



# Agricultural Trust Loma Alta

Annual Report & Financial Statements  
N°6 - 2013/14



**Season 2013/2014**

From August 1<sup>st</sup> 2013 to July 31<sup>st</sup> 2014

Argentina

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## Glossary

Present chapter is only for the English version

- Fiscal Year: Loma Alta has Fiscal Year in correspondence to calendar year, as of December 31<sup>st</sup>
- Season or Working Season or Campaign: Loma Alta defined the term “Season” to agronomical and economical activities beginning August the 1<sup>st</sup> and closing as of July 31 every year.
- Season and Fiscal Year: the Loma Alta Trustee has Fiscal year ending on December 31<sup>st</sup> and Working Season ending on July 31<sup>st</sup> so trusters receive two balance sheets every year.
- Second soybean: soybean sown after a winter crop (like wheat or barley). This crop has lower production cost and also lower potential yield.
- Net grain prices: net commodity price for oil or grain loaded in grain trucks delivered to the port ready to discharge, after export retention price according the Argentinean regulations
- IIBB:
- I.V.A: from the Spanish term “Impuesto al Valor Agregado” means VAT
- Free Availability VAT: Argentinean current professional accounting standards, and grain sales policies, the Federal Tax Agency (DGI) makes a retention of VAT that should be reimbursed in a period of time.

## Units & Yield Units Equals

Ha: 1 hectare equals 2,47 acres

1 tonne per hectare equals

14.8700 bushels per acre for soybeans or wheat

15.9320 bushels per acre for corn, rye or sorghum

18.5915 bushels per acre for barley grain

26.2411 bushels per acre for oats (Canada)

27.8812 bushels per acre for oats (US)

1 bushel per acre equals:

67.2495 kg per hectare for soybeans or wheat

62.7664 kg per hectare for corn, rye or sorghum

53.7996 kg per hectare for barley grain

38.1080 kg per hectare for oats (Canada)

35.8666 kg per hectare for oats (US)

## Annual Report: Letter from the Fiduciary Manager

During the 2013/14 Season<sup>1</sup>, we set up challenging goals which guided us despite the adversities arose along the whole period.

To begin with, we can mention that the global context is propitious for food production. The annual global population growth rate remained at 1%. This growth rate is higher in developing countries than in developed countries. Average world economic growth is expected to be 3.2% in 2014. The rise in grain demand and dietary changes due to a better economic status are the main factors that impact on food, grains and meats demand<sup>2</sup>.

Commodity prices remain at high levels compared to other years. However, during the 2013/2014 Season world food prices fell according to the Food Price Index<sup>3</sup>. The explanation might be in a recovery at production level and ending stocks of main commodities.

Macroeconomic conditions in Argentina have worsened during the 2013/14 Season. The state's need to collect has increased the tax ratio levels. The Government needs funds to finance its deficit. Negotiating plans with foreign entities have failed. Therefore, investment and financing from abroad are increasingly more difficult to get. Tighter foreign exchange regulations and controls and the so called 'dollar clamp' add difficulties to the agricultural market.

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<sup>1</sup> 2013/14 Season: the Trustee has Fiscal year ending on December 31<sup>st</sup> and Working Season ending on July 31<sup>st</sup>.

<sup>2</sup> USDA Long-term Projections, February 2014

<sup>3</sup>FAO.Food Price Index.

<http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

During the 2013/14 Season, most of the local agricultural commodity prices dropped (corn - 30%; soybean -6%). In the 2012/13 Season, average sales price of wheat was USD 257. The forecasted price for the 2013/14 Season is USD 170 appraised on stock.

On the other hand, supplies also suffered a downward adjustment (our Supply Average Index was adjusted downwards in 6%).

However, the combination of more than ten agricultural and livestock production activities and a balanced investment assigned to intensive agriculture, allows us to build a broad base to protect the investors' assets from price fluctuation and climatic conditions that affect production.

