CEREAL PLANET PLC

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

With Independent Auditor's Report

CEREAL PLANET PLC

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	ASK Investment Limited ASK Management Limited Anatoliy Vlasenko
Company Secretary:	ASK Secretarial Services Limited
Independent Auditors:	Elsavco Audit & Tax Limited Certified Public Accountants and Registered Auditors 90 Grigori Afxentiou Str., 2nd Floor Agios Dometios 2369 Nicosia, Cyprus
Registered office	11 Boumpoulinas Street 1st floor 1060 Nicosia, Cyprus
Bankers:	Credit Agricole Bank Polska S.A. Versobank AS

Registration number: HE 304677

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of Cereal Planet PLC and its subsidiaries (the Group) for the year ended 31 December 2019.

Principal activities

The principal activity of the Group is the production and sale of cereals (buckwheat, pea, wheat, barley, maize and millet) and mixed fodder, using the Group`s own equipment. The Group's production facilities are located in Ukraine.

The principal activity of the parent Company is the holding of investments as well as acquisition and sales of cereal and groats. The Group has diversified channels of distribution including large retailers and wholesalers in Ukraine and abroad.

The Group`s technological equipment enables grain to be fodder for various animals based on millet, canary millet.

Review of current position, future developments and performance of the Group's business

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory by the Board of Directors.

The company plans:

- To modernize the equipment for grain testing, which will increase the productivity of cereals, as well as grain for export under more stringent conditions of customers, which will expand the sales market outside Ukraine;
- To increase the volume of grain processing for bulgur cereals for further exports to the EU and Middle East countries, which will increase the currency earnings;
- The company implemented the launch of the new Bulgur commodity unit and as a result plans to increase production volumes of cereal flakes which is expected to lead to an increase in sales volumes.
- The main priority task for company is to increase the production of bulgur, which occupies a significant share in total sales. The increase in production capacity will be achieved through the modernization of the production line.
- To start production of lentils at the current production facilities.

Results

The Group's results for the year are set out on page 8. The Group reduced cost of sales; this led to an increase in Gross profit by EUR 435 thousand. Respectively, due to this factor EBIT increased by 58%.

Dividends
The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Research and Development activities
The Group did not carry out any research and development activities during the year.

Share capital
There were no changes in the share capital of the Company during the year under review. The profit received in 2019 will be redirected to the modernization of grain and grain lines, which will increase production volumes and enable the Company to meet the growing demand of organic food.

Board of Directors
The members of the Group's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 2. All of them were members of the Board of Directors throughout the year ended 31 December 2019. In accordance with the Company's Articles of Association all directors presently members of the Board continue in office. There were no significant changes in the remuneration of the Board of Directors.

CONSOLIDATED MANAGEMENT REPORT (continued)

Corporate Governance
The full corporate governance report is available at https://www.cereal.com.ua/dokumenty/

Events after the reporting period
Events after the reporting period are disclosed in note 27 of these consolidated financial statements.

By order of the Board of Directors,

Anatoliy Vlasenko
Director

Nicosia, 27 May 2020

DECLARATION OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 (N 190 (I)/2007) ("the Law") we, the members of the Board of Directors and the Company official preparation for the consolidated financial statements of Cereal Planet Plc For the year ended 31 December 2019, on the basis of our knowledge, declare that:

a) The annual consolidated financial statements of the Group which are presented:
   i. Have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the law, and
   ii. Provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Group and the entities included in the consolidated financial statements as a whole and

b) The consolidated management report provides a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which they face.

Members of the Board of Directors:

Director / Anatoliy Vlasenko

ASK INVESTMENT LIMITED

Director / ASK Investment Limited

ASK MANAGEMENT LIMITED

Director / ASK Management Ltd

Responsible for drafting the consolidated financial statements:

Director / Anatoliy Vlasenko

Independent Auditor's Report

To the Members of Cereal Planet Plc

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Cereal Planet Plc (the ''Company'') and its subsidiaries (the ''Group''), which are presented in pages 13 to 43 and comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

We were not appointed as auditor of the Group until after 31 December 2019 and thus did not observe the counting of physical inventories at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held as at 31 December 2019, which are included in the consolidated statement of financial position at the value of €3.092.000, by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the ''Auditor's Responsibilities for the Audit of the Consolidated Financial Statements'' section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified opinion section we have determined the matters described below to be the key audit matters to be communicated in our report:

Independent Auditor's Report (continued)

To the Members of Cereal Planet Plc

Key audit matters (continued)

Valuation of property, plant and equiment ("PPE")	
Key audit matter	**How the matter was addressed in our audit**

The carrying value of the Group's PPE amounted to EUR 2 812 thousand at 31 December 2019. The valuation of the PPE was identified as a key audit matter due to the significance of this balance to the consolidated financial statements, as well as the significance of management's judgements in determining its valuation in combination with the prior year mistatement identified.	Our audit included the following procedures: • We obtained a detailed list of items included in PPE and reconciled it to the trial balance. • We performed recalculation of depreciation for all items • We reviewed useful lives of PPE items in order to reconcile useful lives to accounting policy of the Group; and ensured that useful lives are adequate to the period during which future economic benefits will be received by the Group. • We tested additions and disposals by review of primary documents • We performed impairment testing of PPE • We performed analysis of prior period audit adjustment to PPE in order to identify its appropriateness as of the balance sheet date and as a result proceeded with the restatement of prior year figures
Revenue recognition	
As at 31 December 2019, the Group's revenue amounted to EUR 17 916 thousand. Revenue recognition was identified as a key audit matter due to its complexity and inherent risk.	Our audit included the following procedures: • Obtained a detailed list of transactions and reconciled it to the trial balance • Performed review of companies accounts and contracts with major clients to identify whether revenue is recognised in accordance with the 5 step model described in IFRS 15 • Performed analysis of IFRS data to verify nature of revenue, to avoid misclassification • Analysis of significant sales contracts to verify correct IFRS accounting treatment

To the Members of Cereal Planet Plc

Key audit matters (continued)

	- Testing of accounts receivable by requesting confirmations from the Group's customers and by reconciling cash payments received after the year end against the accounts receivable balances at the year end. - Addressed the adequacy of the Group's disclosures related to revenue. - Addressed the compliance of the Group's revenue recognition accounting policies with applicable accounting standards, including those relating to discounts and rebates - Testing the accuracy of cut-off with substantive analytical procedures supplemented with test of details on a transaction level on either side of the statement of financial position and by analyzing credit notes issued after the statement of financial position date

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Corporate Governance Statement, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, no depreciation has been provided in the consolidated financial statements. Accordingly, we have concluded that the other information is materially misstated with respect to this matter.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The 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.

