances received	484,307	207,380
Trade payables:		
- Related legal entities	989,751	1,155,005
- Domestic	1,458,999	822,713
- Foreign	36,238	37,872
Liabilities to the exporter	-	10,286
Other operating liabilities	7,569	1,552
	<u>2,976,864</u>	<u>2,234,808</u>

Liabilities for advances received in the amount of RSD 484,307 thousand relate to prepayments made by customers purchasing soybean meal.

Trade payables amounted to RSD 2,484,988 thousand as of December 31, 2010 and consisted of liabilities to related legal entities and suppliers, both domestic and foreign.

Among related legal entities the major liability related to the related legal entity Victoria Logistic - RSD 979,065 thousand. Trade payables – domestic amounted to RSD 1,458,999 thousand and the major creditor was the company Invej A.D. Belgrade - RSD 772,841 thousand for the supplied soybean grain. Settlement of the liability was agreed to be made by delivery of refined sunflower oil in exchange.

## 32. OTHER SHORT-TERM LIABILITIES

In thousand of dinars

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Net salaries	20,498	20,532
Taxes and contributions on salaries	13,991	12,965
Interest	6,504	7,066
Dividends	4,389	4,389
Liabilities to employees	1,157	1,113
Fees to members of the Board of Directors and Supervisory Board	200	200
Other liabilities	447	958
	<u>47,186</u>	<u>47,223</u>

**33. VALUE ADDED TAX LIABILITIES AND OTHER PUBLIC DUTIES AND LEVIES AND ACCRUALS AND DEFERRED PAYMENTS**

	In thousand of dinars	
	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Value added tax liabilities	133	24
Taxes and customs duties	-	360
Contributions charged to costs and expenses	16	16
Other taxes, contributions and duties	594	840
Accrued revenues of the future period	399	587
Deferred VAT liabilities	181	666
Other accruals and deferred payments	23,494	34,082
	<u>24,817</u>	<u>36,575</u>

**34. OFF-BALANCE ASSETS/LIABILITIES**

	In thousand of dinars	
	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Commodities of others stored in the warehouse	335,731	240,379
Avals and guarantees given	15,290,704	9,934,548
Other off-balance assets/liabilities	432,176	451,558
	<u>16,058,611</u>	<u>10,626,485</u>

Avals and guarantees given include guarantees issued by grantors to creditor as collaterals for repayment of credits granted (guarantees issued by banks for credit liabilities of "Sojaprotein" a.d. or when "Sojaprotein" is a grantor of credit liabilities of other legal entities).

**36. TRANSACTIONS WITH RELATED LEGAL ENTITIES**

a) Revenues and expenses from transactions with related legal entities are presented in the table below:

	In thousand of dinars	
	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
<i>Sales</i>		
Victoria Oil a.d., Sid	2,661,200	3,112,234
Victoria Group d.o.o., Novi Sad	46,214	1,460,717
Fertil d.o.o., Backa Palanka	6,107	125,659
Victoria Logistic, Novi Sad	3,195,466	2,927,374
SP Laboratorija a.d., Novi Sad	7,472	9,050
Luka Backa Palanka a.d., Backa Palanka	68	4,667
Victoria Phosphate, Bosilegrad	1,970	-
Zorka, Sabac	94	2,193
	<u>5,918,591</u>	<u>7,640,359</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