Climate conditions during the 2013/14 Season were complicated. The weather during the first half of the Season was beneficial for the winter crops, which helped to achieve higher crop yields than projected, setting yield records for wheat, barley, pea and rapeseed crops. But then in January, very high temperatures and poor rainfall had a negative impact on the summer crops (sunflower, corn, soybean and second soybean areas) affecting the acreage of second soybean (-31%) and also yields. The end of the Season was even more complicated with late floods at the time of harvest.

Although scenario described, crop, growth cycle, and soy genetic diversification allowed us to achieve high yields even though some hectares were flooded at harvest time (5 % of sown areas). We had lower corn and sunflower crop yields than projected. The drought had a significant effect on the corn crop. The yield was of 3.9 versus the projected 7.5 tons/ha.

On the other hand, despite a drop in the yield per hectare due to climate conditions, the economical result of the potato crop (our main intensive crop) was excellent.

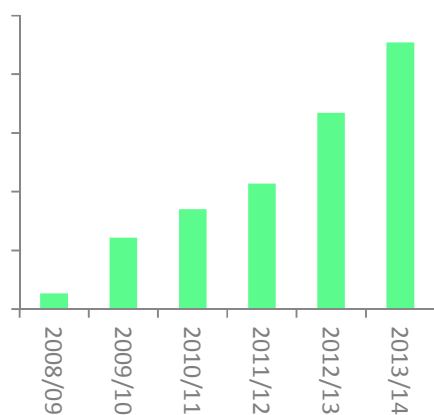
Livestock sector is going through an important reinvestment stage helped by a strong appreciation during this season and, hopefully, the next one.

In this context, Loma Alta reached the planned goals: sown area, production and profitability.

## Operations

The most relevant production goals reached during the 2013/14 Season

Figure 1: 2008-2014 period. Acreage evolution (amounts expressed in hectares)



The sown area was increased in 35% compared to the 2012/13 to 2013/14 Season. We reached 4,541 ha against a projection of 4,088 ha. Table 1 shows a detail of the Plan and Actual hectares per activity.

Table 1: 2013/2014 Season Operations Plan vs Real (amounts in ha)

	PLAN	REAL	Real - Plan
SOYBEAN			43,81%
SUNFLOWER			10,19%
SOYBEAN 2nd			-31,33%
WHEAT			15,66%
CORN			3,20%
RAPSEED			14,75%
BARLEY			-10,94%
BEEF PROD.			
CATTLE PROD.			0,00%
PEAS			
BIRDSEED			-7,46%
POTATOES			2,50%
Total	7,000	7,071	11,08%

The second most important variable from the production side is yield (productivity per unit of area). Details are shown in Table 2.

Table 2: 2013/14 Season. Acreage per activity Real vs. Projected (amounts expressed in ha)

	Projected	REAL
SOYBEAN	2,38	2,41
SUNFLOWER	2,47	2,10
SOYBEAN 2da	0,94	0,99
WHEAT	5,23	6,36
CORN	7,50	3,90
RAPSEED	2,10	2,50
BARLEY	3,76	5,71
BEANS	2,50	3,36
ALPISTE	1,84	1,91
POTATOES	45,00	40,10

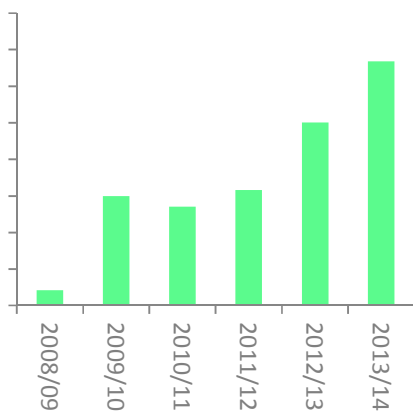
The 2013/14 Season yields for rapeseed, pea, wheat and barley were excellent.

The 2013/14 Season's total production was of 13,360 tons<sup>4</sup> versus 12,904 tons budgeted.