To the Members of Cereal Planet Plc

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements (continued)

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

To the Members of Cereal Planet Plc

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Management Report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Independent Auditor's Report (continued)

To the Members of Cereal Planet Plc

Other Matters

Independent Auditor's Report (continued)

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 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.

The engagement partner on the audit resulting in this independent auditor's report is Maria Nicolaou.

Comparative figures

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 May 2019.

Maria Nicolaou
Certified Public Accountant and Registered Auditor
For and on behalf of

Elsavco Audit & Tax Limited
Certified Public Accountants and Registered Auditors

Nicosia, 27 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(In thousands of EUR, unless otherwise stated)

	Notes	2019	2018 (restated)
Sales revenue	5	18 114	18 459
Cost of sales	6	(13 937)	(14 717)
Gross profit		4 177	3 742
Administrative expenses	7	(720)	(350)
Selling expenses	8	(2 611)	(2 736)
Other expenses	9	(68)	(810)
Other income	10	56	683
Finance expenses	11	(520)	(319)
Profit before taxation		314	210
Income tax	12	(45)	(41)
Net profit		269	170
Other comprehensive income/(loss):			
Currency translation reserve		495	(31)
Total comprehensive income/(loss) for the year		764	139

Director / Anatoliy Vlasenko

MANAGEMENT LIMITED

Director / ASK Management Limited

ASK INVESTMENT LIMITED

Director / ASK Investment Limited

Consolidated Financial Statements should be considered along with respective notes and is the integral part hereof

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2019

(In thousands of EUR, unless otherwise stated)

	Note	2019	2018 (restated)
ASSETS			
Non-current assets			
Property plant, and equipment	13	2 812	1 767
Intangible assets	14	34	36
		2 846	**1 803**
Current assets			
Inventory	15	3 029	2 465
Trade and other receivables	16	2 269	2 149
Prepayments and other current assets	17	1 428	1 327
Cash and cash equivalents	18	66	244
		6 792	**6 185**
TOTAL ASSETS		**9 638**	**7 988**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	53	53
Share premium	20	111	111
Exchange differences on translation to presentation currency		(4 342)	(4 837)
Retained earnings		6 710	6 441
		2 532	**1 768**
Non-current liabilities			
Deferred tax liabilities	12	3	7
Loans and borrowings non-current	21	492	-
		495	7
Current liabilities			
Loans and borrowings	21	3 755	2 173
Trade and other payables	22	2 531	3 653
Advances received and other liabilities	23	325	387
		6 611	**6 213**
Total liabilities		**7 106**	**6 220**
TOTAL EQUITY AND LIABILITIES		**9 638**	**7 988**

On 27 May 2020, the Board of Directors of Cereal Planet Plc authorized these consolidated financial statements for issue.

Director / Anatoliy Vlasenko

ASK MANAGEMENT LIMITED

Director / ASK Management Limited

ASK INVESTMENT LIMITED

Director / ASK Investment Limited

Consolidated Financial Statements should be considered along with respective notes and is the integral part hereof

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

(In thousands of EUR, unless otherwise stated)

	Note	2019	2018
Cash flows from operating activities			
Profit before tax		**314**	**210**
Adjustments for:			
Depreciation of property, plant and equipment	13	413	335
Amortization of intangible asset		17	-
Bad debt allowance		5	-
Foreign exchange difference		(11)	171
Interest expense	11	520	(319)
Cash flows from operations before working capital changes		**1 258**	**398**
(Increase)/ decrease in inventories and work in progress		(64)	129
(Increase)/ decrease in trade and other receivables		(5)	(1 278)
Increase/ (decrease) in trade and other payables		(1 284)	1 096
Income tax paid		(30)	(41)
Net cash flows from operating activities		**(125)**	**304**
Cash flows from investing activities			
Net movement in construction in progress		(93)	-
Net disposal of property, plant and equipment	13	178	-
Acquisition of intangible assets		(8)	-
Acquisition of property, plant and equipment	13	(1 128)	(1 154)
Net cash flows used in investing activities		**(1 051)**	(1 154)
Cash flows from financing activities			
Repayments of borrowings, including interest		(18 175)	714
Loans receipts		19 173	-
Net cash flows (used in)/from financing activities		998	**714**
Net (decrease) in cash and cash equivalents		(178)	(136)
Cash and cash equivalents:			
At beginning of the year/period		244	58
At end of the year/period	18	66	**244**

Director / Anatoliy Vlasenko

ASK MANAGEMENT LIMITED

Director / ASK Management Limited

ASK INVESTMENT LIMITED

Director / ASK Investment Limited

Consolidated Financial Statements should be considered along with respective notes and is the integral part hereof

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

(In thousands of EUR, unless otherwise stated)

	Issued capital (Note 20)	Share premium (Note 21)	Exchange differences on translation to presentation currency	Retained earnings	Total
As at 31 December 2017 (restated)	53	111	(4 806)	6 271	1 629
Net income/(loss) for the year	-	-	-	170	170
Foreign exchange differences (restated)	-	-	(31)	-	(31)
As at 31 December 2018 (restated)	53	111	(4 837)	6 441	1 768
Net income/(loss) for the year	-	-	-	269	269
Foreign exchange differences	-	-	495	-	495
As at 31 December 2019	53	111	(4 342)	6 710	2 532

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Euro) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Share premium is not available for distribution.

Director / Anatoliy Vlasenko

ASK MANAGEMENT LIMITED

Director / ASK Management Limited

ASK INVESTMENT LIMITED

Director / ASK Investment Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019 (In

thousands of EUR, unless otherwise stated)

1. Information about the Group and its principal activities

Country of incorporation

The Company Cereal Planet PLC (the "Company"') was incorporated in Cyprus on 12 April 2012 as a public company limited by shares under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Boumpoulinas 11, 3rd floor, 1060, Nicosia, Cyprus.