<i>Financial income</i>		
Victoria Group d.o.o., Novi Sad	135,985	1,727
SP Laboratorija a.d., Novi Sad	-	103
Fertil d.o.o., Backa Palanka	1,221	-
Victoria Oil a.d., Sid	-	-
Victoria Logistic, Novi Sad	96,043	-
	<u>233,249</u>	<u>1,830</u>
<i>Other revenues</i>		
Victoria Group d.o.o., Novi Sad	-	229
Victoria Logistic, Novi Sad	3,223	3,836
SP Laboratorija a.d., Novi Sad	2,908	3
Victoria Oil, Sid	411	900
Luka Backa Palanka a.d., Backa Palanka	-	225
Fertil d.o.o., Backa Palanka	10	-
	<u>6,552</u>	<u>5,193</u>
<b>Total revenues</b>	<b><u>6,158,392</u></b>	<b><u>7,647,382</u></b>
<b>Expenses</b>		
<i>Cost of goods sold</i>		
Victoria Oil a.d., Sid	977,022	2,323,502
Victoria Group d.o.o., Novi Sad		70,477
Fertil d.o.o., Backa Palanka		442,132
Victoria Logistic, Novi Sad	670,922	516,955
Luka Backa Palanka a.d., Backa Palanka		2,141
Macvanka d.o.o., Bogatic		13,786
	<u>1,647,944</u>	<u>3,368,993</u>
<i>Cost of materials</i>		
Victoria Oil a.d., Sid	261,860	35,840
Victoria Logistic, Novi Sad	2,462,057	803,494
Victoria Group d.o.o., Novi Sad	949,251	1,629,032
Luka Backa Palanka a.d., Backa Palanka		4,026
Fertil d.o.o., Backa Palanka		82
	<u>3,673,168</u>	<u>2,472,474</u>
<i>Other operating expenses</i>		
SP Laboratorija a.d., Novi Sad	59,035	49,842
Luka Backa Palanka a.d., Backa Palanka		32
Victoria Group d.o.o., Novi Sad	8,004	4,712
Victoria Oil a.d., Sid		
Victoria Logistic, Novi Sad	6,800	4,227
Fertil d.o.o., Backa Palanka		
Bela Ladja, Becej		145
SIG Sinteza Invest Group Beograd	595	16,827
	<u>74,434</u>	<u>75,785</u>
<i>Other expenses</i>		
Victoria Logistic, Novi Sad	384	-
Fertil d.o.o., Backa Palanka		-
	<u>384</u>	<u>-</u>
<b>Total expenses</b>	<b><u>5,395,930</u></b>	<b><u>5,917,252</u></b>
<b>Net income</b>	<b><u>762,462</u></b>	<b><u>1,730,130</u></b>

b) Balances of receivables and payables resulting from transactions with related legal entities are presented in the table below:

	In thousand of dinars	
	December 31, 2010	December 31, 2009
<b>Receivables</b>		

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

<i>Advances made</i>		
Victoria Logistic, Novi Sad	-	2,598,967
Victoria Group d.o.o., Novi Sad	-	150,949
Luka Backa Palanka a.d., Backa Palanka	-	-
		2,749,916
<i>Trade receivables</i>		
Victoria Oil a.d., Sid	751,091	827,258
Victoria Group d.o.o., Novi Sad	319,227	776,540
Fertil d.o.o., Backa Palanka	11	114,432
Victoria Logistic, Novi Sad	2,024,163	2,798,556
SP Laboratorija a.d., Novi Sad	7,676	3
Luka Backa Palanka a.d., Backa Palanka	66	2,602
Vetzavod Skolje	228	
Zorka Sabac	49	2,368
Victoria Phosphate	2,325	
	3,104,836	4,521,759
<i>Borrowings to related legal entities</i>		
- Victoria Group d.o.o., Novi Sad	1,426,065	714,840
- Fertil d.o.o., Backa Palanka		5,993
- Victoria Logistic, Novi Sad		979,121
	1,426,065	1,699,954
<i>Receivables from specific transactions with related legal entities</i>		
		372,187
<b>Total receivables</b>	4,530,901	9,343,816

	<b>December 31, 2010</b>	<b>In thousand of dinars December 31, 2009</b>
<b>Liabilities</b>		
<i>Liabilities based on prepayments received</i>		
	-	-
<i>Trade payables</i>		
Victoria Group d.o.o., Novi Sad	563	149,091
Fertil d.o.o., Backa Palanka	-	-
SP Laboratorija a.d., Novi Sad	6,964	155,101
Victoria Logistic, Novi Sad	979,066	701,510
Victoria Oil a.d., Sid	6,543	148,793
Hotel "Bela Ladja", Becej	-	5
SIG Sinteza Invest Group, Belgrade	246	505
	996,112	1,155,005
<i>Short-term liabilities</i>		
SP Laboratorija a.d., Novi Sad	-	16,404
	-	16,404
<b>Liabilities</b>	996,112	1,171,409
<b>Receivables, net</b>	3,534,789	8,172,407

**37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES**

**Risk Based Capital Management**

Objectives of the capital management are to maintain the Company's ability to continue its operations on going on principle in the foreseeable future, preservation of optimum capital structure and simultaneously reduce the costs of capital and secure

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2010

yield of capital to its owners. Capital structure of the Company was as follows: debts with long-term credits explained in a separate note included, other long-term liabilities, long-term and short-term investments, cash and cash equivalents and capital assigned to the owners – stakes, other capital, reserves and accumulated profit.

Persons in charge of finance audit at the Company level review the capital structure on annual basis.

