BLACK EARTH FARMING LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013

BLACK EARTH FARMING LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013
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BLACK EARTH FARMING LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

Directors	Vigo Carlund Anders Kronborg Camilla Oberg Magnus Unger Poul Schroeder Per Brilioth Richard Warburton
Secretary	General Secretaries Limited
Registered Office	Nautilus House La Cour des Casernes St. Helier Jersey JE1 3NH
Bankers	The Royal Bank of Scotland International Limited Skandinaviska Enskilda Banken AIB Bank (CI) Limited Nordea Bank AB Pareto Ohman AB ABG Sundal Collier AB
Auditors	ZAO Deloitte and Touche CIS

BLACK EARTH FARMING LIMITED
DIRECTORS' REPORT

The directors present their report together with the financial statements of the company for the year ended 31 December 2013.

ACTIVITIES

The principal activity of the company, which is incorporated in Jersey, Channel Islands, is investment holding.

RESULTS AND MANAGEMENT COMMENTARY

The results for the year are set out in the Statement of Comprehensive Income on page 6.

Since inception Black Earth Farming Limited and its related subsidiaries (the "Group") has invested in (a) acquiring and registering farm land into ownership, (b) a large fleet of western agricultural machinery and (c) supporting storage infrastructure for the Group's operations. The majority of the investments required for the current land bank have been undertaken and future capital expenditures will mainly be driven by machinery replacement needs as well as improving the throughput and efficiency of the storage sites. In addition, the Group expects to invest in expansion of its irrigated root crop business.

Land is recorded in the Group consolidated financial statements at acquisition cost but the Company believes that Russian agricultural land remains undervalued, both in comparative terms and in relation to its inherent production potential. As of 31 December 2013, the Group had a total of 308 thousand hectares under control. Unlike other fixed assets, land does not depreciate in value over time. In the Company's view, there is potential for a revaluation of Russian agricultural land going forward as the sector develops towards higher standards in terms of both production and profitability and a more transparent secondary market for farm land emerges. During the past two years several larger transactions of Russian farmland have taken place in regions of Russia proximate to the Company's main assets indicating valuations of USD 500 to 1000 per hectare. Black Earth Farming is focused on increasing production potential and generating cash flows from its assets to unlock land value. The Group is also actively looking at opportunities to optimize its land bank by selling less profitable areas and consolidating more productive regions.

On 30 October 2013, the company refinanced its outstanding 2014 bond with a new four year SEK 750 million bond, extending maturity to 2017. As of December 31 2013, the company held approximately SEK 100 million of the bonds on its balance sheet. The Company is actively looking at opportunities to attract subsidized Russian bank funding in a credit facility for working capital purposes.

Full details of the Group's performance and commentary can be found in the consolidated financial statements.

DIVIDEND

No dividend was declared for 2013 (2012: nil)

DIRECTORS

The following have served as directors during the year and to date:

Vigo Carlund	
Alex Gersh	- resigned 15 May 2013
Anders Kronborg	- appointed 15 May 2013
Camilla Oberg	- appointed 15 May 2013
Henrik Persson	- resigned 15 May 2013
Magnus Unger	
Poul Schroeder	
Per Brilioth	
Richard Warburton	

BLACK EARTH FARMING LIMITED
DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the preparation and presentation of financial statements'. In virtually fair all circumstances, a presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

a) properly select and apply accounting policies;
b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
c) provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
d) make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company for and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

SECRETARY

The company secretary who served for the year ended 31 December 2013 and to date was General Secretaries Limited.

AUDITORS

ZAO Deloitte and Touche CIS have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

…………………………..
General Secretaries Limited
Company Secretary

Date 30/4/14

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Independent auditor's report to the shareholders of Black Earth Farming Limited

We have audited the financial statements of Black Earth Farming Limited for the year ended 31 December 2013 which comprise the Statement of Profit or Loss and Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion on financial statements

In our opinion the financial statements:

• give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
• have been properly prepared in accordance with IFRSs as adopted by theEuropean Union; and
• have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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for and on behalf of ZAO “Deloitte and Touche CIS”