<sup>4</sup> This amount includes grain and potatoes

The production had a net increase of 779 tons more than budgeted, despite mentioned losses in summer crops, especially corn. These losses were compensated by the increases in barley, pea and rapeseed. Production figures represent a 33% increase compared to the 2012/13 Season's production.

Figure 2: 2008 – 2014 Evolution of total production (amounts in Metric tons).



Even though livestock has a low proportion in the portfolio compared to agricultural activities, during the 2013/14 Season we've increased the Cow-calf production (cows for calves production) and the Finishing cattle (buying calves to raise them to become beef) production business because of the upward price cycle.

### Commercialization

As stated previously, agricultural prices in dollars have fallen during the Season. Price impact can't be appreciated just by comparing wheat and soybean prices at the beginning and the end of the season. However, when evaluating the grain price difference between the years 2013 and 2014, we can see that the decline was very relevant to shape the operating balance. Table 3 shows the

2012/13 Season average prices versus the 2013/14 Season ones.

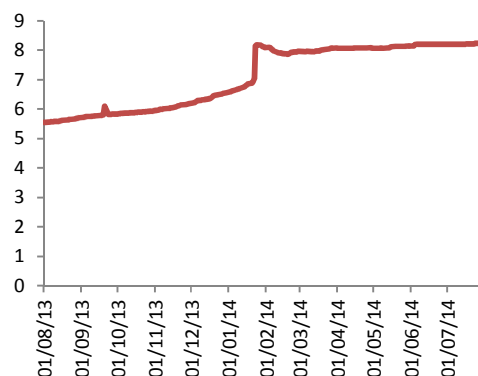
Table 3: Grain prices (amounts expressed in USD/Metric tons)

	2012/13	2013/14	Var %
WHEAT	257	182	-40%
CORN	183	143	-30%
SUNFLOWER	329	298	-10%
SOYBEAN	321	303	-6%

### Devaluation and Currency Exchange Rate

Until September 2013 there was a gradual rhythm of devaluation. At the beginning of 2014 government changed its policy and caused a devaluation of more than 15% in just one day and during the 2013/14 Season the exchange rate went from 5.46 to 8.12 pesos per dollar, a 48% indexing as from august 1<sup>st</sup> 2013 to July 31<sup>st</sup>, 2014 term.

Figure 3: Daily exchange rate during 2013/14 Season



### Finance and Administration

The Net Assets of the company climbed from 10,256,358 to 16,448,460.11 pesos as of July 31 2014, 2013/14 Season's end date. However, to calculate the Investor's



Profitability, we've added the Capitalization of Results (1,849,337.00 pesos) and deducted the Capital Contributions (2,505,772.11 pesos) to the Net Assets. The 2013/14 Season's Net Result was, thus, of 5,535,667 pesos, which means a net profit of 53.97%.

The sales revenue of agricultural products rose 50.01%, from 10,056,454.79 to 15,085,723.91 pesos. On the other hand, livestock sales dropped 4%, from 588,955.25 to 548,507.14 pesos but their Inventory value rose from 656,877.00 to 1,605,700.00 pesos due to the increase of calves for Finishing Cattle, as mentioned in the previous chapter.

Cost of goods sold increased by 7%, from 6,567,318.34 to 7,045,508.29 pesos.

Expenses (storage, shipping, administration, marketing and interests) rose by 27%, from 2,412,455.57 to 3,053,056 pesos.

The Administrative expenses dropped from 285,105.26 to 149,450 pesos.

On the other hand, tax and insurance expenses grew. Tax expenses rose from 97,085.36 to 145,535.50 pesos and insurance expenses rose from 104,865.76 to 309,399.72 pesos due to the increase in activity and the need for price hedging.

In the Income Statement, Administration Expenses reports an increase from 692,458.97 to 913,165.19 pesos. Such amount includes insurance. If this category is removed there is a decrease of 146,742.38 pesos (-29.92%), going from 490,507.85 to 343,765.47 pesos. Considering that the area harvested rose from 3,353 to 4,541 ha (+35.8%) and production increased from 10 to 13 thousand tons (+33.3%), if Administrative

Expenses were shown in pesos per produced metric ton, there was a fall from 147 to 76 pesos/ha and from 49 to 26 pesos/ton respectively. The dilution of costs is a result of the economy of scale.