Company indebtedness indicator with closing balances were as follows:

	In thousand of dinars	
	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Indebtedness a)	5,278,720	9,619,387
Cash and cash equivalents	<u>234,972</u>	<u>143,754</u>
Net indebtedness	<u>5,043,748</u>	<u>9,475,633</u>
Capital b)	<u>11,861,640</u>	<u>10,957,754</u>
Ratio of debt to net worth	<u>0,43</u>	<u>0,86</u>

a) Debt relates to long-term and short-term credits and liabilities based on lease.

b) Capital includes share capital reduced for bought-up treasury shares, reserves and accumulated profit.

## Financial Instruments Classes

	In thousand of dinars	
	<u>December 31, 2010</u>	<u>December 31, 2009</u>
<b>Financial assets</b>		
Long-term financial investments	73,305	73,632
Other long-term financial investments	9,877	14,726
Trade receivables	5,197,000	6,701,537
Short-term financial investments	1,642,627	1,811,797
Cash and cash equivalents	<u>234,972</u>	<u>143,754</u>
	<u>7,157,781</u>	<u>8,745,446</u>
<b>Financial liabilities</b>		
Long-term and short-term credits	5,277,934	8,179,621
Trade payables	2,484,988	2,027,428
Other liabilities	<u>7,569</u>	<u>11,455</u>
	<u>7,770,491</u>	<u>10,218,504</u>

Main financial instruments of the Company were cash and cash equivalents, receivables, financial investments directly resulting from the Company activities, as well as long-term loans, trade payables and other liabilities primarily earmarked for the current operations financing. The Company was exposed to risks in its regular operations.

## Objectives of the Financial Risks Management

Financial risks include a market risk (foreign currency and interest), credit risk and liquidity risk. Financial risks were considered on a time basis and they were primarily avoided by reducing the Company's exposure to these risks. The Company did not use any financial instruments in order to avoid the effects of financial risks to its operations since those instruments are not widely used and no organized market of these instrument exists in the Republic of Serbia.

## Market Risk

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2010

In its operations, the Company was proportionally directly exposed to financial risks of changes in foreign currency rates and changes in interest rates.

Exposure to market risks was observed in sensitivity analysis to market changes. There was no significant changes in the Company's exposure to market risks as well as in the manner in which the Company was managing and measuring these risks.

**Exchange Rates Risk**

The Company was exposed to exchange risks primarily through cash and cash equivalents, trade receivables, long-term credits and trade payables denominated in foreign currencies. The company did not use specific financial instruments of hedging since these instruments are not customary in the Republic of Serbia.

Stability of the economic environment in which the Company is operating depends to a great deal on the Government's economic policies, including implementation of the corresponding legal framework.

Book value of monetary assets and liabilities carried in foreign currency on the reporting date were as follows:

	Assets		Liabilities	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
EUR	353,670	181,764	4,202,444	7,696,658
US\$	320,821	253,775	-	933
GBP	19,268	-	-	-
	<u>693,759</u>	<u>435,539</u>	<u>4,202,444</u>	<u>7,697,591</u>

The Company was sensitive to changes of exchange rate of Euro (EUR) and American Dollar (US\$). The table below presents detailed sensitivity analysis of the Company to increase and decrease by 10% against the particular currency. Sensitivity rate of 10% was used in internal presentation of exchange risks and represented the Management's estimate of reasonably expected changes in foreign currency exchange rates. Sensitivity analysis included only unsettled receivables and liabilities carried in foreign currencies and harmonized their translation at the end of the period in cases of change in rates of foreign currencies by 10%. Positive number presented in the table indicates increase of performance of the current period when dinar had depreciated against the particular foreign currency. In case of dinar depreciation by 10% against the particular foreign currency its effects on results of the current period would be contrary to the results presented in the case above.

	In thousand of dinars	
	December 31, 2010	December 31, 2009
EUR currency	(348,877)	(750,800)
US\$ currency	-	25,284
Results of the current period	<u>(348,877)</u>	<u>(725,515)</u>

Sensitivity of the Company to changes of foreign currencies was reduced in the current period, mainly due to reduced credit liabilities and increased assets based on increased trade receivables. Scope of realizations on foreign markets was significantly increased in the reporting year (as compared to the year 2009 – in physical volume by 83.70% and in value by 91.70%) resulting in increased inflow of foreign currencies and reduced exchange risks even thou RSD showed decreasing trend against EUR.

**Interest Rate Risk**

The Company was exposed to interest rate risk both with respect to assets and liabilities in case of variable interest rates. This risk was dependent on the financial market and the Company had no instruments available to mitigate its effects.