Moscow, Russia

30 April 2014

BLACK EARTH FARMING LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 US$	2012 US$
Revenue:			
Bank Interest		215,560	69,110
Consultancy Fees		-	27,706
		215,560	96,816
Expenses:			
Accountancy Fees		14,196	14,549
Administration Fees		262,415	254,010
Annual Return Fees		236	233
Audit Fees		144,726	158,313
Bank Interest and Charges		16,346	23,361
Consultancy Fees Payable		149,360	327,992
Directors Fees		405,470	337,953
Insurance		54,976	48,634
Legal and Professional Fees		2,669,807	3,001,497
Office Expenses		4,650	19,458
Staff Expenses		495,717	1,064,042
Travel and Entertainment		203,738	267,212
		4,421,637	5,517,254
NET OPERATING LOSS FOR THE YEAR		(4,206,077)	(5,420,438)
Finance Cost	**5**	(11,653,825)	(12,457,582)
Profit / (Loss) from Repurchase of Bonds	**5**	34,484	(413,811)
Profit from Refinancing of Bonds	**5**	625,141	-
(Loss) / Profit on Foreign Exchange		(28,650,298)	17,209,487
Profit on Futures and Options	**7 and 8**	3,415,784	-
Impairment on Fixed Assets	**3 and 4**	(201,504)	-
Warrants	**9**	(668,220)	(302,195)
Long Term Incentive Plan	**10**	(697,365)	(115,305)
LOSS FOR THE YEAR		(42,001,880)	(1,499,844)
OTHER COMPREHENSIVE INCOME (LOSS)		-	466,000
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(42,001,880)	(1,033,844)

Continuing operations
All of the company's income and expenditure are derived from continuing activities.

The notes on pages 10 to 22 form part of these financial statements

BLACK EARTH FARMING LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$	2012 US$
FIXED ASSETS			
Investments in Subsidiaries	**3**	3	3,055
Loans Receivable	**4**	374,157,693	390,886,167
		374,157,696	390,889,222
CURRENT ASSETS			
Debtors and Prepayments		408,651	669,358
Other Debtors	**8**	2,027,625	-
Cash and Cash Equivalents		22,406,450	57,722,706
		24,842,726	58,392,064
CREDITORS: Amounts falling due within one year			
Creditors and Accruals	**5 and 7**	4,005,677	8,951,345
NET CURRENT ASSETS		20,837,049	49,440,719
CREDITORS: Amounts falling due after more than one year	**5**	97,970,461	102,669,362
NET ASSETS		297,024,284	337,660,579
CAPITAL AND RESERVES			
Ordinary Share Capital	**6**	2,076,694	2,076,694
Share Premium		524,770,535	524,770,535
Equity Settled Employee Benefits Reserve	**9 and 10**	6,072,204	5,838,618
Accumulated deficit		(235,895,149)	(195,025,268)
SHAREHOLDERS' FUNDS		297,024,284	337,660,579

These financial statements were approved by the Board on 30 April 2014.

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Director

The notes on pages 10 to 22 form part of these financial statements

BLACK EARTH FARMING LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital US$	Share Premium US$	Equity Settled Employee Benefits Reserve US$	Accumulated Deficit US$	Total Equity US$
Balance as at 31 December 2011	1,246,017	448,181,995	5,421,118	(193,991,424)	260,857,706
Rights Issue subscription at SEK 6.38	830,677	78,762,520	-	-	79,593,197
Expenses incurred	-	(2,173,980)	-	-	(2,173,980)
Recognition of share-based payments	-	-	417,500	-	417,500
Loss for the year	-	-	-	(1,033,844)	(1,033,844)
Balance as at 31 December 2012	2,076,694	524,770,535	5,838,618	(195,025,268)	337,660,579
Reclassification from reserves to accumulated deficit	-	-	(1,132,000)	1,132,000	-
Recognition of share-based payments	-	-	1,365,585	-	1,365,585
Loss for the year	-	-	-	(42,001,880)	(42,001,880)
Balance as at 31 December 2013	2,076,694	524,770,535	6,072,204	(235,895,149)	297,024,284