The Group

These consolidated financial statements also include:

Limited Liability Company "Olimp" ("LLC "Olimp"), incorporated on 24 July 1998 in accordance with requirements of the Ukrainian legislation and located at the address: 119 Gagarina ave., Kharkiv 61140.

Limited Liability Company "Cereal Ukraine" ("LLC "Cereal Ukraine""), incorporated on 22 August 2012 in accordance with requirements of the Ukrainian legislation and located at the address: 2 Mekhanizatoriv str., Kharkiv 61075. "LLC "Cereal Ukraine"" was liquidated in February 2019. All the assets were transferred to "LLC "Olimp".

Principal activities

The core activity of the Group is the production of cereals (buckwheat, pea, wheat, barley, maize, and millet) with the Group's own equipment. The cereals are packed in the consumer packages under the official trade mark which is used for own products and other goods. The principal activity of the parent Company is the holding of investments.

The Group of companies has a trade chain in Kharkov and in the region, key clients-distributors in large regional and district cities of Ukraine, the sales channels of which are used for sales of Group owned and other trademarks. The Group produces cereals under trademark "Olimp".

The Groups' technological equipment enables grain to be used in baking, confectionary, and medical fields (flax, rape, coriander, sunflower), and to be used in the preparation of fodder for various animals based on millet, canary millet, rape and oats.

Additionally, the Group has been exporting cereals to CIS countries, Europe, and Asia for over 15 years. The prevalent export items are cereals and grain manufactured by the Group, as well as grain purchased from agricultural companies in bulk, which are exported using the railway and sea transport.

Furthermore, the Group acts as an importer of significant volumes of agricultural products from abroad. The Group imports rice from Pakistan, Vietnam, China and Egypt, as well as cereals, grain crops, flakes, and pasta from the Russian Federation. The experience and long-term presence in this market made it possible to create and permanently expand the circle of partners in various countries of the world, the number of which nowadays exceeds 50 companies.

Besides, the Group provides transportation services across Ukraine and CIS countries.

2. Group's operating environment

During 2019, Ukraine underwent a transitional period during which it saw a stabilization of its political environment and implementation of a policy of consistent economic growth. The unique combination of natural, intellectual, human and production resources in combination with an effective and professional government opens plenty of new opportunities for development for the country in geopolitical scale.

In 2019 Ukrainian national currency, Ukrainian hryvnia, has strengthened 16% against the dollar since the beginning of this year and is confidently holding on to the historical maximum of the last four years – about UAH 23. Key factors that has influenced straightening of Ukrainian Hryvnia in 2019 were as follows:

- A record gain in grain yield in Ukraine. The largest-ever crop of grains and oilseeds was seen in 2019;
- A rise in labor productivity, particularly in agriculture and the food industry;
- A drop in world prices for oil and natural gas;
- A continued increase in money transfers from Ukrainian citizens abroad

This has opened new opportunities for the banks and for business in terms of attraction of financing.

a depreciation of the Ukrainian Hryvnia. These developments are further increasing the level of uncertainty in the Ukrainian business environment.

The Cypriot economy has recorded positive growth in 2017 and 2018 after overcoming the economic recession of recent years. The overall economic outlook of the economy remains favourable, however there are still downside risks emanating from the still high levels of non-performing loans, the public debt ratio, as well as possible deterioration of the external environment for Cyprus.

3. Accounting policies

3.1 Basis for preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. These consolidated financial statements have been prepared by the consolidation of the historical financial statements of each of the Group's companies, on the basis of the accounting records of these companies.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019 which include the comparative figures of 2018.

These consolidated financial statements comprise the consolidated results of activities of the below companies. The consolidated financial statements include balances, income and expenses of the following companies:

- Cereal Planet PLC
- Limited Liability Company "Cereal Ukraine" (liquidated in 2019)
- Limited Liability Company "Olimp"

In February 2019 Limited Liability Company “Cereal Ukraine” was liquidated, Limited Liability Company “Olimp” was recognized an assignee. This had no effect on financial statements of the Group.

Despite the legal separation, the Group's activities aim to achieve a common mission and goal. The majority of key management personnel is the same across the whole Group.

No new goodwill is recorded. The difference between the cost of the transaction and the carrying value of the net assets is recorded in equity.

All intra-group transactions, balances and unrealised profit resulting from intra-group transactions are eliminated. Unrealised losses are also eliminated, except in cases where there is clear indication of impairment of the underlying asset. When necessary, adjustments were made to the accounting policies of the subsidiaries in order for them to be in line with the Group's accounting policies.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These consolidated financial statements have been prepared as part of the Group's transition to International Financial Reporting Standards ("IFRS"). Until December 31, 2010 the Group had not prepared financial statements under IFRS, but accordingly to National Accounting Standards that were valid in Ukraine (National GAAPs).

Functional and presentation currency

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019 (In

thousands of EUR, unless otherwise stated)

The Company's functional and presentation currency is the Euro (EUR). The functional currency of each of the Group's Ukrainian entities is the Ukrainian Hryvnya (UAH).
For the convenience of the principal users, the Group's presentation currency was determined to be the Euro. Consolidated financial statements are presented in thousands of EUR.

The relevant exchange rates of UAH for EUR used for the conversion to the Group's presentation currency were:

	2019	**2018**
As at 31 December	26.4220	31.7141
Average	28.9406	32.1238

Going concern assumption

As disclosed in Note 2, in the nearest future the Group will continue to suffer from the effect of the unstable economy in Ukraine. Therefore, there is uncertainty which may affect future operations and the recoverability of the Group's assets, as well as its ability to maintain and repay its liabilities as they fall due.

The consolidated financial statements of the Group have been prepared on the basis of the going concern assumption, which means the recoverability of assets and repayment of liabilities in the course of the normal operating cycle

.

3.2 Adoption of new or revised standards and interpretations
During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Group, with the exception of the following:

IFRS 16 "Leases"

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

a) *Definition of a lease*
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 "Determining whether an Arrangement contains a Lease". The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

b) *Impact on Lessee Accounting*

The Group leases some premises and some trucks.