Book value of financial assets and liabilities at the end of the period observed is presented in the table below:

Financial assets	In thousand of dinars	
	December 31, 2010	December 31, 2009

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

*Interest free*

Long/term financial investments	73,305	73,632
Other long-term financial investments	9,877	14,726
Trade receivables	5,197,000	5,476,446
Short-term financial investments		1,811,797
Cash and cash equivalents	234,972	143,754
	<u>5,515,154</u>	<u>7,520,355</u>

*Fixed interest rate*

Trade receivables		-
-------------------	--	---

*Variable interest rate*

Short-term financial investments	1,642,627	-
	<u>7,157,781</u>	<u>7,520,355</u>

**Financial liabilities***Interest free*

Trade payables	2,484,988	2,027,428
Other liabilities	7,569	11,455
	<u>2,492,557</u>	<u>2,038,883</u>

*Variable interest rate*

Long-term and short-term credits	5,277,934	8,179,621
	<u>7,770,491</u>	<u>10,218,504</u>

The provided sensitivity analyses above were based on the exposure to interest rate risk on the balance sheet date. Liabilities with variable interest rate the analysis was made on the assumption that the remaining balance of assets and liabilities as of the balance sheet date was unchanged during the entire year. Increase or reduction by 1% represents the Management's estimate of actually possible change in interest rates. Should the interest rate be higher/lower by 1% and all other variables unchanged the Company would have realized profit/(loss) for the year ended on December 31, 2010 in the amount of RSD 36,353 thousand (December 31, 2009: RSD 87,796 thousand). The situation is caused by exposure of the Company based on variable interest rates accrued on long-term credits.

**Credit Risk****Management of Trade Receivables**

Company is exposed to credit risk that is a risk that debtors will not be able to settle their debts to the Company in full on time; this would result in financial loss of the Company. Company's exposure to the risk is limited to the trade receivables on the balance sheet date. Significant portion of trade receivables are receivables from related legal entities.

Structure of trade receivables as of December 31, 2010 is presented in the table below:

	<u>Gross exposure</u>	<u>Adjustment</u>	<u>In thousand of dinars Net exposure</u>
Unmatured trade receivables	1,753,356		1,753,356
Matured, adjusted trade receivables	168,360	(168,360)	
Matured, unadjusted trade receivables	3,425,694		3,425,694
	<u>5,347,410</u>	<u>(168,360)</u>	<u>5,179,050</u>

*Unmatured Trade Receivables*

As of December 31, 2010 unmatured trade receivables were presented in the amount of RSD 1,753,356 thousand (December 31, 2009: RSD 2,199,844 thousand) and mainly relate to trade receivables based on sale of soybean meal, crude soybean oil, soybean textures and soybean flour. These receivables have average maturity term of 60 days from the date of invoice, depending on the agreed payment terms.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2010**

*Matured, Adjusted Trade Receivables*

In the period, the Company made adjustments to trade receivables resulting from impairment in the amount of RSD 168,360 thousand (2009: RSD 167,631 thousand). Adjustments were made in cases when the Company established changes in credit solvency of its customers and, hence, hardened collection of respective receivables.

*Matured, Unadjusted Trade Receivables*

Matured, unadjusted trade receivables were presented in the amount of RSD 3,425,694 thousand on December 31, 2010 (2009: RSD 4,033,671 thousand) and mainly related to receivables from related legal entities. Major trade receivables are presented in the table below:

	<b>In thousand of dinars</b>	
	<b><u>December 31, 2010</u></b>	<b><u>December 31, 2009</u></b>
Victoria Oil a.d., Sid	751,092	823,713
Victoria Group d.o.o., Novi Sad	319,227	666,506
Victoria Logistic d.o.o., Novi Sad	2,024,163	2,217,555
Fertil d.o.o., Backa Palanaka		114,199
Other related legal entities		76,961
Others	331,212	288,659
	<u>3,425,694</u>	<u>4,033,671</u>

Age structure of matured, unadjusted trade receivables is presented in the table below:

	<b>In thousand of dinars</b>	
	<b><u>December 31, 2010</u></b>	<b><u>December 31, 2009</u></b>
Less than 30 days	746,418	753,805
31 - 90 days	276,826	2,880,515
91 - 180 days	2,014,813	1,605,782
181 - 365 days	226,034	219,626
Over 365 days	492,815	10,581
	<u>3,425,694</u>	<u>5,470,309</u>

**Management of Trade Payables**

On December 31, 2010 trade payables were presented in the amount of RSD 2,484,987 thousand (December 31, 2009: RSD 2,027,428 thousand). Suppliers do not calculate default interest on outstanding liabilities and the Company settles its liabilities to suppliers within the agreed term in compliance with the financial risks management policy.