The notes on pages 10 to 22 form part of these financial statements

BLACK EARTH FARMING LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 US$	2012 US$
Loss for the year being	(42,001,880)	(1,499,844)
Adjustments for:		
Foreign Exchange Profit / (Loss) on loans and bond interest	27,396,943	(15,486,620)
Finance Cost	9,471,472	12,457,582
Warrant Expense	1,365,585	417,500
Impairment on Fixed Assets	201,504	-
Operating flows before movements in working capital	(3,566,376)	(4,111,382)
Increase in payables	(136,080)	1,953,288
(Increase) / Decrease in debtors	(1,766,918)	29,680
CASH USED IN OPERATING ACTIVITIES	(5,469,374)	(2,128,414)
Less: finance paid	(13,997,375)	(11,666,699)
NET CASH USED IN OPERATING ACTIVITIES	(19,466,750)	(13,795,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of Ordinary Share Capital	-	830,677
Share Premium	-	76,588,540
Advance of loans to Group companies	(11,045,461)	(66,443,399)
Advance of loans from Group companies	-	53,536,705
Cost on buy back of Bonds and redemption	(4,804,046)	(3,792,832)
NET CASH (USED IN) / GENERATED BY ACTIVITIES	(14,853,507)	60,719,691
Net (decrease) / increase in cash and cash equivalents	(35,316.256)	46,924,578
NET CASH AND CASH EQUIVALENTS BROUGHT FORWARD	57,722,706	10,798,128
CASH AND CASH EQUIVALENTS CARRIED FORWARD	22,406,450	57,722,706

The notes on pages 10 to 22 form part of these financial statements

1 INCORPORATION

The Company is a limited liability company incorporated in Jersey, Channel Islands, on 20 April 2005. The Company is the holding company for a number of legal entities established under the legislation of Cyprus, Guernsey (Channel Islands) and the Russian Federation.

The Company changed its address in 2013 to Nautilus House, La Cour des Casernes, St. Helier JE1 3NH, Channel Islands. Registration № 89973.

2 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the EU.

The financial statements have been prepared on the historical cost basis, as modified for the revaluation of certain financial instruments. The principal accounting policies are set out below.

a) Interest Income and Expenses

All interest income and expenses are accounted for on an accruals basis.

b) Foreign Currency Translation

The financial statements are presented in US Dollars which is the company's functional and presentational currency.

Assets and liabilities in foreign currencies are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into US Dollars at the exchange rate ruling at the date of the transaction or at an average exchange rate for the year where this is not significantly different. All exchange gains and losses are dealt with in the profit and loss account.

c) Investments in Subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment. Separate consolidated financial statements are prepared and issued by the Company. All related party transactions have been included in the separate consolidated financial statements.

Subsidiaries are entities controlled by the Group. Control is achieved when the Company:

• has power over the investee;
• is exposed, or has rights, to variable returns from its involvement with the investee; and
• has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

c) **Investments in Subsidiaries – continued**

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

• the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
• potential voting rights held by the Company, other vote holders or other parties;
• rights arising from other contractual arrangements; and
• any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

d) **Financial Instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Call deposits have a short maturity of less than three months and are subject to an insignificant risk of changes in value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial instruments at Fair Value through Profit and Loss (hereafter “FVTPL”)

Financial instruments are classified as at FVTPL when the financial instrument is either held for trading or it is designated as at FVTPL.

A financial instrument is classified as held for trading if:

• it has been acquired/incurred principally for the purpose of selling/purchasing it in the near term; or
• on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

d) **Financial Instruments**

A financial instrument other than a financial instrument held for trading may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
• the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
• it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial instrument at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial instrument and is included in the ‘other gains and losses' line item.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

e) **Share-based payment arrangements**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The warrants program allows the Group’s employees to acquire shares of the Company. The warrants expenses are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the profit and loss account such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

f) **Going Concern**

In October 2013, the Company refinanced its outstanding bonds and extended maturity from June 2014 to October 2017. It also lowered the interest rate coupon from 10% to 9.4%. The Company is also in discussions with a leading Russian bank on arranging a potential revolving working capital facility in rouble at subsidized interest rates. The longer maturity period and broader funding base will afford the Company more time to implement its strategy of increasing profitability and strengthening cash flows by raising crop yields and productivity, optimizing its land bank and diversifying its business model to include higher margin and less volatile irrigated root crops. A series of fundamental agronomic initiatives started in 2012 and have contributed to higher yields in 2012 and 2013. The Company believes that better agricultural practices can continue to lift yields and reduce costs per ton going forward. Accordingly, the directors have adopted the going concern basis in preparing the financial statements.

k) **Adaption of new and amended standards**

A number of new and amended Standards were adopted for the year ended 31 December 2013, and have been applied in these consolidated financial statements.