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The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Following these practical expedients, no right-of-use asset and lease liability was recognised as a result of implementation of IFRS 16.

IAS 23 "Borrowing Costs"

The Group has adopted amendments to **IAS 23 Borrowing Costs** issued by the International Accounting Standards Board as part of Annual Improvements to IFRS Standards 2015–2017 Cycle from 1 January 2019 and applies them to borrowing costs incurred on or after that date. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Therefore, the Group treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Borrowings that were intended to specifically finance qualifying assets which are now ready for their intended use or sale – or any non-qualifying assets – the Group includes in its general pool. This amendment had no impact on the Groups' consolidated financial statements.

Adoption of these standards and interpretations will not have any material effect on the financial position or performance of the Group. They will however give rise to additional disclosures, including revisions to accounting policies.

3.3. Standards issued but not yet effective
Up to the date of approval of the consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted, as follows:

i. Issued by the IASB and adopted by the European Union
   - Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).
   - Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)

ii. Issued by the IASB but not yet adopted by the European Union
   - New standard: IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
   - Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) (effective for annual periods beginning on or after 1 January 2020).
   - Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020)
   - IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(effective date postponed indefinitely).

The above are expected to have no significant impact on the Group's consolidated financial statements when they become effective.

3.4. Summary of significant accounting policies

The main principles of accounting policies, which have been adopted in the preparation of this consolidated financialstatements, are set out below. These policies have been applied consistently to all years presented in these consolidated financial statemens unless otherwise stated.

Revenue recognition and measurement

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Group includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by Management.

Identification of performance obligations

The Group assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a Customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a Customer.

Rendering of services

Rendering of services - at a point in time:

The Group concluded that it transfers control over its services at a point in time, upon receipt by the customer of the service, because this is when the customer benefits from the relevant service.

Taxes

Current income tax

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Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

• where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
• in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

• where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
• in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value-added tax ("VAT") except:

• where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and • receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is disclosed on the face of the consolidated statement of financial position.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, capitalised directly attributable borrowing costs in accordance with early adopted International Financial Reporting Standard IAS 23 Borrowing Costs (Revised), any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Group of property, plant and equipment	**Useful life (years)**
Buildings	50
Plant and equipment	20
Motor vehicles	10
Other	10

Land is considered to be the asset which has unlimited useful life and is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Low-value items (materiality level - 6,000 UAH/ 200EUR) of plant, property and equipment are expensed upon acquisition. **Intangible assets**

Software

Costs that are directly associated with identifiable and unique software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintenance of software programs are recognised as an expense when incurred. Software costs are amortised using the straight-line method over their useful lives. The management of the Company decided that the useful economic life of the computer software will be two years. Amortisation commences when the computer software is available for use and is included within administrative expenses. *Trademarks*

Trademarks are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful-lives. The management of the Company decided that the useful economic life of trademarks will be two years. Amortisation commences when the trademark is available for use and is included within administrative expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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The Group has elected not to recognise the right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets (i.e. IT equipment, office equipment etc.). The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Financial instruments

Financial assets Classification, recognition and derecognition

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets that are subject to IFRS 9 are classified as subsequently measured at amortized cost or at fair value based on both of these factors:

a) the business model of a business entity for managing financial assets;

b) Characteristics of contractual cash flows of a financial asset.

For investments in equity instruments that are not held for trading, classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Impairment – credit loss allowance for ECL

From 1 January 2018, the Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".
Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Group applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Group applies general approach - three stage model for impairment. The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Financial liabilities

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9.The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on accounts with banks with an original maturity of up to three months.

Trade and other payables

Accounts payable is measured at the date of initial recognition at fair value and subsequently measured at amortized cost using the effective interest method.

Estimated fair value

Fair value is defined as the price that would have been obtained for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants at the valuation date. The fair value measurement is based on the assumption that an asset sale or transfer transaction will occur either on the primary market for that asset or liability or, in the absence of a core market, in the most favorable market for an asset or liability. The main or most advantageous market should be available to the Enterprise.

The fair value of an asset or liability is estimated using assumptions used by market participants when determining the price of an asset or liability, taking into account that the market participants will act with the best economic benefit to themselves.

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The valuation of the fair value of non-financial assets takes into account the ability of market participants to generate economic benefits as a result of using an asset in the best and most efficient way or selling it to another market participant who has used that asset in the best and most efficient way.

Share Capital and Premium

Share capital represents the issued amount of shares at their par value. Any excess amount of capital raised is included in share premum.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Inventories

Originally inventories are stated at the lower of cost and net realisable value after making an allowance for any obsolete or slow-moving items. The cost of inventories includes the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. At disposal cost of raw materials, spare parts and goods is determined based on the FIFO method, whereas cost of finished goods is determined based on the weighted average cost method. Cost of merchandise is determined using FIFO method.

Net realizable value is the estimated selling price in the ordinary course of business, less any estimated costs necessary to make the sale.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit and loss in those expense categories consistent with the function of the impaired asset, except for property, plant and equipment previously revalue where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cashgenerating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The Group does not have the assets, for which annual impairment testing is required.

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Foreign currency transactions and translation to presentation currency

(1) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit and loss.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(2) Translation to presentation currency

At each reporting date, the assets and liabilities of each company are translated into the Group's presentation currency at the rate of exchange prevailing at the reporting date. The revenues and expenses for the year or, if shorter, the period of combined of subsidiary in the Group are translated at the exchange rate prevailing at the date of transaction or average exchange rate for the period if it approximates the rate as of the date of transaction. The exchange differences arising on the translation are recognised in other comprehensive income.

The exchange rates as at 31 December 2019 and average exchange rate for 12 months of 2019 are presented in the Note 3.1.

Contingent assets and liabilities

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Transactions with related parties

Parties are considered to be related if one party has a possibility of controlling the other party or affecting it considerably in taking financial or operational decisions. This definition of a related party may differ from the one under the legislation of Ukraine.