The Tax Credit category showed an increase (2,001,375.10 pesos as of 31/7/14 versus 1,373,162 pesos as of 31/7/13). As we have already reported, the Tax Free Access VAT reflects the withholding VAT from grain sales made by exporters. According to the Federal Administration of Public Revenue's (from the Spanish version: Administración Federal de Ingresos Públicos [AFIP]) regulations this amount should be reimbursed within 90 days. The AFIP fails to comply with this refund regulation. We requested the AFIP the reimbursement of \$940,258.33. An appeal for legal action seeking the protection of a constitutional right was set (in Spanish "Recurso de Amparo") at the Argentine Tax National Court. Thanks to that, part of the claimed amount which belonged to the first pending operations was refunded.

Commercial debt in current account with suppliers increased from 2,715,071 to 4,236,056.93 pesos. In this group, the category Sundry Creditors increased from 2,064,029.76 to 3,836,816.87 pesos. Most of this is caused by pending barter contracts due for delivery given the backlog in summer crop tasks and roads in bad shape. The grains are available in stock waiting to be delivered.

At Balance Sheet closing date for the 2013/14 Season, Loma Alta Agricultural Trust had a tax liability of 95,321.75 pesos in the Withholding Controlling System (S.I.C.O.R.F.).

Total Investment (calculated as Assets minus Amounts due to suppliers) grew from



10,256,358 to 18,093,782 pesos which represents an increase of 76%.

To conclude, the 2013/14 Season's income grew from 1,849,376.98 to 5,535,666.86 pesos (+299%) versus the previous season.

## Economic and Financial Indicators

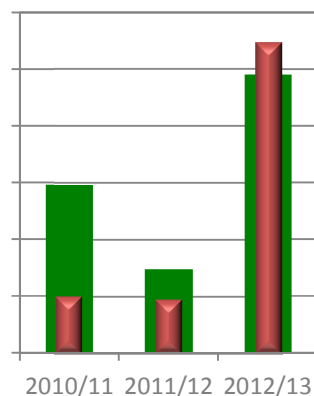
Table 4: Financial Indicators

	2013/14	2012/13
Investment Turnover <sup>5</sup>	0,86	1,04
Operating Profit / Sales <sup>6</sup>	55%	38%
Net Profit / Sales <sup>7</sup>	35%	4%
Net Investor's Profitability <sup>8</sup>	53,97%	17,80%
Solvency <sup>9</sup>	3,8	3,8
Current Liquidity <sup>10</sup>	3,9	3,9
EBIT <sup>11</sup>	340	340

## Dividends and Trustors' Withdrawals

Loma Alta remunerates its trustors through payment of dividends or capital withdrawal in accordance to the trust's mandate. The following chart shows the evolution during the last three seasons.

Figure 4: Dividend Payments and Trustors Withdrawals Evolution



## Fiduciary Manager's Fee Payment Criteria

2013/14 Season's profitability was of 53.97 %. The fee payment depends on each contract between the Trustee and the Trustors.

## Financial Position

The 2013/14 Season started with 1,219,391 pesos in Cash and Banks accounts and ended with 1,583,027.96 pesos.

## Financial Debt Level

During the 2013/14 Season Loma Alta maintained its policy of having no financial debt. The Trust's debt is a commercial debt not a financial one, incurred only when convenient because of the type of operation or in swap operations, exchanging supplies for grains (barter contracts) if these represents a price advantage or improvement on the V.A.T position.