Standards Effective for annual periods:

IAS 1 (Amended) “Presentation of financial statements” effective 1 January 2013 or later
IAS 27 (Amended) “Separate financial statements” effective 1 January 2013 or later
IAS 32 (Amended) “Financial instruments: presentation” effective1 January 2013 or later
IAS 36 (Amended) "Impairment of assets" effective 1 January 2013 or later
IFRS 7 (Amended) “Financial instruments: disclosure” effective 1 January 2013 or later
IFRS 11 (Amended) “Joint arrangements” effective 1 January 2013 or later
IFRS 12 (Amended) “Disclosure of interests in other entities” effective 1 January 2013 or later
IFRS 13 “Fair value measurement” effective 1 January 2013 or later

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Company has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

k) **Adaption of new and amended standards - continued**

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As the Company does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Other new and amended standards have not yet been applied. The Group expects no significant impact from the adoption of the amendments to its financial position or performance.

l) **New accounting pronouncements**

A number of new Standards and amendments to Standards were not yet effective for the year ended 31 December 2013, and have not been applied in these financial statements.

IAS 19 (Amended) "Employee benefits" effective 1 July 2014 or later
IAS 24 (Amended) "Related Party Disclosures" effective 1 July 2014 or later
IAS 37 (Amended) "Provisions, Contingent Liabilities and Contingent Assets" effective 1 July 2014 or later
IAS 27 (Amended) "Separate Financial Statements" effective 1 January 2014 or later
IAS 32 (Amended) "Financial Instruments: Presentation" effective 1 January 2014 or later
IAS 39 (Amended) "Financial Instruments: Recognition and Measurement" effective 1 January 2014 or later
IFRS 1 (Amended) "First-time Adoption of International Financial Reporting Standards" effective 1 July 2014 or later
IFRS 2 (Amended) "Share-based Payment" effective 1 July 2014 or later
IFRS 7 (Amended) "Financial Instruments: Disclosure" effective 1 January 2015 or later
IFRS 8 (Amended) "Operating Segments" effective 1 July 2014 or later
IFRS 9 (Amended) "Financial Instruments" effective 1 July 2014 or later
IFRS 10 (Amended) "Consolidated Financial Statements" effective 1 January 2014 or later
IFRS 12 (Amended) "Disclosure of Interests in Other Entities" effective 1 January 2014 or later
IFRS 13 "Fair Value Measurement" effective 1 July 2014 or later
IFRS 14 "Regulatory Deferral Accounts" effective 1 January 2016 or later
IFRIC 21 "Levies" effective 1 January 2014 or later

m) **Use of judgments and estimates**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

The Company reviews its loans receivables for evidence of their recoverability. Such evidence includes the counterparty's payment record and the overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for doubtful receivables is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

The key judgment made by the management is with respect to the recoverability of the loans provided to the Russian operating companies via Planalto. The recoverability of the loans is subject to future performance of the Group and the ultimate potential realisation of the land values.

In the event that the Group is not able to recover these amounts, the parent Company will be required to provide against the loans. All such loan balances have been eliminated in the separately prepared group consolidated financial statements.

3 INVESTMENTS IN SUBSIDIARIES

		2013 US$	2012 US$
Planalto Enterprises Limited:			
1,000 shares of Cyprus Pounds 1 each	(1)	-	-
Goldney Investments Limited:			
1,000 shares of €1 each	(2)	-	1,479
Black Earth Farming Management Ltd:			
1,000 shares of €1 each	(3)	-	1,576
Black Earth Trading International Limited:			
2 shares of £1 each	(4)	3	-
		3	3,055

(1) The investment represents 100% of the issued share capital of Planalto Enterprises Limited, a company incorporated in Cyprus, whose principal activity is the registering and acquisition of Russian subsidiaries.

Investments in a subsidiary include all additional capital contributions of US$ 63,277,877 which have been provided against in previous years.

The net asset value of Planalto Enterprises Limited as at 31 December 2013 was negative RUR174,447,182 (2012: negative RUR149,326,544).

(2) The investment represents 100% of the issued share capital of Goldney Investments Limited, a company incorporated in Cyprus.

It is the intention to dissolve the investment as the company holds no assets. As such the investment has been impaired to nil (see Note 4).

(3) The investment represents 100% of the issued share capital of Black Earth Farming Management Limited, a company incorporated in Cyprus.

It is the intention to dissolve the investment as the company holds no assets. As such the investment has been impaired to nil (see Note 4).

(4) The investment represents 100% of the issued share capital of Black Earth Trading International Limited, a company incorporated in Guernsey, whose principal activity is the purchase and sale of agricultural produce.

The net asset value of Black Earth Trading International Limited as at 31 December 2013 is negative RUR685,961.

