

# **Harveast Holding Limited**

**Consolidated financial statements**

*31 December 2012*

## Independent auditors' report

### Report on the Consolidated Financial Statements to the Members of Harveast Holding Limited

We have audited the accompanying consolidated financial statements of Harveast Holding Limited ("the Company") and its subsidiaries (together with the Company – "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' responsibility for the consolidated financial statements*

The Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

### **Report on other legal and regulatory requirements**

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- ▶ We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- ▶ In our opinion, proper books of account have been kept by the Company.
- ▶ The Company's financial statements are in agreement with the books of account.
- ▶ In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- ▶ In our opinion, the information given in the report of the Board of Directors on pages 4 to 5 is consistent with the consolidated financial statements.

### **Other matter**

#### *Auditor's responsibility*

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

#### *Comparative figures*

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 6 July 2012



Andreas Avraamides  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**Ernst & Young Cyprus Limited**  
Certified Public Accountants and Registered Auditors

Nicosia, Cyprus  
10 June 2013

**Consolidated statement of comprehensive income  
for the year ended 31 December 2012**

*(In thousands of US dollars)*

	<i>Notes</i>	<i>2012</i>	<i>2011</i> <i>(Restated)</i>
Revenue	10	137,432	72,371
Cost of sales	11.1	(109,478)	(54,268)
Loss on fair value measurement of biological assets and agricultural produce	15	<u>(27,451)</u>	<u>(14,840)</u>
<b>Gross profit</b>		<b>503</b>	<b>3,263</b>
Other income	11.2	11,305	2,943
Selling and distribution costs	11.3	(7,699)	(6,313)
General and administrative expenses	11.4	(9,379)	(5,449)
Other expenses	11.5	<u>(13,582)</u>	<u>(8,687)</u>
<b>Operating loss</b>		<b>(18,852)</b>	<b>(14,243)</b>
Finance income	11.6	2,495	243
Finance costs	11.7	(8,022)	(1,679)
Net foreign exchange (loss)/gain		(789)	171
<b>Loss before tax</b>		<b>(25,168)</b>	<b>(15,508)</b>
Income tax benefit	12	167	43
Loss for the year from continuing operations		(25,001)	(15,465)
Loss for the year from discontinued operations		(1,054)	(9,875)
<b>Total loss for the year</b>		<b>(26,055)</b>	<b>(25,340)</b>
<b>Other comprehensive loss</b>			
Foreign currency translation		(198)	(395)
<b>Total comprehensive loss for the year</b>		<b>(26,253)</b>	<b>(25,735)</b>
<i>Total loss for the year attributable to:</i>			
Equity holders of the parent		(25,702)	(25,184)
Non-controlling interest	21	<u>(353)</u>	<u>(156)</u>
		<b>(26,055)</b>	<b>(25,340)</b>
<i>Total comprehensive loss for the year attributable to:</i>			
Equity holders of the parent		(25,883)	(25,575)
Non-controlling interest	21	<u>(370)</u>	<u>(160)</u>
		<b>(26,253)</b>	<b>(25,735)</b>

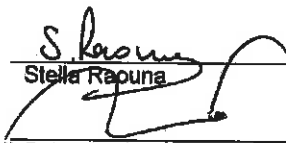

**Consolidated statement of financial position****as of 31 December 2012***(In thousands of US dollars)*

	Notes	2012	2011 (Restated)	2010 (Restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	109,881	103,691	103,254
Biological assets	15	8,440	8,712	11,025
Deferred tax asset	12	210	43	-
		<u>118,531</u>	<u>112,446</u>	<u>114,279</u>
<b>Current assets</b>				
Inventories	16	67,799	98,975	58,373
Trade and other receivables	17	8,981	6,471	3,925
Prepayments and other current assets	18	14,894	9,017	1,146
Biological assets	15	32,751	28,963	34,788
Cash and cash equivalents	19	15,217	1,735	1,328
		<u>139,642</u>	<u>145,161</u>	<u>99,560</u>
Assets of disposal group classified as held for sale	13	1,494	2,784	-
<b>Total assets</b>		<u>259,667</u>	<u>260,391</u>	<u>213,839</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	20	3	3	251,350
Share premium	20	707	621	-
Currency translation reserve		30	211	602
Retained earnings		90,485	116,187	(66,049)
<b>Equity attributable to equity holders of the parent</b>		<u>91,225</u>	<u>117,022</u>	<u>185,903</u>
Non-controlling interest	21	660	1,030	1,190
<b>Total equity</b>		<u>91,885</u>	<u>118,052</u>	<u>187,093</u>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	22	100	7,822	-
Long-term payable due to related party	25	78,230	79,460	-
Finance lease liabilities	23	6,758	-	-
		<u>85,088</u>	<u>87,282</u>	<u>-</u>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings	22	52,974	34,149	11,324
Trade and other payables	24	24,293	19,685	14,576
Finance lease liabilities	23	2,347	-	-
Prepayments received from customers		2,845	946	846
		<u>82,459</u>	<u>54,780</u>	<u>26,746</u>
Liabilities of disposal group classified as held for sale	13	235	277	-
<b>Total liabilities</b>		<u>167,782</u>	<u>142,339</u>	<u>26,746</u>
<b>Total equity and liabilities</b>		<u>259,667</u>	<u>260,391</u>	<u>213,839</u>

Authorised for release and signed by the Board of Directors of the Harveast Holding Limited on 10 June 2013.