As of the 2013/14 Season and on, the contributions from new trustees for the new season (in this case, 2014-15 Season)

<sup>5</sup> Investment Turnover: Sales / Investment

<sup>6</sup> Operating Profit / Sales

<sup>7</sup> Net Profit / Sales

<sup>8</sup> Profitability: Net Worth<sub>final</sub> / Net Worth<sub>beginning</sub> x 100

<sup>9</sup> Solvency:

<sup>10</sup> Current Liquidity: Current Assets/ Current Liabilities

<sup>11</sup> EBIT: Earnings before interest and taxes

received before August 1<sup>st</sup> will belong to the category Financial Debts. This is the case of contributions made before the beginning of the Financial Integration Dates for which the contribution is being made.

Loma Alta doesn't have projects for investment in fixed assets.

### **Investment in Crop and Livestock Production**

The investment amount used for productive activities comes from capital contributions of new trustors plus reinvestment from previous periods minus payment of dividends.

### **Credit Policy**

The Trust's sales are made of sales for export, sales to grain brokers and to the industry. Livestock sales are made through a livestock consignee.

### **Training and Operative Quality Assurance**

An important aspect to ensure the quality of working operational team in the fields is training of workers and supervisors. We hired two well-known experts in sowing and harvesting tasks to train our personnel during two weeks.

### **Human Resources**

Loma Alta hires the services of Sojapora SRL for the operation and administration areas. Buquet SA is Loma Alta Agricultural Trust's fund Manager.

This season, we added two professionals to our team: a systems technician with administrative functions and an Agronomic Engineer.

As in previous years, by the end of the Season we organized an internal event for the Administration and Operation's staffs.

Hernan Llambias

Francisco Llambias



### **Report from the Independent Auditor: 2013/14 Season's Balance Sheet**

*To the Fiduciary Manager, Grantors and Beneficiaries of  
Loma Alta Agricultural Investment Regular Trust  
Bustamante 2310 1ªA  
Capital Federal  
CUIT N° 30-71071901-9*

#### **1. Identification of Financial Statements Subject to Audit**

I have examined Loma Alta Agricultural Investment Regular Trust ("FOIA Loma Alta") financial statements, which include the

Balance Sheet as of July 31<sup>st</sup> 2014 and the pertinent profit and loss statements, the changes in shareholders' equity and cash flow for the 2013/14 Season and the complementary information provided in Notes 1, 2 and 3.

The financial statements and complementary information are shown in a comparative way with the emerging information from the financial statements and complementary information as of July 31<sup>st</sup> 2014.

The Fiduciary Manager in exercise of his duties is responsible for the preparation and presentation of Financial Statements in accordance with the Argentinean current accounting professional rules and principles. As an independent Public Accountant, I inform about the audit conducted within the scope detailed in point 2.

## **2. Scope of the Work**

My examination was made according to the current Argentinean auditing standards, approved by the Professional Council of Economic Sciences. To follow these standards, the auditor must plan and conduct the audit so as to be able to determine the suitability of the significant information provided in the evidence supporting the financial statements. An audit includes the examination, using selective guidelines, of the evidence supporting the information shown in the financial statements.

An audit also assesses the accounting policies used and the suitability of the accounting estimates made by the Fiduciary Manager. I consider that the gathered evidence is enough and appropriate to back up the report.

## **3. English Translation from the Spanish Original Report**

This report has been translated from Spanish into English for English speakers' convenience, based exclusively in accordance with the Argentinean current accounting professional rules and principles and not for principles and accounting rules accepted in other countries. Accordingly, some accounting principles applied by Loma Alta may not conform accounting principles in other countries.

## **4. Auditor's Opinion**

In my opinion, the Financial Statements mentioned in paragraph 1 show, within reason in all its significant aspects, Loma Alta Agricultural Investment Regular Trust (from the Spanish version Fideicomiso Ordinario de Inversion Agropecuaria [FOIA] or FOIA) financial position as of July 31<sup>st</sup> 2014 and 2013, the financial results from their activities, the changes in net equity and cash flow for the Seasons finished on mentioned dates, according to the Argentinean current professional accounting standards.

## **5. Information Required by Current Provisions**

5.1 The figures of the Loma Alta Agricultural Investment Regular Trust ("FOIA Loma Alta") financial statements arise from FOIA Loma Alta accounting records in accordance with Argentinean legal rules.