4 LOANS RECEIVABLE

		2013 US$	2012 US$
Planalto Enterprises Limited:			
- US$ Loan	(1)	311,690	311,690
- € Loan (2013: €515,197 2012: €374,642)	(1)	710,724	493,902
- SEK Loan (2013 and 2012: SEK2,500)	(1)	389	384
- Rouble Loan (2013 RUR12,257,842,390 2012: RUR11,907,842,390)	(1)	372,925,422	389,807,391
		373,948,225	390,613,367
Goldney Investments Limited:			
- € Loan (2013: €Nil, 2012: €58,391)	(2)	-	76,978
Black Earth Farming Management Limited:			
- € Loan (2013: €Nil, 2012: €55,319)	(3)	-	72,929
AGRO-Invest			
- € Loan (2013 and 2012: €93,219)	(1)	128,597	122,893
Black Earth Trading International Limited:			
- £ Loan (2013: £7,215, 2012: £Nil)	(4)	11,895	-
- € Loan (2013: €50,000, 2012: €Ni)	(4)	68,976	-
		80,871	-
		374,157,693	390,886,167

(1) The loans are unsecured, interest free and repayable on demand and are considered as part of the overall investment in subsidiaries.

(2) The loan was unsecured, interest free and impaired in full during the year

The total impairment of US$102,462 relating to the company included the investment of US$1,479, the sundry creditor of $1,350, loans as at 31 December 2012 of US$76,978 and additional advances during the year of US$25,355.

(3) The loan was unsecured, interest free and impaired in full during the year

The total impairment of US$99,042 relating to the company included the investment of US$1,576, the sundry creditor of $1,350, loans as at 31 December 2012 of US$72,929 and additional advances during the year of US$25,887.

(4) The loans are unsecured, interest free and repayable within 12 months of drawdown.

5 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 US$	2012 US$
Bond Note Amortised Cost:		
SEK Nil (2012: SEK 684,799,223) 10% Bonds		
due 1 July 2014	-	109,363,219
Split:		
Due after more than one year	-	102,669,362
Due within one year, included within creditors and accruals	-	6,693,857
	-	109,363,219

On 1 July 2010 the company issued Bonds with a nominal amount of SEK750,000,000. The Bonds bore an interest coupon of 10% and were refinanced during the year.

The company had repurchased SEK 35,000,000 10% bonds (2012: repurchased SEK 65,200,777 and sold SEK 39,991,977) making a loss on sale of US$147,104 (2012: US$413,811), which was taken in full to the statement of comprehensive income

During the year the company redeemed the outstanding Bonds, by way of either exchanging the Bonds for the new SEK Bond (see below), or by a redemption at 101% of the nominal value. The profit on redemption of US$181,588 has been taken in full to the statement of comprehensive income.

The over amortisation of the capitalised costs were taken to the statement of comprehensive income in the sum of US$625,141.

	2013 US$	2012 US$
Bond Note Amortised Cost:		
SEK 650,000,000 (2012: SEK Nil) 9.4% Bonds		
due 31 October 2017	100,616,274	-
Split:		
Due after more than one year	97,970,461	-
Due within one year, included within creditors and accruals	1,649,813	-
	99,620,274	-

On 1 November 2013 the company issued Bonds with a nominal amount of SEK750,000,000. The Bonds bear an interest coupon of 9.4%, payable quarterly on the anniversary of the issue date. This is accrued and presented within Finance Cost in the statement of comprehensive income.

The company holds SEK100,000,000 9.4% bonds in its own name.

The costs in relation to the refinancing of the Bond in the sum of US$2,265,261 have been capitalised.

6 SHARE CAPITAL

	2013 US$	2012 US$
500,000,000 ordinary shares of US$0.01 each	5,000,000	5,000,000
Issued and fully paid		
207,669,445 ordinary shares of US$0.01 each	2,076,694	2,076,694

During the prior year 83,067,778 ordinary shares of US$0.01 each were issued at a price of SEK6.38.

7 FORWARD FOREX

Skandinaviska Enskilda Banken

During the year the company cancelled its Forward Forex Deals with Skandinaviska Enskilda Banken. On the cancellation of these deals, the company received a net profit of US$169,965.

Monex Europe Limited

During the year, the company has entered into Forward Forex Deals with Monex Europe Limited.

At 31 December 2013 the total contracts were sales of €9,492,000 to buy RUB415,328,620 with contract rates between 40.03 and 47.41 and value dates between 9 January 2014 and 28 November 2014 and sales of US$4,690,000 to buy RUB160,398,000 with contract rates between 34.10 and 34.30 and value dates between 12 November 2014 and 16 December 2014.