Director

Director

  
 Stella Rapuna  
  
 Soterakis Koupepides

*The accompanying notes form an integral part of the consolidated financial statements.*

**Consolidated statement of changes in equity**  
**for the year ended 31 December 2012**

(In thousands of US dollars)

	<i>Attributable to equity holders of the parent</i>				Total attributable to equity holders of the parent	Non- controlling interest (Note 21)	Total equity
	Share capital (Note 20)	Share premium (Note 20)	Currency translation reserve	Retained earnings			
<b>At 31 December 2010</b>							
(as previously reported)	251,350	-	569	(53,119)	198,800	1,190	199,990
Effect of restatement (Note 8)	-	-	33	(12,930)	(12,897)	-	(12,897)
<b>At 31 December 2010 (restated)</b>	<b>251,350</b>	<b>-</b>	<b>602</b>	<b>(66,049)</b>	<b>185,903</b>	<b>1,190</b>	<b>187,093</b>
Loss for the period	-	-	-	(17,887)	(17,887)	(156)	(18,043)
Other comprehensive loss	-	-	(409)	-	(409)	(4)	(413)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(409)</b>	<b>(17,887)</b>	<b>(18,296)</b>	<b>(160)</b>	<b>(18,456)</b>
Contribution to share capital	35,775	-	-	-	35,775	-	35,775
Share issue by parent (Note 20)	3	621	-	-	624	-	624
Group reorganisation (Note 20)	(287,125)	-	-	207,420	(79,705)	-	(79,705)
<b>At 31 December 2011</b>							
(as previously reported )	3	621	160	136,414	137,198	1,030	138,228
Effect of restatement(Note 8)	-	-	51	(20,227)	(20,176)	-	(20,176)
<b>At 31 December 2011 (restated)</b>	<b>3</b>	<b>621</b>	<b>211</b>	<b>116,187</b>	<b>117,022</b>	<b>1,030</b>	<b>118,052</b>
Loss for the period	-	-	-	(25,702)	(25,702)	(353)	(26,055)
Other comprehensive loss	-	-	(181)	-	(181)	(17)	(198)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(181)</b>	<b>(25,702)</b>	<b>(25,883)</b>	<b>(370)</b>	<b>(26,253)</b>
Contribution to share capital	-	86	-	-	86	-	86
<b>At 31 December 2012</b>	<b>3</b>	<b>707</b>	<b>30</b>	<b>90,485</b>	<b>91,225</b>	<b>660</b>	<b>91,885</b>

**Consolidated statement of cash flows****for the year ended 31 December 2012***(In thousands of US dollars)*

	<i>Notes</i>	<u>2012</u>	<u>2011</u> <i>(Restated)</i>
<b>Operating activities</b>			
Loss before tax from continuing operations		(25,168)	(15,508)
Loss before tax from discontinued operations		(1,054)	(9,875)
<i>Adjustments to reconcile loss before tax to net cash flows:</i>			
Depreciation		14,667	11,670
Finance costs	11.7	8,022	1,679
Finance income	11.6	(2,495)	(243)
Loss on fair value measurement of biological assets and agricultural produce	15	27,451	14,840
Loss on disposal of property, plant and equipment	11.5	2,597	211
Write-off of VAT		886	2,902
Bad debt expense	11.3	262	672
Unrealised net foreign exchange (gain)/loss		(208)	253
		<u>24,960</u>	<u>6,601</u>
<i>Working capital adjustments:</i>			
Change in inventories		31,141	(41,545)
Change in biological assets		(31,167)	(8,820)
Change in trade and other receivables		(2,534)	(13,440)
Change in prepayments and other current assets		(2,122)	(993)
Change in trade and other payables		608	5,073
Change in prepayments received from customers		1,070	100
		<u>21,956</u>	<u>(53,024)</u>
Interest paid		(7,775)	(1,679)
Interest received		1,302	243
<b>Net cash flows from / (used in) operating activities</b>		<u>15,483</u>	<u>(54,460)</u>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(12,878)	(13,180)
Proceeds from sale of property, plant and equipment		449	1,259
Prepayment for acquisition of equity interests in Group entities		832	-
<b>Net cash flows used in investing activities</b>		<u>(11,597)</u>	<u>(11,921)</u>
<b>Financing activities</b>			
Proceeds from loans and borrowings		54,117	42,235
Repayment of loans and borrowings		(43,125)	(11,316)
Settlement of finance lease liability		(1,470)	-
Proceeds to share capital	20	86	35,775
<b>Net cash flows from financing activities</b>		<u>9,608</u>	<u>66,694</u>
<b>Net increase in cash and cash equivalents</b>		<b>13,494</b>	<b>313</b>
Net foreign exchange difference		(12)	94
Cash and cash equivalents at 1 January	19	1,735	1,328
<b>Cash and cash equivalents at 31 December</b>	<b>19</b>	<u><b>15,217</b></u>	<u><b>1,735</b></u>

*The accompanying notes form an integral part of the consolidated financial statements.*