As defined by IAS 24 "Related party disclosures" related parties represent:

(a) A person or a close member of that person's family is related to a reporting entity if that person: has control or joint control over the reporting entity; has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

Both entities are joint ventures of the same third party.

One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

The entity is controlled or jointly controlled by a person identified in (a).

A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Restatement due to prior period error

The Company has identified an error in calculation of accumulated depreciation that arised in one of the previous reporting periods. The error was corrected at the earliest period presented in these Consolidated Financial Statements being 31 December 2017.

Should an error be corrected in an appropriate prior period, it would not have a material effect on financial results of that period.

The effect to financial statement items as at 31 December 2017 was as foolows:

	Before restatement, EUR thousand	**Change, EUR thousand**	**After restatement, EUR thousand**
Property, plant and equipment	1 560	(414)	1 146
Retained earnings	6 685	(414)	6 271

The effect to financial statement items as at 31 December 2018 was as foolows:

	Before restatement, EUR thousand	**Change, EUR thousand**	**After restatement, EUR thousand**
Property, plant and equipment	2 205	(438)	1 767
Exchange differences on translation to presentation currency	(4 812)	(24)	(4 837)
Retained earnings	6 854	(414)	6 441

4. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions, which affect the reported amounts of assets and liabilities in the statements, and the disclosure of information about potential assets and liabilities. These estimates are based on the information available as at the date of preparing financial statements. Actual results may differ from current estimates. These estimates are periodically reviewed and if necessary these corrections are reflected in the financial results for the period, in which they have become known.

The management of the Group while implementing the accounting policies makes various judgements which could significantly affect the amounts presented in the consolidated financial statements. Major management's judgements, which have material effect on the consolidated financial statements, are presented below.

Method of effective interest

Interest income is calculated using the effective interest method. Calculation is carried out by application of effective interest rate to the gross carrying amount of the financial asset.

Provisions for unused vacation

The management of the Group has decided to provide for unused vacations, since there is a legal obligation to compensate in cash the unused vacations for the employees when certain circumstances occur (e. g. dismissal). The timing of such obligations is uncertain and the amount provided is the management's best estimate of potential expenses necessary to settle the existing liability as at the end of each reporting period.

Measurement of issued loans at amortised cost

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Issued interest-free loans are classified as non-derivative financial assets which have been measured after initial recognition at amortised cost. However, the management is significantly concerned about maturity and payment schedule of the issued loans, since the majority of them are provided to key management personnel. Consequently, all further decisions about prolongation of loan agreements or early repayment of these loans will be made at the ultimate controlling party level and depend on the range of internal and external factors. Such uncertainty about future cash flows does not allow recognizing the amortised cost of these loans correctly. Hence, the receivable balance for the issued interest-free loans is measured at face value rather than at amortised cost.
However, the management performs analysis for expected credit losses and provides an allowance, if any.

Taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made

Provision for obsolete and slow-moving inventory

The Company reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on Management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

5. Sales revenue

Sales revenues for the years ended 31 December are as follows:

	2019	**2018**
Sales proceeds of finished production	16 301	17 047
Sales of goods	1 288	1 067
Sales proceeds of services	525	345
	18 114	**18 459**

6. Cost of sales

Costs of sales for the years ended 31 December are as follows:

	2019	**2018**
Cost of sales of finished production	13 242	13 751
Cost of goods	338	712
Cost of sales of services	357	253
	13 937	**14 717**

7. Administrative expenses

Administrative expenses for the years ended 31 December are as follows:

	2019	**2018**

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Salary and related charges	275	88
Repairs	133	26
Services banks	46	49
Other professional fees	37	72
Information and advice	19	5
Mail services and communication	10	14
Other	200	96
	720	**350**

8. Selling expenses

Selling expenses for the years ended 31 December are as follows:

	2019	**2018**
Transportation		
Salary and related charges		
Containers and packaging		
Repairs and maintenance		
Permission and quality documentation		
Marketing costs		
Customs clearance		
Electric power		
Other		

9. Other expenses

Other expenses for the years ended 31 December are as follows:

Net foreign exchange loss		
Other expenses		
Doubtful debts		
Fines, penalties		
Loss of the right to a tax credit		

10. Other income

Other income for the years ended 31 December are as follows:

Net foreign exchange gains		
Gain from surpluses found during stocktaking		
Gain from sale of fixed assets and inventories		
Trade payables write-off		

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Other income

	1 507	1
	171	599
		141
	66	76
	64	25
	64	52
	27	17
	15	14
	2	3
	695	810
	2 611	**2 736**

11. Finance expenses

Finance expenses for the years ended 31 December are as follows:

Interest expenses

12. Income tax expenses

Income tax expenses for the years ended 31 December are as follows:

Current income tax expense Deferred income tax

45 **41**

	2019	**2018**
	43	-
	21	755
	4	(2)
	-	49
	-	8
	68	**810**

The corporation tax rate in Cyprus is 12.5% and in Ukraine 18%.

In the Consolidated Statement of Financial Position deferred taxes were as follows:

	2019	**2018**
	-	359
	-	85
	12	199
	-	5
	44	35
	56	**683**

	2019	**2018**
	520	319
	520	**319**

	2019	**2018**
	50	37
	(5)	4

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	2019	2018
Deferred tax asset		-
Deferred tax liability	(3)	(7)
	(3)	**(7)**

As at 31 December 2019 and 2018 the Group's deferred taxes were the following:

	01/01/2019	Currency translation	Origin and reversal of temporary differences differences	31/12/2019
Deferred tax liability				
Property, plant and equipment	(5)	5	-	-
Provision for credit losses	(2)	(1)	-	(3)
	(7)	**4**	**-**	**(3)**

	01/01/2018	Currency translation differences	Origin and reversal of temporary differences	31/12/2018
Deferred tax liability				
Property, plant and equipment	-	(5)	-	(5)
Provision for credit losses	(3)	1	-	(2)
	(3)	**(4)**	**-**	**(7)**

13. Property, plant and equipment and construction in process

As at 31 December, the balances of Property, plant and equipment are as follows:

	2019	2018
Property, plant, and equipment	2 473	1 569
Construction in process	339	198
	2 812	**1 767**

Movements in the Consolidated Statement of Financial Position property, plant and equipment were as follows:

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	Buildings	Plant and equipment	Vehicles	Other PPE	Total
Cost or deemed cost					
As of 31 December 2017	**262**	**535**	**51**	**30**	**878**
Additions	567	124	163	8	862
Disposals					
Currency translation difference	(1)	-	-	-	(1)
Plant and					
Buildings	**828**	**659**	**214**	**38**	**739**
Vehicles	605	283	228	12	**128**
Other PPE	(166)	(139)	(9)	-	**(314)**
Total As of	207	346	64	9	**626**
31 December	**474**	**149**	**497**	**59**	**179**
2018					
equipment					
Additions					
Disposals	**17**	**751**	**17**	**29**	**814**
Currency translation difference	51	274	8	-	333
As of 31 December 2019	**-**	**-**	**-**	**-**	**-**
	(4)	25	-	2	23
Accumulated depreciation					
As of 31 December 2017 (restated)	**64**	**050**	**25**	**31**	**170**
Depreciation for the period	84	270	45	14	413
Disposals	(9)	(126)	(2)	-	(137)
Currency translation difference	20	225	8	6	259
As of 31 December 2018 (restated)	**159**	**419**	**76**	**51**	**706**
Depreciation for the period					
Disposals					
Currency translation difference					
As of 31 December 2019	**245**	**784**	**34**	**1**	**064**
	764	**609**	**189**	**7**	**569**
Net book value					
As of 31 December 2017 (restated)	**315**	**730**	**421**	**8**	**473**
As of 31 December 2018 (restated)					
As of 31 December 2019 Restatement					

For details of restatement as at 31 December 2017 please refer to the Note 3.

Revaluation

As at 1 January 2011 the Group performed revaluation of property, plant and equipment and recognized those cost as deemed cost as at the date of transition to IFRS in accordance with IFRS 1. Subsequently, the Group applies cost model for accounting of PPE.

As at 1 January 2011, the fair values of buildings, plant and equipment and vehicles were determined by reference to market based evidence using the comparison and cost methods. Valuations performed by the appraiser are based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset. The amount of revaluation adjusted for deferred tax effect of revaluation is transferred to retained earnings on the date of transition.

Collateral

As at 31 December 2019, property, plant and equipment for EUR1 940 thousand is provided as collateral for bank loans.

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14. Intangible assets

Intangible assets as at 31 December are as follows:

	2019	2018
Intangible assets:		
Cost	112	86
Accumulated amortization	(78)	(50)
	34	**36**

15. Inventories

Inventories as at 31 December are as follows

	2019	2018
Raw materials	1 402	1 087
Finished goods	1 222	1 068
Spare parts	159	115
Construction materials	43	40
Merchandise	5	-
Other inventory	197	156
	3 029	**2 465**

As at 31 December 2019, the whole balance of inventories is pledged as collateral under different loan agrements with banks.

16. Trade and other receivables

Trade and other receivables as at 31 December are as follows:

	2019	2018
Trade receivables	2 079	2 014
Provision for credit losses	(16)	(12)
Other receivables	206	146
	2 269	**2 149**

The fair value of trade and other receivables approximately equals to their net book value presented above.

17. Prepayments and other current assets

Prepayments and other current assets as at 31 December are as follows:

	2019	2018
Prepayments		
Income tax receivables		

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VAT receivable		
Other taxes receivables	964	860
Other current assets	-	(7)
	418	450
	29	14
	17	8
	1 428	**1 326**

18. Cash and cash equivalents

Cash and cash equivalents as at 31 December are as follows:

		2019	**2018**
Cash in hand Cash at bank			
66	**244**		
		3	4
		63	240

19. Share capital

Share capital as at 31 December is as follows:

	2019		**2018**	
Authorised	**Number of shares**	**€**	**Number of shares**	**€**
Ordinary shares of €0,03 each	2.001.000	60	2.001.000	60
Issued and fully paid				
Balance at 1 January				
Balance at 31 December	1.780.000	53	1.780.000	53
1.780.000				
53	**1.780.000**	**53**		

Authorised capital

Under its Memorandum the Company fixed its share capital at 2.001.000 ordinary shares of nominal value of €0,03 each.

Issued capital

Upon incorporation on 12 April 2012 the Company issued to the subscribers of its Memorandum of Association 1.740.000 ordinary shares of €0,03 each at par.

On 26 February 2013 the Company issued additional 40.000 shares of nominal value €0,03 each.

On 8 April 2013 the Board of Directors resolved that up to 260.000 shares be placed at the alternative trading platform "NewConnect" of the Warsaw Stock Exchange. This decision has been approved by an Extraordinary General Meeting held on the 25 April 2013.

During 2019 and 2018 there were no changes in issued capital and in the number of floated shares.

20. Share premium

Share premium as at 31 December are as follows:

		Share premium	**Total**
Balance at 31 December2018 / 1 January 2019	111	**111**	
Balance at 31 December 2019	111	**111**	

21. Loans and borrowings

Loans and borrowings as at 31 December are as follows:

	2019	**2018**

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	3 590	
		788
	165	385
	247	**173**

Non-current		
Interest-bearing loans and borrowings current	492	-
Current		
Interest-bearing loans and borrowings current		
Overdraft		

Terms and debt repayment schedules

	Currency	Contractual interest rate as per annum	Maturity	Outstanding amount
2019				
Secured bank loan	EUR	8%	2020	580
Secured bank loan	USD	8%	2020	813
Secured bank loan	USD	LIBOR+5%		146
Secured bank loan	UAH	20%-22%	2020	2 051
Secured bank loan	UAH	20%-22%	2022	492
Overdraft	UAH	20,99%-30%	2020	2
Overdraft	UAH	19,25%	2020	163
				4 247
2018				
Secured bank loan	USD	LIBOR+5,5%	2020	23
Secured bank loan	UAH	20%-22%	2020	1 765
Overdraft	UAH	21,00%	2019	278
Overdraft	UAH	19,75%	2019	107
				2 173

As at 31 December 2019, the amount of unused loan facilities comprises equivalent of EUR 346 thousand.