The sums of €1,349,939 (US$1,822,418), £200,021 (US$324,034) and US$140.700 included in the cash at bank figure are held as a margin calls for the Forward Exchange Contracts.

The Mark to Market value as at 31 December 2013 shows an unrealised loss of €454,671 (US$570,702) and US$53,675 against the balance held on the margin call account by Monex.

8 FUTURES AND OPTIONS

During the year, the company has entered into numerous Future contracts for the sale of Wheat and Maise and Option contracts for Corn and Wheat.

The sum of €1,565,905 (US$2,027,625) included in the Balance Sheet is held as a margin call for the Future and Option Contracts.

The realised profit less unrealised loss for the year of €3,128,685 (US$4,168,241) has been taken to the statement of comprehensive income.

9 WARRANTS

In August 2005 the company established an instrument creating warrants to subscribe for 2,059,000 ordinary shares in the company. In November 2007, an addendum to the instrument authorised a total of 10 million warrants.

Following the Rights Issue in December 2012 an adjustment was made to the warrants issued at that time as to the number and the exercise price. During the year 2,150,000 additional warrants have been issued.

At 31 December 2013 4,869,122 (2012: 4,342,667) warrants were in issue with a subscription price per warrant of between SEK7.12 and SEK32.77 (2012: SEK16.73 and SEK39.15 and US$1.15 and US$12.00).

All warrants have an expiry date of between 23 December 2014 and 2 June 2017.

There is a charge as to the fair value of the cost to the company of these warrants, based on the market value of the company at 31 December 2013. The charge to the statement of comprehensive income for the year is US$668,220 (2012: US$302,195).

10 LONG TERM INCENTIVE PLAN

Following the Annual General Meetings in both 2012 and 2013, a long term incentive plan was introduced under which shares were issued to key employees. The charge to the statement of comprehensive income for the year is US$697,365 (2012: US$115,305).

11 ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no ultimate controlling party.

12 TAXATION

The Company is subject to Jersey income tax at the rate of 0% (2012: 0%)

13 FINANCIAL RISK MANAGEMENT

a) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital.

There were no changes in the Company's approach to capital management during the year.

The capital structure of the Company consists of debt, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

The company is subject to capital requirements stipulated in the bond agreement.

b) **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Loans receivables. The Company has loans receivable from related parties. The Company as a stand-alone entity is significantly exposed to credit risk in relation to these receivables and is dependent upon the performance of its wider Group's activities.

Cash and cash equivalents. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Investments. The Company limits its exposure to credit risk by placing surplus funds on deposit with a variety of established banks in Russia and abroad. Management does not expect any counterparty to fail to meet its obligations.

Guarantees. There are no guarantees provided by the Company.

Exposure to credit risk
The carrying amount of financial assets as shown in the statement of financial position represents the maximum credit exposure.

c) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The following are the contractual maturities of financial liabilities:

31 December 2013

	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Total
Creditors and accruals	2,355,864	-	-	2,355,864
Borrowings (Bonds)	1,649,813	-	97,970,461	99,620,274
	4,005,677	-	97,970,461	101,976,138

31 December 2012

	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Total
Creditors and accruals	2,257,488	-	-	2,257,488
Borrowings (Bonds)	6,693,857	102,669,362	-	109,363,219
	8,951,345	102,669,362	-	111,620,707

d) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk on borrowings that are denominated in a currency other than its functional currencies, primarily the United States Dollars (USD). The currency in which such borrowings primarily are denominated is SEK.

The Company does not hedge SEK currency risk; however, the Company has sufficient SEK-denominated cash in order to meet its interest payment obligation.

Interest rate risk

The Company adopts a policy of limiting its exposure to changes in interest rates by borrowing on a fixed rate basis.

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining which proportion of the Company's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Company over the expected period until maturity.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

14 OPERATING ENVIRONMENT

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

In March and April 2014, sanctions have been imposed by the U.S. and E.U. on certain Russian officials, businessmen and companies. In April 2014, an international credit agency Standard & Poor's downgraded Russia's long-term foreign currency sovereign rating from BBB to BBB- with a negative outlook. Fitch credit agency has also revised Russia's creditworthiness outlook from stable to negative. These developments, particularly if sanctions are further extended, may result in reduced access of Russian businesses to international capital and export markets, capital flight, weakening of the Ruble and other negative economic consequences. The impact of these developments on future operations and financial position of the Company is at this stage difficult to determine.