**Liquidity Risk**

Company Management is finally responsible for the liquidity risk management. The Management has established the adequate management system of short-, medium- and long-term financing of the Company as well as liquidity management. Company manages liquidity risk by establishing and maintaining adequate cash reserves by continuous monitoring of planned and actual cash flows as well as keeping adequate ratio between matured receivables and outstanding payables.

**Fair Value of Financial Instruments**

*Assumptions for Estimate of Current Fair Value of Financial Instruments*

Considering the fact of insufficient market experience, stability and liquidity in disposal and acquisition of financial assets and liabilities, as well as the fact that market information necessary for disclosures of fair value of financial assets and liabilities are not always available and since they mature within a relatively short time periods it may be concluded that the book value of short-term trade receivables and trade payables is approximating their fair value.

**38. DISPUTES**

Major pending dispute against the Company is the procedure initiated by Vojvodjanska Banka a.d., Novi Sad based on

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****As of December 31, 2010**

refinanced credit granted by the Paris Club of Creditors. Company is disputing the creditor's right of the Bank in full. Final award of the pending procedures may not be currently foreseen. Company Management considers that the Company will not be exposed to eventual substantially significant losses and, therefore, it did not calculate costs based on the pending dispute procedures.

Company has pending proceedings against customers with respect to matured outstanding trade receivables for which it was estimated that may not be collected otherwise. Company made adjustments of all sued trade receivables.

**39. TAX RISKS**

Tax regulations of the Republic of Serbia are frequently differently interpreted and they are subject to frequent amendments. Interpretations of tax regulations by tax authorities with respect to the Company transactions and activities may differ from the Management's interpretations. As a result, transactions may be disputed by tax authorities and the Company may be liable to pay higher taxes and corresponding fines and interest. After the five-year period tax liabilities are obsolete. In practice, it means that tax authorities are entitled to determined payment of outstanding liabilities within five years from the maturity date of a respective liability.

**41. CURRENT ECONOMIC ENVIRONMENT AND ITS IMPACT ON THE COMPANY**

Company activities are influenced by the financial crisis and aggravated operating conditions. Due to current crisis of the global market and its impact on the Serbian market and economy, it is expected that the Company will operate in aggravated and uncertain economic environment. Scope and impact of the crisis on the Company operations may not be foreseen currently and, therefore, an element of uncertainty exists.

Continuing financial crisis had limited impact on the financial positions and performance of the Company. In 2010 the Company did not face higher problems in maintenance of its liquidity.

Activities related to the construction of the Concentrate Plant commenced in 2010 and preparations for adjustment of the production process to the concentrates manufacturing technology were made for this purpose. In 2010 reconstruction of the equipment was performed that will contribute to better utilization of capacities and raw materials; new equipment was purchased for the of flour and groat and textured soybean products plant. These and planned investments are made for higher marketing of soybean products on foreign markets.

In this manner quality financial assets will be obtained to secure continuous investments and current liabilities financing.

Funds for financing the construction of Concentrates Plant will be partially secured by credits and partially from own assets. Contract on long-term investment credit was entered with Unicredit Banka Srbija in the amount of EUR 17,646,000, with grace period of 6 months and payment term of five years. Mortgage over property and pledge on movables owned by Sojaprotein and future objects-equipment for production of soybean concentrates were registered as a collateral.

Marketing of products produced in the Concentrates Plant is mainly intended to major customer abroad and this should guarantee regular inflow of foreign currencies and regular settlement of liabilities with respect to this credit line.

Aggravation of business environment in the country and abroad will probably influence the position of certain companies as well as their ability to service their liabilities that may result in adjustments and establishment of provisions based on potential losses of the Company in 2011 as well as in other areas in which the Company Management is expected to give its estimates which may differ from actual amounts.

**42. EXCHANGE RATES**

Mean exchange rates determined on the Interbank Foreign Currency Market were applied in translation of the balance sheet items carried in foreign currencies and they were as follows for the main individual currencies:

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
US\$	79,2808	66,7285
EUR	105,4982	95,8888
GBP	122,4161	107,2582

In Becej, April 30, 2011

"Sojaprotein" a.d., Becej