As at 31 December 2019, assets for total amount of EUR 6 942 thousand are pledged as a collateral for existing loan facilities. Out of the total amount of collateral, EUR 5 001 thousand refers to inventories and EUR 1 940 to property,

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plant and equipment. As at 31 December 2019, the amount of inventories pledged under pledge agreements exceeds the total inventory balance.

The related parties provided financial and assets guarantees under the loan agreements of the Group for the total amount of EUR 13 036 thousand as at 31 December 2019.

22. Trade and other payables

Trade and other payables as at 31 December are as follows:

	2019	2018
Trade payables	2 531	3 653
	2 531	**3 653**

23. Advances received and other liabilities

Advances received and other liabilities as at 31 December are as follows:

	2019	2018
Advances received from customers	262	231
Income taxes payable	29	-
Employee benefit liabilities	23	20
Payables for unused vacations	11	24
Other taxes payable	-	113
	325	**388**

24. Financial risks management

Factors of financial risks

The Group is exposed to credit risk, liquidity risk, market risk, interest rate risk, foreign currency risk, operational risk, compliance risk, litigation risk, reputation risk and other risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

24.1 Credit risk

The Group faces credit risk that is determined as the risk that a contractor will fail to fully pay off the amount of debt at the redemption date. Maximum level of Group's credit risk, in general, is stated in carrying value of financial assets, which is provided in statement of financial position. The influence of possible offsetting of assets and liabilities on the reduction of potential credit risk is insignificant. Provisions for impairment are established for the discharge of losses that may be incurred at the date of statement of financial position (if available).

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The Group's policy on credit risk management is aimed at carrying out operations with contractors with a positive reputation and credit history. It is worth stating that the results of world financial crisis had a significant influence on Ukrainian economy that, for one's tum, results in a significant increase of credit risk because of unstable financial conditions of a significant number of contractors.

Trade and other receivables

The Group’s exposure to credit risks is influenced mainly by the individual characteristics of each customer. Additionally, management analyses the factors that may influence the credit risks of the customers, including the default risk of the country or industry, in which the customers operate, as such factors may have an influence on credit risk.

The Group has established effective policy for work with those customers for which there are expected credit losses. The expected credit losses are assessed individually.

Movements in the allowance for impairment in respect of financial assets for the year ended 31 December 2019 were as following:

	2019	**2018**
Balance as at 1 January	(12)	(17)
Impairment loss/ gain from reversal of provision	(2)	6
Translation differences	(2)	(1)
Balance as at 31 December	**(16)**	**(12)**

As at 31 December 2019 and as at 31 December 2018 allowance for impairment of trade and other receivables is fully attributable to trade receivables.

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis. As at 31 December 2019 and as at 31 December 2018 the Group has recognised an allowance for impairment of cash and cash equivalents in respect of currenct balance in Ukrainian bank that is under liquidation.

Movements in allowance for impairment in respect of cash and cash equivalents were as following:

	2019	**2018**
Balance as at 1 January	(4)	-
Impairment loss/ gain from reversal of provision	-	(4)
Translation differences	(1)	-
Balance as at 31 December	**(5)**	**(4)**

As at 31 December 2019 the cash balances were placed in banks with the following ratings (classification of national ratings was translated to Moody's scale):

Bank’s rating	**Balance, EUR thousand**
Aaa	31
Aa2	27
A2	2
A1	2
	62

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24.2 Capital management

The Group considers loan capital and authorised/share capital as main sources of equity. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group's policy to manage equity is directed at ensuring and supporting optimal capital structure with a view of decrease in total expenses for raising capital and ensuring flexibility of access of the Group to equity markets.

The Group's management permanently controls the capital structure and can adjust its policy and management capital purposes with a view of changes in operating environment, market trends, and development strategy of the Group. For the years ended 31 December 2019, 2018 and 2017 rules and procedures applied by the Group to manage capital have not changed. The Group controls equity with the leverage that is a result of division of net debts by the amount of equity and net debt. The Group includes loans and borrowings and other payables less cash and cash equivalents.

		2019	**2018**
Loans and borrowings (note 21)		4 247	2 173
Trade and other payables (note 22)		2 531	3 475
Advances received and other liabilities (note 23)		325	387
Cash and cash equivalents (note 18)		(66)	(244)
Net debt		**7 037**	**5 791**
Equity			
Equity and net debt		2 334	1 768
Leverage		**9 371**	**7 559**
75,1%	76,6%		

24.3 Liquidity risk

Liquidity risk is the risk that the Group may face difficulties during the repayment of its financial liabilities. Increase in a risk level may arise when the maturity of assets and liabilities do not match, when the maturity of financial assets exceed the maturity of financial liabilities.

The task of Group's management is to keep the balance between continual financing and sufficient cash and other highly liquid assets, and to keep a proper level of credit liabilities to suppliers and banks. The Group analyses the term of debt and plans its liquidity depending on the anticipated term of liabilities fulfilment.

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2019:

		Contractual cash flows				
	Carrying amount	**Total**	2 months or less	2-12 months	1-2 years	2-5 years
Loans and borrowings	**4 247**	**4 978**	125	4 154	108	591
Trade and other payables	**2 531**	**2 531**	2 405	126		
Advances received and other liabilities	**325**		314	11		
	7 103	**7 509**	**2 844**	**4 290**	**108**	**591**

24.4 Market risk

The Group is exposed to financial risks, which occur as a result of changes in market prices for foods. The Group does not foresee that the prices for foods will decrease in the near future and thus concluded neither derivative nor any other contracts in order to manage price risks. The Group regularly reviews its price perspectives for foods taking into account the necessity of active financial risks management.

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24.5 Foreign currency risk

Currency risk is the risk that the value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates in respect to the national currency. Currency risks arise when future transactions and recognised assets are denominated in currency other than measurement currency. The Group faces risk of currency exchange rates fluctuation mainly concerning US Dollars (USD), the Euro (EUR) and the Russian Rouble (RUB). Group's management monitors currency exchange rate permanently and takes necessary actions.

The table below presents carrying value of the monetary assets and monetary liabilities nominated in foreign currency as at the reporting date.