5.2 According to the records, FOIA Loma Alta has no debts with the Argentine Integrated Social Security System.

5.3 I have applied procedures on money laundering and financing of terrorism prevention, according to the pertinent rules

issued by the Professional Council of Economic Sciences.

Chacabuco, September 20<sup>th</sup> 2014

Dr. Hugo Torcassi  
 Certified Public Accountant  
 Tº CVI Fº135 C.P.C.E.P.B.A  
 File Number 27351/1  
 Estudio Capellano y Asociados

**2013/14 Season, Financial Statements as of 31/7/13 and 31/7/14**

The main activity of Loma Alta Agricultural Investment Regular Trust (“FOIA Loma Alta”) is the agricultural and cattle production.

The date of creation of Loma Alta Agricultural Investment Regular Trust is September 6, 2008.

**Balance Sheets as of 2012/13 and 2013/14 Seasons, ending July 31<sup>st</sup> 2013 and 2014.**

Table 5: Assets, Liabilities and Equity (amounts expressed in pesos)

	31/7/2013
Current Assets	
Cash and Bank (Note 2.1)	34
Fiscal Credits (Note 2.2)	
Commercial Credit (Note 2.3)	

<sup>12</sup> Notes 1 to 3 and Exhibit I of the Financial Statements.

Other Credits (Note 2.4)	
Inventories (Note 2.5)	
Total Current Assets	
Non Current Assets	
Fixed Assets (Exhibit I)	
Total Non Current Assets	
Total Assets	
Current Liabilities	
Accounts Payable (Note 2.6)	
Taxes Payable (Note 2.7)	
Others	
Total Current Liabilities	
Non Current Liabilities	
Total Non Current Liabilities	
Total Liabilities	
Equity	1
Total Liabilities + Equity	2

**Profit and Loss Statement for Seasons ending July 31<sup>st</sup> 2013 and 2014**

Table 6: Statements of Income (amounts expressed in pesos argentinos).<sup>2</sup>

	31/07/2014
(+) Commodity Sales <sup>13</sup>	
(+) Beef and Cattle	
(-) Cost of Sales (Exhibit I)	(567.318,34)

<sup>13</sup> Grain (corn, wheat, etc) and Oilseed (soybean, sunflower, etc)

(=) Gross Profit SUB-TOTAL		1,70
(-) Expenses (Exhibit III)		
(-) Administrative Expenses		(51)
(-) Selling Expenses		(8)
(-) Financial Expenses		(3)
Others		(1)
(=) SUB-TOTAL	5.	
(+) Extraordinary Results		
(=) Net Income before Income Tax	5.	

Cash and Equivalent at the Beginning	1.218,50
Cash and Equivalent at the End	
Net Increase	1.218,50

## Notes to Financial Statements for the Seasons ending July 31<sup>st</sup>, 2013 and 2014 for the Agricultural Season ended on July 31 2014.

### 1- ACCOUNTING STANDARDS

The relevant accounting standards that were applied in the reported fiscal year statements were:

#### 1-1 Accounting Criteria

##### 1-1-1 Monetary assets and liabilities

The monetary assets and liabilities in pesos have been measured according to their respective nominal value, taking into account accrued interest at year end, if applicable.

##### 1-1-2 Foreign currency assets and liabilities

Foreign currency assets and liabilities are expressed at the applicable year end exchange rate, which are used for their settlements

##### 1-1-3 Inventories

They have been appraised at market value at year end, net of expenses estimated for sale.

##### 1-1-4 Fixed Assets

Fixed assets have been appraised according to their cost value, net of accrued depreciation until year end. The society depreciates its Fixed Assets considering a whole fiscal year. Depreciation is calculated using the straight line method based on the estimated remaining useful life of the related assets. The fiscal year related depreciation is booked to earnings.