	2019		**2018**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
USD	785	998	4	-
EUR	31	707	240	-
UAH				-
	816	**1 705**	**244**	**-**

The following table demonstrates the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

	Increase/ decrease in rate,	**Effect on profit or loss before tax**
2019		
USD	+10%	(17)
USD	-10%	17
EUR	+10%	(55)
EUR	-10%	55
2018		
USD	+10%	(9)
USD	-10%	9
EUR	+10%	(14)
EUR	-10%	14

24.6 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Market interest rates fluctuations effect the financial position and cash flows of the Group depending whether such change relates to financial assets or financial liabilities.

Most financial assets of the Group are interest free with the exception of cash and cash equivalents that give insignificant finance income because of the low short-term interest rates; the risk of their change is insignificant. Due to this the Group does not expose a significant risk because of market interest rates fluctuations that relate to financial assets.

The following table demonstrates the concentration risk of interest rates of the Group:

	31.12.2019	**31.12.2018**

Financial liabilities	**4 247**	**2 173**

24.7 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and system management of the Group, and from the human effect and weather conditions. The Group's systems are evaluated, maintained and upgraded continuously.

24.8 Compliance risk

Compliance risk is the risk of financial loss that arises from non-compliance with laws and other regulations.

24.9 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits.

24.10 Reputation risk

The risk of loss of reputation is the result of the negative publicity relating to the Group's operations (whether true or false) and may result in a reduction of its clients, reduction in revenue and legal cases against the Group.

24.11 Other risk

The general economic environment prevailing in Cyprus, Ukraine and internationally may affect the Group's operations to a great extent. The concepts as inflation, unemployment, and development of gross domestic product are directly linked to the economic course of every country. Any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

25. Transactions with key management personnel

Related parties include the companies under common control and key management.

The ultimate controlling parties of the Group are Mr. Vlasenko Anatoliy., Mr. Vlasenko Alexander., Mr. Slavgorodskiy Alexander.

Below is the table of distribution of shares in the authorized capital as at 31 December 2019:

Stockholder	Number of shares	Participation in share capital
Mr. Vlasenko A.	570 945	32,08%
Mr. Vlasenko O.	506 667	28,46%
Mr. Slavgorodskiy A.	506 666	28,46%
Free float	195 722	11,00%
Total	**1 780 000**	**100%**

Below is the table of distribution of shares in the authorized capital as at 31 December 2018:

Stockholder	Number of shares	Participation in share capital
Mr. Vlasenko A.	597 002	33,54%
Mr. Vlasenko O.	532 723	29,93%
Mr. Slavgorodskiy A.	532 723	29,93%
Mr. Dobruskin I.	97 830	5.5%
Ms. Steshenko V.	19 722	1.1%
Total	**1 780 000**	**100%**

The following tables provide the total amount of transactions, which have been entered into with related parties during:

Repayment **Settlement** **Purchases** **Sales of**
Providing of raised **Raising of** **of loan**
of goods **goods and**

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			of loan	**loans**	**loans**	**provided**	**and**
services	**services**						

2019						
Entities under common control	13	-	40	10	759	1 992
Key management personnel	-	116	13	97	874	49
	13	**116**	**53**	**107**	**1 633**	**2 041**
2018						
Entities under common control	1	13			233	-
Key management personnel	-	-			1 152	-
	1	**13**			**1 385**	**-**

The outstanding balances due from/to related parties as at 31 December 2019 and 2018 were follows:

	Advances received and	**Prepayments other current**		**and other**
			Trade and other	**Trade and other**
	liabilities	**current assets**	**payables**	**receivables**
2019				
Entities under common control	47	-	18	91
Key management personnel	8	-	1 965	54
	54	**-**	**1 983**	**146**
2018				
Entities under common control	12	-	623	-
Key management personnel	-	-	2 330	-
-	**-**	**2 953**	**-**	

26. Commitments and contingencies

Legal claims

As discussed in Note 2, the Group conducts the majority of its operations in Ukraine. Ukrainian legislation and regulations regarding taxation and other operational matters continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities and other Governmental bodies as well as by the courts. Instances of inconsistent interpretations are rather usual and thus there is no clear guidance on the position of the authorities and the courts on most subjects.

In 2019, Olimp LLC, Ukrainian subsidiary of Cereal Planet PLC, was inspected by the Inspection of State Architectural and Construction Control of the Department of Territorial Control of Kharkiv City council. The Inspection accrued penalties in amount of EUR 42 thousand as a result of violetions identified.

However, the management of Olimp LLC claimed the penalties accrued by the Inspection in court. On 23 January 2020, the Court satisfied the claims of Olimp LLC regarding removal of penalties. Subsequently, the Inspection has made an application to the Court of Appeal regarding the First instance court decision.

The management assesses the risk of accrual of penalties as possible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019 (In

thousands of EUR, unless otherwise stated)

27. Events after the reporting period

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Ukrainian hryvnia. Responding to the potentially serious threat the COVID-19 presents to public health, Ukrainian government authorities have taken measures to contain the outbreak, introducing restrictions on the movement of people within Ukraine and the 'lock-down' of cities in regions likely to be affected by the outbreak, suspension of transport links with Ukraine and entry restrictions on visitors pending further developments.

At the same time moved by potential threat the Ukrainians have significantly increased purchases of consumer goods in March 2020. In Ukraine the buckwheel is one of the basic products, for which a demand sharply increased in March 2020. This resulted in increase in prices for buckwheel up to 50% in March 2020

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

During 2020, the parent company Cereal Planet Plc commenced the procedure for re-domiciliation of the Company from Cyprus to Poland.
There were no other events after the reporting period which have a bearing on the understanding of the consolidated financial statements.

28. Auditor's fees

The details of the fees for the services contracted by entities of the Group for the year ended December 31, 2018 with their respective auditors and other audit entities are as follows:

Auditor's fees	**2019**	**2018**
Private entity Auditorske Bureau Natalii Pavliuchenko	5	
Elsavco Audit & Tax Limited	6	
Kreston GCG Audit LLC		9
Kreston Proios Ltd		12
Total	**11**	**21**

The services provided by the auditors meet the independence requirements established under Audit of Accounts Law, accordingly they do not include the performance of any work that is incompatible with the auditing function.