## Equity Evolution Statement for Seasons ending July 31<sup>st</sup> 2013 and 2014

Table 7: Equity Evolution (amounts expressed in pesos argentines).<sup>2</sup>

		Season 2012/13
Ending Date		31/07/2013
At the Beginning		1.441,46
New Investors		205,95
A.R.E.A		1.75
Results	5.5.	1.8
Last Year Cash Flow Used in Investing activities	(1.849.	
Total at the End	16.448.4.	

## Income, Statement of Cash Flow for Seasons ending July 31<sup>st</sup> 2013 and 2014

Table 8: Statement of Cash Flow (amounts expressed in pesos argentines).<sup>2</sup>

	31/07/2014	31/07/2013
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## 2.2 Tax Credits

Table 10: Fiscal Credits (amounts in pesos argentinos)

	31/07/2014	31/07/2013
I.V.A <sup>14</sup> – Affidavit Balance	41	
Income Tax Retention	2	8
Tax Retentions		42
I.V.A Claim in Process to AFIP		,00
I.V.A Free Availability		2,14
<b>TOTALES</b>		52,51

<sup>14</sup> I.V.A: in english Value Added Tax (VAT)



## 2.3 Trade Credits

Table 11: Commercial Credits at the end of each Season

	31/07/2014	31/07/2013
Advanced Payments for Land Rents	3,3	74
Suppliers Payment in Advance		96
Third Party Cash Custody		1,73
Trade Receivables		9,51
Total		83,94

## 2.4 Other Credits

Table 12: Other Credits

	31/07/2014	31/07/2013
Particular Fiduciary Account		
Total		

## 2.5 Inventories

Table 13: Inventories at the end of each Season (amounts expressed in pesos argentines)

Cattle and Beef Cattle	
Crop Production	
Oil and Grain	
Total	

## 2.6 Trade Payable Debts

Table 14: Accounts Payable at the end of each Season

	31/07/2014	31/07/2013
Provisions for Fiduciary Manager		
Accounts Payable		
Land Rent		
Documented Accounts Payable		
Total		

## 2.7 Tax Debts

Tax on Minimum Presumed Income
Income Tax
S.I.C.O.R.E Income Tax
Total

## Exhibit II

		31/07/2014	31/07/2013
INVENTORIES (at the beginning)		6.873.600,06	3.696.752,13
	BEEF CATTLE	656.877,00	386.310,05
	AGRICULTURE	6.216.723,06	3.310.442,08
PURCHASES		6.770.844,45	3.665.424,02
	BEEF CATTLE	618.895,60	447.400,00
	AGRICULTURE	6.151.948,85	3.218.024,02
PRODUCTION EXPENSES		7.980.330,20	6.078.742,25
	BEEF CATTLE	232.251,43	90.512,70
	AGRICULTURE	7.748.078,77	5.988.229,55
SUB-TOTAL		21.624.774,71	13.440.918,40
INVENTORIES at the End of Season 2013/14		14.579.266,42	6.873.600,06
	BEEF CATTLE	1.605.700,00	656.877,00
	AGRICULTURE	12.973.566,42	6.216.723,06
COST OF GOODS		7.045.508,29	6.567.318,34

**Exhibit III**

	TOTAL ending 31/07/2014	Administration	Commercialization	Bank expenses	TOTAL ending 31/07/2013
Grain Storage	€ 690.403,49		690.403,49		647.074,04
Grain Freights	1.298.624,47		1.298.624,47		1.065.804,33
Bank expenses and interest	5.327,25			5.327,25	7.118,88
Fiduciary Manager's Fee	161.983,47	161.983,47			165.000,00
Accountant & Auditors' Fees	32.332,00	32.332,00			40.402,59
Administrative Expenses	149.450,00	149.450,00			285.105,26
Taxes	145.535,50		145.535,50		97.085,36
Crop Insurance	569.399,72	569.399,72			104.866,76
<b>TOTAL</b>	<b>3.053.055,90</b>	<b>913.165,19</b>	<b>2.134.563,46</b>	<b>5.327,25</b>	<b>2.412.455,57</b>